

HOUSE FINANCE COMMITTEE
April 26, 2007
1:48 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:48:52 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Harry Crawford
Representative Richard Foster
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Mary Nelson
Representative Bill Thomas, Jr.

MEMBERS ABSENT

None

ALSO PRESENT

Randy Ruaro, Staff, Representative Kyle Johansen; Chip Thoma, Juneau; Gershon Cohen, Co-Sponsor, Alaska Cruise Ship Ballot Initiative 314-0228; Representative Bob Lynn; Mark Davis, Director, Division of Banking and Securities, Department of Commerce, Community and Economic Development; Dave Feeken, Alaska Association of Realtors, Kenai; Cathy Johnson, Mortgage Loan Originator; Representative Bob Roses; Josh Applebee, Staff, Representative Bob Roses; Pat Carter, Lobbyist, Support Our Troops

PRESENT VIA TELECONFERENCE

Joe Brammer, Alaska Association of Mortgage Brokers, Anchorage; Kevin M. Breeland, President, Alaska Mortgage Bankers Association; Partner, Residential Mortgage, Anchorage; Julie Granger, Counsel, Primerica Financial Services; Danielle Fagre, Senior Vice President, American Financial Service Association; Tom Echols, Vice President, HSBC; John Carman, Alaska Mortgage Bankers Association; Martin Boyer, Executive Director, Support Our Troops

SUMMARY

HB 162 "An Act relating to mortgage lenders, mortgage brokers, mortgage originators, state agents who

collect program administration fees, and other persons who engage in activities relating to mortgage lending; relating to mortgage loan activities; relating to an originator fund; relating to fees for mortgage loan transactions; and providing for an effective date."

CSHB 162 (L&C) was REPORTED out of Committee with a "no recommendation" and with zero fiscal note #1 by the Department of Law, fiscal note #2 by the Department of Administration, and fiscal note #3 by the Department of Commerce, Community, and Economic Development.

HB 164 "An Act relating to reporting of vessel location by certain commercial passenger vessels operating in the marine waters of the state, to access to vessels by licensed marine engineers for purposes of monitoring compliance with state and federal requirements, and to the obligations of those engineers while aboard the vessels; and providing for an effective date."

CSHB 164 (FIN) was heard and HELD in Committee for further consideration.

HB 187 "An Act relating to holders of business license endorsements for sales of tobacco products."

CSHB 187 (JUD) was scheduled but not heard.

HB 184 "An Act relating to a commemorative troops license plate; and providing for an effective date."

CSHB 184 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with indeterminate fiscal note #1 by the Department of Administration.

[1:49:17 PM](#)

HOUSE BILL NO. 162

"An Act relating to mortgage lenders, mortgage brokers, mortgage originators, state agents who collect program administration fees, and other persons who engage in activities relating to mortgage lending; relating to mortgage loan activities; relating to an originator fund; relating to fees for mortgage loan transactions; and providing for an effective date."

REPRESENTATIVE BOB LYNN, SPONSOR, disclosed that he is a licensed real estate broker. He spoke of the hidden problems with home mortgage loans. He related a personal

experience with finding a good lender for one of his buyers. Representative Lynn reported that the bill has the support of AARP, the Alaska Mortgage Bankers Association, the Alaska Mortgage Brokers Association, Alaska Independent Lenders Association, and many realtors throughout the state. The Alaska Division of Banking and Security also supports the bill. Persons working in the Alaska mortgage industry are not licensed and are not required to have any training, nor are they required to have background checks. Alaska is the only state not to regulate mortgage lending. HB 162 would license everyone who makes a home loan.

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Representative Lynn introduced people from the lending industry to answer questions. He termed the bill a consumer protection bill and he requested the Committee's support.

MARK DAVIS, DIRECTOR, DIVISION OF BANKING AND SECURITIES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, related that the bill would license mortgage brokers, bankers, and originators, those who work with the borrower. There would be continuing education for the licensees. Alaska has particular provisions that act to protect consumers but are not always enforced. It also prohibits false advertising and requires compliance with federal law. There are now ten federal statutes that regulate the mortgage industry, such as the Truth in Lending Act; however there is no compliance mandated.

