

**ALASKA STATE LEGISLATURE**  
**HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 25, 2007

3:04 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. 233

"An Act relating to giving notice of unclaimed net margin distributions made by electric and telephone cooperatives."

- MOVED CSHB 233(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 227

"An Act relating to the Uniform Money Services Act, to money transmission services, and to currency exchange services; and providing for an effective date."

- MOVED CSHB 227(L&C) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 233

SHORT TITLE: UNCLAIMED PHONE/ELEC COOP DISTRIBUTIONS

SPONSOR(s): RULES

04/11/07	(H)	READ THE FIRST TIME - REFERRALS
04/11/07	(H)	L&C
04/25/07	(H)	L&C AT 3:00 PM CAPITOL 17

BILL: HB 227

SHORT TITLE: UNIFORM MONEY SERVICES ACT

SPONSOR(s): REPRESENTATIVE(s) KERTTULA

03/28/07 (H) READ THE FIRST TIME - REFERRALS  
03/28/07 (H) L&C, FIN  
04/25/07 (H) L&C AT 3:00 PM CAPITOL 17

**WITNESS REGISTER**

Derek Miller, Staff  
to Representative Mike Kelly  
Alaska State Legislature  
POSITION STATEMENT: Presented HB 233 on behalf of the House  
Rules Standing Committee, sponsor by request, which is chaired  
by Representative Coghill.

ROBERT A. WILKINSON, Chief Executive Officer  
Copper Valley Electric Association, Inc.  
Glennallen, Alaska  
POSITION STATEMENT: Testified in favor of HB 233.

JIM ROWE, Director  
Alaska Telephone Association (ATA)  
(No address provided)  
POSITION STATEMENT: Testified in favor of HB 233.

MARILYN LELAND, Executive Director  
Alaska Power Association (APA)  
Anchorage, Alaska  
POSITION STATEMENT: Testified in favor of HB 233.

RICH GAZAWAY, Administrative Law Judge  
Regulatory Commission of Alaska (RCA)  
Anchorage, Alaska  
POSITION STATEMENT: During testimony on HB 233, responded to a  
question.

JESSIE KIEHL, Staff  
to Senator Kim Elton  
Alaska State Legislature  
Juneau, Alaska  
POSITION STATEMENT: Presented HB 227 on behalf of  
Representative Kerttula, sponsor.

EZRA LEVINE, Attorney  
Money Services Round Table  
Washington, D.C.  
POSITION STATEMENT: Testified in support of HB 227.

MARK DAVIS, Director  
Division of Banking and Securities  
Department of Commerce, Community, & Economic Development  
(DCCED)  
Juneau, Alaska  
POSITION STATEMENT: Testified in favor of HB 227 and responded  
to questions.

ALLEN MORE, Compliance Officer  
Manager  
Similon (ph) Financial Services  
(No address provided)  
POSITION STATEMENT: Testified in favor of HB 227.

### **ACTION NARRATIVE**

**CHAIR KURT OLSON** called the House Labor and Commerce Standing Committee meeting to order at [3:04:31 PM](#). Present at the call to order were Representatives Olson, Gardner, Neuman, Buch, and Ramras. Representative LeDoux and Gatto arrived as the meeting was in progress.

### HB 233-UNCLAIMED PHONE/ELEC COOP DISTRIBUTIONS

[3:04:55 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 233, "An Act relating to giving notice of unclaimed net margin distributions made by electric and telephone cooperatives."

[3:05:09 PM](#)

DEREK MILLER, Staff to Representative Mike Kelly, Alaska State Legislature, read from the sponsor statement [original punctuation provided]:

The purpose of HB 233 addresses the sometimes burdensome and ineffective noticing requirements of unclaimed property law regarding capital credits of electric and telephone cooperatives. Electric and telephone cooperatives from time to time receive excess revenue from members that exceed the expenses of operations. The cooperative keeps these excess revenues in a member-owned capital account called capital credits, on behalf of the member.

