

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 2, 2007

3:12 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Mark Neuman, Vice Chair
Representative Carl Gatto
Representative Gabrielle LeDoux
Representative Jay Ramras
Representative Robert L. "Bob" Buch
Representative Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 146

"An Act requiring certain businesses to recognize postmark dates as the date of payment."

- HEARD AND HELD

HOUSE BILL NO. 211

"An Act imposing a fee on homeowner's insurance policies issued or renewed in the state; requiring an insurer issuing or renewing a homeowner's insurance policy to collect the fee; and creating a special account in the general fund, allowing money in the fund to be appropriated to the Department of Public Safety for the Alaska Fire Standards Council, and repealing the Alaska fire services personnel fund."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 146

SHORT TITLE: PAYMENT DATE FOR BILLS FOR SERVICES

SPONSOR(S): REPRESENTATIVE(S) COGHILL

02/21/07	(H)	READ THE FIRST TIME - REFERRALS
02/21/07	(H)	L&C, JUD
04/02/07	(H)	L&C AT 3:00 PM CAPITOL 17

BILL: HB 211

SHORT TITLE: HOMEOWNERS INSUR. FEE/FIRE STDS. COUNCIL

SPONSOR(S): REPRESENTATIVE(S) RAMRAS

03/21/07 (H) READ THE FIRST TIME - REFERRALS
03/21/07 (H) L&C, STA, FIN
04/02/07 (H) L&C AT 3:00 PM CAPITOL 17

WITNESS REGISTER

REPRESENTATIVE JOHN COGHILL
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Presented HB 146.

BARBARA COTTING Staff
to Representative Jay Ramras
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Presented HB 211 on behalf of
Representative Ramras, sponsor.

JACK SMITH, Director/Fire Chief
North Slope Borough Fire Department
Barrow, Alaska
POSITION STATEMENT: Testified in support of HB 211.

JEFF TUCKER, Fire Chief
North Star Volunteer Fire Department;
2nd Vice President
Alaska Fire Chiefs Association (AFCA)
North Pole, Alaska
POSITION STATEMENT: Testified in support of HB 211.

MITCH FLYNN, Fire Chief
Steese Area Volunteer Fire Department
Fairbanks, Alaska
POSITION STATEMENT: Testified in support of HB 211.

CAROL R. REED, President
Alaska State Firefighters Association (ASFA)
Juneau, Alaska
POSITION STATEMENT: Testified in support of HB 211.

KENTON BRINE
Property Casualty Insurers Association of America (PCI)

Olympia, Washington

POSITION STATEMENT: Testified in opposition to HB 211.

DOUG SCHRAGE, 1st Vice President
Alaska Fire Chiefs Association (AFCA);
Deputy Chief
Anchorage Fire Department
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 211.

KATHY WASSERMAN
Alaska Municipal League (AML)
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 211.

JEFFREY TROUTT, Deputy Director
Division of Insurance
Department of Commerce, Community, & Economic Development
(DCCED)

POSITION STATEMENT: Offered comments and answered questions during hearing on HB 211.

ERIC MOHRMANN, Fire Chief
Capital City Fire/Rescue (CCFR)
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 211.

ACTION NARRATIVE

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at [3:12:49 PM](#). Representatives Buch, Neuman, Gatto, Gardner, LeDoux, Ramras, and Olson were present at the call to order.

HB 146-PAYMENT DATE FOR BILLS FOR SERVICES

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 146, "An Act requiring certain businesses to recognize postmark dates as the date of payment."

[3:13:25 PM](#)

REPRESENTATIVE JOHN COGHILL, Alaska State Legislature, sponsor, began by sharing his personal experience with mailing payments for various services. He explained the process that major credit card companies use for sending statements in the mail, which can leave consumers with a five-day window before payment

is due. He said that this leaves "no comfort that if I put a first class letter in the mail that day, they would be able to get it in the time that has been allotted." He said that including services such as electric and telephone in the bill has "created no small stir." He stated that he resides in North Pole, which is a "fairly decent" mail carrier system, and pointed out that for those who live in more rural areas of the state, it can take up to three or four days longer to receive mail. He shared his hope that companies that deliver services on a monthly basis, such as insurance carriers, would become more sensitive to this concern, adding that his primary concern is major credit card companies. He explained that credit card companies process payments through a national clearinghouse, and noted that while a consumer may make an electronic payment by the due date, the company may take longer to process the payment. This can result in late fees and higher interest rates, even though the funds were taken from the bank account by the due date. He said:

Maybe the best thing to do, is to have a definitive, that when I mail the check to them, that is a legitimate payment date. Because I can't prove when they get it. That is the problem. They could hold onto it for [three or four days]. ... The mail could take ten days. The fact is, if you're going to do the payment by mail, you're going to have to figure you're going to pay a penalty.