Mr. Davis described shady practices in the mortgage industry. The bill would put mortgage lenders in compliance with federal and state law. The bill does not affect the remedies under the Alaska Consumer Protection Act. He opined that the mortgage industry is a major financial industry. People have a right to have Alaska law followed. Examination of mortgage lenders would ensure that the laws are followed as there is no recourse with unlicensed lenders.

Mr. Davis pointed out that certain advertisements for mortgage companies are in violation of federal law. There is currently unfair competition and an unlevel playing field. He reported that he receives calls from companies from outside the state as to how to become licensed in the state. He spoke of how the bill could provide restitution to the poorest financial consumers in the state.

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Representative Crawford asked if there are any training requirements for mortgage lenders. Mr. Davis replied that there are training requirements, such as internet-based

training or in-house training. There is also continuing education.

Representative Kelly declared a conflict of interest because he sits on a bank board. Co-Chair Meyer objected.

Representative Kelly asked if the bill applies to commercial banks. Mr. Davis replied that it does not. The bill exempts state and federal banks and banks under the Office of Thrift supervision. It also exempts their operating subsidiaries. Representative Kelly asked about commercial bank regulation. Mr. Davis said it does not apply to commercial banks as long as they have an operating subsidiary or they are lending out of the bank itself.

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DAVE FEEKEN, ALASKA ASSOCIATION OF REALTORS, KENAI, emphasized that this legislation should cover all brokers and bankers offering loan services in Alaska. He related that there are many "war stories" regarding mortgage lending. He related that the change to predatory lending has been fast and dramatic. Five years ago nearly 100 percent of mortgages were originated locally, rather than with out of state lenders common today. He reported on issues that the public has to deal with because there is no licensing or regulation in Alaska: bait and switch, excessive fees, denying credit, closing delays, over-encumbered homes. The Division of Banking receives around 50 complaints a week, but has no recourse.

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REPRESENTATIVE GARA asked about predatory lending. Mr. Feeken replied that the bill would give the Division the ability to regulate bait and switch, excessive fees, and over-encumbered properties.

Representative Foster asked if the 1,600 realtors will need to take a test. Mr. Feeken said those are realtors who are currently licensed.

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CATHY JOHNSON, MORTGAGE LOAN ORIGINATOR, testified in support of mortgage licensing, but with fairness. She pointed out that the institutions that are going to be exempt from this bill make up 50 percent of the loans originated in the Juneau recording district for 2007. She maintained that the bill will only do half the job. Federally instituted banks will not be regulated under this bill. She said she felt discriminated upon by this bill because of the exemptions.

Representative Gara asked who the bill exempts. Ms. Johnson said they are listed in the bill.

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JOE BRAMMER, ALASKA ASSOCIATION OF MORTGAGE BROKERS, ANCHORAGE, testified in support of the bill. He said that AAMB is asking for a few tools to protect constituents, not for money or special treatment. He maintained that the bill is good for the public. He reported that 80 changes were made to the bill in conjunction with the Consumer Protection Section of the Department of Law. He spoke in support of HB 162.

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KEVIN M. BREELAND, PRESIDENT, ALASKA MORTGAGE BANKERS ASSOCIATION; PARTNER, RESIDENTIAL MORTGAGE, ANCHORAGE, testified in support of HB 162, which is supported by the mortgage industry. Alaska is the only state that requires no licensing. HB 162 provides a level of enforcement and regulation of the mortgage loan industry. He urged the Committee to pass the bill, a completely self-supporting bill.

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JULIE GRANGER, COUNSEL, PRIMERICA FINANCIAL SERVICES, testified against HB 162. She reported that her association supports regulation of the mortgage industry; however, affiliated members are highly regulated at the state and federal levels. She spoke in support of state licensure of mortgage lending companies, granting Alaska regulatory and enforcement powers, "requirements in which we assume financial and supervisory responsibilities of the origination activities of our affiliated mortgage lenders, mortgage employees, and exclusive agents". She spoke against the bill because it requires individual employees and exclusive agents of well-capitalized and highly regulated entities to obtain individual licenses. She preferred the American Financial Services Association (AFSA) amendment which asks Alaska to agree with the majority of other states by implementing a sensible state licensing scheme for these entities.

Vice Chair Stoltze asked for clarification whether or not the bill applies to people working in established lending agencies. Ms. Granger said that in Alaska there are over 150 exclusive Primerica and Citigroup agents, who can market mortgage loans, insurance, and securities.

