

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 8, 2010

3:21 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Mark Neuman, Vice Chair
Representative Mike Chenault
Representative Robert L. "Bob" Buch

MEMBERS ABSENT

Representative Bob Lynn
Representative Tammie Wilson
Representative Lindsey Holmes

COMMITTEE CALENDAR

HOUSE BILL NO. 354

"An Act relating to eligibility for loans from the Alaska capstone avionics revolving loan fund."

- MOVED HB 354 OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 51

Supporting certain changes to proposed regulations to implement the Secure and Fair Enforcement for Mortgage Licensing Act of 2008.

- MOVED HJR 51 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 354

SHORT TITLE: AK CAPSTONE AVIONICS REVOLVING LOAN FUND

SPONSOR(S): REPRESENTATIVE(S) KELLER

02/19/10	(H)	READ THE FIRST TIME - REFERRALS
02/19/10	(H)	L&C
02/23/10	(H)	TRA REFERRAL ADDED AFTER L&C
03/08/10	(H)	L&C AT 3:15 PM BARNES 124

BILL: HJR 51

SHORT TITLE: PROPOSED FED. MORTGAGE LICENSING REGS

SPONSOR(S): REPRESENTATIVE(S) KELLER

02/23/10 (H) READ THE FIRST TIME - REFERRALS
02/23/10 (H) L&C
03/08/10 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

MATTHEW JOHNSON, Staff
Representative Wes Keller
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 354 on behalf of the prime sponsor, Representative Wes Keller.

CATHY JEANS, Systems Branch Manager
Division of Investments
Department of Commerce, Community, & Economic Development
(DCCED)
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 354.

MONTE GATES
Peninsula Airways
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 354.

CONSTANCE JOY JOURNEAY, Executive Director
Alaska Carriers Association
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 354.

JIM POUND, Staff
Representative Wes Keller
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HJR 51 on behalf of the prime sponsor.

DAVID SOMERS, Political Chair
Alaska Association of Realtors
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HJR 51.

ACTION NARRATIVE

[3:21:12 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:21 p.m. Representatives Olson, Chenault, Neuman, and Buch were present at the call to order.

HB 354-AK CAPSTONE AVIONICS REVOLVING LOAN FUND

[3:21:16 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 354, "An Act relating to eligibility for loans from the Alaska capstone avionics revolving loan fund."

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MATTHEW JOHNSON, Staff, Representative Wes Keller, Alaska State Legislature, presented an overview of HB 354. In 2008, the Capstone Avionics Loan Program was established in Alaska. The impetus for the program was a Federal Aviation Administration (FAA) pilot program that confirmed the substantial value and effectiveness of the new avionics technology. The results of the pilot program revealed that it reduced accident rates in the trial area by 47 percent. The FAA estimates that full implementation of the program will result in 33 percent fewer fatalities statewide. The program was intended to provide loans for in state operators and carriers to upgrade their avionics. However, an unforeseen gap exists and those carriers who lease their aircraft are not eligible for the program. This bill, HB 354, would correct that problem. It would amend the Alaska Capstone Avionics Revolving Loan Fund program to allow a lessee of an aircraft that logs a substantial percentage of flight hours in the state to qualify to apply for loans to purchase Capstone Avionics equipment. The effect of the change will be to open up the program funds to lessees of aircraft.

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CATHY JEANS, Systems Branch Manager, Division of Investments, Department of Commerce, Community, & Economic Development (DCCED), stated that the division manages the Alaska Capstone Avionics Revolving Loan Fund program. As Mr. Johnson mentioned, the change would allow individuals that have leased an aircraft to qualify for loans to purchase and install Capstone Avionics equipment in aircraft operated in Alaska. The current law only allows aircraft owners to qualify. Lessees of aircraft would still need to meet all of the program requirements, including collateral, credit, and capacity for repayment. The Division of

Investments (DOI) anticipates a small number of additional loan requests with passage of HB 354. The Alaska Capstone Avionics Revolving Loan Fund program has adequate resources to handle the requests and will not need additional operating funds to administer the change. The DOI supports the bill as it should increase safety for the Alaskan flying public.