Cooperatives may refund a portion of accumulated capital credits, but in some cases the cooperative seeking to refund the capital credits no longer has a valid address for the member. As a result, many go unclaimed. Current Alaska unclaimed property law allows the credits to revert back to the cooperative as long as the cooperative, at least six months prior to the reversion 1) mailed a notice to the last known address of the member; 2) publishes a notice of proposed reversion in the same manner required for publishing a service of summons by publication; and 3) publishes a notice of the unclaimed capital credits four times, during four consecutive calendar weeks in a newspaper of local circulation.

While mailing to last known address of members sometimes results in finding members, newspaper publication does not result in a significant increase in the number of members who cash their capital credit checks, particularly for rural cooperatives. As a result, cost of compliance with this notice requirement is significant and the effectiveness is questionable. HB 233 allows cooperatives the option of using the internet, instead of newspaper publication, to notify its members of unclaimed capital credits. Alaska is the most "wired" state in the country and this bill allows for cooperatives to notify its members using a method most likely to reach them.

MR. MILLER stated that the bill is simple in nature and is supported by the Alaska Village Electric Cooperative, Inc., and the Copper Valley Electric Association, Inc.

[3:07:14 PM](#)

REPRESENTATIVE GARDNER asked whether the list of unclaimed credits could be posted on the internet site for 6 months instead of 30 days.

MR. MILLER said he is not aware of why the 30-day period was chosen, but indicated it might be possible to "bump that up."

REPRESENTATIVE BUCH asked if newspaper publication is more effective in urban cooperatives and why this method does not seem to work for rural cooperatives.

MR. MILLER opined that the newspapers of general circulation are not reaching the constituent base of the rural cooperatives. However, he went on to say that because Alaska is the "most wired" state in the nation, the internet may be a better vehicle for providing notice.

3:09:31 PM

ROBERT A. WILKINSON, Chief Executive Officer, Copper Valley Electric Association, Inc., (CVEA), explained that CVEA is a non-profit organization that serves approximately 3,600 members. He explained that any monies collected over and above the cost of providing electric services belong to members and are held in accounts for each member. He relayed that most cooperatives hold the excess money for 20 years, which makes it very difficult to locate the members. He said that the state's unclaimed property statute speaks directly to unclaimed capital credits, but opined that this well-intended statutory provision is burdensome and out-of-date. Furthermore, the statutory provisions are expensive to comply with and not very effective. He said that HB 233 would give utilities the option of posting notice of capital credits on the internet. In response to a prior question by Representative Gardner, he explained that the 30-day period for posting is likely derived from existing legal notice requirements. He opined that posting on the internet has a higher likelihood of being seen and that CVEA has no objections to posting for longer than 30 days.

MR. WILKINSON reminded the committee that internet posting may be more accessible as it is "always on." He said that the CVEA's accounting department has already had some success with notifying people on the internet if it does not have a valid address for the person. He said that CVEA, like other cooperatives, uses unclaimed capital credits to fund scholarship programs. In the past 15 years, CVEA has awarded over \$100,000 in scholarships to graduating seniors, he said. He explained that the effectiveness of newspaper advertising is affected by a couple factors. First, his area has a significant temporary population in the summer months. He has done some research and has discovered that only 1 in 5 current members have been members for over 20 years and over 50 percent of the current members have been members for less than 10 years. He opined that these statistics illustrate why it is difficult to find persons who may have excess funds in the system, especially after a number of years.

[Due to technical difficulties, there is no sound recording from 3:15:26 to 3:20:51; that segment was reconstructed from Gavel to Gavel's recording.]

REPRESENTATIVE GARDNER asked if he had any objection to posting names on the internet for 180 days.

MR. WILKINSON stated CVEA would not have any objection.

JIM ROWE, Director, Alaska Telephone Association (ATA) explained that ATA has seven rural cooperatives as members. He stated that its members are in favor of the bill as it will provide an effective means of communicating with members. He opined that urban newspapers are not read very much in rural areas, yet the internet is very active and can be more relevant to local issues. He stated that he supports the bill as allowing a more effective way to communicate with members.

REPRESENTATIVE GARDNER asked if he had any objection to posting notice on the internet for 180 days.

MR. ROWE replied that he had no objection.