REPRESENTATIVE COGHILL then suggested that those who are able to switch to electronic payments do so. However, this can still result in a late payment. He opined that while there may be a Federal Communications Commission (FCC) question, the bill should be passed as a "matter of interest," adding that a statutory provision would result in more notice than a resolution. He said "I'm willing to send it up as a challenge." He suggested amending Section 1(b)(2) by replacing "includes" with "excludes".

[3:19:41 PM](#)

REPRESENTATIVE RAMRAS made a motion to adopt Amendment 1, labeled 25-LS0515\A.1, Bannister, 3/20/07, which read:

Page 1, line 12:
Delete "including"
Insert "excluding"

Page 2, line 1:

Delete "includes"

Insert "does not include"

CHAIR OLSON objected for discussion purposes.

REPRESENTATIVE COGHILL reiterated that this would remove electric and telephone services from the bill. He acknowledged that he has caused consternation with these services, however, it is worthy to note that this is a consumer problem.

REPRESENTATIVE RAMRAS noted that he shares the sponsor's frustration, and is a cosponsor of this bill. In regard to Amendment 1, he inquired as to whether this includes a broad enough group of utilities. He has spoken with representatives from utilities in rural areas, which would have to retain all envelopes with postmarks in order to satisfy the requirements of this legislation. He would like to ensure that this brings enough relief to the various utilities and does not create a problem for certain utilities.

REPRESENTATIVE COGHILL replied that he would look up the statutory definition of "public utility," to ensure that it includes all the utilities in question.

CHAIR OLSON stated that he is curious to know whether this includes electrical cooperatives.

REPRESENTATIVE COGHILL noted that it is not his intention to cause undue harm. This is a legitimate question of consumer protection. He said that if he feels the issue, as it relates to public utilities, can be worked on, he may come back and request this. However, the larger concern is with the credit card companies.

[3:23:03 PM](#)

REPRESENTATIVE COGHILL referenced the definition of "public utility" in AS 42.05.990:

(4) "public utility" or "utility" includes every corporation whether public, cooperative, or otherwise, company, individual, or association of individuals, their lessees, trustees, or receivers appointed by a court, that owns, operates, manages, or controls any plant, pipeline, or system for

(A) furnishing, by generation, transmission, or distribution, electrical service to the public for compensation;

(B) furnishing telecommunications service to the public for compensation;

(C) furnishing water, steam, or sewer service to the public for compensation;

(D) furnishing by transmission or distribution of natural or manufactured gas to the public for compensation;

(E) furnishing for distribution or by distribution petroleum or petroleum products to the public for compensation when the consumer has no alternative in the choice of supplier of a comparable product and service at an equal or lesser price;

(F) furnishing collection and disposal service of garbage, refuse, trash, or other waste material to the public for compensation;

REPRESENTATIVE NEUMAN commented that this is a very broad definition, and requested that a list of the utilities that are included in this definition be submitted to the committee.

[3:24:50 PM](#)

REPRESENTATIVE LEDOUX agreed that the definition of "public utility" is broad. She questioned whether the foregoing definition includes private utilities.

REPRESENTATIVE COGHILL pointed out that the definition includes "individual, or association of individuals", in addition to "or otherwise", which, if combined, would apply to the aforementioned private utilities.

[3:25:56 PM](#)

REPRESENTATIVE GARDNER shared her understanding that Amendment 1 excludes utilities because the changes proposed by the bill are expensive and inconvenient; however, other businesses are not excluded.

REPRESENTATIVE COGHILL replied that this has very little to do with the inconvenience, and more to do with the company's ability to comply, which can be an issue with smaller companies. There is an inconvenience in the state, which he is less-than sympathetic to. The real question, he said, is that Alaska residents get "hammered" with credit cards much more than with

regular monthly billings, which is why he chose to address a larger realm. He stated that this can be very difficult and costly to impose on regulated utilities.

