

HB

162

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSHB162(RLS)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
 Title Increase Business License Fee BRU Management & Administration
 Component Recorder's Office/UCC
 Sponsor Rules by Request
 Requester (H) RLS Component No. 802

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There is no fiscal impact associated with implementation of this legislation. The Recorder's Office/UCC portion of this legislation allows the Recorder's Office to charge fees in excess of the average cost of operations. This legislation on its own does not change the current fees charged, which are set through regulation.

Prepared by: Nico Bus, Acting Director Phone 465-2406
 Division: Support Services Date/Time 5/12/2003
 Approved by: Tom Irwin, Commissioner Date 5/12/2003
 Agency: Natural Resources

Frank H. Murkowski, Governor



Office of the Commissioner

P.O. Box 110800, Juneau, AK 99811-0800

Telephone: (907) 465-2500 • Fax: (907) 465-5442 • Text Telephone: (907) 465-5437

Email: questions@dced.state.ak.us • Website: www.dced.state.ak.us/

May 7, 2003

The Honorable Norman Rokeberg, Chair
House Rules Committee
House of Representatives
Alaska State Capitol, Room 214
Juneau AK 99811

Re: HB162 – INCREASE BUSINESS LICENSE FEES

Dear Representative Rokeberg:

The Department of Community and Economic Development respectfully requests that this bill be placed on the calendar to be scheduled for the floor.

HB162 creates annual licensing for business licenses and is estimated to generate an additional \$9.9 million in revenue. The bill also proposes to make the following changes to the current program:

1. Establish two categories of licensure: Sole Proprietors and All Others;
2. Establish annual fees of \$100 for Sole Proprietors and \$300 for All Others;
3. Charge annual fees of \$50 for Sole Proprietors age 65 and older;
4. Require tobacco endorsements attached to a business license to be paid annually at \$100 per location.

The bill was amended by the House Finance Committee to allow the Recorder's Office in the Department of Natural Resources to charge recording and uniform commercial code fees in excess of the average cost of operations.

Thank you for considering this request. Please feel free to call me at 465-2501 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Ed, Blatchford".

Edgar Blatchford
Commissioner

Talking Points

HB162 Increase Business License Fees

- The cost of a business license has been \$25 per year since 1949.
- As stated in a 1960 Attorney General's opinion, the main purpose of the Alaska Business Act is to generate revenue. In these times of reduced State revenues and after a fifty-four year reprieve, we are looking at these fees as a legitimate source of funds.
- The Governor's original bill called for an annual fee of \$200 per year. In the House Labor and Commerce Committee, the bill was amended to establish a three tiered approach with the cost of a license based on the number of employees. This was a fair attempt to make the proposed increase easier on small businesses. However, this approach makes administering the program more difficult, and results in businesses that may be able to afford the higher fee, paying a lower fee, in an effort to keep fees low for very small home businesses.
- The House Finance Committee substitute changes the bill to a two tiered approach, with the cost of a license based on the legal form of the business entity; \$100 a year for sole proprietors and \$300 a year for all other forms of business. That includes corporations, limited liability companies, partnerships, limited liability partnerships and limited partnerships. In addition to generating more revenue, this is easier to administer because applicants for a business are required to state the form of their business at the time they apply for a license.
- In Sec.2 of the bill there is also a provision that allows those sole proprietors who have reached the age of 65 to pay a fee of \$50 per year.
- The projected new revenue from the business license fee section (2) is \$9,905,325
- There has been no opposition to this bill from business groups. While NO ONE steps forward and volunteers to an increase in taxes, most obviously understand the need for increased revenue.
- The House Finance Committee substitute also exempts the Department of Natural Resources from AS 37.10.050 and allows them to charge recording and Uniform Commercial Code fees in excess of the average cost of operations.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 162
 (H) Publish Date: 3/5/03

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title An Act increasing the fee for a State BRU Occupational Licensing (117)
business license;.... Component Occupational Licensing
 Sponsor _____
 Requester _____ Component No. 2360

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES - 1175	6,935.0	6,935.0	6,935.0	6,935.0	6,935.0	6,935.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other 1175 - BusLic Receipts	6,935.0	6,935.0	6,935.0	6,935.0	6,935.0	6,935.0
TOTAL	6,935.0	6,935.0	6,935.0	6,935.0	6,935.0	6,935.0

Estimate of any current year (FY2003) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time	3	3	3	3	3	3
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 The bill increases the business license fee from \$25.00 per year to \$200.00 per year. Business Licensing regulation 12 AAC 12.010(a) specifies that business licenses are issued on a biennial cycle, and therefore licensees will be expected to pay \$400.00 license fees upon issuance of new or renewed licenses.

REVENUE:
 The revenue increase identified above is based on licensees that would be eligible to renew, assuming that 40% of the 73,000 licensees would not renew due to the fee increase.

Prepared by: Tom Lawson Phone (907) 465-2144
 Division: Administrative Services Date/Time 3/5/03 9:56 AM
 Approved by: Edgar Blatchford, Commissioner Date 3/5/2003
 Agency: Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 162(FIN)
 (H) Publish Date: 5/6/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
 Title Increase Business License Fee BRU Management & Administration
 Component Recorder's Office/UCC
 Sponsor Rules by Request
 Requester (H) FIN Component No. 802

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There is no fiscal impact associated with implementation of this legislation. The Recorder's Office/UCC portion of this legislation allows the Recorder's Office to charge fees in excess of the average cost of operations. This legislation on its own does not change the current fees charged, which are set through regulation.