[3:19:22 PM](#)

MARILYN LELAND, Executive Director, Alaska Power Association, (APA), explained that its members provide power to almost 500,000 Alaskans. She stated that APA's membership is in support of HB 233 as the proposed changes will provide a more effective way of locating members who are owed capital credits and will save the utility cooperative thousands of dollars in advertising expenses. She opined that the current method of publishing a long list of names four times is not effective as many of the persons no longer live in the area. In response to an earlier question, she told members that the Department of Revenue (DOR) has been successfully using the internet to provide notices of unclaimed property.

RICH GAZAWAY, Administrative Law Judge, Regulatory Commission of Alaska (RCA), responded to a question by stating that the RCA does not take a position on this legislation.

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REPRESENTATIVE GARDNER offered Conceptual Amendment 1 to page 2, lines 4-6, to lengthen the time period for posting on the cooperative's Internet web site a list of the persons for whom

the cooperative has unclaimed distributions from 30 days to 180 days. There being no objection, Conceptual Amendment 1 was adopted.

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REPRESENTATIVE NEUMAN moved to report HB 233, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 233(L&C) was reported from committee.

HB 227-UNIFORM MONEY SERVICES ACT

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 227, "An Act relating to the Uniform Money Services Act, to money transmission services, and to currency exchange services; and providing for an effective date."

[3:25:17 PM](#)

JESSIE KIEHL Staff to Senator Kim Elton, Alaska State Legislature, explained on behalf of the sponsor, Representative Kerttula, that HB 227 would implement the Uniform Money Services Act ("UMSA") which was drafted by the National Conference of Commissioners on Uniform State Laws (NCCUSL). House Bill 227 proposes to incorporate into Alaska law two regulatory aspects of the UMSA: money transmission and currency exchange services. Currently 47 states regulate money transmission services in some fashion, and this bill will impose safety standards on these money services businesses, he opined. He said that HB 227 has no effect on Alaska's banks as their services are already regulated. He relayed that Alaskans and visitors have been duped by unscrupulous money transmitters who do not transfer funds as directed. He stated that licensure would place restraints on unscrupulous individuals.

MR. KIEHL said that the bill requires that money transmitters meet certain bonding and net worth requirements to protect consumers. Furthermore, the federal government is concerned that money services businesses can be used to launder money or to finance terrorist activities. Therefore, the federal government encourages states to license money service businesses to ensure that law enforcement and bank regulatory activities in Alaska can coordinate with the federal government to ensure that these businesses do not avoid banks because they want to avoid scrutiny, he explained. He said that the bill is revenue neutral for the state, and would require that one half-time

examiner be added to the Division of Banking and Security. The cost of that position would be borne by regulated businesses, he explained. He told members that the bill has the support of both large and small money services businesses, consumer groups, cruise ship lines, and the Alaska Bankers Association (ABA).

[3:29:12 PM](#)

REPRESENTATIVE LEDOUX requested further specifics regarding incidents where Alaskans have been victimized by money transfer service providers.

MR. KIEHL replied that although he is not familiar with specific incidents, he has received information from a Juneau-based small business representative regarding an incident in Juneau whereby a person absconded with roughly \$30,000 in funds that were given to that person for transfer to another country.

REPRESENTATIVE NEUMAN asked what rates are charged for money transfers of \$500 to \$1,000.

MR. KIEHL replied that the industry is competitive and generally "niche" operators in communities will offer lower rates than banks for wire transfers of small amounts.

REPRESENTATIVE NEUMAN shared his understanding that it is \$5-\$20 per \$1,000.

MR. KIEHL agreed that the aforementioned rates are accurate. He noted that the type of providers the bill would cover do not tend to transfer larger amounts of money.

REPRESENTATIVE LEDOUX asked what the regulation proposed by the bill will cost these businesses.

MR. KIEHL responded that the division estimates that licenses will cost around \$2,000 annually. He said that currency exchange businesses would be licensed biennially so their rate "would be half on an annualized basis."

REPRESENTATIVE LEDOUX opined that this may be a "pretty hefty fee" for some of these smaller businesses, especially for ones that have a specific niche and transfer money to only one country, such as Laos or Thailand.

