

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

March 22, 2024

3:15 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 378

"An Act relating to theft; relating to organized retail theft; establishing a statewide marketplace facilitator sales tax; establishing the organized retail theft fund in the general fund; and providing for an effective date."

- HEARD & HELD

CS FOR SENATE BILL NO. 147(L&C)

"An Act relating to reemployment rights and benefits; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 55

"An Act relating to allocations of funding for the Alaska Workforce Investment Board; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 150

"An Act relating to residential building codes; relating to construction contractors and residential contractor endorsements; 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."

- MOVED CSHB 189(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 233

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

- HEARD & HELD

HOUSE BILL NO. 204

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

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HB 378

SHORT TITLE: ORG. RETAIL THEFT/FUND;MKTPLACE SALES TAX

SPONSOR(S): REPRESENTATIVE(S) FIELDS

02/20/24	(H)	READ THE FIRST TIME - REFERRALS
02/20/24	(H)	L&C, JUD, FIN
03/13/24	(H)	L&C AT 3:15 PM BARNES 124
03/13/24	(H)	<Bill Hearing Rescheduled to 03/15/24>
03/15/24	(H)	L&C AT 3:15 PM BARNES 124
03/15/24	(H)	-- MEETING CANCELED --
03/22/24	(H)	L&C AT 3:15 PM BARNES 124

BILL: SB 147

SHORT TITLE: REEMPLOYMENT BENEFITS

SPONSOR(S): SENATOR(S) KAUFMAN

05/11/23	(S)	READ THE FIRST TIME - REFERRALS
05/11/23	(S)	L&C, FIN
02/14/24	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/14/24	(S)	Heard & Held
02/14/24	(S)	MINUTE(L&C)
02/19/24	(S)	FIN REFERRAL REMOVED
02/21/24	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/21/24	(S)	Moved CSSB 147(L&C) Out of Committee
02/21/24	(S)	MINUTE(L&C)

02/23/24 (S) L&C RPT CS 2DP 2NR TECHNICAL TITLE
CHANGE
02/23/24 (S) DP: BJORKMAN, GRAY-JACKSON
02/23/24 (S) NR: DUNBAR, MERRICK
03/06/24 (S) TRANSMITTED TO (H)
03/06/24 (S) VERSION: CSSB 147(L&C)
03/11/24 (H) READ THE FIRST TIME - REFERRALS
03/11/24 (H) L&C
03/20/24 (H) L&C AT 3:15 PM BARNES 124
03/20/24 (H) <Bill Hearing Rescheduled to 03/22/24>
03/22/24 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 55

SHORT TITLE: EXTEND WORKFORCE INVEST BOARD ALLOCATIONS
SPONSOR(s): REPRESENTATIVE(s) CARRICK

02/01/23 (H) READ THE FIRST TIME - REFERRALS
02/01/23 (H) EDC, L&C, FIN
01/31/24 (H) EDC AT 8:00 AM DAVIS 106
01/31/24 (H) Heard & Held
01/31/24 (H) MINUTE(EDC)
02/12/24 (H) EDC AT 8:00 AM DAVIS 106
02/12/24 (H) Heard & Held
02/12/24 (H) MINUTE(EDC)
02/14/24 (H) EDC AT 8:00 AM DAVIS 106
02/14/24 (H) Scheduled but Not Heard
03/13/24 (H) EDC AT 8:00 AM DAVIS 106
03/13/24 (H) Heard & Held
03/13/24 (H) MINUTE(EDC)
03/15/24 (H) EDC AT 8:00 AM DAVIS 106
03/15/24 (H) Moved CSHB 55(EDC) Out of Committee
03/15/24 (H) MINUTE(EDC)
03/20/24 (H) EDC RPT CS(EDC) NEW TITLE 2DP 2NR 3AM
03/20/24 (H) DP: MCCORMICK, ALLARD
03/20/24 (H) NR: MCKAY, PRAX
03/20/24 (H) AM: HIMSCHOOT, STORY, RUFFRIDGE
03/20/24 (H) L&C AT 3:15 PM BARNES 124
03/20/24 (H) Scheduled but Not Heard
03/21/24 (H) L&C AT 10:30 AM BARNES 124
03/21/24 (H) -- MEETING CANCELED --
03/22/24 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 150

SHORT TITLE: RESIDENTIAL BUILDING CODE
SPONSOR(s): REPRESENTATIVE(s) SUMNER

03/31/23 (H) READ THE FIRST TIME - REFERRALS

03/31/23 (H) L&C
 04/14/23 (H) L&C AT 3:15 PM BARNES 124
 04/14/23 (H) <Bill Hearing Canceled>
 04/19/23 (H) L&C AT 3:15 PM BARNES 124
 04/19/23 (H) -- MEETING CANCELED --
 04/21/23 (H) L&C AT 3:15 PM BARNES 124
 04/21/23 (H) <Bill Hearing Canceled>
 04/26/23 (H) L&C AT 3:15 PM BARNES 124
 04/26/23 (H) Heard & Held
 04/26/23 (H) MINUTE(L&C)
 03/11/24 (H) L&C AT 3:15 PM BARNES 124
 03/11/24 (H) Scheduled but Not Heard
 03/18/24 (H) L&C AT 3:15 PM BARNES 124
 03/18/24 (H) -- MEETING CANCELED --
 03/20/24 (H) L&C AT 3:15 PM BARNES 124
 03/20/24 (H) Scheduled but Not Heard
 03/21/24 (H) L&C AT 10:30 AM BARNES 124
 03/21/24 (H) -- MEETING CANCELED --
 03/22/24 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 189