Prepared by: Nico Bus, Acting Director Phone 465-2406
 Division Support Services Date/Time 5/2/2003
 Approved by: Tom Irwin, Commissioner Date 5/2/2003
 Agency Natural Resources

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: CSHB 162(FIN)
 (H) Publish Date: 5/6/03

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Increase Business License Fee BRU Occupational Licensing (117)
 Component Occupational Licensing
 Sponsor Rules by Request of the Governor
 Requester House Finance Component No. 2360

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	146.4	146.4	146.4	146.4	146.4	146.4
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	30.0	30.0	30.0	30.0	30.0	30.0
Supplies	5.0	5.0	5.0	5.0	5.0	5.0
Equipment	12.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	193.4	181.4	181.4	181.4	181.4	181.4

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1175)	9,905.3	9,905.3	9,905.3	9,905.3	9,905.3	9,905.3
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other 1175 - BusLic Receipts	193.4	181.4	181.4	181.4	181.4	181.4
TOTAL	193.4	181.4	181.4	181.4	181.4	181.4

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time	2	2	2	2	2	2
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

CSHB 162 (FIN) creates annual licensing for Business Licenses. The bill also proposes to make the following changes to the current program -

- 1) Establish two categories of licensure: Sole Proprietors and All Others;
- 2) Establish annual fees at \$100 for Sole Proprietors, and \$300 for All Others;
- 3) Charge annual fees of \$50.00 for Sole Proprietors age 65 years and older;
- 4) Require tobacco endorsements attached to a business license to be paid annually, \$100 per location.

Detailed explanation of the costs shown above are attached.

Prepared by: Jennifer Strickler, Administrative Manager Phone 907-465-2144
 Division: Occupational Licensing Date/Time 5/5/03 2:00 PM
 Approved by: Edgar Blatchford, Commissioner Date 5/5/2003
 Agency: Department of Community & Economic Development

FISCAL NOTE #3

**STATE OF ALASKA
2003 LEGISLATIVE SESSION**

BILL NO. CSHB 162(FIN)

ANALYSIS CONTINUATION

CSSB 114(L&C): An act increasing the fee for a state business license...

PERSONAL SERVICES: \$146.4

1 - Administrative Clerk III position, Range 10, PFT, located in Anchorage, \$40.3
Currently, the business licensing program is supported by one dedicated position in Anchorage. By switching from a biennial to annual cycle, this position is needed to support the increased workload of the program.

1 - Analyst Programmer III position, Range 13, PFT, located in Juneau, \$65.8
The change in licensing from biennial to annual will require reprogramming and ongoing maintenance of all business licensing programs including databases and the online licensing programs, receipting, integration of online purchase/renewal systems and over-the-counter system for accepting credit card payments, and reporting systems.

Funding for an Administrative Clerk III position, Range 10, PFT, located in Juneau, \$40.3.
Currently, the position is funded by RSA from the Department of Health & Social Services for tobacco enforcement related purposes; however, RSA funds are likely to be reduced. Maintaining this position with business license receipts is essential to operating the business licensing program on an annual cycle. This position processes business license applications, verifies payments and information provided for issuance of tobacco endorsements, prints licenses with endorsements, and ensures sufficient numbers of Tobacco Signs and Penalty lists are sent to the business owner.

TRAVEL: \$0.0

No travel is required.

CONTRACTUAL SERVICES: \$30.0

Funding needed to reprint basic forms, public notices, and revise regulations, \$10.0
Funding needed to revise and mail renewal packets, \$20.0

SUPPLIES: \$5.0

Basic operating supplies to change licensing cycles.

EQUIPMENT: \$12.0 (one-time costs)

Basic office equipment and work station configuration for the new positions.

REVENUE:

The revenue is based on the calculations shown on page 3.

FISCAL NOTE #3

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. CSHB 162(FIN)

ANALYSIS CONTINUATION

CSSB 114(L&C): An act increasing the fee for a state business license...

REVENUE

Based on the total of 69,315 business licenses on 4/17/03.

Fee for Sole Proprietorship - \$100. (Based on estimated dropout of 25% of 41,253 = 10,313.)

Fee for Corporation, Limited Liability Company, Partnership
Limited Liability Partnership, or Limited Partnership - \$300.

	Annual Revenue	Current Revenue	NEW REVENUE
Sole Proprietors 30,940 x \$100.	\$3,094,000.	\$1,031,325.	\$2,062,675.
All Others 28,062 x \$300.	8,418,600.	701,550.	7,717,050.
		Sub-Total New Revenue:	\$9,779,725.
Tobacco Endorsements			
1,256 x \$100.	\$125,600.	0	\$125,600.
		TOTAL NEW REVENUE:	\$9,905,325.

TOTAL BUSINESS LICENSES ON 4/17/03

Sole Proprietor	41,253
Corporation or Limited Liability	19,663
Partnership, Limited Liability Partnership, or Limited Partnership	8,399
TOTAL LICENSES:	69,315