

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

March 26, 2008

3:08 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**

SENATE BILL NO. 149

"An Act relating to redistribution of used eyeglasses."

- MOVED CSSB 149(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 258

"An Act relating to pawnbrokers; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 149

SHORT TITLE: REDISTRIBUTION OF USED EYEGLASSES;OPT BD.

SPONSOR(S): SENATOR(S) THERRIAULT

03/30/07	(S)	READ THE FIRST TIME - REFERRALS
03/30/07	(S)	L&C, HES
02/19/08	(S)	L&C AT 1:30 PM BELTZ 211
02/19/08	(S)	Heard & Held
02/19/08	(S)	MINUTE(L&C)
02/26/08	(S)	L&C AT 1:30 PM BELTZ 211
02/26/08	(S)	Moved CSSB 149(L&C) Out of Committee
02/26/08	(S)	MINUTE(L&C)
02/27/08	(S)	L&C RPT CS 5DP NEW TITLE

02/27/08 (S) DP: ELLIS, BUNDE, DAVIS, STEVENS,  
HOFFMAN  
03/10/08 (S) HES AT 5:00 PM BUTROVICH 205  
03/10/08 (S) Moved CSSB 149(L&C) Out of Committee  
03/10/08 (S) MINUTE(HES)  
03/12/08 (S) HES RPT CS(L&C) 4DP  
03/12/08 (S) DP: DAVIS, ELTON, THOMAS, DYSON  
03/14/08 (S) TRANSMITTED TO (H)  
03/14/08 (S) VERSION: CSSB 149(L&C)  
03/17/08 (H) READ THE FIRST TIME - REFERRALS  
03/17/08 (H) L&C  
03/26/08 (H) L&C AT 3:00 PM CAPITOL 17

BILL: HB 258

SHORT TITLE: PAWNBROKERS

SPONSOR(S): REPRESENTATIVE(S) ROSES

05/13/07 (H) READ THE FIRST TIME - REFERRALS  
05/13/07 (H) L&C, JUD  
03/17/08 (H) SPONSOR SUBSTITUTE INTRODUCED  
03/17/08 (H) READ THE FIRST TIME - REFERRALS  
03/17/08 (H) L&C, JUD  
03/26/08 (H) L&C AT 3:00 PM CAPITOL 17

**WITNESS REGISTER**

DAVE STANCLIFF, Staff  
to Senator Gene Therriault  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented SB 149 on behalf of the prime sponsor, Senator Gene Therriault.

HOWARD RIXIE  
Aurora Borealis Lions Eyeglass Recycling Center  
North Pole, Alaska

**POSITION STATEMENT:** Testified in support of SB 149.

JOSH APPLEBEE, Staff  
to Representative Bob Roses  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 258 on behalf of the prime sponsor, Representative Bob Roses.

ALEX VAUGHAN, Vice-President  
Governmental Relations

Cash America International  
Fort Worth, Texas

**POSITION STATEMENT:** Testified in support of HB 258.

KENNETH GUDGEN, Market Manager  
Cash America Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 258.

MARK DAVIS, Davis, Director  
Division of Corporations, Business, and Professional Licensing  
Juneau Office  
Department of Commerce, Community, & Economic Development  
(DCCED)  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 258.

#### **ACTION NARRATIVE**

**CHAIR KURT OLSON** called the House Labor and Commerce Standing Committee meeting to order at [3:08:13 PM](#). Representatives Gatto, Buch, Gardner, and Olson were present at the call to order. Representatives LeDoux, Ramras, and Neuman arrived as the meeting was in progress.

SB 149-REDISTRIBUTION OF USED EYEGLASSES;OPT BD.

[3:08:52 PM](#)

CHAIR OLSON announced that the first order of business would be SENATE BILL NO. 149, "An Act relating to redistribution of used eyeglasses."

