

# ALASKA STATE LEGISLATURE

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## SENATE LABOR & COMMERCE COMMITTEE

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### SPONSOR STATEMENT

#### Senate Bill 45 Version D

*“An Act relating to an exemption from the regulation of construction contractors.”*

Senate Bill 45 provides better protections for consumers purchasing a home from an unlicensed builder.

Following the housing market crash of the 1980's, the Alaska State Legislature raised the standards for homebuilders. Residential contractors were required to obtain a state-license, a residential endorsement, bonding, and insurance. In addition, programs on energy ratings and efficiency were established through the Alaska Housing Finance Corporation. These efforts helped Alaska develop a home construction industry that offers quality options for home buyers that are efficient and affordable.

Currently state law provides an exemption that allows individuals to build structures without a contractor license. Alaska law AS 08.18.161 allows anyone to build one structure every two years without a license. While the exemption was intended to allow Alaskans to build their own home, the industry is seeing a growing number of individuals using the exemption to operate construction businesses.

In 2013, the Mat-Su Home Building Association estimated that almost one-half of all new construction home sales in their area were from unlicensed construction companies. Without a construction contractor license, unlicensed builders avoid requirements for bonding and insurance that apply to licensed builders. The wording of the exemption creates enforcement problems and allows for potential abuse by those who would seek to build homes for sale without the required state license.

Senate Bill 45 helps prevent abuse of this exemption. The bill would require anyone who builds and sells a home without a contractor license to disclose the fact that they do not have a license to the state two years from the start of construction. Senate Bill 45 does not prohibit owner-builder construction or require any form of state approval, it simply calls for disclosure to the Department of Commerce, Community & Economic Development for builders selling structures without a license.

SB 45 is supported by the Alaska State Home Building Association.

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