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Representative Hawker clarified that the bill before the Committee is HB 162.

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DANIELLE FAGRE, SENIOR VICE PRESIDENT, AMERICAN FINANCIAL SERVICE ASSOCIATION, related that there are a number of mortgage lenders in her company. She stated opposition to HB 162 and requested that the bill be held over until next session. She maintained that the bill would increase the burden on the lending industry, its regulators, and its consumers. Licensing individual employees of large multi-state mortgage lenders can impose substantial cost and administrative burdens. State licensing of lending companies would make licensing of agents unnecessary. The bill does not jive with legislation in other states. Independent mortgage brokers should be regulated differently than large mortgage lenders. Ms. Fagre addressed the lack of enforcement regulation in the bill. She described an amendment by AFSA. She stated full support for licensing of corporate entities.

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Vice Chair Stoltze opposed the reference to lack of good faith by the Department of Commerce, Community and Economic Development. Ms. Fagre said she was referring to negotiations by AFSA, not reflecting on Mr. Davis or the Department.

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TOM ECHOLS, VICE PRESIDENT, HSBC, testified against HB 162 in its current form. HSBC supports the proposed amendment by AFSA. The licensing must consider the difference between mortgage lenders and independent mortgage brokers, as well as between intra-state companies and multi-state companies. He mentioned that he supports SB 272, which was passed last year.

JOHN CARMAN, ALASKA MORTGAGE BANKERS ASSOCIATION, testified in support of the bill. He maintained there is no reason to license separately.

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Representative Kelly asked about the distinction between a local commercial company versus a broker owned by a company of another state. Mr. Carman thought there should not be a distinction; everyone should be tested and pass a background check. He referred to a letter of support by AARP (copy on file.)

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Representative Hawker MOVED to ADOPT Amendment #1:

Page 3, line 16:
Delete "or"

Page 3, line 19:
Delete "."
Insert "; or"

Page 3, following line 19:
Insert a new paragraph to read:
"(9) an individual who is employed by or under exclusive contract with a licensee if the licensee (A) is an affiliate of a bank or savings and loan association and is wholly owned by the same bank holding company or savings and loan association that owns the bank or savings and loan association with which the licensee is affiliated; (B) submits a signed statement to the department under which the licensee accepts responsibility for ensuring that the individual operates in compliance with this chapter; and (C) maintains a bond or other security in an amount required by the department that runs to the benefit of the state and any person who suffers loss by reason of the individual's violation of this chapter."

Page 3, line 21, following "section.":
Insert "A licensee whose employees or contractors are exempt under (a)(9) of this section shall file a registration form to obtain an exemption for the employees or contractors under (a)(9) of this section."

Vice-Chair Stoltz OBJECTED.

Representative Hawker noted that the amendment is being offered by request. He thought it was important for the Committee to consider the argument about who shall be exempt from the registration requirements in this bill. The amendment does not challenge increasing the regulation of mortgage lenders. He referred to page 2, Section 06.60.015, the list of exemptions. The first exemptions is for a person who is authorized to engage in business as a bank, bank holding companies, savings institutions, savings and loan associations - entities that are subject to all state and federal banking regulations. He explained that a subsidiary - the business owned by the bank - is also exempt. So is any person who works for a bank exempt from this bill. The amendment offers that there may be another circumstance of ownership that should also be included as an exemption.

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Representative Hawker read line 10 of the amendment, "an individual who is employed by or under exclusive contract with a licensee". He explained that a licensee, line 12, is an affiliate of a bank or savings and loan, owned by the bank. He said it is adding as additional security a requirement that the licensee must further sign a statement to accept responsibility for the behavior of the individuals and maintain a bond. The amendment would also require a licensee whose employees or contractors are exempt to file a registration form to obtain an exemption for the employees or contractors.

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Representative Hawker referred to a letter from Northrim Bank in opposition to the AFSA Amendment.

Mr. Davis spoke in opposition to Amendment #1. He mentioned that Alaska law requires parity with federal banks, and exempts federal banks. At issue is what an affiliate is - a company that is owned by the bank, but not run through the bank. There is a provision in the bill for an exemption for AS 06.60.015(8)(c). Other states have consumer loan acts. In response to a previous question by Representative Gara, Mr. Davis said that the bill contains provisions for predatory lending. The proposed amendment says that an affiliate of a bank, which would either be a state or a federal bank, could create an affiliate and, therefore, not have the originators licensed. Because of the affiliation with a bank it includes in-state and out of state branches. He maintained that the bill allows for enforcement. He gave a hypothetical situation. At issue is the dual banking system. He preferred to exam state banks and their operations, not allow them to create an affiliate to avoid licensure.