[3:09:14 PM](#)

DAVE STANCLIFF, Staff to Senator Gene Therriault, Alaska State Legislature, explained the history of SB 149. He offered that the Lions Clubs of Alaska requested specific authority in statute to allow them to fit clients with refurbished eyeglasses. Clients would submit prescriptions and the Lions Club of Alaska would fit them with eyeglasses donated to the club. The Lions Club of Alaska estimates that approximately 1,500 Alaskans would benefit from SB 149. This bill does not require that a specific organization be granted carte blanche authority. Thus, SB 149 would provide that a nonprofit organization must be approved by the Department of Commerce, Community, & Economic Development (DCCED) to redistribute

eyeglasses, he explained. Under current statutes, the only people who can fit a person for eyeglasses are licensed optometrists or opticians. The nonprofit would work with the DCCED to demonstrate its ability to meet the state's standards set by regulation. If the DCCED granted permission to the Lions Clubs of Alaska, a person would present their prescription obtained from an optometrist or licensed physician to the Lions Club of Alaska, who would fit the person with a pair of eyeglasses. He offered that SB 149 has not had any opposition.

[3:11:34 PM](#)

REPRESENTATIVE BUCH inquired as to who would determinate that the eyeglasses are the appropriate prescription for the person.

MR. STANCLIFF answered that the Lions Clubs have routinely performed these duties in other states and are equipped and trained to do so. The state would ascertain the program, the qualifications, and the methods and means to implement the program.

[3:13:12 PM](#)

REPRESENTATIVE BUCH inquired as to whether a prescription that is close but is not an exact prescription match will harm the client. He asked if other groups could provide the same service.

MR. STANCLIFF responded that he is not aware of any other group so qualified as the Lions Club since the Lions Clubs have acquired vast experience through its program to donate eyeglasses to the needy in other countries. However, SB 149 would allow other nonprofits to qualify.

[3:14:35 PM](#)

REPRESENTATIVE GARDNER related that when she needs eyeglasses, she purchases them at Costco, Inc. and the eyeglasses are not fitted to her and are not prescribed by any state standards.

MR. STANCLIFF answered that the current state standards are those required of a licensed optometrist. He said he was not sure what the state would require of the Lions Club, but probably its staff and volunteers would need to know technical knowledge. He pointed out that the Lions Clubs have an international record in operating similar programs. He referred to page 2, line 24, of SB 149, and noted that language that was

added in the other body reads " ... conforms, to the extent possible ...". He explained that the Lions Clubs raise funds to pay for eye examinations so that everyone who needs eyeglasses can obtain a decent pair of eyeglasses.

3:17:16 PM

REPRESENTATIVE GARDNER characterized the Lions Clubs' program to recycle eyeglasses as a wonderful program that she fully supports. She inquired as to the necessity for a person to have a prescription in order to access the recycled eyeglasses.

MR. STANCLIFF answered that he is not sure why a prescription is required. He surmised that policy makers set what they must have considered to be a reasonable standard, such that prescriptions must be written under a licensed optometrist or ophthalmologist.

3:19:01 PM

HOWARD RIXIE, Aurora Borealis Lions Eyeglass Recycling Center, explained that he speaks on behalf of approximately 75 Lions Clubs in Alaska. The Lions Clubs of Alaska all support SB 149. He provided some background information on the Lions Clubs' longstanding efforts to assist the needy in obtaining eyeglasses. He related that in 1925, Helen Keller asked the Lions Clubs to help fix preventable blindness. He noted that the Lions Clubs take an active part in the crusade against darkness. He asked Senator Therriault to sponsor this bill because of two projects the Lions Clubs strongly support - eyeglasses recycling and eye care for the needy. Approximately 1,500 people are referred annually to the Lions Clubs for eye exams, eyeglasses, or for major eye care such as surgery, he noted. He explained the typical process is that someone refers a needy client to a Lions Club. The Lions Club would refer the person to a local state public assistance such as the Denali Kid Care to establish the validity of the need. Once the client is found to be truly in need, the Lions Club would financially sponsor the person. In Interior Alaska, the Lions Club has a long standing agreement with local eye doctors to provide eye exams at a flat rate of \$60 and eyeglasses at a flat rate of \$110. The total cost is \$170 for each person assisted, he stated. The cost of eye care programs for the needy is daunting, he opined, and many times needy people are placed on a waiting list until financial resources become available.