MR. KIEHL replied that he understands the concern expressed about the fees, however he opined that most of the licensees

will be somewhat larger operations and their payment of fees will help defray costs for smaller operations. He suggested that adoption of a uniform fee structure levels out costs among participants and contributes to efficiency of administration. He noted that some states have adopted other models of this law, and said that the model proposed was chosen to keep the fiscal impact as low as possible.

[3:34:32 PM](#)

REPRESENTATIVE NEUMAN made a motion to adopt the proposed committee substitute (CS) for HB 227, Version 25-LS0814\C, Bannister, 4/19/07, as the working document. There being no objection, Version C was before the committee.

[3:34:57 PM](#)

EZRA LEVINE, Attorney, Money Services Round Table, explained that the organization's members include well-known money service providers such as American Express, Western Union, and other large non-bank money transmitters. He stated his organization is in full support of HB 227.

REPRESENTATIVE LEDOUX asked whether national chains will pay only one fee, or whether they will pay a fee for each individual store location.

MR. KIEHL replied that national corporations would pay one license fee. The bill imposes bond or surety requirements for additional locations. The UMSA sets up a structure for what are termed "authorized delegates," and requires the money transfer business to pay the license fee when set up in a location that also conducts other business. For example, if Western Union has a business location in a grocery store, Western Union pays the license and additional surety fee, not the store where the business is transacted.

CHAIR OLSON inquired as to whether the 47 states that currently regulate this area use the UMSA, or their own laws.

MR. KIEHL replied that currently there are four states - Iowa, Texas, Washington, and Vermont - that use the UMSA. He said that there are a "couple [of] model acts" in use, while other states still use "sale of checks" laws, which he offered are not generally a very good fit. He said that one benefit to businesses in using the UMSA is that there is less paperwork to

complete when a business seeks to expand and do business in another state that also uses the UMSA.

3:38:18 PM

MARK DAVIS, Director, Division of Banking and Securities, Department of Commerce, Community, & Economic Development (DCCED), stated that the department supports HB 227. He explained that there are other model acts besides the UMSA, but opined that these other acts do not protect the consumer as well as the UMSA. He agreed that several states are using laws related to check cashing to regulate money transfers. The bill does not include the model act's provisions related to check cashing, a decision he said was made by the bill's sponsor. He said that at some point, DCCED would likely support a bill to address check cashing and private automated teller machines. He opined it would make sense to put provisions regarding regulation of check cashing in a separate piece of legislation. He said that Alaska does not currently regulate "non-bank" financial services such as check cashing, mortgages, and money transmitters. He offered his opinion that HB 227 will help consumers by requiring that businesses post their rates, offer receipts, and allow for refunds. He said that Version C clarifies that the fees charged are not the fees charged by the businesses, but the fees charged for the licenses.

MR. DAVIS characterized the bill as "pro law enforcement" as it requires these businesses to register with federal agencies that track money transfers. He said that Version C allows small businesses to post something other than a bond for security as bonds can be expensive for a small business. He said DCCED supports the confidentiality requirements set forth in AS 06.55.407, and noted that the confidentiality provisions apply only to the licensees. He indicated there may be an issue as to whether information given to a money transmitter will remain confidential. He referred to a prior concern regarding the cost of this legislation by explaining that generally the Division of Banking and Securities operates on receipts rather than general funds. He said that the division has made a good faith estimate as to how many licensees would be covered by the provisions of the bill, and agreed that if there are not many providers the fees could be higher than estimated. He indicated that a prior estimate of the number of payday lending services was somewhat off.

REPRESENTATIVE NEUMAN shared his understanding that the fee is based on the division's efforts to create a neutral fiscal note.

MR. DAVIS explained that the bill's provisions state that fees are to be based on actual costs, which is typical for his division.

REPRESENTATIVE BUCH asked for further explanation of what happens when the state's estimates turn out to not be accurate, such as the situation with payday lenders mentioned earlier.