SHORT TITLE: SALE OF ALCOHOL BY UNDER 21
 SPONSOR(s): LABOR & COMMERCE

05/03/23 (H) READ THE FIRST TIME - REFERRALS
 05/03/23 (H) L&C
 03/06/24 (H) L&C AT 3:15 PM BARNES 124
 03/06/24 (H) <Bill Hearing Rescheduled to 03/08/24>
 03/08/24 (H) L&C AT 3:15 PM BARNES 124
 03/08/24 (H) Scheduled but Not Heard
 03/11/24 (H) L&C AT 3:15 PM BARNES 124
 03/11/24 (H) Heard & Held
 03/11/24 (H) MINUTE(L&C)
 03/22/24 (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
 03/06/24 (H) Heard & Held
 03/06/24 (H) MINUTE(L&C)
 03/15/24 (H) L&C AT 3:15 PM BARNES 124
 03/15/24 (H) -- MEETING CANCELED --

03/22/24

(H)

L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

JOHN STASER, Owner
Mountain View Sports
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony in support of HB 378.

SENATOR JAMES KAUFMAN
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented CSSB 147(L&C).

CHUCK COLLINS, Director
Division of Workers' Compensation
Department of Labor & Workforce Development
Juneau, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on CSSB 147.

STEWART RELAY, Staff
Representative Ashley Carrick
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Gave an explanation of changes in CSHB 55(L&C) from Version A to Version R, on behalf of Representative Carrick, prime sponsor.

CLARK BICKFORD, Staff
Representative Clark Sumner
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the summary of changes in the proposed CS for HB 150, Version R, on behalf of Representative Sumner, prime sponsor.

JEFF TWAIT, Owner
Cornerstone Custom Homes
Washington, D.C.

POSITION STATEMENT: Gave invited testimony on the proposed CS for HB 150, Version R.

RALPH SAMUELS, Vice President
Community & Government Relations Alaska
Holland America Group

Fallschurch, Virginia

POSITION STATEMENT: Testified in support of HB 189.

CODY RICHARDSON, Managing Partner

Juneau Auto Mall

Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 233.

TODD NOVAC, representing self

Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 233.

CRAIG ORLIN, Director of State and Local Government Affairs

American Honda Motor Company

Alexandria, Virginia

POSITION STATEMENT: Testified in opposition to HB 233.

SPENCER ALEXANDER, General Manager

Fairbanks Chevrolet GMC

Fairbanks, Alaska

POSITION STATEMENT: Testified during the hearing on HB 223.

MATTHEW EWIN, General Manager

Mazda North America Operations

Fallschurch, Virginia

POSITION STATEMENT: Testified in opposition to HB 233.

DAVID BRIGHT, Senior Attorney

Alliance for Automatic Innovation

Washington, D.C.

POSITION STATEMENT: Testified in opposition to HB 233.

NATE MORAN, General Manager

Toyota Motor North America

Plano, Texas

POSITION STATEMENT: Testified in opposition to HB 233.

LAUREN BAILEY, Director

Franchising and State Law

National Automobile Dealers Association

McLean, Virginia

POSITION STATEMENT: Testified in support of HB 233.

THOMAS LAWSON, Government Affairs Manager

Ford Motor Company

Sacramento, California

POSITION STATEMENT: Testified in opposition to HB 233.

JOSEPH MCARTHUR, Service Manager
Fairbanks Nissan
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 233.

ACTION NARRATIVE

[3:15:10 PM](#)

CHAIR JESSE SUMNER called the House Labor and Commerce Standing Committee meeting to order at 3:15 p.m. Representatives Saddler, Ruffridge, Fields, Carrick, and Sumner were present at the call to order. Representatives Wright and Prax arrived as the meeting was in progress.

HB 378-ORG. RETAIL THEFT/FUND;MKTPLACE SALES TAX

[3:16:04 PM](#)

CHAIR SUMNER announced that the first order of business would be HOUSE BILL NO. 378, "An Act relating to theft; relating to organized retail theft; establishing a statewide marketplace facilitator sales tax; establishing the organized retail theft fund in the general fund; and providing for an effective date."