MR. RIXIE explained that the Aurora Borealis Lions Eyeglass Recycling project collects approximately 30,000 to 40,000 pairs of eyeglasses, which are sent to their recycling center in North Pole. At that location, volunteers sort, clean, inspect, repair, package, and ship approximately 30,000 pairs of eyeglasses throughout the world to support vision care health missions in the third world countries. Although third world countries are served, he noted that many people in Alaska go without services. The Lions Clubs researched whether eyeglasses could be redistributed in Alaska. Although the Alaska statutes don't preclude it, the statutes do not specifically enable or address redistribution of eyeglasses in Alaska, he offered. Thus, to ensure that the Lions Clubs can legally redistribute recycled eyeglasses, the Lions Clubs approached Senator Therriault and requested statutory clarification. The Lions Clubs envision each optometrist or ophthalmologist would donate one or two Saturdays annually to perform free eye examinations. The Lions Clubs would offer free examinations once or twice monthly. Additionally, the Lions Clubs hope that among their thousands of donated ready-to-wear eyeglasses, the client would find a pair of eyeglasses that would match their prescription. He stated that the Lions Clubs don't want to "corner the market" on filling this need, but supports enabling statutes so that people who need eyeglasses will be able to receive them. One concern is that the Lions Clubs will take income making opportunities away from eye care professionals. But he argued that if the Lions Clubs did not serve the needs of these needy people, they would never get an eye exam or a pair of glasses. These folks are not active consumers in the eye care industry, he opined. And they won't become consumers until they have jobs that produce sufficient income that places quality of life and vision sufficiently in the forefront for the need to be acted upon. Most, if not all of the people served by the Lions Clubs are homeless, battered, displaced, or severely poor. He urged the committee to support SB 149.

MR. RIXIE defined the three types of eye care professionals. He stated that an ophthalmologist primarily studies eye disease and performs surgeries; an optometrist provides prescriptions, and an optician processes the prescription, orders the eyeglasses from the manufacturer, and fits the eyeglasses for the client. The Lions Clubs ideally would partner with opticians or would work towards the goal of performing the services the optician performs. Under SB 149, an optician would provide his services at a clinic and provide the Lions Club with a prescription. The Lions Club would sort through the recycled eyeglasses to provide a perfect or "near perfect fit" and would fit the client with

eyeglasses. Currently, the Lions Clubs provide clients in third world countries with a "near perfect fit." Under the bill, the Lions Clubs would work with the state to develop the standard for "near perfect fit" such as reaching within .25 of the prescription, for a prescription of 1.50. Not all communities are currently served by optometrists or opticians, especially in rural Alaska, he noted. Therefore, the Lions Club may need to teleconference with the appropriate professional in order to serve the client.

[3:26:57 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on SB 149.

[3:27:28 PM](#)

REPRESENTATIVE GARDNER inquired as to whether it is essential to require a prescription for recycled eyeglasses. She related that second hand stores have stacks of donated eyeglasses and a person decides which pair of eyeglasses to select.

REPRESENTATIVE RAMRAS stated that the Hippocratic Oath [that sets the ethical standard for physicians] requires medical personnel to "do no harm". He related his understanding of the program is for people to obtain a correct prescription for eyeglasses and he cautioned members not to degrade the degree of service. He related his own experience in wearing the wrong prescription which resulted in a headache. He opined that selecting ones own eyeglasses would not be appropriate care since the eyeglasses need to fit the prescription.

REPRESENTATIVE GARDNER suggested that the committee not let the principle of perfection become the enemy. She acknowledged that it is great to have perfect fit. However, for many people without the means to afford eye care a near perfect may be adequate, she opined. She also noted that some places in rural Alaska may need to use accommodations such as telemedicine.

[3:29:53 PM](#)

REPRESENTATIVE LEDOUX inquired as to whether current law restricts who can sell eyeglasses.

MR. STANCLIFF answered that currently a person can purchase eyeglasses off the rack that the person feels corrects his/her vision. He pointed out the Lions Club and eye care

professionals take that a step further [by determining the specific prescription of each lens.]

