

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 29, 2010

3:34 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Mark Neuman, Vice Chair
Representative Mike Chenault
Representative Bob Lynn
Representative Tammie Wilson
Representative Robert L. "Bob" Buch
Representative Lindsey Holmes

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 202

"An Act relating to state and municipal building code requirements for fire sprinkler systems in certain residential buildings."

- MOVED CSHB 202(CRA) OUT OF COMMITTEE

HOUSE BILL NO. 419

"An Act relating to the board, investigations, and examinations of the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date."

- MOVED HB 419 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 202

SHORT TITLE: RESIDENTIAL SPRINKLER SYSTEMS

SPONSOR(S): REPRESENTATIVE(S) HERRON

03/23/09	(H)	READ THE FIRST TIME - REFERRALS
03/23/09	(H)	CRA, L&C
03/11/10	(H)	CRA AT 8:00 AM BARNES 124
03/11/10	(H)	Heard & Held
03/11/10	(H)	MINUTE(CRA)
03/18/10	(H)	CRA AT 8:00 AM BARNES 124

03/18/10 (H) Heard & Held
 03/18/10 (H) MINUTE(CRA)
 03/23/10 (H) CRA RPT CS(CRA) NT 2DP 2NR
 03/23/10 (H) DP: HERRON, MUNOZ
 03/23/10 (H) NR: HARRIS, GARDNER
 03/23/10 (H) CRA AT 8:00 AM BARNES 124
 03/23/10 (H) Moved CSHB 202(CRA) Out of Committee
 03/23/10 (H) MINUTE(CRA)
 03/29/10 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 419

SHORT TITLE: COMMERCIAL FISHING & AGRICULTURE BANK

SPONSOR(s): LABOR & COMMERCE

03/19/10 (H) READ THE FIRST TIME - REFERRALS
 03/19/10 (H) L&C
 03/29/10 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

REPRESENTATIVE BOB HERRON
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 202.

KATHIE WASSERMAN, Executive Director
 Alaska Municipal League (AML)
 Juneau, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 202.

PAUL MICHELSON
 Alaska State Home Building Association (ASHBA)
 Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 202.

JENNIFER SENETTE, Staff
 Representative Kurt Olson
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Presented HB 419 on behalf of the prime sponsor.

SENATOR JOHN COGHILL
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Testified and answered questions during the discussion of HB 419.

LEILA KLINGER, Chief Executive Officer
Commercial Fishing and Agriculture Bank (CFAB)
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 419.

ACTION NARRATIVE

[3:34:46 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:34 p.m. Representatives Holmes, Neuman, T. Wilson, and Olson were present at the call to order. Representatives Buch, Chenault, and Lynn arrived as the meeting was in progress.

HB 202-RESIDENTIAL SPRINKLER SYSTEMS

[3:35:10 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 202, "An Act relating to state and municipal building code requirements for fire sprinkler systems in certain residential buildings." [Before the committee was CSHB 202(CRA).]

REPRESENTATIVE BOB HERRON, Alaska State Legislature, explained that HB 202 would provide a longer public process before a municipality could require mandatory fire sprinklers for one- or two-family homes. He related that HB 202 is in response to a national movement to require fire sprinkler systems in one- and two-family dwellings. This bill would require a more robust public process be followed before sprinklers could be mandated in new home construction. The CSHB 202(CRA) requires that before a municipality could mandate sprinkler systems in all new construction of residential buildings with one- or two-family units it must first publish a summary of the ordinance at least 30 days prior to the first public hearing to notice the time and place of each scheduled public hearing. Additionally, the municipality must hold three public hearings within a 60 to 180 day period. This bill recognizes there may be instances in Alaska in which mandating fire sprinklers for one- and two-family dwellings is considered necessary. In those instances, HB 202 would not prohibit the mandate of the fire sprinklers.

This bill would continue to allow elected officials in municipalities and cities explore a mandate on fire sprinklers.

[3:36:40 PM](#)

REPRESENTATIVE T. WILSON related her understanding that this bill would only apply to one- and two-family dwellings. She asked whether larger dwellings are covered by other regulations.