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REPRESENTATIVE BUCH recalled that this proposed bill would have a small impact in Alaska. He related his understanding that enhancing the program would allow more people to qualify for the program loans.

MS. JEANS agreed. This bill would allow lessees of aircraft to apply for loans to install Capstone Avionics in leased aircraft. Currently, this program is limited to owners of aircraft.

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REPRESENTATIVE CHENAULT asked whether any liability issues will result with passage of HB 354.

MS. JEANS stated that she is unaware of any liability issues created by installing Capstone Avionics equipment in aircraft. She offered to check with the FAA and report back.

CHAIR OLSON remarked that one result would be to reduce liability insurance premiums and hull coverage, as well.

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MONTE GATES, Peninsula Airways, stated that a large portion or 7 of 10 SAAB 340 aircraft Peninsula Airways are leased. Peninsula Airways would like to install new equipment, but must install the equipment in the whole fleet, which would mean they must rewrite all the lease agreements for seven aircraft. The alternate method of amending the statute would allow a more direct approach for eligibility for the Capstone Avionics Revolving Loan Program.

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CONSTANCE JOY JOURNEAY, Executive Director, stated that the Alaska Air Carriers support this change. More than half of the carriers lease portions of their fleet and this bill would allow their aircraft to be eligible for the program.

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CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 354.

REPRESENTATIVE NEUMAN moved to report HB 354 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 354 was reported from the House Labor and Commerce Standing Committee.

The committee took an at-ease from 3:29 p.m. to 3:31 p.m.

[3:31:29 PM](#)

HJR 51-PROPOSED FED. MORTGAGE LICENSING REGS

[3:31:36 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE JOINT RESOLUTION NO. 51, Supporting certain changes to proposed regulations to implement the Secure and Fair Enforcement for Mortgage Licensing Act of 2008.

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JIM POUND, Staff, Representative Wes Keller, Alaska State Legislature, explained that in 2008, the Congress passed the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE). This legislation was intended to bring standards to home lending in a "one size fits all" fashion. However, the federal Act imposes rules that make it more difficult to secure a loan for certain types of property in Alaska. This resolution would point out the need to create exemptions for the Alaska housing market. Cabin properties are often bought and sold in Alaska between the seller and the purchaser with the seller carrying the note. The proposed Department of Housing and Urban Development (HUD) regulations under consideration would not allow financing by the seller for instances such as when selling remote cabins used for hunting in Alaska. Licensing requirements at the state level are tied to federal regulation and statute, he stated. Of real concern is a mandate that would require states to adopt this language in state law or lose the right to license and regulate mortgage loan originators. Thus, what are commonly known as "conventional loans" may also be at risk. The proposed HUD regulations need to broaden the exemptions for seller financing to exempt all sellers who

provide financing for property they own, and cover individuals who sell property they have inherited, even though it is not their residence. Additionally, Alaska needs specific examples that define brokerage firms and allowable activities. He related proposed legislation is still pending in the legislature, which will also need to pass or the state may risk federal government action. Additionally, the SAFE Act requires all brokers to be fingerprinted for review by the U.S. Department of Justice, which did not seem necessary.

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CHAIR OLSON recalled passing a portion of the legislation needed to address this issue during the last legislative session. He related that members are familiar with the issues.

[3:34:48 PM](#)

DAVID SOMERS, Political Chair, Alaska Association of Realtors, stated that the SAFE Act makes a lot of sense in some areas, but the fact that it excludes the ability to sell and finance a person's land does not make sense in Alaska. In fact, it does not make sense in other areas of the country, and some other states are also concerned, he stated. He also surmised that if this resolution passes, it will help point out the errors of the SAFE ACT. It is important to allow people to sell their own land, and if owners are forced to go through a lender on small land transactions, the costs range an additional 10 - 20 percent of the value of the property or higher. People often choose to owner-finance their own property and they should be able to do so, he said. He urged members to endorse this resolution.

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CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HJR 51.

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REPRESENTATIVE NEUMAN moved to report HJR 51 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HJR 51 was reported from the House Labor and Commerce Standing Committee.

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ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:36 p.m.