REPRESENTATIVE LEDOUX inquired as to whether the Lions Clubs in Alaska are prevented from helping people to obtain recycled eyeglasses unless SB 149 passes the legislature.

MR. RIXIE explained that currently in Alaska the Lions Clubs work with local eye doctors to provide a subsidy for clients to purchase the eyeglasses. Thus far, the Lions Clubs have not been able to redistribute eyeglasses since the eye care professionals are opposed to redistribution by allowing people to select their own pair of eyeglasses. He offered that the Lions Clubs want to provide a quality service to people rather than to have them randomly select eyeglasses. He pointed out that there are 50,000 possible prescriptions. He noted that their program would work to closely fit, if not perfectly fit the client. If the prescription did not fit exactly, the Lions Club would prefer to offer the client eyeglasses that are under their prescription rather than over their prescription, he stated.

[3:32:09 PM](#)

REPRESENTATIVE LEDOUX related her understanding that the Lions Club could not allow people to sort through eyeglasses to select their own pair. She reiterated that stores such as Wal-Mart or second hand stores are selling eyeglasses that people randomly select, so she said she did not understand why the Lions Clubs could not do the same thing.

MR. RIXIE said he could not fully explain the reason Wal-Mart can sell eyeglasses from a rack. He surmised that the eyeglasses that the Lions Clubs would recycle are actually eyeglasses prescribed specifically for someone else. He echoed his earlier testimony that the interpretation the Lions Club received was that the statutes do not enable or disallow the Lion's Club from performing the distribution of recycled eyeglasses. Since the Lions Club wants to be on firm legal ground, it has asked the legislature for clarification in statute. He also surmised that without the statute change that the Lions Club might have some liability if someone wore eyeglasses dispensed by them and complained.

[3:34:27 PM](#)

REPRESENTATIVE LEDOUX inquired as to whether there is a legal need for SB 149.

MR. STANCLIFF explained that as a nonprofit, the Lions Club takes its responsibilities seriously. Thus, the Lions Club of Alaska approached policymakers since it wants to work with the state agency to set standards to provide the best possible care for people in need of eyeglasses. He characterized the Lions Club efforts as benevolent. He said he applauds the approach that the Lions Club has taken with respect to SB 149.

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MR. STANCLIFF, in response to Representative Gatto, said he couldn't answer if the Lions Club would be free from any liability. However, he said he believes that taking the route of working with a state agency to develop standards offers the Lions Club the best protection against liability.

MR. RIXIE acknowledged that the Lions Club does not expect that its clubs will be totally free from liability. He pointed out that the International Lions Club is protected by a \$1 million liability insurance policy. He characterized SB 149 as an equitable compromise. He related that the Lions Club has attempted to abide by the principle of "doing no harm" in the process of trying to make available 40,000 pairs of eyeglasses to Alaskans

[3:38:01 PM](#)

REPRESENTATIVE GARDNER asked whether eyeglasses have an identifier or if someone must calculate the prescription.

MR. RIXIE answered that the prescription is usually printed on the sides of the frame on eyeglasses purchased at Wal-Mart or similar stores. However, the ones generated by an optician or optometrist do not imprint the prescription on the eyeglasses. He surmised that may be because a person's vision is often not the same in each eye. Thus, most of the eyeglasses the Lions Clubs receive from donors are sent through a lens meter. Thus, the Lions Club volunteer would read the prescription for each lens, print a label for each lens, and would adhere the label to the outside of the bag. He characterized the process as efficient and precise.

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REPRESENTATIVE GARDNER moved to report CSSB 149(L&C) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSSB 149(L&C) was reported from the House Labor and Commerce Standing Committee.

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The committee took an at-ease from 3:40 p.m. to 3:42 p.m.

HB 258-PAWNBROKERS

[3:42:51 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 258, "An Act relating to pawnbrokers; and providing for an effective date."