[3:16:21 PM](#)

REPRESENTATIVE FIELDS, as prime sponsor, presented HB 378. He directed attention to a PowerPoint presentation, entitled "HB 378: Organized Retail Crime" [hardcopy included in committee packet], and began on slide 2, "Organized Retail Crime," which read as follows [original punctuation provided]:

- Homeland Security Investigations (HSI) defines ORC as "the association of two or more persons engaged in illegally obtaining items of value from retail establishments, through theft and/or fraud, as part of a criminal enterprise."
- According to the 2021 joint report released by the Retail Industry Leaders Association (RILA) and the Buy Safe America Coalition, in 2019, nearly \$70 billion in goods were stolen from retailers."
- ORC is not simply shoplifting, and these crimes are not victimless. A growing number of thefts turn violent, and consumers, local communities

and businesses bear the costs of rising prices. These thefts are detrimental to both businesses, small and large alike, and the overall economy as they pose both societal and health risks to the community.

3:18:52 PM

REPRESENTATIVE FIELDS summarized slides 3, 4, and 5, which shared national statistics on items targeted in retail crime. He turned to slide 6, "Economic Impact of Organized Retail Crime," which read as follows [original punctuation provided]:

- The economic impact of retail crime is profound. Retailers face increased costs for lost product, security, and labor, which lead to higher prices for consumers and ultimately, lower sales. Lower sales translate to fewer jobs throughout the economy. The result is \$125.7 billion in lost economic activity and 658,375 fewer jobs, paying almost \$39.3 billion in wages and benefits to workers.
- National estimates reveal ORC costs federal and state governments nearly \$15 billion in lost tax revenue, not including lost sales taxes.
- It is estimated that the average American family will pay more than \$500 annually in additional costs due to the impact of ORC.
- ORC is a low-risk, high-reward income stream for domestic and transnational criminal organizations that greatly impacts inter-state and international commerce and the overall economic security of Alaska and the United States.

REPRESENTATIVE FIELDS explained that most of the items stolen fall below meaningful criminal penalty thresholds in Alaska, so the theft may not rise to a level that is addressed or prosecuted. Nonetheless, many small crimes have massive aggregate impact on small businesses.

3:20:50 PM

REPRESENTATIVE FIELDS advanced to slide 7, which analyzed the correlation between the growth in online shopping and shoplifting. He said retail crime is growing due to several key factors: firstly, the ease at which items are stolen and resold in high volume on sites like Facebook Marketplace; secondly, the

rise in opioid addiction makes people desperate and easily incentivized to steal. Slide 8 showed growing losses at Lowe's in recent years.

[3:21:22 PM](#)

REPRESENTATIVE FIELDS moved to Slide 9 and emphasized that ORC is being orchestrated by national and transnational criminal networks that have created a lucrative and low-risk revenue stream. slide 10 illustrated the organizational structure of organized theft groups (OTGs). Slide 11 detailed the organized retail crime cycle and slide 12 shared an example of the Central America labor trafficking threat.

[3:23:00 PM](#)

REPRESENTATIVE FIELDS proceeded to slide 13, which featured data on the impact of theft on small businesses. Slide 14 showed pictures illustrating examples of ORT in Alaska. He continued to slide 15 and reported that retailers in Alaska lost \$202 million in revenue to theft in 2022. Slide 16 highlighted the action that other states are taking to address ORT. Slide 17 took best practices from other states and presented the following recommendations [original punctuation provided]:

- Update the definition of organized retail crime and increase criminal penalties: States should act to define the crime of "organized retail theft" in criminal law to specify those thefts involving two or more participants and an intention of resale and include increased penalties for those specific violations.
- The law and prosecutors must hold those who engage in organized and significant retail theft accountable: Since 2000, at least 40 states have raised the thresholds for the value of stolen goods to trigger a felony charge. In some instances, criminals are taking advantage of these increased higher thresholds to engage in repeated thefts and avoid prosecution. States should reconsider these thresholds and prosecutors should avoid adopting broad non-prosecution policies.

REPRESENTATIVE FIELDS summarized slide 18, which detailed how HB 378 defines ORT and lowers the threshold for felony offenses. He concluded on slide 19, which explains the 2 percent sales tax

on marketplace facilitators, as proposed in HB 378. Slide 19 read as follows [original punctuation provided]:

Y Marketplace facilitator means a person who contracts with a third-party seller to facilitate the sale of the thirdparty seller's property, product, or services through a physical retail location or online marketplace operated by the person.

Y The bill sets a minimum sales threshold for marketplace facilitators who must remit the tax at \$100,000 or 200 separate transactions.

Y HB 378 establishes an organized retail theft fund in the general fund, intended to be appropriated to local law enforcement agencies to investigate and prosecute organized retail theft and related fraud and property crimes

[3:26:40 PM](#)

CHAIR SUMNER shared his understanding that Facebook Marketplace facilitated in person meetups for cash transactions. He asked how the bill sponsor envisioned the sales tax as it relates to Facebook Marketplace.

REPRESENTATIVE FIELDS said the user fee would be a new provision that other states have not implemented. He added that the user fee would differ by platform.