REPRESENTATIVE HERRON answered that the State Fire Marshal's regulations cover larger dwellings. In further response to Representative T. Wilson, he responded that the decision on fire sprinkler requirements is made by the State Fire Marshal depending on a permit application submitted by the builder.

[3:37:36 PM](#)

REPRESENTATIVE NEUMAN expressed concern that the state would mandate what is required in our own home. He understood the need for enhanced safety, but due to the location of his home, it is not likely that the electrical pump would work in the case of a fire. He asked whether fire sprinklers would need to be installed when a homeowner remodels his/her kitchen.

REPRESENTATIVE HERRON replied that the decision on sprinkling requirements for homes is a local decision. The bill would require the necessity for a longer public process. Currently, a municipality could hold hearings and have an accelerated process to mandate sprinkler systems in residential homes. This bill would extend the process to ensure that the public process is not less than 60 days and no longer than 180 days. In working with all the stakeholders, this timeframe was found to be reasonable timeframe and represents a compromise from the language in the original bill. He stated that the stakeholders were not opposed to involving the public in the decision-making process.

[3:40:02 PM](#)

REPRESENTATIVE NEUMAN inquired as to whether municipalities presently have the authority to require sprinkler systems.

REPRESENTATIVE HERRON responded that it depends on which national or international code is adopted. Typically, the fire chief would work with the respective assembly or governmental authority, such as a borough. Thus, a municipality may have the

authority and the process may already be in place. This bill would simply ensure that the public process is extended.

[3:41:16 PM](#)

REPRESENTATIVE NEUMAN related that large areas of Alaska fall in unorganized boroughs. He asked whether this bill would affect them.

REPRESENTATIVE HERRON answered yes. For example, the City of Bethel is a second class city and HB 202 would allow the opportunity for a community process if Bethel chose to do so. He said this is not likely to happen in his community since the fire chief is satisfied with the Fire Marshal's authority to only mandate fire sprinklers in four-plex apartments and larger. In other areas, the local government would work with the fire chief and could require mandated fire sprinklers.

[3:42:26 PM](#)

REPRESENTATIVE NEUMAN asked how the public comment period in the bill would apply to people who want to build homes in a region like Lime Village or in the Yukon River area.

REPRESENTATIVE HERRON answered that the "assembly" for communities in the unorganized borough would be the legislature.

[3:43:53 PM](#)

REPRESENTATIVE NEUMAN restated his question. He asked how the bill would affect people who reside in unorganized boroughs.

REPRESENTATIVE HERRON related that the matter would be the legislature's responsibility.

[3:44:51 PM](#)

REPRESENTATIVE HERRON, in response to Representative T. Wilson, agreed HB 202 pertains to the public comment period. In further response, he related that this state is filled with independent people. He explained the trend in the Lower 48 to require residential sprinklers in single family homes. In Alaska, many people have "pushed back" against mandated sprinklers in single family homes. Thus, the homebuilders and fire chiefs have crafted a compromise to allow a local decision-making process, which provides a 60-180 day public comment period.

[3:46:47 PM](#)

REPRESENTATIVE T. WILSON related that her community of North Pole does not have building codes. She assumed that this bill would apply only to cities.

REPRESENTATIVE HERRON agreed. He explained that many people desire a longer process. Thus, HB 202 would give the matter a higher presence and visibility in the community. It would allow people who would be affected by mandated sprinkler systems to become informed and have an opportunity to participate in the process.

[3:47:43 PM](#)

KATHIE WASSERMAN, Executive Director, Alaska Municipal League (AML) introduced herself.

[3:48:32 PM](#)

REPRESENTATIVE NEUMAN asked how HB 202 would affect people in unorganized areas such as in Squentna, near the Yentna River, since this bill would impose a state requirement.

MS. WASSERMAN related that the state does not mandate fire sprinklers be installed in one- and two-family residences so Squentna would not have a government entity mandating installation of fire sprinklers. The bill would only mandate the need for an extra hearing to be held when a municipality decided to adopt a building code that requires fire sprinklers. This bill would not affect most homeowners, she stated. She did not believe that most municipalities will require mandated sprinklers be installed throughout a new home during construction. She explained some people expressed concern that a municipality might require new homes to be equipped with fire sprinklers throughout the home. The municipalities have expressed an interest in having local control over the decisions on building codes in their respective jurisdictions.