[3:43:08 PM](#)

JOSH APPLEBEE, Staff to Representative Bob Roses, Alaska State Legislature, on behalf of the prime sponsor, Representative Bob Roses, explained that HB 258 will modernize, update, and regulate the pawnbroker industry. This bill would provide new provisions to create licensure, fee structure, and regulatory framework for the industry. The bill would provide a grace period for military members, standardize the fee structure, require a biennial report to the legislature, and would institute a 30 day grace period for customers to retrieve their personal belongings. He highlighted that the sponsor worked over the legislative interim with the Division of Corporations, Business, and Professional Licensing (DCBPL) and the industry on issues with HB 258. He noted that AARP supports HB 258.

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REPRESENTATIVE LEDOUX referred to page 2, proposed AS 08.76.020 of HB 258. She expressed concern that the pawnshop's "book" will be open to the inspection of a peace officer at reasonable times since the book contains confidential information such as someone's name and address. She inquired as to the rationale for disclosing to the government, a person's name, address, description of the pledged property, and the amount loaned to the person.

MR. APPLEBEE answered that there are several instances that might arise when a law enforcement officer may need to inspect the books such as with suspicion of theft or during an

investigation. He pointed out that currently every financial institution has this requirement in place for their loans.

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REPRESENTATIVE GARDNER referred to page 2, lines [1-12] of HB 258 that lists the information that must be compiled in the pawnbroker's book such as the date, name, and address of the customer. She inquired as to whether the customer must prove his/her age.

MR. APPLEBEE answered that HB 258 requires that a person must be 18 years or older so it would be incumbent on the pawnbroker to check identification of the person pledging the property.

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REPRESENTATIVE GARDNER referred to page 2, lines 14-16, that reads, "Blank lines may not be left between entries." She expressed concern that someone pledging property would have access to personal information of prior customers since blank lines may not be left between entries. She inquired as to whether the pawnbroker would need to maintain a log and also need to duplicate the information in an electronic format in order to submit it.

MR. APPLEBEE explained that the provisions in proposed Section 4 are intended to establish a process in which the law enforcement personnel or auditor can verify that the pawn transaction was appropriately conducted. He surmised that a larger city, such as the Municipality of Anchorage, would likely connect pawnshops to the Anchorage Police Department or other public safety offices. Since some unincorporated boroughs or towns do not have the ability to submit data electronically, HB 258 provides for a manual system to accommodate them. He related that if property is stolen and reported to the police, that the police would have the ability to check by computer all pawnshop entries that may match the stolen item.

REPRESENTATIVE GARDNER offered her belief that this provision may be an impediment for owners who may have to perform data entry to list items that are recorded in the book. She pointed out that scanning the information would render the data unsearchable.

[3:53:11 PM](#)

CHAIR OLSON announced that it is not his intention to move HB 258 until the Department of Law is able to answer questions.

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REPRESENTATIVE LEDOUX related her understanding that the pawnshop would be connected electronically to the police department and asked for clarification of that process.

MR. APPLEBEE answered that it is possible to connect the pawnshops to the police departments since the software currently exists. In further response to Representative LeDoux, Mr. Applebee related that electronic programs are designed to track only the property, such as the serial number and description of the item, and not information on the person who pawned the item. He noted that the specific information on the seller would be held only at the pawnshop.

REPRESENTATIVE LEDOUX inquired as to whether problems currently exist that HB 258 would remedy, such as preventing sale of stolen merchandise to pawnshops.

MR. APPLEBEE answered that HB 258 would afford some level of certainty that pawnshops won't be used for that purpose.

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REPRESENTATIVE BUCH referred to page 2, line 27, and inquired as to the method used to establish that a person has good character in order for the person to secure a license. He noted that he didn't need an immediate answer to the question, but wanted to know generally the process the agency would use to determine if a person had good character.

REPRESENTATIVE GARDNER asked to add to the list of questions the reason to require that a person has prior business experience.

REPRESENTATIVE BUCH referred to page 3, line 4, to the requirement for a nonrefundable initial investigation fee of \$200, and inquired specifically what type of investigation the fee would entail. He referred to page 4, line 13, and further asked what limitations in AS 08.76.210 are pertinent to pawnshops.

MR. APPLEBEE answered that payday lenders were separated out from other lenders in legislation that passed the legislature

two years ago. He highlighted that the pawnbroker businesses are also required to be separated from other types of lending.