[3:27:39 PM](#)

JOHN STASER, Owner, Mountain View Sports, said retail theft has been a drain on businesses since he entered the industry. He outlined the measures that businesses have taken to improve security, such as unbreakable windows, alarm systems, and in some cases, security teams. Despite best efforts, retail theft is estimated to cost businesses \$125 billion each year nationwide. Furthermore, he opined that reducing theft would "cut down the life blood" of drug dealers and in the process, help reduce homelessness. He shared a personal anecdote about a serial thief. He emphasized the damage that can be inflicted by individual thieves who steal items from numerous stores and suggested that aggregating those thefts and creating a felony charge would encourage law enforcement to go after them. He said HB 378 would take a step towards punishing this behavior and thereby decreasing retail theft.

[3:34:38 PM](#)

CHAIR SUMNER announced that HB 378 was held over.

SB 147-REEMPLOYMENT BENEFITS

[3:34:43 PM](#)

CHAIR SUMNER announced that the next order of business would be CS FOR SENATE BILL NO. 147(L&C), "An Act relating to reemployment rights and benefits; and providing for an effective date."

[3:35:04 PM](#)

SENATOR JAMES KAUFMAN, Alaska State Legislature, as prime sponsor, presented CSSB 147(L&C). He shared the sponsor statement [included in committee packet], which read as follows [original punctuation provided]:

This bill seeks to address critical shortcomings in Alaska's Workers' Compensation system.

Alaska's worker's compensation premium rates are the 4th highest in the nation. However, the maximum plan cost of \$13,300 set in the year 2000 has not been adjusted for inflation, making the amount often insufficient in meeting statutory requirements. The current system also limits workers' flexibility in moving to different occupations.

Alaska's attempts at ensuring quick, efficient, fair, and predictable compensation to injured workers at a reasonable cost to employers has not been working. In recent years, an average of 140 out of 550 evaluations performed each year were found eligible for the current systems rehabilitation plan, yet only an average of 13 workers fully finished the plan.

The Alaska workers' compensation plan has spent an average of ten million dollars supporting these injured workers over the same period. This is clearly not an efficient system. The Alaska Workers' Compensation Act last was updated in 2000 and again in 2005 with the addition of job relocation benefits, but it is long past due that we address the other shortcomings of the system.

The primary objective of this legislation is to ensure that injured workers receive swift and fair access to indemnity and medical benefits while also promoting efficient return-to-work programs. SB 147 would transition from an emphasis on retraining to an emphasis on stay-at-work/early return-to-work. By updating the system to better align with modern realities, we can reduce the economic burden of workplace injuries and illnesses on Alaskans, improve employment retention, and get more Alaskans back to work in our communities.

Employees and employers have a shared desire to get a worker rehabilitated and back to work as quickly as possible after an injury occurs. This legislation intends to facilitate this by setting clearer guidelines regarding the responsibilities of all stakeholders.

Alaska can be a tough place to work, and injuries do occur. It is important we as a state help these injured workers rehabilitate with fair and predictable compensation. That way, we can hopefully keep these workers in our state and do our duty as a government of protecting its citizens. I hope you will support this important legislation.

CHAIR SUMNER opened invited testimony.

[3:37:44 PM](#)

CHUCK COLLINS, Director, Division of Workers' Compensation, Department of Labor & Workforce Development (DLWD), gave invited testimony during the hearing on CSSB 147(L&C). He referenced a resolution that was sent to the House that requested an update to AS 23.30.041, which covers rehabilitation benefits. He stated that the plan amount of \$13,300 is insufficient to rehabilitate injured workers who qualify for the benefit. After 90 days, injured workers must receive an evaluation under current law. He proposed increasing that 90-day period to 120 days and increasing the maximum plan cost from \$13,300 to \$22,300, per the inflation index.

[3:42:38 PM](#)

CHAIR SUMNER announced that CSSB 147(L&C) was held over.

[3:42:44 PM](#)

SENATOR KAUFMAN reported that Alaska employers spend in excess of \$600,000 annually for 13 completed plans. He urged the committee to think about turning that potential into more beneficial results.

[CSSB 147(L&C) was held over.]

HB 55-EXTEND WORKFORCE INVEST BOARD ALLOCATIONS

[3:43:27 PM](#)

CHAIR SUMNER announced that the next order of business would be HOUSE BILL NO. 55, "An Act relating to allocations of funding for the Alaska Workforce Investment Board; and providing for an effective date." [Before the committee was CSHB 55(EDC).]

[3:44:04 PM](#)

REPRESENTATIVE CARRICK, as prime sponsor, presented CSHB 55(EDC). She paraphrased the sponsor statement [included in committee packet], which read as follows [original punctuation provided]:

In 2000, the Alaska Legislature established the Technical Vocational Education Program (TVEP). This program is administered by the Alaska Workforce Investment Board and utilizes a portion of Unemployment Insurance receipts to provide grants to career and technical education providers across the State. The TVEP program impacts thousands of students by offering industry-specific training opportunities that help Alaskans get to work.

HB 55 would re-authorize the TVEP program for an additional six years, until fiscal year 2030. The program currently has ten recipients which include the University of Alaska, the Alaska Vocational Technical Education Center, the Alaska Technical Center, as well as other technical education providers across the State. These programs train Alaskans for industry-specific jobs in sectors such as fishing, transportation, health, mining, and construction.