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Representative Gara asked if mortgage bankers are exempted from the bill due to federal law. Mr. Davis replied that some are covered by federal law. Representative Gara said they cannot be regulated because of a Supreme Court case. Mr. Davis said yes. He described the case. He talked about exemptions for non-profit organizations, federal government agencies, fiduciaries, and a person who is licensed by the SBA, which are regulated by federal law.

Representative Gara asked about predatory lending as it relates to the above exemptions. Mr. Davis explained that they are all covered by federal law. In response to a question by Representative Gara, Mr. Davis explained that the bill already states that a mortgage broker or licensee who has to work through an originator is liable for the acts

of the originator, an employment law standard. Representative Gara asked if the exemptions in the bill are liable under federal law for misrepresentation and predatory lending. Mr. Davis related that complaints against a federal bank are referred to the OCC and the FBI for resolution.

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Representative Crawford related his experience with mortgage loan originators. He wondered if the amendment would result in more education for mortgage loan originators. Mr. Davis replied that the banks would handle training in-house and would not want it mandated by this legislation. He spoke in support of educational requirements.

Representative Hawker questioned why continuing education would not benefit bank employees. Mr. Davis noted that the state of Alaska was not in support of the Supreme Court's ruling, but must abide by it.

Representative Hawker questioned if the Department has latitude to require the licensee to set standards for their employees. Mr. Davis did not think the Department had the authority under the amendment. The bank affiliate would have the responsibility.

Representative Hawker argued that it would be within the scope of the legislature to place educational requirements. Mr. Davis did not agree.

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A roll call vote was taken on the motion.

IN FAVOR: Foster

OPPOSED: Hawker, Joule, Kelly, Stoltze, Thomas, Crawford, Meyer, Chenault

Representatives Gara and Nelson were absent from the vote.

The MOTION FAILED (1-8).

Co-Chair Meyer reviewed the fiscal notes.

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Representative Kelly questioned if the fiscal costs would be recoverable. Mr. Davis anticipated that industry fees would pay for the bill.

Representative Foster MOVED to REPORT CSHB 162 (L&C) out of Committee with individual recommendations and the

accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 162 (L&C) was REPORTED out of Committee with a "no recommendation" and with zero fiscal note #1 by the Department of Law, fiscal note #2 by the Department of Administration, and fiscal note #3 by the Department of Commerce, Community, and Economic Development.

[3:17:15 PM](#)

HOUSE BILL NO. 164

"An Act relating to reporting of vessel location by certain commercial passenger vessels operating in the marine waters of the state, to access to vessels by licensed marine engineers for purposes of monitoring compliance with state and federal requirements, and to the obligations of those engineers while aboard the vessels; and providing for an effective date."

Vice Chair Stoltze MOVED to ADOPT the proposed committee substitute for HB 164, labeled LS-0585\W, Kane, 4/25/07. There being NO OBJECTION, it was so ordered.

RANDY RUARO, STAFF, REPRESENTATIVE KYLE JOHANSEN, explained that the CS corrects a title change.

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CHIP THOMA, JUNEAU, provided written testimony (copy on file.) He read from his testimony:

Thank you for the opportunity to comment on this bill that would significantly repeal the Ocean Ranger section of the 2006 Cruise Initiative.

CS HB 164 would repeal the initiative language that became law last December. The present cruise law requires that a Ranger be on board all large cruise ships that enter state waters. This CS repeals that presence to a random system of observations and monitoring, beginning and ending in Alaska cruise ports. The CS language does solve some logistical and jurisdictional issues, and it places Rangers on board ships between Alaska ports, as the law fully intended. However, the logistics and random boarding language, to be authorized by the DEC Commissioner, can be accomplished by regulation, not by repeal of the 2006 cruise law. This statutory change in the CS is unnecessary. British Columbia and the state of Washington are also considering adopting an Ocean Ranger program that would apply to cruise ships.