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REPRESENTATIVE GARDNER referred to page 4, line 13, and related her understanding that this section would remove the \$500 pawn cash limit currently in statute.

MR. APPLEBEE agreed that the cash limit would be removed.

REPRESENTATIVE GARDNER referred to proposed AS 08.76.170, under customer and transaction limitations, which states that a pawnbroker may not knowingly enter into a pawnbroker transaction with a person who is under the influence of alcohol or a controlled substance. She pointed out that this same restriction is not required for a sale. She inquired as to whether these elements are intentionally treated differently.

MR. APPLEBEE answered that he doesn't know if it is realistic to prevent people from exercising their right to purchase goods even if the people are under the influence of alcohol. He noted that currently customers are not forbidden from entering any other store to make purchases while under the influence of alcohol or drugs. Thus, pawnshops are treated in the same manner as other stores.

REPRESENTATIVE GARDNER related her understanding that under HB 258 that a person could not pawn a ring while under the influence of drugs or alcohol, but that the person could purchase one.

MR. APPLEBEE answered that HB 258 provides some assurance that a customer will enter into financial transactions with a clear head.

REPRESENTATIVE LEDOUX referred to page 4, and related her understanding that proposed AS 08.76.170 would only apply to incoming property but not to sales of merchandise. She inquired as to whether this section could be clarified so that it is clear that the person who purchases items is excluded.

MR. APPLEBEE answered that with respect to the customer and transaction limitations, the intent of proposed AS 08.76.170 is to ensure that the pawnbroker doesn't have a customer under the influence of alcohol or drugs proceed into transactions under

someone else's name. He further stated that this section could be amended for clarification.

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REPRESENTATIVE LEDOUX inquired as to the purpose of the language of proposed AS 08.76.180 that specifies listing the name of the person purchasing property. She pointed out that she could purchase items at stores such as Nordstrom's and not have her name and address recorded.

MR. APPLEBEE answered that under HB 248 if something goes wrong the bill provides assurance that the transaction can be traced. Further, if someone has a habit of pawning items, it may be an indicator that the person is selling stolen merchandise.

REPRESENTATIVE LEDOUX pointed out that a person might habitually frequent pawnshops simply to find nice ivory and jewelry in the shops. She maintained her concern that a jeweler is not held to the same standard.

MR. APPLEBEE said he believes that the intent is to establish a certain level of trustworthiness since pawnshops have a bad reputation, perhaps due to the way pawnshops are depicted in films. This bill attempts to make the process open and transparent and help remove any stigma for pawnshops.

4:08:58 PM

REPRESENTATIVE NEUMAN related that from his own experiences that he has found some pawnshops to be "top notch" and noted he did not share the opinion depicted in some films. He expressed his concern with respect to keeping a record of all sales. He referred to page 3, [paragraph (e)] and expressed concern that a mid-level bureaucrat in the Department of Commerce, Community, & Economic Development (DCCED) would be in the position to judge the character of the licensee. He asked that clarification of the guidelines for judging a person's character be added to the list of questions.

MR. APPLEBEE, in response to Representative Neuman said he believes that the application can be submitted electronically.

4:11:24 PM

ALEX VAUGHAN, Vice-President, Governmental Relations, Cash America International, explained that his business is a

publically traded company. He explained that Cash America International provides financial services to individuals across the United States in 942 locations. His company is the largest provider of pawn loans in the country, he opined. Of their 499 pawnshops, 5 stores are located in Anchorage, he noted. He offered that Cash America International supports HB 258 since it creates a 21<sup>st</sup> century regulatory structure for the industry. He opined that HB 258 would protect consumers and customers. This bill provides licensing provisions, oversight, and regulation by a state agency, which he said he believes is important for the industry. This bill contains uniform standards for licensing, investigation fees to allow the state to ensure that pawnbrokers are legitimate, a requirement for a biennial report, and strengthens the reporting activities to police departments. This bill also creates consumer protections for military service, standardizes the fee structure for the initial 30 day loan period, and maintains the current finance rate. This bill allows a 30 day grace period to allow customers to retrieve their property.