REPRESENTATIVE NEUMAN inquired as to whether it would be easier to specify credit card companies.

REPRESENTATIVE COGHILL replied that many companies deal with the state from a national perspective, including insurance companies. He is less sympathetic to these companies.

REPRESENTATIVE NEUMAN opined that insurance companies are more time sensitive than other types of companies. He stated that there is "a lot of confusion" in the bill.

REPRESENTATIVE COGHILL replied that he erred on the side of consumer protection, and shared a story involving an insurance company that automatically canceled his policy when it did not receive payment 30 days in advance of the policy's expiration. He said that he found this objectionable.

[3:30:22 PM](#)

REPRESENTATIVE NEUMAN reiterated that Amendment 1 is very broad. He said that while he thinks he is in support, there has not been adequate clarification. He reiterated that he would like to see a list of companies that are included, along with companies that are not included.

REPRESENTATIVE COGHILL stated that he is willing to hold the bill over, if that is the wish of the committee. He stated that the bill is meant to bring policy discussion to the table, and reiterated that this is an important consumer protection issue. He said that local, in-state utilities are usually diligent with billing, adding that those outside of Alaska create a problem.

CHAIR OLSON, in regard to the language of Amendment 1, stated that it may be more appropriate to "flesh it out," and specify which companies are included.

REPRESENTATIVE COGHILL said that he would come back before the committee with an outline of what companies are effected by Amendment 1.

CHAIR OLSON indicated that HB 146 would be held in committee.

[3:33:44 PM](#)

HB 211-HOMEOWNERS INSUR. FEE/FIRE STDS. COUNCIL

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 211, "An Act imposing a fee on homeowner's insurance policies issued or renewed in the state; requiring an insurer issuing or renewing a homeowner's insurance policy to collect the fee; and creating a special account in the general fund, allowing money in the fund to be appropriated to the Department of Public Safety for the Alaska Fire Standards Council, and repealing the Alaska fire services personnel fund."

[3:33:56 PM](#)

BARBARA COTTING, Staff to Representative Jay Ramras, Alaska State Legislature, sponsor, explained that according to the Alaska Fire Chiefs Association (AFCA), fire departments in Alaska are not financially able to achieve the current national fire protection standards. This places residents and their property in more jeopardy than is needed. She pointed out that the AFCA has been trying for many years to find funding sources in order to fund the Alaska Fire Standards Council (AFSC), and have the means to implement the training standards. She stated that in 1998, the legislature established the AFSC, which was intended to develop and regulate training for Alaska's fire departments. However, the legislature did not fund the AFSC. The sponsor's office has worked with the AFCA to find a way to fund the council. She stated that thus far, HB 211 is the best funding source. The Division of Insurance ("the Division") has advised the sponsor that this fee should only apply to homeowners insurance, adding that homeowners benefit the most. A \$3 fee would be added to each homeowner's policy issued or sold in Alaska. This fee would be collected by the insurance company, and paid to the Division. Additionally, HB 211 creates an account in the general fund (GF) called the Alaska Fire Standards Council Fund, into which the \$3 fee would be deposited. She said that HB 211 repeals the Alaska Fire Services Personnel Fund, which was established in 1988 to mirror a similar fund created for the Alaska Police Standards Council, but has never been used. With the establishment of the Alaska Fire Standards Council Fund, the personnel fund is no longer needed.

REPRESENTATIVE RAMRAS added that this will not lower homeowner's insurance premiums. He pointed out that when police officers write a citation, a fraction of the citation goes to the Police Safety Standards Council. Firefighters do not have the ability

to raise money in that capacity. He said "We are not crazy about this funding source. But it's quite clear, from the history of the Fire Safety Standards Council, that no other funding source has ever emerged." He stated that he recently met with firefighters who explained that adequate training is not received, however, when there is an emergency, the firefighters must be able to perform a variety of functions. He explained that there is a "quilt" of volunteer fire departments working with paid fire departments across the state. However, the notion that volunteer firemen and paid firemen are not able to integrate their skills because they have not been able to integrate their training puts individuals at risk.