Please join me in supporting House Bill 55 to re-authorize the TVEP program and keep thousands of

Alaskans ready for the high-demand careers our State has to offer.

REPRESENTATIVE CARRICK reported that in 2014, the legislature increased the amount of funds diverted to the Technical Vocational Education Program (TVEP) from .15 percent of unemployment insurance receipts to .16 percent. Currently, there are 10 statutorily designated recipients that offer various training across the state. She noted that the committee substitute (CS) adopted in the House Education Standing Committee increased the current statutory designation of funds diverted to the TVEP program from .16 percent to .25 percent.

[3:48:44 PM](#)

STEWART RELAY, Staff, Representative Ashley Carrick, Alaska State Legislature, on behalf of Representative Carrick, prime sponsor, summarized the explanation of changes from the original version of the bill to CSHB 55(L&C) ("Version R") [included in the committee packet], which read as follows [original punctuation provided]:

Section 1. AS 23.15.835(a) New section
Changes the percentage of wages collected by the Department of Labor for the TVEP program from .16% to .25%

Section 2. AS 23.15.835(d) Former section 1
Does not change the designated recipient list from Version A Section 1 but changes sunset date from June 30, 2030, to June 30, 2026

Section 3. AS 23.15.835(d) New section.
Changes the designated recipient list by adding a new recipient, alters the percentages for the University of Alaska and the Alaska Vocational Technical Center and sets the sunset date from June 30, 2026 through June 30, 2030.

Makes the following changes to the designated recipient list:

- University of Alaska reduced to 40% from 45%
- Alaska Vocational Technical Center reduced to 15% from 17%
- Alaska Job Center Network added with a 7% designation.

Section 4. AS 23.15.835(g) New section
Requires the Alaska Job Center Network, added in the previous section to use their allocated funds for individual training grants.

Section 5 AS 23.15.835(h) New section
Increases the amount of money that the Alaska Workforce Investment Board can withhold from 20% to 100% from recipients if they fail to comply with program requirements.

Section 6 AS 23.15.835 New section
Adds a new subsection requiring the funds designated to the University of Alaska to be distributed in a regionally equal manner to Alaska's six economic regions.

Section 7 New section Section 6
applies to funds after July 1, 2024

Section 8. Retroactivity Former section 2
If section 2 of this bill takes effect after June 30, 2024, section one is retroactive.

Section 9. Effective Date
New Section Sections 3 and 4 are effective on July 1, 2026.

Section 10. Effective Date New Section
All other sections are effective immediately.

[3:51:58 PM](#)

CHAIR SUMNER asked whether the changes adopted in Version R were at the request of the bill sponsor or the House Education Standing Committee.

REPRESENTATIVE CARRICK stated that Version R was the House Education Standing Committee's CS.

[3:52:24 PM](#)

REPRESENTATIVE SADDLER referred to page 3, line 10 and asked whether the equal distribution of funds would be one-sixth share to each region of the state.

REPRESENTATIVE CARRICK answered yes.

REPRESENTATIVE SADDLER observed that an equal distribution on a per-capita basis would short the Mat-Su region and vastly benefit other regions.

REPRESENTATIVE FIELDS expressed his support for a clean reauthorization, among other things; however, he would not support reducing Northwestern Alaska Career and Technical Center's (NACTEC) funding and the destabilization of important programs in rural Alaska.

[3:54:40 PM](#)

REPRESENTATIVE RUFFRIDGE expressed his support for the clean adoption of TVEP; nonetheless, he said there's some significant issues that need to be addressed in the audit of the program.

REPRESENTATIVE CARRICK noted that the audit did not point to bad training in Alaska; rather, the findings of the audit were more specific to the structure of the allocations.

[3:56:45 PM](#)

REPRESENTATIVE SADDLER recalled a provision that allowed for some of the training funds to be provided as grants to individuals.

REPRESENTATIVE CARRICK affirmed that the provision in question is provided in Version R. The Alaska Jobs Center Network adds a 7 percent allocation, per Section 3 of the CS, which would then be distributed as individual training grants.

[3:57:24 PM](#)

REPRESENTATIVE FIELDS pointed out that if the legislature wants job center to distribute more money through ITAs, the UI fund could be tapped more aggressively without taking money away from TVEP recipients. He suggested that if a clean reauthorization were passed, members interested in altering the allocations could commit to visiting some of the regional training centers in the next 18 months to be better informed.

REPRESENTATIVE SADDLER noted that there is an increase in available funding for distribution on page 1, line 6 of Version R, so no one would be shorted.

[3:58:39 PM](#)

CHAIR SUMNER announced that CSHB 55(EDC) was held over.

HB 150-RESIDENTIAL BUILDING CODE

[3:58:48 PM](#)

CHAIR SUMNER announced that the next order of business would be HOUSE BILL NO. 150, "An Act relating to residential building codes; relating to construction contractors and residential contractor endorsements; and providing for an effective date."

[3:59:02 PM](#)

REPRESENTATIVE RUFFRIDGE moved to adopt the proposed committee substitute (CS) for HB 150, Version 33-LS0563\R, A. Radford, 3/8/24, as the working document. There being no objection, Version R was before the committee.