MR. VAUGHAN highlighted that HB 258 creates one of the most modern pawn statutes in the country. He opined that many Americans depend on pawnbrokers to help them meet their financial needs not offered by other financial institutions. He offered that pawn customers represent the working families who periodically experience unexpected needs for short term finances. He said, "Pawn loans help them keep the electricity on and the rents paid." He opined that Cash America International constantly works to enhance the image of pawnbrokers while offering needed services to the people in the community. He opined that their stores are attractive and welcoming places to conduct business. He noted that Cash America International is a member of the National Pawnbroker Association whose mission is to improve professional development and enhance the image of the industry by advocating for pawnbroker rights, responsibilities, and improving regulation of the industry.

MR. VAUGHAN described the pawnbroker's process. He stated that a customer pledges his/her personal property as collateral for a loan. When the customer repays the loan and fees, the merchandise is returned. Pawn loans are made on products ranging from jewelry to electronics. If a customer does not redeem his/her property, there are no credit consequences, but the property becomes the property of the pawnbroker who sells the merchandise to retail customers. He noted that the average pawn loan in the United States is \$75, and in Alaska is \$85.

Approximately 75 to 80 percent of the time, customers redeem their property, he noted. The redemption rate in Alaska is approximately 51 percent. The length of terms to redeem property varies between states, but typically a pawnbroker allows customers 30 days, with some states allowing an additional 30 day grace period. Currently, the Alaska statutes allow 30 days without a grace period for customers to redeem pawned property. The interest rates are set at 20 percent, which is comparable with other western states. He noted that under HB 258, all transactions would be reported to assist in property crime investigations. He opined that it is in the best interest of customers, coworkers, and investors to eliminate any potential transaction involving stolen merchandise. He acknowledged the perception in the media and in Hollywood is that pawnshops are pipelines used by criminals. However, he offered statistics that counter that perception. In the past 12 months ending in December 2007, Cash America International's 485 stores handled 9.6 million items and advanced \$525 million in loans to customers on 6 million transactions. Of those, only 4,484 transactions involved police seizures, he opined. Of the 127,000 items in Alaska resulting in \$5.7 million in loans on 7,976 transactions, only 32 resulted in police holds or seizure. Less than one percent of the overall transactions resulted in police holds or seizures, he offered. He noted that pawnbrokers have the responsibility to safeguard their customer's information under federal law. This bill would allow Cash America International to work with local law enforcement by submitting the pawn transaction information, but not the customer information. Under the bill, The pawn transactions would be held confidential and release of information would be limited to investigation of stolen property. This bill provides many improvements to the regulatory framework in which all pawnbrokers can operate profitably while providing the state regulatory oversight, he concluded.

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REPRESENTATIVE LEDOUX inquired as to whether a pawnbroker would provide the name of the customer to the police department.

MR. VAUGHAN answered that the police would be able to access the records when necessary in the course of conducting an investigation or an audit in electronic or paper form. The record provided to the police agencies would only be the description of the property and information such as the date the property was pawned, the amount of the loan, but would not include any customer information. Additionally, if information

is sent electronically, it would be encrypted as required under federal standards.

4:21:28 PM

REPRESENTATIVE LEDOUX referred to proposed section AS 08.76.010, and noted that provision refers to the types of information that must be maintained. She expressed concern that the name, age, and address of the customer is listed, and that proposed Section 4 states that the book shall be open to the inspection of a peace officer at reasonable times.

MR. VAUGHAN answered that the records are maintained at the store. An officer or agent of the state would have access to records at his store to ensure that the pawnbroker is meeting the requirements. However, information transmitted to the police agencies would be solely transactional.