[3:39:33 PM](#)

REPRESENTATIVE RAMRAS noted that he previously voted against having a fishing license fee that taxed recreation, and introduced this bill with trepidation. The director of the Division is not crazy about the bill, but acknowledged that the application is possible. He said "We're not crazy about imposing a tax on homeowners, either. But the fact is that we need paid firemen to be able to integrate with the volunteer firemen." He then gave examples of other groups that are unable to get funding through the state, such as the Community Service Patrol. While the state has made it clear that it does not want to use state dollars for community funding efforts, the Fire Safety Standards Council is statewide, and this concern was expressed by all the fire chiefs that visited the Capitol Building. He said that he finds this "quite appropriate," although an additional tax is unwelcome. He noted that the director of the Division previously stated that insurance premiums and taxes on these premiums represent the number two revenue stream to the state. He reiterated that the legislature must find a way to fund the Fire Safety Standards Council, because it will ultimately lead to the integration of volunteer and paid services. He pointed out the difference between integrating volunteer firemen with paid firemen, and volunteer policemen and paid law enforcement individuals. Volunteer firefighters are just as valuable as professional firefighters. He said "So, it was with great frustration, and some angst over the funding mechanism, that we drafted this bill. But, we don't know of a better way."

[3:43:42 PM](#)

REPRESENTATIVE NEUMAN asked if the \$3 fee is annual or per policy.

MS. COTTING replied that the fee is annual, per policy.

REPRESENTATIVE NEUMAN noted that the AFCA supported a \$5 fee, which has been reduced to \$3.

REPRESENTATIVE RAMRAS, in response to a question regarding the budget, stated that there is a cost to the Division to collect the funds. The AFCA indicated that there is a myriad of grant money that can be applied for, which can be put towards the prime mission. He said that \$3 was not found to be "heinous," with respect to insurance premiums and what is expected when emergency services are needed. He shared a recent experience that involved the integration of paid and volunteer firefighters, and said that he is interested in these firefighters continuing to work together. He said:

It's impractical in some ways, it creates a slippery slope, it's dangerous in the precedent that it could be setting. It's difficult to collect, it's cumbersome, there's a thousand things wrong with it - except for the fact that when I dial 911, I want competent, trained, integrated people to show up and help me out, and my neighbors as well.

[3:47:38 PM](#)

REPRESENTATIVE GARDNER, in regard to the resolution from the AFCA, pointed out that the AFCA suggested that the fee apply to all fire insurance policies, while the bill applies only to homeowners. She questioned the reasoning for this. She then commented that a homeowner with a \$200 thousand home would be paying the same as a homeowner with a \$1.5 million home, and expressed concern with this. Finally, she asked whether the budget estimate provided by the AFCA is currently happening, or is a "best case scenario."

REPRESENTATIVE RAMRAS replied that it is simpler to collect the \$3 fee from homeowners than businesses with multiple policies. It is not regressive relative to the value of homes, as this is also simpler. He reiterated that the Division does not like the bill, but feels this is simpler and less cumbersome. He stated that he does not have the answer to the question regarding the AFCA budget estimate.

REPRESENTATIVE GARDNER commented that homeowners would then be subsidizing businesses and other policy holders that are not required to participate.

REPRESENTATIVE RAMRAS opined that most business owners own homes in Alaska. He stated that the intent was not to single out homeowners versus commercial policies, and reiterated that the Division does not like the nature of the collection mechanism, and has indicated that it would be much more cumbersome to involve commercial policies. He said that he has worked with the Division to satisfy as many objections as possible, in order to concentrate on the greater good that comes with establishing the AFSC. He explained that the original intent was to include residence and business policies. He said "We're trying to take something that [the Division does not] like very much, and make it as likeable as possible."

[3:51:05 PM](#)

REPRESENTATIVE GARDNER asked if the Division would be available for testimony.

CHAIR OLSON replied yes.

The committee took an at-ease from 3:51 PM to 4:02 PM.

[4:02:20 PM](#)

REPRESENTATIVE GATTO asked if property that is not within the fire service area would be charged the \$3 fee.

MS. COTTING shared her understanding that the fee would be charged. The intent is to keep the bill as simple as possible, and would not discriminate about the amount of the policy, or where the property is located.

REPRESENTATIVE GATTO commented that homeowners may be able to challenge this.