The CS also repeals the job description of an Ocean Ranger from a "licensed marine engineer" to a "Level III wastewater treatment operator." The major reason given for this change is that licensed marine engineers presently employed by the Alaska Marine Highway System (AMHS) may quit their full-time jobs for seasonal, 5-month work as Rangers aboard cruise ships. There is absolutely no basis for that assertion. In fact,

- There has been not one inquiry by any Marine Hwy engineer about the Ocean Ranger program to their local union or business agent.
- The AMHS marine engineers I spoke to assured me they would never quit their full-time jobs to become Rangers. Such a situation defies logic.

I called Juneau public works, who informed me that the CBJ has seven Level III operators, all employed full-time, and they know of no retired personnel. Also, the human resources section of the Anchorage Water & Wastewater Utility (AWWU) told me they employ 21 Level III operators, full-time. Golden Heart Utilities of Fairbanks reports they have 6 Level III operators employed. Additionally, the DEC master list shows a state total of 83 active Level III operators, whose certificates are current, and 23 expired certificates, most due to retirement. I contend that Level III operators do not exist as a labor pool in Alaska for Ocean Rangers. This present CS language is a poison pill that makes the Ranger program inoperative for 2007. This repeal is without merit.

Finally, the cruise ships intend to charge Rangers for room and board, at a cost of \$2,100 week, \$300/day. With 25 Rangers working 25 weeks, that cost would be \$1.3 million for May to September. The state or the contractor could rent apartments adjacent to cruise ports for the summer, saving at least \$1.25 million.

Representative Gara voiced concern about not having an Ocean Ranger on board while the ship is in Alaskan waters. He wondered how future commissioners would handle the discretion to determine when spot checks should be done. Mr. Thoma maintained that the contractor's went too far. There should be full coverage on the ships and the Commissioner should determine random boardings. The only covering missing will be from Dixon Entrance to the dock in Ketchikan. It also allows Ocean Rangers to disembark at various ports. The initiative gives the Commissioner latitude to design the coverage.

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Representative Gara asked what Mr. Thoma supports. Mr. Thoma said he supports allowing the Commissioner to

determine when the Ocean Ranger should board the ships. He thought the CS was unnecessary and most can be done by regulation. Representative Gara asked when Ocean Rangers should be on board. Mr. Thoma replied that they don't need to be on board in port.

Co-Chair Meyer asked if the Ocean Rangers need to be state employees. Mr. Thoma replied that the voters didn't care.

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GERSHON COHEN, CO-SPONSOR, ALASKA CRUISE SHIP BALLOT INITIATIVE 314-0228, HAINES, referred to a memo he provided for the Committee (copy on file), which substantiates the need for the Ranger program. It is a list of violations and convictions by the cruise ship industry. He maintained that it is critical that Ocean Rangers are on board as observers while the ships are on the water. He described his experience as an observer in foreign fisheries, which pays for room and board for the observers. He addressed the access issue and suggested ways Ocean Rangers could board the ships.

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Mr. Cohen voiced concerns about the new CS. The word "independent" in regards to monitors is very important and was left out of the Finance CS. The monitors should not be overseen by state employees and could be doing double duty as an employee of the ship and the state. He addressed the intent of the initiative regarding the marine engineers. He opined that it would not be an issue to find enough marine engineers, nor easier to fill the positions with class III wastewater treatment operators. He noted that the title does not matter and both would be adequate, but the monitors need to be independent and qualified.

Mr. Cohen expressed great concern about allowing the Commissioner wide discretion to direct when the Ocean Rangers are on board the ships. He related a previous experience working with DEC and a problem with knowing who future commissioners will be. He said that the CS violates the intent of the initiative when it allows the Commissioner so much discretion.

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Representative Gara noted the balance between efficiency and fulfilling the initiative. He asked Mr. Cohen if it is necessary for the Ocean Ranger to be on board when the ship is in port. Mr. Cohen replied that there is more of a reason to have them on board between ports. He would prefer that the Ranger is on board as an observer all the time because illegal discharges also happen in port.

Representative Gara suggested random boarding in ports. Mr. Cohen wondered how that would improve efficiency. He maintained that between ports is the greatest danger.

Representative Gara asked if there are any problems with full-time Ocean Ranger coverage only after the first port of call in Ketchikan. Mr. Cohen described the ideal situation.