[3:51:11 PM](#)

REPRESENTATIVE NEUMAN referred to a letter in members' packets from the Alaska State Home Building Association (ASHBA) [dated March 25, 2010] that read, "Mandating fire sprinklers systems in the construction of all new 1 and 2 family dwellings could raise significant issues that most Alaskans are currently unaware of."

He asked whether any part of this bill would mandate a state requirement for fire sprinklers.

MS. WASSERMAN answered no. In further response to Representative Neuman, she explained that nothing in HB 202 would mandate sprinkler systems for one- and two-family residences.

[3:52:02 PM](#)

REPRESENTATIVE T. WILSON asked whether HB 202 is necessary.

MS. WASSERMAN related that the stakeholders agreed to the bill. The AML's contention is that the building codes should be under municipal authority and the state should not mandate which code a municipality should adopt. The AML is opposed to mandates, but is willing to allow "local control" over building codes. She related this issue has been discussed for two years and "we thought it was time to put it to rest."

[3:53:27 PM](#)

PAUL MICHELSON, Alaska State Home Building Association (ASHBA), stated that he serves on several organizations, including the national code review for the National Association of Home Builders, which is the codes and standards committee. He has participated in three code cycles for the International Code Council (ICC), the organization that writes the codes. He related that he has also participated in six code reviews for the Municipality of Anchorage (MOA). He stated that HB 202 is a compromise on 18-24 months of work. He has also worked on this issue nationally for over ten years. The Alaska State Home Building Association (ASHBA) believes that HB 202 provides the key to inform the public and educate them on the cost and problem with the installation of fire sprinklers systems for one- and two-family dwellings, prior to any mandate. The Municipality of Anchorage, the Alaska State Homebuilding Association, the Alaska Association of Realtors, Inc., and various local home builders' associations have worked on this issue. This bill remains the number one priority of the Alaska State Home Building Association (ASHBA). He strongly supported the committee pass the bill out of committee without any amendments and to bring the bill before the body for a vote.

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 202.

[3:56:52 PM](#)

REPRESENTATIVE NEUMAN referred to the sponsor statement. He asked whether a municipality that follows the rules and holds public meetings could mandate fire sprinkler systems on one- and two-family residences, even if the public is opposed to them.

REPRESENTATIVE HERRON stated that Representative Neuman has identified the reason for the bill. There is the "fear" that a government could overrun its neighbors and mandate something the community does not want. He thinks this bill would help his constituents since it requires a six-month opportunity to hold discussions in the community.

REPRESENTATIVE NEUMAN offered his belief that a municipality could mandate sprinklers by following the hearing rules outlined in the bill.

REPRESENTATIVE HERRON related the advantage of having decisions made by local assemblies and to provide an opportunity for redress. He further related that he has observed politicians being "thrown out" for decisions made contrary to the public's wishes.

CHAIR OLSON related that he also has observed his community "swap out" half the city council over a land-use issue. He said he thinks the political process works and leadership tends to follow the public input.

REPRESENTATIVE HERRON agreed. Prior committee testimony expressed concern that an aggressive bureaucracy for an assembly could push through "anything." Everyone who testified believed that a thorough process would educate people on the issue under consideration. The stakeholder thought it was important to place the requirement for an extended public process in state statute. He restated that the testimony supported the Alaska legislature mandate a longer process on this important issue which will affect homeowners.

REPRESENTATIVE NEUMAN offered his belief that some municipalities previously have made decisions prior to any assembly action. He related he has personally observed adversarial actions in local government in his district, noting that the planning committee has the authority to adopt regulations. He expressed concern that the planning committee could impose these restrictions. He asked if HB 202 passed, if it would allow communities that do not currently have a

requirement for sprinkler systems to adopt code changes to mandate sprinkler systems for one- and two-family homes. He expressed concern that this bill will set up a process for imposition of sprinkler systems.