MS. COTTING pointed out a discrepancy in the fiscal note from Department of Commerce, Community, & Economic Development (DCCED), which estimates that there are 160 thousand homeowner policies in the state. The Division estimated that there are 178,500 policies in the state. She surmised that the number may be "somewhere in-between." In response to a question from Chair Olson, she stated that this fee would apply to any person who purchases homeowner insurance.

CHAIR OLSON asked if this would include tenants that do not own the property but have insurance.

MS. COTTING replied that she is not sure.

CHAIR OLSON stated that he recently resigned from the Central Emergency Service Area Board, of which he was a member for nine years, adding that the last five years he chaired the board. The organization is 40 percent volunteer and 60 percent paid staff. He said "We handled our training with our mill-rate," and explained that training was both volunteer and paid staff. He questioned how the fire service area in Fairbanks is handled.

MS. COTTING replied that there are firefighters online who might better answer this question.

4:05:35 PM

REPRESENTATIVE NEUMAN asked Chair Olson whether he feels this would result in a savings.

CHAIR OLSON said that he is not able to answer this specifically. He stated that his greatest problem is the funding source, and shared his belief that this is a "slippery slope." He said that he has a problem with taxes, adding that while he feels that funding the program is a good idea, it is the wrong revenue source.

4:07:25 PM

REPRESENTATIVE NEUMAN commented that a tax on emergency numbers passed the previous year, which applies to all phone lines, and pointed out that many areas in the state do not have local emergency numbers set up.

CHAIR OLSON clarified that this was a result of a federal mandate. He offered his understanding that this began at \$5 per phone line, regardless of whether it is a cell phone, land-line, or fax. The legislature started at a fee of "up to \$2," with most cities starting at \$1.50. He explained that this was to generate enhanced 911 service, to determine the location of the caller.

REPRESENTATIVE GARDNER inquired as to how urban fire departments are currently funded for training.

MS. COTTING replied that the AFSC handles the funding, and the council is funded by the AFCA and the Alaska State Firefighters Association (ASFA).

REPRESENTATIVE GARDNER shared her understanding that the AFSC is interested in training firefighters across the state, and urban areas currently have paid training available. She inquired as to the funding for firefighters in urban areas.

MS. COTTING replied that she does not have the answer to this question.

CHAIR OLSON stated that on the Kenai Peninsula, the funding is mostly mill-rate.

REPRESENTATIVE GARDNER surmised, then, that Anchorage uses the same funding source. She shared her understanding that AFSC would provide training to areas that are not currently served.

CHAIR OLSON shared his understanding that the AFSC provides more than training to the state.

REPRESENTATIVE RAMRAS, in response to a question from Representative Neuman, stated that to say that this would save money is an over-statement. He reiterated that this is not the preferable funding source. However, this program is needed, and will not be funded through the House Finance Committee or the Senate Finance Committee. A uniform AFSC is needed, which the mill-rates in the various communities do not provide. He reiterated that fire departments do not have an inner mechanism to fund the AFSC. He encouraged members to hear testimony from the firefighters in order to better understand what the funds will be used for. He said:

If we can go to the finance committee, and try and find a source, and they say "yeah, we'll do it," than right on. But if they say no, and they say it with some conviction, then I'd like to have the bill come back before this committee, and really take a look at this undesirable funding source, for something that I think leads to safer communities across the state.

REPRESENTATIVE LEDOUX commented that firefighters can not write citations that can then be used as a funding source, and said that perhaps this should be considered.

[4:13:20 PM](#)

JACK SMITH, Director/Fire Chief, North Slope Borough Fire Department, stated that he is in support of HB 211. He said that Alaska's fire services have made significant strides to obtain recognition by organizations such as the International Fire Service Accreditation Congress (IFSAC), for training provided. Unfortunately, attempts to expand the training and education have been hampered due to the lack of a functioning fire standards council with needed administrative support. He pointed out that industry standard recognition is common to all professional fields, and has proven to be an incentive for career personnel and volunteers that respond to emergency calls around the state. These individuals must complete written and practical testing that determines his or her ability to perform skills comparable to other firefighters in the country. This certification is known and recognized, and thus allows Alaskans to compete for jobs in-state and around the country. He pointed out that while most advisory councils and boards receive some type of financial assistance to perform their basic mission, the AFSC has not. Progress to formalize and develop Alaska's fire training programs has been limited without adequate administrative support, which increases the risk to both firefighters and the public. He stated that most states develop training and certification programs, and work with departments to administer these programs, thus ensuring consistency and quality. He shared a story of a local firefighter that recently obtained a job at Capital City Fire/Rescue (CCFR), and said "Many would have never believed training could have been offered in a rural hub of Alaska, to prepare an individual for a job in the big city. While we were sad to see him leave, other young adults recognized the value of education and training, as well as its ability to open doors for a career." He stated that providing financial support to the AFSC will enable it to become more effective in developing and coordinating fire service training and education in Alaska.