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Representative Kelly explained the balance between the intent of the initiative and common sense. He spoke of the improvements to the wastewater treatment system on today's ships. He thought the Commissioner should be able to respond to this improved situation. Mr. Cohen agreed that the wastewater treatment system has improved, but all state water quality standards need to be met. He pointed to a history of abuse by the cruise industry. Representative Kelly wanted the Commissioner to decide how to implement the Ocean Rangers.

Representative Foster thought DEC Commissioners historically have done a good job. Mr. Cohen repeated the purpose of the initiative which would have the observers on board all the time.

Vice Chair Stoltze thought the voters' decision should be respected. He spoke of frustrations with gambling-related issues.

Representative Thomas asked why small cruise ships are exempted. He opposed the fact that initiatives can appropriate money. Mr. Cohen said the initiative was written in 2003 and the small ships were exempted in 2004. He thought the issue was a matter of scale, with the cruise ships being the greater danger than small ships. Mr. Cohen said the hope is that the cruise ships do not pollute. Representative Thomas wondered if random monitoring would work, especially during this start up year. Mr. Cohen agreed that this year all ships may not get covered. He stated he would be comfortable with reducing the number of Ocean Rangers if they are not needed in the future and reassess later on.

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Co-Chair Meyer set aside HB 164.

[4:01:53 PM](#)

Co-Chair Meyer recessed until 9:00 on April 27, 2007.

[9:07:59 AM](#)

HOUSE BILL NO. 184

"An Act relating to a commemorative troops license plate; and providing for an effective date."

Representative Gara MOVED to ADOPT Amendment #1:

Page 1, line 2, following "veterans;":

Insert "relating to mandatory motor vehicle insurance, license suspensions, mandatory impoundments of vehicles used in certain offenses, and notices relating to motor vehicles and driver's licenses;"

Page 1, following line 3:

Insert a new bill section to read:

"* Section 1. AS 28.05.071 is amended by adding a new subsection to read:

(b) A person convicted of a violation of (a) of this section is guilty of an infraction punishable by a fine not to exceed \$300."

Page 1, line 4:

Delete "Section 1"

Insert "Sec. 2"

Renumber the following bill sections accordingly.

Page 3, following line 2:

Insert new bill sections to read:

"* Sec. 5. AS 28.15.291 is amended by adding a new subsection to read:

(d) It is an affirmative defense to a prosecution under (a) of this section that the person's license was suspended under AS 28.22.041 and the person provides proof of liability insurance meeting the requirements of AS 28.22 and proof that the insurance was in effect at the time of the accident that led to the suspension.

* Sec. 6. AS 28.22.019 is amended by adding a new subsection to read:

(d) A person convicted under this section is guilty of a class B misdemeanor and may be punished as provided in AS 12.55, except that a fine of at least \$500 must be imposed.

* Sec. 7. AS 28.22.041(f) is amended to read:

(f) The department shall notify the licensee that the suspension becomes effective 30 days from the date of the notice and that the licensee has the right, within the 30-day period, to make an oral or written answer controverting any point or issue, or to present evidence and arguments for the consideration of the department. Notwithstanding AS 28.05.121, the department shall provide this notice to the address that appears to

be the most recently provided from among the following:

(1) the address the department has for the person;

(2) the address shown on the report of the accident.

* Sec. 8. AS 28.40 is amended by adding a new section to read:

Sec. 28.40.080. Impoundment of motor vehicle when person arrested for certain offenses. On the arrest of a person for a violation of AS 28.15.291; AS 28.33.030, 28.33.031; AS 28.35.030 or 28.35.032, the motor vehicle used in the commission of the offense shall be impounded. The cost of towing and storage of the vehicle is a lien on the vehicle. If another person claims an ownership or security interest in the motor vehicle and establishes that the interest predated the offense and was acquired by the other person in good faith, the vehicle may be released to that other person if the person pays the accrued cost of towing and storage of the vehicle."

Renumber the following bill section accordingly.

Page 3, line 3:

Delete "This Act takes"

Insert "Sections 2 - 4 of this Act take"

Co-Chair Meyer OBJECTED.

Representative Gara explained that Amendment #1 solves the problem regarding people getting arrested for driving without insurance when they actually had insurance. This happens when someone has an accident and has to show proof of insurance, fill out a form, and send it into DMV. People forget to send the form in or don't receive it in the first place. Sometimes DMV sends the report to an expired address instead of the one on the accident report. The amendment fixes a loophole and allows DMV to send the form to the address on the accident report.