[3:59:35 PM](#)

CLARK BICKFORD, Staff, Representative Clark Sumner, Alaska State Legislature, on behalf of Representative Sumner, prime sponsor, read the summary of changes in Version R [included in committee packet], which read as follows:

Title

New language reflecting the establishment of the Alaska State Building Code Council in Section 9.

Sec. 1 AS 08.18.025

(a) Reinstates the language "structure of one to four units" for consistency with the International Residential Code.

Sec. 2 AS 08.18.171

Removes the exception for residential contractors to comply with the state residential building code when providing contractor services to a building subject to AHFC's residential building code.

Sec. 3 AS 08.18.171

Reinstates the language "structure of one to four units" for consistency with the International Residential Code.

Sec. 4 AS 08.18.171

No Changes

Sec. 5 AS 18.56.300(a)
New Section 5

Sec. 6 AS 18.56.300(a)
Section renumbered from 5 to 6; otherwise, no changes.

Sec. 7 AS 18.56.300(b)
Section renumbered from 6 to 7; otherwise, no changes.

Sec. 8 AS 18.56.300(e) (3)
Section renumbered from 7 to 8; removes reference to DCCED and another nationally recognized residential building code under AHFC.

Sec. 9 AS 18.60.860
Section renumbered from 8 to 9.

- (a) Replaces DCCED with AHFC as the adopter and administrator of a state residential building code; specifies the 2018 IRC as the state residential building code; requires the code to allow for use of load-bearing dimensional lumber that is graded and certified under AS 41.17.630.
- (b) No material changes.
- (c) Subsection renumbered from "d" to "c"; removes language referencing AHFC.
- (d) New subsection "d"
- (e) New subsection "e".

Sec9. AS 18.60.865
New language establishing the Alaska State Building Code Council under AHFC.

Sec 10. Applicability
No changes

Sec. 11. Effective date
Revised effective date from 1/1/2024 to 1/1/2025.

[4:02:50 PM](#)

JEFF TWAIT, Owner, Cornerstone Custom Homes, gave invited testimony on Version R. He shared that there had been concerns regarding recreational cabins and the owner builder exemption. He emphasized that the goal is only to hold licensed contractors

with a residential endorsement to this standard at this point in time. He said the bill would give people who have entered into contracts without fully understanding the repercussions legal recourse if that's what it comes to.

[4:05:30 PM](#)

CHAIR SUMNER announced that HB 150, Version R, was held over.

HB 189-SALE OF ALCOHOL BY UNDER 21

[4:05:38 PM](#)

CHAIR SUMNER announced that the next order of business would be HOUSE BILL NO. 189, "An Act relating to the sale of alcohol; and providing for an effective date." [Before the committee, adopted as the working document on 3/11/22, was the proposed committee substitute (CS) for HB 189, Version 33-LS0697\S, C. Radford, 1/15/24 ("Version S").]

[4:05:56 PM](#)

CHAIR SUMNER opened public testimony on HB 189.

[4:06:13 PM](#)

RALPH SAMUELS, Vice President, Community & Government Relations, Holland America Group, testified in support of HB 189. He said the tourism industry has faced labor shortages since the COVID-19 Pandemic and opined that the bill would help alleviate some of those issues. HB 189 would allow high performing wait staff access to better jobs and a better career path and provide more flexibility for scheduling, he said.

[4:07:24 PM](#)

CHAIR SUMNER closed testimony on HB 189 and announced that the bill was held over.

HB 233-RATES: MOTOR VEHICLE WARRANTY WORK

[4:07:34 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."

CHAIR SUMNER opened testimony on HB 233.

[4:08:33 PM](#)

CODY RICHARDSON, Managing Partner, Juneau Auto Mall, testified during the hearing on HB 233. He said dealerships are profit sharing operations, but when technicians are hamstrung by unrealistic times, it's unfair and makes it difficult to recruit and retain these positions. He reported that on average, it takes \$40,000 to recruit technicians in the Lower-48. He said dealers need the support of their manufacturers to pay these technicians what they deserve. He believed that the bill would bring higher paying jobs into Alaska's market and take better care of both customers and employees.

[4:12:45 PM](#)

TODD NOVAC, representing self, testified during the hearing on HB 223. He claimed that manufacturers use labor times as a budget item and a means of cutting expenses, which comes at the expense of technicians. He highlighted the stigma around warranty pay, which makes it difficult to recruit quality technicians. He shared his belief that the bill would level the playing field.

[4:15:19 PM](#)

CRAIG ORLIN, Director of State and Local Government Affairs, American Honda Motor Company, testified in opposition to HB 233. He said Honda values its partnership with dealers and wants to make sure that technicians are compensated fairly for warranty and recall work. He said Honda goes to great lengths to guarantee fair time guides and calculates the time with hand tools instead of power tools to ensure that technicians aren't rushed. However, he said the bill would dramatically overpay dealers for their work, which would lead to higher vehicle prices for consumers. Further, he pointed out that dealerships are independently owned and operated, adding that the dealers, not the original equipment manufacturers (OEM), pay technicians. Nothing in the bill would ensure that additional money goes towards technicians, he said. He urged the committee to defer the bill and allow dealers and manufacturers to negotiate a settlement.