MR. DAVIS responded that the division has added an examiner to review payday lending businesses, and opined that there is enough revenue received through licensing to cover the costs. He opined that the "next time around" the fees imposed on payday lenders may be lowered as there are new participants in the industry. He relayed that licensing bills tend to change industries as sometimes business leave or are "put out of business" due to licensing. When licensing was first imposed on the payday lender business, it resulted in 10 businesses exiting the industry, 30 to 40 new businesses joining, and the collection of \$758,000 in fines and penalties based on illegal loans, he explained. He further explained that the first examination of businesses after licensing was imposed revealed that some loans made were not in compliance with law.

[Due to technical difficulties, there is no sound recording from 3:44:07 to 3:44:21; that segment was reconstructed from Gavel to Gavel's recording.]

MR. DAVIS explained in response to a question that some business were shown to have engaged in loan practices not allowed by Alaska law, such as excessive rollovers or illegal interest fees. He said that the division will not re-license an offending business unless it makes full restitution.

REPRESENTATIVE BUCH sought assurance that the fiscal note prepared by the division anticipates the correct number of examiners and investigators to cover the businesses being regulated.

MR. DAVIS stated that he anticipates that an additional half-time examiner position will be adequate to review the records of registered businesses. He said that his discussions with other states indicate that the examinations necessary can be simple if the business is registered, as required, under federal law. He said that the number of businesses will affect the amount of the fees, and stated that the division has estimated the number of possible licensees. He noted that the money transfer business

is currently unregulated and unlicensed; therefore it is hard to arrive at a good number.

REPRESENTATIVE LEDOUX shared her understanding that if the division overestimates the number of licensees in the first year to set the fee, the fee will likely be higher the next year as it will be divided among the actual number of licensees rather than the incorrect overestimated number.

MR. DAVIS agreed this is how the bill is drafted.

REPRESENTATIVE LEDOUX asked for further information on the possible number of money transfer services.

MR. DAVIS reiterated that it is difficult to answer this question as these businesses are currently not regulated.

REPRESENTATIVE LEDOUX expressed some concern about the smaller businesses that operate out of small stores.

MR. DAVIS replied that it is difficult to find these business. He opined that some of the money transfer services in small stores are associated with larger national chains such as Western Union. He said that Western Union tends to be in Alaskan grocery stores, while other businesses, like Money Gram, are not.

REPRESENTATIVE BUCH asked about the ability to adjust fees in an appropriate timeframe so as to reflect reality when the number of businesses becomes clearer.

MR. DAVIS replied that the division will be required to provide a report to the legislature that discloses the actual amount of fees charged to licensees and whether the licensees have expressed concerns about the amount of the fee. He suggested that the bill could be amended to allow that the fees be set through regulation to provide more flexibility. He said it is not the purpose of regulation to put small Alaska businesses out of business.

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REPRESENTATIVE NEUMAN expressed support for the neutral fiscal note and opined that if there are fewer licensees than expected, those businesses will have more customers, and thus more revenue, to cover their costs.

ALLEN MOORE, Compliance Officer, Manager, Similon (ph) Financial Services stated his support for HB 227. He described Similon as a "mom and pop" organization that has been in business for nine years. It belongs to the National Money Transmitters' Association, has a network in Indonesia, and works with a company that has a network in the Philippines. He told members that Similon, like many other money transfer business nationwide, lost its bank account in September. He said banks have been terminating their relationships with money transferors based on advice of bank auditors that money transferors are a risky business. He said that Similon has secured another account in Alaska at a cost of "many thousands" of dollars.

MR. MOORE suggested that licensing and regulation would provide the respect and standing that money transfer businesses deserve. Furthermore, licensing and regulation would contribute to industry safety and soundness. He opined that the licensing fees would cost "a couple thousand dollars," but that many money transfer businesses are agents for larger companies. The parent company would pay for the license, not the in-state agent, he said. He reminded the committee that the parent company is required to monitor its business, train its employees, and keep necessary records.

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REPRESENTATIVE NEUMAN moved to report the proposed CS for HB 227, Version 25-LS0814\C, Bannister, 4/19/2007, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 227(L&C) was reported from the House Labor and Commerce Standing Committee.

#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:55 p.m.