Co-Chair Chenault asked if the person is in violation if they don't have proof of insurance. Representative Gara said that is a separate issue.

Representative Thomas wondered when proof of insurance is updated. Representative Gara reported that you have a period of time to prove that you have insurance.

JOSH APPLEBEE, STAFF, REPRESENTATIVE BOB ROSES, spoke in favor of the amendment.

Representative Gara reported that Duane Bannock from DMV is also supportive of Amendment #1.

Co-Chair Meyer WITHDREW his objection. There being NO OBJECTION, it was so ordered.

[9:13:27 AM](#)

Representative Gara MOVED to ADOPT Amendment #2:

Page 1, lines 2:

Insert "relating to registration of vehicles for disabled person;"

Page 2, line 9, following "privileges":

Insert ". A disabled person who otherwise qualifies for a registration plate under (2)(B) of this subsection may elect to receive a plate under another provision of this section for which the person is otherwise qualified that does not display the international symbol of accessibility and does not carry with it special parking privileges"

Page 2, following line 21:

Insert a new bill section to read:

"*Sec. 3. AS 28.10.411(f) is amended to read:

(f) A resident 65 years of age or older on January 1 of the year the vehicle is registered or a resident with a disability that limits or impairs the ability to walk and who provides proof of that disability as provided in 23 C.F.R. 1235.2 is entitled to an exemption from the registration fee required under this section for one vehicle subject to registration under AS 28.10.421(b)(1), (2), (5), or (6). An exemption may not be granted except upon written application for the exemption on a form prescribed by the department."

Renumber the following bill accordingly.

Co-Chair Meyer OBJECTED.

Representative Gara explained that the amendment was at the request of a disabled constituent and ensures free registration regardless of the license plate chosen.

Co-Chair Meyer WITHDREW his objection. There being NO OBJECTION, it was so ordered.

[9:14:37 AM](#)

Representative Hawker MOVED to ADOPT Amendment #3:

Page 2, line 15, following "may issue"

Delete "`Support Our Troops' registration plates to supporters of Support Our Troops, Inc."
Insert "registration plates commemorating and supporting troops."

Page 2, line 23, following (17)
Delete "Support Our Troops"

Page 2, line 31, following "legislature"
Delete "to Support Our Troops, Inc., for the benefit of the troops and their families in accordance with its articles of incorporation and bylaws."
Insert "solely for the purpose of providing benefits within the state of Alaska to troops and their families."

Co-Chair Meyer OBJECTED.

Representative Hawker related that the amendment does nothing to distract from the original purpose of the bill. He explained that the language would be inserted to register plates commemorating and supporting troops, without language specifically for supporters of a non-profit organization that is not registered in Alaska and is tax exempt. He saw potential IRS conflicts and maintained that the state should not sanction a non-profit organization such as Support Our Troops. It removes a perpetual endowment to a non-profit organization and allows the legislature to appropriate funds solely for the purpose of providing benefits within Alaska to troops and their families.

[9:19:54 AM](#)

Mr. Applebee reported that Representative Roses is not in favor of Amendment #3. The sponsor feels that the amendment opens the door to reward anyone for the hard work of a specific organization. The bill is geared to award funds to a specific organization for its hard work. He said that local dispersement boards provide for funds remaining in the state.

Co-Chair Meyer wanted to ensure that the money is going to the appropriate agency.

[9:22:27 AM](#)

PAT CARTER, LOBBYIST, SUPPORT OUR TROOPS, explained that it takes nine months for the license plates to get approval. Support Our Troops is based out of Florida and is an apex charity, which gives out money to individual charities in each state. He described the disbursement board.

Co-Chair Meyer summarized the path a donation to Support Our Troops takes. Mr. Carter reported that the money comes back

to Alaska, minus operating costs, which are around 17 percent, for items such as advertising and lobbying. Co-Chair Meyer asked how record keeping is done. Mr. Carter shared language that the sponsor came up with to achieve the goals of Amendment #3. He explained that Support Our Troops gets the money to families of troops, and Amendment #3 does not specify which charity benefits.

[9:28:44 AM](#)

Co-Chair Meyer asked if Mr. Carter is proposing a letter of intent. Mr. Carter said it would be an amendment.