[4:16:50 PM](#)

REPRESENTATIVE CARRICK asked whether training videos of Honda's technicians performing the warranty work are regularly shared with dealerships.

MR. ORLIN answered yes, training videos are available to the dealers to create a more transparent process.

[4:18:59 PM](#)

REPRESENTATIVE SADDLER asked Mr. Orlin to expound on the appeal process.

MR. ORLIN explained that for a specific vehicle, a time slip can be submitted to the manufacturer who then reviews and approves it. If a number of complaints are received in relation to a specific vehicle, Honda conducts an audit of that repair.

REPRESENTATIVE SADDLER asked whether the manufacturer automatically approves time slips.

MR. ORLIN confirmed that they are almost universally accepted.

[4:21:00 PM](#)

REPRESENTATIVE RUFFRIDGE asked what change needs to occur if everyone can appeal the process and be awarded more money for the extra time.

MR. ORLIN reiterated that appeals are almost always universally accepted. He explained that Honda wants to discuss the concerns raised by dealers and suggested that instead of using a third-party time guide, actual time could be granted.

[4:22:31 PM](#)

SPENCER ALEXANDER, General Manager, Fairbanks Chevrolet GMC, testified during the hearing on HB 233. He provided additional context and clarification to testimony given by Mr. Perry on 3/6/24. He addressed additional labor hours and noted that of the approximately 10,000 warranty repairs performed at Alaska dealerships, additional hours were only applied for 197 times due to the cumbersome process. In short, he said the process adds more time to the repair than it would give. He further noted that weather/climate related delays are not covered by General Motors (GM). He characterized the warranty excess threshold as a moving target. He acknowledged that dealers pay their technicians; however, he said he already pays them based

on third-party book times. Lastly, in response to Mr. Perry, he suggested that state interference is supported when it benefits the manufacturers, not when it benefits the dealers. He defined HB 233 as a consumer protection bill, an Alaska business protection bill, and a worker protection bill.

[4:29:35 PM](#)

REPRESENTATIVE SADDLER asked Mr. Alexander to submit written testimony.

[4:29:52 PM](#)

MATTHEW EWIN, General Manager, Mazda North America Operations, testified in opposition to HB 233. He discussed warranty times and shared that Mazda technicians frequently beat the time guides on a regular basis. He addressed Mazda's appeal process, which on occasion, result in changes to the time guides when the dealers are correct. He said Mazda doesn't want to see customers getting gouged because a third-party time guide is trying to make more money off warranty sales.

[4:32:43 PM](#)

REPRESENTATIVE SADDLER asked for the ratio of warranty repairs to claims filed and the percentage of claims that result in additional payments to the dealers.

MR. EWIN offered to follow up with the requested information.

[4:33:52 PM](#)

REPRESENTATIVE RUFFRIDGE asked how much time Mr. Ewin had spent in Alaska.

MR. EWIN said he had not spent much time in the state.

[4:34:25 PM](#)

REPRESENTATIVE PRAX said it would make more sense to take feedback from the dealers across the country to reflect geographical differences in repair times. He asked why averages of the dealers are not utilized.

MR. EWIN said scientific studies are conducted on how long it takes to perform a repair. He shared an example and reiterated

that if Mazda sees something taking longer, those times are addressed.

[4:37:43 PM](#)

DAVID BRIGHT, Senior Attorney, Alliance for Automatic Innovation, testified in opposition to HB 233. He said the bill would not help the relationship between dealers and manufacturers. He explained that HB 233 would require manufacturers to purchase up to 50 percent more hours of labor than what is actually being performed on warranty work, which would result in higher costs to consumers. If every state passed a similar bill, he reported that an additional \$5 billion in unnecessary costs would be created. Further, he said only four states have a similar law, one of which is being challenged in federal district court. He stressed that there is no problem to fix, and that the average dealer in Alaska is making 74 percent gross profit margin on warranty work under the current system. He opined that overcompensating dealers for hours not worked is not a policy that Alaska should pursue. He urged the committee not to pass HB 233.

[4:40:20 PM](#)

REPRESENTATIVE SADDLER asked why dealers are complaining if the profit margin is 74 percent on warranty work.

MR. BRIGHT noted that the 74 percent figure came from Alaska dealers' financial statements, which is consistent with the rest of the country. He said the high profit margin that dealers are enjoying is indicative of why there is no problem to fix.

[4:41:26 PM](#)

REPRESENTATIVE RUFFRIDGE asked how much time Mr. Bright had spent in Alaska.

MR. BRIGHT said he had been to Alaska twice.

REPRESENTATIVE RUFFRIDGE asked whether there was any sort of arctic consideration for vehicle warranty work in Alaska.

MR. BRIGHT said there is no special allotment for different states. He suggested that the solution [for weather delays] would be a request for additional time, as opposed to creating different time guides for different parts of the country.