[4:17:18 PM](#)

REPRESENTATIVE GATTO shared his understanding that most of the training that occurs is a result of the mill-rate for the fire service area, and asked if this is correct.

MR. SMITH replied that the North Slope Borough Fire Department is funded by the North Slope Borough. The fire department is accredited by the state to provide Firefighter level 1 and Firefighter level 2 training, which is funded by the

municipality. The concern, he said, is developing new training programs.

REPRESENTATIVE GATTO asked whether adding a \$3 fee to each homeowner insurance policy would change the amount of training that occurs.

MR. SMITH shared his understanding that funding the AFSC is intended to provide the state with the guidance that is needed. He said that preparing individuals to provide training at the certification level is where the state provides the guidance and testing.

REPRESENTATIVE GATTO shared his understanding that the AFSC will have money for travel and contracts. He stated that he is expecting the AFSC to be an organization that, when requested, can send a representative to the fire house for training. He inquired as to whether this is correct.

MR. SMITH shared his understanding that there is money to bring the members of the council together, in order to review the programs and procedures. He stated that the AFSC may take on the role of the accrediting department, and explained the process that the North Slope Borough Fire Department went through to become accredited.

[4:21:10 PM](#)

JEFF TUCKER, Fire Chief, North Star Volunteer Fire Department; 2nd Vice President, Alaska Fire Chiefs Association (AFCA), explained that the AFSC is intended to be the standard making body that the fire departments in the state can utilize to train personnel. The council would put forth the minimum standards for firefighters, company officers, engineers, fire prevention programs, and arson investigation programs. The council would not necessarily be the trainers. There are several programs that are accredited, and there is a need for additional accredited programs. He said that some of the funding would go toward testing administration, which is currently not funded. He explained that if the department does firefighter testing, a certified officer would be sent from the state to validate and grade the test. This is more of a standard setting organization, and is not there to train.

[4:23:52 PM](#)

REPRESENTATIVE NEUMAN questioned whether the additional training would have an effect on insurance rating.

MR. TUCKER replied that this would not directly effect the insurance rating, although it might improve a fire department's rating. He stated that this is not the direct impact, nor the purpose of the council.

[4:25:11 PM](#)

REPRESENTATIVE GATTO shared his understanding that the intent is to "make people safer." He pointed out that insurance companies are a direct beneficiary, as this will result in less claims and emergency medical care. He questioned whether this should be funded by the insurance companies.

MR. TUCKER replied that in some states the insurance companies fund this type of organization; however, have not seen fit to do so in Alaska. He stated that the fire departments directly affect homeowners, and adding the fee to insurance policies seemed the most effective.

CHAIR OLSON asked how many service areas are in the Fairbanks North Star Borough.

MR. TUCKER replied that the City of Fairbanks Fire Department and the City of North Pole Fire Department are within the borough. Outside of the borough there are five fire service areas.

REPRESENTATIVE GATTO commented that two thirds of the population of Alaska is located between Homer and Fairbanks. He shared his understanding that Anchorage has a paid fire department that has daily training, and that Fairbanks and the Matanuska-Susitna Valley have similar fire departments. He questioned whether or not passing the bill would change the training that is currently happening.

MR. TUCKER replied that it would. He explained that the aforementioned departments are directly affected by the AFSC. Without funding the council, the current programs will not be maintained, and the fire departments could potentially lose any accreditation. This would directly affect the fire department's ability to recruit and train firefighters. He stated that all fire departments, whether rural or urban, are directly affected by the AFSC.

[4:29:35 PM](#)

MITCH FLYNN, Fire Chief, Steese Area Volunteer Fire Department, stated that he strongly supports this legislation. He explained that 80-85 percent of the residents within the Fairbanks North Star Borough are protected by either the fire service areas or the two city fire departments. He is in support for holding paid and volunteer firefighters to the same standards. A functioning AFSC is needed in order to provide the direction and leadership that is necessary for firefighters to perform their jobs effectively.