[4:04:05 PM](#)

REPRESENTATIVE HERRON answered that a municipality could currently adopt the code with very little input to mandate sprinkler systems. This bill would require municipality who has adopted a code requiring mandated sprinkler systems to go through yet another public process and hold additional hearings. He said, "You answered your own question. This does help my constituents, and your friends and neighbors, and your constituents."

REPRESENTATIVE NEUMAN does not understand why it is necessary to pass the bill. He asked, "If it could already do this why are we even here talking about this today."

[4:05:38 PM](#)

REPRESENTATIVE NEUMAN asked whether municipalities could require sprinkler systems without passage of the bill.

REPRESENTATIVE HERRON answered yes. He explained that currently a bureaucrat could recommend an assembly adopt a mandate for sprinkler systems and an assembly may adopt the requirement for mandated sprinkler systems through a relatively short process. This bill would require a longer process to educate people on the pros and cons of a mandated fire sprinkler system. He encouraged an affirmative vote since it extends the public process to be certain people are informed.

[4:07:24 PM](#)

REPRESENTATIVE CHENAULT related that currently a municipality could impose sprinkler systems on one- or two-family homes.

REPRESENTATIVE HERRON answered yes.

REPRESENTATIVE CHENAULT related his understanding that this bill would add another layer of protection for a community since it requires the governmental body to hold a series of meetings to inform the public.

REPRESENTATIVE HERRON answered yes.

[4:08:40 PM](#)

REPRESENTATIVE HOLMES referred to page 1, line 5, to paragraph "(62) AS 29.35.144 (sprinkler fire protection systems)." She asked for clarification to be certain the statute citation for the paragraph is the correct citation.

REPRESENTATIVE HERRON replied that any conforming amendments are fine.

[4:09:23 PM](#)

REPRESENTATIVE NEUMAN related he has a "libertarian streak." He said he does not think we need to pass a new law. He hoped that a municipality would hold the additional meeting without passage of this bill. He stated that he did not vote for the mandatory seatbelt law, yet he uses his seatbelts. He considered putting sprinklers in his home, but he does not trust government and does not see the necessity for the bill.

[4:10:34 PM](#)

REPRESENTATIVE CHENAULT moved to report CSHB 202(CRA) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 202(CRA) was reported from the House Labor and Commerce Standing Committee.

[4:11:04 PM](#)

The committee took an at-ease from 4:11 p.m. to 4:12 p.m.

HB 419-COMMERCIAL FISHING & AGRICULTURE BANK

[4:12:19 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 419, "An Act relating to the board, investigations, and examinations of the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date."

[4:12:24 PM](#)

JENNIFER SENETTE, Staff, Representative Kurt Olson, Alaska State Legislature, on behalf of the prime sponsor of HB 419, offered a brief explanation of the bill. This bill would eliminate the

designation for a "resident farmer" to be required as a board member. She explained that the Commercial Fishing and Agriculture Bank (CFAB) created by the legislature came at a time when the emphasis was on agriculture. When the Agriculture Revolving Loan Fund (ARLF) was later established, the loan market for the number of people who qualified as "resident farmer" has dwindled. The removal of the "resident farmer" requirement also demonstrates the extent to which the program has evolved. Additionally, HB 419 would require the CFAB financial records be examined by the Department of Commerce, Community, & Economic Development (DCCED) at 36 month intervals.

[4:14:27 PM](#)

SENATOR JOHN COGHILL, Alaska State Legislature, in response to Representative Neuman, answered no. He stated that this bill does not apply to the ARLF.

[4:15:26 PM](#)

REPRESENTATIVE NEUMAN asked whether the CFAB falls under the same umbrella as the ARLF.