REPRESENTATIVE RUFFRIDGE asked Mr. Bright to speak to warranty excess and how often that is triggered in Alaska auto dealers.

MR. BRIGHT said he did not have specific data. Nonetheless, he pointed out that it's not an adversarial process. He opined that the process for requesting additional labor hours works now and it works fairly.

REPRESENTATIVE RUFFRIDGE theorized that Alaska dealers may trigger warranty excess more often due to arctic conditions, which may result in a financial penalty through the audit process. He opined that there is a disconnect between what that warranty excess looks like and how it's compensated, which may not be easily rectified.

MR. BRIGHT pointed out that current statutes in Alaska regulate the audit process, so dealers are not defenseless.

[4:48:19 PM](#)

NATE MORAN, General Manager, Toyota Motor North America, testified in opposition to HB 233. He expressed concern that the bill ignores the time it takes to repair cars and establishes an incentive for dealers to increase prices for Alaskan drivers. He shared the following three key points to support those concerns: Toyota time allowances are based on expert studies; additional time can be requested for individual repairs through the warranty department; and there is a standardized process for updating time guides when a concern is raised about a particular repair type. He opined that HB 233 is not needed and if passed, would impose a 40-50 percent increase in costs on Alaskan customers.

[4:49:58 PM](#)

REPRESENTATIVE RUFFRIDGE asked whether Toyota takes into account arctic repairs.

MR. MORAN answered no, arctic temperatures are not considered. However, he said initial time studies are performed with manual tools and multiple technicians with varying skill levels.

[4:50:46 PM](#)

REPRESENTATIVE CARRICK asked whether expert studies are provided to dealers upon request.

MR. MORAN answered no, the time guides are made available for all new models but not the full studies.

[4:51:23 PM](#)

REPRESENTATIVE SADDLER asked why there's no special provision for arctic temperatures.

MR. MORAN posited that the vehicle's performance should be no different in Alaska than Texas.

REPRESENTATIVE SADDLER asked why Toyota provides no accommodation for the time it takes to thaw a car in Alaska.

MR. MORAN reiterated that dealers can submit a request for additional time in a repair order for review.

REPRESENTATIVE SADDLER emphasized that it's not a matter of the individual car. Every car that comes into the dealer in Fairbanks will be cold, he said.

[4:54:22 PM](#)

LAUREN BAILEY, Director, Franchising and State Law, National Automobile Dealers Association, testified in opposition to HB 233. She said these laws would protect local economies and safeguard consumers. She added that these laws are a direct investment in every community with a dealership, particularly rural ones. She said dealer franchise laws are about ensuring a competitive, fair, and safe automotive market for everyone involved, including local communities that benefit economically to the consumers who rely on local dealerships for fair prices and reliable services.

[4:56:19 PM](#)

REPRESENTATIVE RUFFRIDGE asked whether Ms. Bailey had any data on the geo-location of warranty excess claims and how that could be tracked.

MS. BAILEY offered to follow up with the requested information.

[4:57:02 PM](#)

THOMAS LAWSON, Government Affairs Manager, Ford Motor Company, testified in opposition to HB 233 and aligned his comments with those of his OEM peers. He shared his belief that third-party

time guides are inappropriate for warranty work and reiterated his opposition to the bill.

[4:58:05 PM](#)

REPRESENTATIVE RUFFRIDGE sought to confirm that Mr. Lawson had stated that Ford does not create its own expert time guides and instead works with dealers to come up with them.

MR. LAWSON answered yes to both of those things.

[4:58:42 PM](#)

JOSEPH MCARTHUR, Service Manager, Fairbanks Nissan, testified in support of HB 233. He discussed battery tests, noting that to do so, the battery must be above 32 degrees Fahrenheit and tested every month. Essentially, he said technicians are asked to test a battery that will fail due to harsh conditions without compensation. In addition, he shared that it takes 90 minutes to complete an evacuation and recharge on an A/C system with the manufacturer's machine, for which the manufacturer pays .9 of an hour. He added that his master technician has over 35 years' experience and can rarely beat the manufacturer's' recommended time.

[5:00:59 PM](#)

CHAIR SUMNER closed public testimony on HB 233 and announced that the bill was held over.

[5:01:19 PM](#)

The committee took a brief at-ease at 5:01 p.m.

HB 189-SALE OF ALCOHOL BY UNDER 21

[5:01:34 PM](#)

CHAIR SUMMNER announced that the final order of business would be a return to HOUSE BILL NO. 189, "An Act relating to the sale of alcohol; and providing for an effective date." [Before the committee, adopted as the working document on 3/11/22, was the proposed committee substitute (CS) for HB 189, Version 33-LS0697\S, C. Radford, 1/15/24 ("Version S").]

[5:01:38 PM](#)

REPRESENTATIVE RUFFRIDGE moved to report CSHB 189, Version 33-LS0697\S, C. Radford, 1/15/24, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 189(L&C) was reported from the House Labor and Commerce Standing Committee.

[5:02:02 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:02 p.m.