[4:31:01 PM](#)

CAROL REED, President, Alaska State Firefighters Association (ASFA), said that she responds with the Central Matanuska-Susitna Fire Department, and holds a seat on the AFSC. She stated that having standards for training firefighters would create a safer firefighter, and a more efficient firefighting effort. She said that in the past, the Training and Education Bureau has absorbed the costs for accreditation and certification, and is no longer able to do so. The ASFA and the AFCA is not able to cover these costs. She said that this has an impact on firefighters that may be trained, yet are unable to become certified. In regard to the \$3 fee, she stated that if this is not the appropriate funding source, than state needs to create a funding source in order to maintain the AFSC.

[4:33:53 PM](#)

KENTON BRINE, Northwest Regional Office, Property Casualty Insurers Association of America (PCI), stated that PCI opposes the bill as it is currently written, although it does appreciate the intended goal and the thoughtfulness of the sponsor and the committee. He said that while PCI is concerned with the inequity of only applying the \$3 fee to homeowners, it is also concerned that this singles out a "responsible" segment of the population. He stated that this is troubling for insurers, because it is applied to the policies that are sold. He is not aware of any requirement that this be separately listed on a policy, and as a result, this appears to be an increase in the insurance bill. He commented that some individuals may choose not to pay the fee, and the insurance company would be responsible for payment. He suggested that this may have an impact on in-state insurers, which may be worth looking into. He explained that each state has an insurance retaliatory pact, which is intended to promote fair competition among insurers

located in various states around the country. An insurance company based in a state, but doing business in another state, pays the rate for either the home state, or the state in which the business is being written, whichever is higher. Therefore, if an insurer is based in Alaska and writing insurance in other states, it may see an increase for in-state as well as out-of-state business. This puts in-state companies at a competitive disadvantage to companies located elsewhere. He stated that this is a potential problem, and may become an impediment for companies considering a move to Alaska. He pointed out that the insurance market in Alaska is a challenging market, and the Division and the legislature have done a lot of work in recent years to improve the marketplace. He opined that this legislation goes in a different direction, and therefore PCI is opposed to the legislation as it is written.

[4:38:56 PM](#)

REPRESENTATIVE RAMRAS reiterated that finding the funding source is difficult. He said that one funding source that was considered involved a fee for when 911 is dialed. However, the fire officials do not want individuals to hesitate before calling for emergency services. He agreed that this is not the ideal funding source; however, the other choices "seem to be worse." He inquired as to what funding source Mr. Brine would suggest.

MR. BRINE replied that he is sympathetic to this point, however he pointed out that this legislation is intended to protect all Alaskans. He stated that from PCI's perspective, it doesn't make sense to approve legislation to protect all Alaskans, yet only place the fee on those who purchase homeowners insurance. He acknowledged that this is not tax on insurers, although there is potential for the insurers to pay the cost if the policy holders revolt against paying the \$3 fee.

[4:41:00 PM](#)

REPRESENTATIVE RAMRAS commented that this is the broadest way to cover the most people, in order to offer safety enhancement. This was the "easiest possible way, with a great deal of undesirable choices."

DOUG SCHRAGE, 1st Vice President, Alaska Fire Chiefs Association (AFCA); Deputy Chief, Anchorage Fire Department, expressed support for HB 211, and said that funding is needed. He clarified that fire departments, regardless of funding, provide

as much training as possible. When the fire departments are not able to provide training, the state Training and Education Bureau offers assistance. He then explained the training process, and the difference between training and certification.

[4:46:10 PM](#)

MR. SCHRAGE, in regard to the funding source, said that presently, the state is able to directly impact fire safety in commercial occupancies through the plan review and permitting process. This is not applicable to residences. Without the AFSC, the state has no way to impact the fire safety in homes, other than through voluntary educational programs. He stated that funding for the AFSC has been at the top of the AFCA legislative agenda since 1998. The AFCA is very encouraged by this legislation. In closing, he pointed out that the state licenses all manner of public services, yet does not license firefighters, although no other professional provides the types of services provided by firefighters.

[4:48:08 PM](#)

REPRESENTATIVE RAMRAS inquired as to what funding sources were considered by the AFCA.