SENATOR COGHILL provided a brief history of CFAB. He explained that CFAB is a private organization authorized to loan based on value of a commercial fishing permit. The ARLF is based on whole different system, he stated. At the time CFAB was established, Alaska contemplated agriculture as an industry, but the possibilities have not grown to the extent that fishing has grown. The agriculture loan portfolio is quite small compared to the fishing loan portfolio. The initial requirement was to have a "resident farmer" participate. He read the definition. A "resident farmer" means a person who is a resident of the state and who is engaged in commercial agriculture in the state." He related that the state envisioned the CFAB as a coop limited to agriculture and fishing. The ARLF provided an infusion of cash managed by the state in a manner quite different than a private organization. The state envisioned that Alaska would have a vibrant agriculture industry. The proposal to take the requirement for "resident farmer" out of statute recognizes that the pool of people engaged in agriculture has diminished. Thus, it is more difficult to fulfill the board role of "resident farmer."

[4:19:04 PM](#)

SENATOR COGHILL related that the Agriculture Revolving Loan Fund (ARLF)'s purpose is to promote the development of agriculture as an industry throughout the state by means of moderate interest rate loans. Quite often the fund has been managed based on "state policy" decisions. The CFAB is a private cooperative serving and owned by Alaskans and makes investments based on "private decisions."

[4:19:31 PM](#)

REPRESENTATIVE NEUMAN asked if the Agriculture Revolving Loan Fund (ARLF) is autonomous and does not fall under the state government. He assumed the CFAB is autonomous.

SENATOR COGHILL agreed the CFAB is a totally private enterprise. He explained an annual audit is currently conducted. This bill would allow the state to examine CFAB every 36 months. He agreed it is a "very different creature" than the ARLF. The only commonality shared between the ARLF and CFAB is agriculture needs.

[4:20:55 PM](#)

REPRESENTATIVE NEUMAN stated he did not want ARLF to be "rolled into" CFAB and assumed that the bill would not accomplish any merge.

[4:21:06 PM](#)

REPRESENTATIVE T. WILSON asked why farmers would not want be part of CFAB.

SENATOR COGHILL explained it is not a matter of desire, but rather that only a handful of commercial agriculture farmers currently exist. Thus, the loan portfolio is so small that it has become much more difficult to fill the position of "resident farmer."

[4:22:16 PM](#)

LEILA KLINGER, Chief Executive Officer, Commercial Fishing and Agriculture Bank (CFAB), introduced herself.

[4:23:27 PM](#)

MS. KLINGER explained that when CFAB was created in 1979 and in 1980 that considerable emphasis was placed on developing

agriculture in the state. The CFAB made many agricultural loans, but few new agricultural loans have been made in the past 10 years. Since CFAB's elected directors are elected by its membership and the number of farmers has dwindled, it has become less necessary to have a farmer serve as a director. The role of CFAB has shifted, she stated. It is critical for CFAB to reach into its broad pool of members, consisting of not only fishers and farmers, but tourism operators and other resource-based businesses to maintain viability of and service to its constituencies.

MS. KLINGER stated that it may seem odd to seek oversight, but the CFAB represents a collection of diverse but related fiduciary responsibilities. It operates as a cooperative corporation with a fiduciary relationship and obligation for past, current, and future borrowers. It also has a fiduciary responsibility to the state since it is a financial investment of the state. Additionally, CFAB is the only private enterprise with the authority to encumber a Commercial Fishing Limited Entry (CFEC) permit with a consensual lien. Thus, CFAB's board remains sensitive to its diverse fiduciary responsibilities. While CFAB is subject to an annual audit by a professional firm, the audits tend to focus on quantitative values and accounting protocol, but only touch on the qualitative aspects of lending, policies, practices, and results. However, the state's bank examiners are trained and prepared to evaluate the likelihood of repayment of loans. The examiners have the results of the experiences of other financial institutions and can establish norms or guidelines by which CFAB's effectiveness can be measured. The CFAB's Board of Directors and management are enthusiastic in their support of HB 419, she stated.

[4:26:15 PM](#)

REPRESENTATIVE T. WILSON related her understanding that a farmer must have a loan to serve on the CFAB Board of Directors.

MS. KLINGER agreed.

[4:26:28 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 419.

[4:26:44 PM](#)

REPRESENTATIVE T. WILSON moved to report HB 419 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 419 was reported from the House Labor and Commerce Standing Committee.

[4:27:22 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:27 p.m.