4:23:09 PM

KENNETH GUDGEN, Market Manager, Cash America Alaska, stated that his company owns 5 stores in Anchorage. Cash America Alaska employs 48 people in Anchorage and offers employees a full benefits package that includes health benefits, life insurance, and a retirement plan. His company also offers employee training on sales and customer service. He offered that his company's purpose is to serve the community in a safe environment. He noted his pawnshops are well run, well maintained businesses that strive to provide a high level of service. The stores have been remodeled and are clean and well lit. Their core business is the pawn business, he offered. In 2007, 29,000 residents resulted in total sales of \$5.7 million in the Anchorage pawnshops. He offered that Cash America Alaska offers loans for many purposes such as to provide expenses for fishermen in the off season, or to people who work in remote locations and don't receive their pay for several weeks. Other loans are made for emergencies such as for car repairs or surgeries, he offered. Customers offer their valuable possessions as collateral to secure the loans. He opined that HB 258 offers customers and his businesses many advantages. He advised that his stores currently report all pawn transactions to the police department including the make, model, and serial number of all items as well as the name, driver's license number, and birth date of the person pawning the item. He characterized his relationship with the Anchorage Police Department as a good working relationship. When Cash America Alaska receives stolen merchandise, the store provides police

with information including surveillance videos. The Municipality of Anchorage requires mandatory reporting laws. This proposed legislation makes reporting mandatory for all license holders in Alaska, which provides consumer protections and protections for pawnshops. This bill also protects military customers by guaranteeing no interest on their pawned merchandise during the time the military person is overseas. He concluded that his goals are to take good care of the people that his stores serve.

REPRESENTATIVE GARDNER referred to page 7, lines 17-26, and inquired as to how the pawnbroker can track the military personnel. She opined that unless the military personnel notified the pawn shop prior to leaving the country, that the pawned item could be inadvertently sold.

MR. GUDGEN agreed that the pawnbroker would need to be notified prior to departure or the pawned goods would be sold.

[4:30:01 PM](#)

MARK DAVIS, Director, Division of Corporations, Business, and Professional Licensing, Juneau Office. Department of Commerce, Community, & Economic Development (DCCED) explained that the division is in support of licensing pawnbrokers. He stated that the division supports HB 258, although he noted that the bill may need some refinement. He suggested one area that may need to be reviewed is the requirement for good character in proposed AS 08.76.110.

[4:30:57 PM](#)

REPRESENTATIVE GARDNER referred to page 4, subsection (b) which describes the biennial report and inquired as to what is the state's interest in knowing the number and amounts paid since that information is proprietary information.

MR. DAVIS answered that he interprets this subsection would require reporting only the aggregate amount, similar to the reporting requirement for banks, which is to inform the legislature the size of the industry and provide industry trends.

MR. DAVIS, in response to Representative Gardner, explained that various reports require tracking items such as the number of licensees, aggregate size, assets under control. He surmised that the division would probably develop a reporting requirement

in regulation designed to determine how the industry is performing.

REPRESENTATIVE GARDNER opined that she is not convinced that the state needs to know the profitability of pawnbrokers.

MR. DAVIS answered that the report would not divulge profitability, but would show items such as the number of transactions, number of items pawned, and number of redemptions. He pointed out the industry is currently recording this information.

[4:33:18 PM](#)

MR. DAVIS, in response to Representative Neuman, noted that the division does not currently regulate pawnshops so the bill's sponsor projected an estimate of 30 new licensees. In further response to Representative Neuman, Mr. Davis advised that not everyone uses the name "pawnshop" in their business name so a search of business licenses would not provide the number of pawnbrokers operating in the state.

[4:34:15 PM](#)

REPRESENTATIVE GARDNER inquired as to whether the requirement that the applicant be of good character and have the experience to engage is required of other professions.

MR. DAVIS answered that some professions have similar requirements. He referred to AS 06.50.020, which establishes qualifications for deferred deposit lending licenses that requires applicants to, "demonstrate financial responsibility, financial condition, business experience, character, and general fitness." In further response to Representative Gardner, Mr. Davis answered that the experience to engage in business as a pawnbroker would require applicants demonstrate the ability to understand money lending, risk involved in lending money, and the ability to maintain records, which could be demonstrated by educational experience or prior work experience. He opined that it is important in lending businesses that the person has the necessary business acumen.

[4:36:17 PM](#)

CHAIR OLSON, after first determining that no one else wished to testify, announced that he would keep public testimony open.

4:36:39 PM

CHAIR OLSON announced that HB 258 would be held over.

**ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:36 p.m.