

ALASKA STATE LEGISLATURE

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SENATOR PETER A. MICCICHE

SB 193-CONTRACTORS: BONDS; LICENSING Sectional Analysis

DISTRICTS

Anchor Point

Clam Gulch

Cohoe

Diamond Ridge

Fox River

Fritz Creek

Funny River

Halibut Cove

Happy Valley

Homer

Kachemak City

Kachemak Selo

Kalifornsky

Kasilof

Kenai

Nikolaevsk

Ninilchik

Razdolna

Ridgeway

Seldovia

Soldotna

Voznesenka

Section 1 of the bill is a conforming change needed due to the repeal in section 5 of the bill.

Section 2 adjusts the contractor license bond amounts. The current amount of \$10,000 for general contractors and \$5,000 for specialty contractors were established in 1982 and have not been adjusted since. The amounts are so low, they are no longer meeting the original intent of the law, which is to provide the public some recourse in the event of negligent or improper work or breach of contract. The new amounts as follows were recommended by the various construction trade associations in Alaska.

SB 193 proposes to increase the license bond amounts to the following:

General Contractors	\$25,000
General Contractors who perform only residential	\$20,000
Mechanical or Specialty Contractors	\$10,000
Contractors performing minimal work	\$ 5,000

Section 3 of the bill moves existing statutory language allowing for a cash deposit in lieu of a surety bond from AS 08.18.071(b) to AS 08.18.071(c).

Section 4 of the bill moves existing statutory language requiring insurance coverage for contractors providing work over \$2,500, from the exemption under AS 08.18.161(8) to the section covering insurance in AS 08.18.101(a). This section does not alter the requirement and is only intended to clean up the current language.

Section 5 repeals one of the registration and bond exemptions from AS 08.18.161. The current language allows for individuals performing work less than \$10,000 to be exempt from the license and bond requirements. However, the language establishes 5 criteria where the exemption is exempt including, when the individual "advertises or puts out a sign or card or other device that might indicate to the public that the person is a contractor." Given the ambiguity in AS 08.18.161(8), SB 193 proposes to eliminate the subsection and replace the license and bond requirements for contractors in AS 08.18.071(b) or Section 2 of the bill. The new language establishes bond amounts for the various types of contractors and does not impact non-contractors performing small jobs or helping family or friends.

Section 6 The main purpose of this section is to allow existing contractors until January 1, 2015 or the next renewal of their registration to obtain the higher bond amounts.