Representative Gara agreed with Representative Hawker about having a business name in a statute. He suggested using the first two parts of Amendment #3, and changing the third part to take out "within the state of Alaska". He suggested giving DMV the discretion to decide which group to designate.

[9:31:42 AM](#)

Representative Hawker disagreed. He maintained that the language in Amendment #3 says "solely for the purpose", and does not reference how the mission is accomplished, nor does it require that an Alaskan organization provide the benefits.

Mr. Carter pointed out that the Support Our Troops Board carefully worded the language to include all military. He agreed with Representative Hawker's interpretation, but could not agree with rewarding other charities with Support Our Troops fundraising efforts.

Representative Hawker said he is willing to "give Support Our Troops a shot at this", but is unwilling to have an unnecessary administrative cost. He said he is uncomfortable for the state of Alaska to create a perpetual endowment for this non-profit organization. He suggested adding a letter of intent. He emphasized that his suggestion is not anti-veteran.

Mr. Carter said he did not mean to infer that there is an issue regarding support of the troops. He maintained that it is simply a difference of opinion about a policy call. His organization would not be interested in the license plate if there is not a profit in it. He discussed administrative costs.

[9:39:37 AM](#)

Representative Kelly recalled when he was president of United Way when administrative costs were 22 percent. He wondered if Mr. Carter could make it work with Amendment #3.

Mr. Carter agreed that other charities would take a cut, but it is new money. He did not believe Support Our Troops would be interested in the plates if they did not receive a profit.

Representative Hawker suggested that a letter of intent would clarify the issue.

[9:43:29 AM](#)

Representative Gara asked if a letter of intent identifying that DMV could contract with Support Our Troops to provide the services would satisfy Mr. Carter. Mr. Carter assured that all of the money raised would stay in Alaska, minus the administrative cost. He pointed out that a letter of intent is not law. He wondered if there is anything in a letter of intent that would prevent another charity from benefiting. Representative Gara explained the leap of faith that a letter of intent must exhibit. He suggested attaching the letter of intent during a floor session to make it part of the bill. Mr. Carter asked for an explanation of the intent of the amendment regarding regulations. Representative Hawker summarized the point of a letter of intent. Mr. Carter said it is up to Support Our Troops.

[9:47:48 AM](#)

Representative Kelly said his concern is where the money goes. He voiced concern about the time spent on such issues and wondered if DMV could handle this issue. He concurred with Representative Hawker's amendment or turning it over to DMV.

[9:50:37 AM](#)

MARTIN BOYER, EXECUTIVE DIRECTOR, SUPPORT OUR TROOPS, requested a copy of Amendment #3.

Representative Gara thought Amendment #3 would work with a letter of support. He wondered if there could be an amendment written to include uncodified law. Mr. Carter said the intent of the bill is to get money to families of the troops, and not reward one charity for another's work. He deferred to the legislature's good judgment.

Representative Kelly spoke in opposition to the idea of a letter of intent. He spoke in favor of Amendment #3. He wanted a solution that works for all worthy organizations.

[9:56:21 AM](#)

Co-Chair Meyer questioned if Mr. Carter needed more time. Mr. Carter thought it there was a philosophical difference.

If the intent is that Support Our Troops benefits from this legislation, then he agrees to it.

Representative Hawker pointed out that Support Our Troops is protected by copyright. He thought the amendment was protection for both parties. Representative Kelly suggested that the sponsor and the maker of the amendment spend more time on the issues.

[9:59:26 AM](#)

Representative Kelly thought there might be additional problems with the bill. Representative Gara thought Mr. Carter's request for a guarantee was extreme. The letter of intent is a good faith commitment. Mr. Carter said he understands that and the intent of the bill. He offered to work on a letter of intent.

Co-Chair Meyer agreed to allow the members and the sponsor to work on it.

Representative Hawker summarized that the amendment without a letter of intent serves the purpose of protecting both parties.

Mr. Applebee agreed.

Co-Chair Meyer WITHDREW his objection. There being NO OBJECTION, it was so ordered.

[10:05:17 AM](#)

Representative Foster MOVED to REPORT CSHB 184 (FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 184 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with indeterminate fiscal note #1 by the Department of Administration.

ADJOURNMENT

The meeting was adjourned at 10:07 AM.