MR. SCHRAGE replied that the AFCA and the ASFA have funded the council. He said that grants have been applied for, yet none have been successful. The AFCA has also looked into other states' funding sources, which include funding from excise taxes or voluntary funding from the insurance industry. He opined that direct appropriation would be the simplest, yet is not a realistic option.

[4:49:36 PM](#)

KATHY WASSERMAN, Alaska Municipal League (AML), stated that AML is in full support of HB 211, although not "totally wild" about the funding source. She said "It's too bad that the climate in this state is such that we can't go [to the House Finance Committee and the Senate Finance Committee] and get funding for this." She read from the AFSC mission statement, as follows:

The mission of the Alaska Fire Standards Council is to establish training and performance standards for fire service personnel, and curriculum requirements for the certification of training programs.

MS. WASSERMAN stated that the AFCA is an affiliate member of the AML, and the AML has offered the AFCA support over the years. She thanked the sponsor for taking this path, which appears to be the only path available.

[4:51:19 PM](#)

JEFFREY TROUTT, Deputy Director, Division of Insurance ("the Division"), Department of Commerce, Community, & Economic Development (DCCED), stated that as a matter of policy, the Division opposes any increase to the cost of insurance. However, everyone is in support of doing everything possible to increase the professionalism and standards for firefighters. The Division would prefer to see a different funding mechanism. In response to a question from Representative Gardner, agreed that it would be too difficult to collect a fee on all types of insurance. He explained that homeowners insurance is well-defined, adding that everyone who has a mortgage has some type of liability and fire protection. In the commercial context, this might not be the case, as several companies might share the risk, creating a question with regard to which company would pay the \$3 fee. He said that every company that provides homeowners insurance regularly submits premium taxes, and it is "fairly simple" to add the \$3 fee to this. Additionally, business owners are most likely homeowners, as well, and would already be paying the \$3 fee. He said that it is also easier on an administrative level, requiring a few lines of additional computer code.

[4:52:17 PM](#)

REPRESENTATIVE GARDNER asked if it would be challenging to make the fee a percent of the policy value, rather than a set dollar amount.

MR. TROUTT replied that this would be more difficult, because insurance companies do not currently report the amount of each policy to the Division. This information would need to be collected before the Division would be able to charge a percentage fee.

[4:55:49 PM](#)

REPRESENTATIVE BUCH asked what methods have been used in other states.

MR. TROUTT replied that while other states have done this, he does not have details regarding these programs.

REPRESENTATIVE NEUMAN asked if a statutory change would be required to increase the fee in the future.

MR. TROUTT replied yes.

[4:57:13 PM](#)

ERIC MOHRMANN, Fire Chief, Capital City Fire/Rescue (CCFR), stated that he is in support of HB 211. He explained that he requires that all CCFR applicants have Firefighter 1 certification, and if the individual does not have this training, he must provide it. He stated that the training is expensive, adding that he must pay overtime to cover shifts while the individual is away receiving the training, as well as paying him or her while in training. Two-thirds of CCFR firefighters are volunteers who must be able to work at the same level as the paid staff. He said that it is extremely important to know that when a firefighter is ordered to go into a building, as part of a group, he or she will be effective and safe. He stated that firefighter training has come a long way since he began his career, and the AFSC is needed to ensure that firefighters are safe, effective, and able to operate as part of a team. He pointed out that investigators and instructors are state certified, and noted that the Training and Education Bureau can no longer support this program. The AFCA and the ASFA has funded this program through raffle tickets and pull-tabs. He shared a story involving a structure fire in Angoon, and said that firefighters must be properly trained and equipped. He stated that rural areas do not have fires often, but when they do, if the firefighters are not properly trained and equipped, people will die.

REPRESENTATIVE GARDNER asked how the instructor and investigator certification is funded.

MR. MOHRMANN replied that all certification programs are covered by the Training and Education Bureau, adding that this is not included in its budget, and is being paid for by receipts.

REPRESENTATIVE RAMRAS thanked Mr. Mohrmann for his service. He encouraged members to contact their local fire departments "to find out with what low regard we treat our fire departments, until there's an accident in our home, in our neighborhood ... and then you expect everything."

CHAIR OLSON indicated that HB 211 would be held for further consideration.

5:02:48 PM

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:02 PM.