

**HB**

**162**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT  
  
 MAY 19 2003  
  
 SENATE FINANCE  
 COMMITTEE

DATE: 5/19/03

FURTHER:

DATE TURNED  
IN TO OFFICE: 19 May 2003

Finance Committee considered CS FOR HOUSE BILL NO. 162(RLS) am

## HB 162 FEES: BUSINESS LICENSE & NATURAL RESOURCE

"An Act relating to fees adopted by the Department of Natural Resources under AS 44.37.025 or 44.37.027 and to business license fees; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
DNR	7/2/03		✓	#2
DCED	7/2/03	193.4		#4

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Robin Hopper</i>			✓	
<i>John Hoff</i>			✓	
<i>Brad Bell</i>			✓	
<i>Ben Stevens</i>	✓			✓
COCHAIR: <i>Lyle Green</i>			✓	
COCHAIR: <i>Henry Lee</i>	✓			

MAY 19 2003

SENATE FINANCE  
COMMITTEE

# 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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

REPORTED OUT

MAY 19 2003

SENATE FINANCE  
COMMITTEE

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

Fiscal Note Number: 4  
Bill Version: CSHB 162(RLS)  
(H) Publish Date: 5/13/03

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 Rules 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						
<b>TOTAL OPERATING</b>	<b>193.4</b>	<b>181.4</b>	<b>181.4</b>	<b>181.4</b>	<b>181.4</b>	<b>181.4</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( 1175 )</b>	<b>4,167.3</b>	<b>4,167.3</b>	<b>4,167.3</b>	<b>4,167.3</b>	<b>4,167.3</b>	<b>4,167.3</b>
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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
<b>TOTAL</b>	<b>193.4</b>	<b>181.4</b>	<b>181.4</b>	<b>181.4</b>	<b>181.4</b>	<b>181.4</b>

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(RLS) establishes a \$100 annual fee for all Business License categories: Sole Proprietors, Partnerships, and Corporations; and establishes a \$50 annual fee for a Sole Proprietor who is age 65 or will be 65 within the year.

Detailed explanation of the costs shown above are attached.

Prepared by: Jennifer Strickler, Administrative Manager Phone 907-465-2144  
Division Occupational Licensing Date/Time 5/12/03 12:19 PM  
Approved by: Edgar Blatchford, Commissioner Date 5/12/2003  
Agency Department of Community & Economic Development

FISCAL NOTE #4

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

BILL NO. CSHB 162(RLS)

**ANALYSIS CONTINUATION**

CSHB162 (RLS): An Act relating to fees charged by certain state agencies;....

**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 18, PFT, located in Juneau, \$65.8  
The change in licensing biennial to annual will require reprogramming of all business licensing programs including databases and the online licensing programs.

Funding for an additional 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 is essential to operating the business licensing program on an annual cycle.

**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 #4

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

BILL NO. CSHB 162(RLS)

ANALYSIS CONTINUATION

CSHB162 (RLS): An Act relating to fees charged by certain state agencies;....

REVENUE

Based on the total of 69,315 business licenses on 4/17/03 and an estimated dropout of 25% of 41,253 Sole Proprietors = 10,313.

		Annual Revenue	Current Revenue	NEW REVENUE
Sole Proprietors	30,940 x \$100.	\$3,094,000.	\$1,031,325.	\$2,062,675.
All Others	<u>28,062 x \$100.</u>	<u>2,806,200.</u>	<u>701,550.</u>	<u>2,104,650.</u>
	59,002 x \$100.	\$5,900,200.	\$1,732,875.	\$4,167,325.
<b>TOTAL NEW ANNUALREVENUE:</b>				<b>\$4,167,325.</b>

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
<b>TOTAL LICENSES:</b>	<b>69,315</b>

**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 a flat annual fee of \$200 per year for all businesses.
- In the House Labor & 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 made administering the program more difficult, and resulted 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 changed 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 would be easier to administer (than fees based on the number of employees in a firm) because applicants for a business are required to state the form of their business at the time they apply for a license.

In Section 2 of the House Finance Committee substitute there was also a provision that allows 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 of the House Finance version would be \$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.

- DCED -

- 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. This provision is included in CHB162(RLS) am.
- The bill was amended on the floor of the House to reduce the business license fee to \$25 per year if the business earns less than \$500 net federally taxable income per year. The House then rescinded their action in adopting the amendment.
- The House Rules Committee amended the bill to set a flat \$100 per year fee for a business license for all licenses. This version (CSHB162 (RLS) am) retains the provision for a \$50 fee for sole proprietors who have reached the age of 65. If passed, the business license provisions would generate an estimated \$4,167,300.00 in new revenue annually. This version also exempts DNR from AS 37.10.050.

## **HB162 and SB 114 - DNR amendment - explanation:**

**DNR's amendment is requested to allow the Recorder's Office to charge fees in excess of its average cost of operations. This amendment on its own does not change the current fees charged. The Administration plans to increase the recording fees through regulations. The following explains the proposed increases in the Recording and UCC fees. In summary:**

- **The Recording fees are proposed to increase from \$15 for the first page to \$20 and from \$3 for each additional page to \$5 for each additional page of the same document, generating an estimated \$2.2 million additional revenues for the State.**
- **The Uniform Commercial Code fees are proposed to change from a filing fee of \$8 per debtor to a flat fee of \$20 regardless of how many debtors, generating between \$100.0 and \$175.0 of additional revenues.**

By DNR

05/07/03, 8:38 AM

**Division of Occupational Licensing  
PROPOSED BUSINESS LICENSE FEES**

#1 – GOVERNOR'S BILL: At \$200 per year for 0-4; 21.966 dropouts (50% Sole Proprietors)

**NEW REVENUE: \$7,117,075.00**

#2 – CSHB162 (L&C): At \$50. \$100. \$200: with no dropouts

**NEW REVENUE: \$2,133,675.00**

#3 – CSHB162 (FIN): At \$100 and \$300; with 10.313 dropouts (25% Sole Proprietors)

**NEW REVENUE: \$9,905,325.00**

#4 – At \$50 annual for all licensees; NO dropouts

**NEW REVENUE: \$1,644,325.00**

#5 – At \$100 and \$200; with 10.313 dropouts (25% Sole Proprietors)

**NEW REVENUE: \$7,099,125.00**

#6 – At \$100 and \$250; with 10.313 dropouts (25% Sole Proprietors)

**NEW REVENUE: \$8,502,255.00**

#7 – At \$100; with 10.313 dropouts (25% Sole Proprietors)

**NEW REVENUE: \$4,167,325.00**

By DCED

HB 162



FRANK H. MURKOWSKI  
GOVERNOR

GOVERNOR@GOV.STATE.AK.US

P.O. Box 110001  
JUNEAU, ALASKA 99811-0001  
(907) 465-3500  
FAX (907) 465-3532  
WWW.GOV.STATE.AK.US

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 5, 2003

The Honorable Pete Kott  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 208  
Juneau, AK 99801-1182

Dear Speaker Kott:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that would increase the fee for a business license.

The current fee has been in effect since 1949. The current revenues collected fall far short of the services provided to Alaskan businesses. The increase in fees is in line with what other states charge.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Frank H. Murkowski".

Frank H. Murkowski  
Governor

SENATE FINANCE COMMITTEE

SIGN-IN

HB 162-INCREASE BUSINESS LICENSE FEE

NAME: Rick Uribe Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: Occupational Licensing Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions