

HOUSE FINANCE COMMITTEE
March 20, 2012
1:39 p.m.

1:39:35 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:39 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

Representative Mike Doogan

ALSO PRESENT

Joe Michel, Staff, Representative Bill Stoltze; David Teal, Director, Legislative Finance Division; Timothy Clark, Staff, Representative Bryce Edgmon; Representative Lance Pruitt, Sponsor; Dirk Craft, Staff, Representative Lance Pruitt; Lynette Bergh, Staff, Representative Thompson; Don Habegar, Director, Division of Corporations, Business, and Professional Licensing, Department of Commerce, Community and Economic Development.

PRESENT VIA TELECONFERENCE

Boyd Brownfield, Self, Anchorage; Harley Hightower, Chair, Board of Registration for Architects, Engineers, and Land Surveyors, Anchorage.

SUMMARY

HB 196 BULK FUEL LOANS/POWER PROJECT FUND

CSHB 196(FIN) was REPORTED out of committee with a "do pass" recommendation and with three new fiscal impact notes by the House Finance Committee for the Department of Commerce, Community and Economic Development.

HB 261 COMMERCIAL FISHING ENTRY PERMIT LOANS

CSHB 261(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero impact note from the Department of Commerce, Community and Economic Development and one previously published zero fiscal note: FN1 (DFG).

HB 337 BD OF ARCHITECTS, ENGINEERS, SURVEYORS

HB 337 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1 (CED).

HB 358 ANWR ADVERTISING CONTRACT

CSHB 358(FIN) was REPORTED out of committee with a "do pass" recommendation and with a new fiscal impact note by the House Finance Committee for the Department of Commerce, Community and Economic Development.

#hb196

HOUSE BILL NO. 196

"An Act relating to the power project fund and to the bulk fuel revolving loan fund; establishing a bulk fuel loan account and making the bulk fuel loan account and the bulk fuel bridge loan account separate accounts in the bulk fuel revolving loan fund; providing for technical assistance to rural borrowers under the bulk fuel bridge loan program; relating to the administration and investment of the bulk fuel revolving loan fund by the division in the Department of Commerce, Community, and Economic Development responsible for community and regional affairs; and providing for an effective date."

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Vice-Chair Fairclough MOVED to ADOPT the proposed committee substitute for HB 196, Work Draft 27-LS0529\I (Kirsch/Nauman, 3/20/12) as a working document.

Co-Chair Stoltze OBJECTED for the purpose of discussion.

JOE MICHEL, STAFF, REPRESENTATIVE BILL STOLTZE, explained the additions in the new CS and stated that it offered two changes from the previous version, which committee members had examined earlier in the day. He pointed to page 7 of the bill and related that the effective date was changed to January 1, 2013 from January 1, 2012.

Co-Chair Stoltze inquired why the date change was necessary. Mr. Michel replied that certain regulations needed to be adopted and that the additional year would provide the Department of Commerce, Community and Economic Development (DCCED) with time to make the changes.

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, Work Draft 27-LS0529\I was ADOPTED.

REPRESENTATIVE BRYCE EDGMON, SPONSOR, hoped that Mr. Teal's upcoming discussion on the new fiscal notes would resolve concerns that the notes should reflect the "streamlining of the process" that HB 196 was attempting to achieve.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, discussed the three fiscal notes and related that he had been working on the notes at the behest of the sponsor in order to make them appear the way the committee had expected. He explained that the bill consolidated the Bridge and Bulk Fuel Loan programs into a single location and discussed the first fiscal note for the Alaska Energy Authority (AEA). The AEA note was similar to how it had originally appeared and reflected a loss of revenue in the amount of \$57,000 per year because the bill eliminated the application and origination fees that were associated with the loan program; the \$57,000 would go back into general fund. The second change in the AEA note was that the \$53,600 in administrative or operating costs that were associated with the loan program would go away from AEA's budget and would essentially be removed from the process. The second fiscal note from AEA was for DCCED's Division of Investments; instead of containing the \$86,000 that was in

the original fiscal note, the new note directed the \$53,600 that used to be in AEA to the Division of Investments. He stated that because AEA would be retaining its position and also because the Division of Investments wanted to add a position, the funding for an additional position was kept in the fiscal note. He mentioned that although the money would not fully fund the position, the program should not require a dedicated, full-time position. He observed that the cost of the additional position in the Division of Investments would be charged directly to the Bulk Fuel Revolving Loan Fund, instead of going through the Division of Community and Regional Affairs (DCRA); costs for additional positions used to appear as inter-agency receipts, but now the position could be direct charged to the program. He related that the third fiscal note for the Division of Investments was zeroed out and did not need to be transmitted with the bill. He explained that the note was zeroed because DCRA currently provided technical assistance to communities that were applying for loans and that it would continue to do so; DCRA would still be helping people with bridge loans, while the bulk full loans would be handled by the Division of Investments. He observed that the third fiscal note originally had the costs of technical assistance changing from the general funds to the Bulk Fuel Loan Program, but that the Legislative Finance Division did not see any reason to do it this way because it was DCRA's role to assist communities.

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AT EASE

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Mr. Teal made a correction to his previous statement regarding the third fiscal note and clarified that it was the DCRA fiscal note that had been zeroed and did not need to be transmitted with the bill; the Division of Investments' note still reflected \$53,600. He summarized that the net change in operating cost was zero, but that there was an annual loss in general fund revenue of \$57,000.

Vice-Chair Fairclough inquired if the Division of Investments' note could be structured to fund the position at a .50 full-time equivalent (FTE). She observed that the

new position was only being partially funded and wondered whether the fiscal note should reflect that aspect in order to inform the department of what the expectations were regarding its role in funding the position. She queried if there were receipts or other dollars that might be available to "backfill" the position if a full FTE was included in the fiscal note. Mr. Teal replied that a half-time position could be added, but that if the Division of Investments needed a position, it would have to hire a full-time one. He observed that the Division of Investments had requested \$86,000 for the position, but that the fiscal note only funded \$53,600; in order to get the rest of the funding, the division would have to pull money from other loan programs. He stated that the fiscal note funded a half-time to three-quarter-time position, but that the note could be changed to reflect a half-time position if the committee so desired; however, changing the position's classification did not make a lot of difference.

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Vice-Chair Fairclough wondered whether the committee should consider additional funding or compensation in the legislation for the development of regulations. She noted that the bill was asking for consolidation and was providing money for a half-time FTE; however, the department would be required to make new regulations, which would take time and money. She stated that when she had originally examined the fiscal notes, she had wondered why there was not more funding, given the additional work that DCCED would have to complete. She concluded that the department would need to provide information regarding the regulations in an expedient manner and that additional funding would probably be needed to do so.

Representative Edgmon stated that he had been an employee of DCCED and had worked with the Division of Administration to draft regulations; he recalled that the department had a full-time staff that worked on regulations, but that there might be a little more time involved with "other parts" of HB 196.

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Vice-Chair Fairclough MOVED to report CSHB 196(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 196(FIN) was REPORTED out of committee with a "do pass" recommendation and with three new fiscal impact notes by the House Finance Committee for the Department of Commerce, Community and Economic Development.

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AT EASE

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RECONVENED

#hb261

HOUSE BILL NO. 261

"An Act relating to loans for the purchase of commercial fishing entry permits; and providing for an effective date."

Co-Chair Stoltze pointed to the previously adopted CS for HB 261, Work Draft 27-LS0968\B (Bullard, 3/19/12) and added that there had been an issue regarding the fiscal note.

TIMOTHY CLARK, STAFF, REPRESENTATIVE BRYCE EDGMON, directed the committee's attention to the zero fiscal note and stated that its only revisions were the deletions of errors on the analysis page.

Representative Edgmon added that the two sentences that referred to an earlier version of the bill were taken out of the fiscal note, but that it still remained a zero note.

Representative Neuman stated that he had made some inquiries outside of the committee regarding the legislation and mentioned that the interest rate on the fishing loans had been changed several times. He pointed out that if there was a lower interest rate available to someone who had already taken a commercial fishing loan, the borrower could apply to refinance at the lower rate for a fee of around \$100.

Vice-Chair Fairclough discussed a letter in members' packets, which had expressed concern regarding the legislation. She was supportive of the bill's intent, but wanted to give the sponsor an opportunity to respond to the concerns. She stated that her understanding of the bill was that it provided lower-cost money than was available in a commercial loan market after an individual was unable to qualify in that commercial market. She inquired how the state determined whether an applicant for a loan had been declined or had simply failed to qualify, and further queried if there was something in statutes or regulations that helped make that determination. Representative Edgmon paraphrased from the Commercial Fishing and Agriculture Bank Act statute and stated that a borrower was only eligible for Section B loans if he or she "is not eligible for financing from a state financial institution as defined in Title 6, or a federally chartered financial institution, or the Commercial Fishing and Agriculture Bank (CFAB)."

Vice-Chair Fairclough reiterated that she was still unsure how the eligibility was determined. Representative Edgmon responded that the eligibility requirements for the Section B loans specified that in order to qualify, someone must have been a state resident for a continuous period of at least two years directly preceding the date of the application, must not be eligible through a commercial bank or CFAB, must lack employment opportunities other than commercial fishing, must not have past due on any child support obligations, and must never have received a loan under the Section A provision of the Commercial Fishing and Agriculture Bank Act. He observed that all of the requirement provisions would make it difficult, if not impossible, for an applicant to seek lending through traditional means and concluded that the bill offered a "leg up" to those trying to get involved in the commercial fishing industry.

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Vice-Chair Fairclough observed that there was a difference between qualifying for a loan under the current language versus being declined by a commercial lender, but that she understood and supported the intent of the legislation. She inquired if there was a way for a Section B borrower to receive discounts on the loan percentages for consistently making payments on time. Representative Edgmon replied in the affirmative and elaborated that it was called the Pay On-Time program; if a borrower had complied with the

payments for the first year, they would be eligible for as much as a 1 percent reduction to the interest rate of the loan. He explained that if a borrower entered the program at a 5.25 percent interest rate and all went well, they would be eligible to lower their rate to as little as 4.25 percent.

Vice-Chair Fairclough wondered how the discounted interest rate would compare and compete in a commercial market.

Co-Chair Stoltze observed there had not been any testimony from the traditional banks on the legislation. He opined that CFAB seemed to be more interested in protecting its "turf" than serving the state's farmers and fishermen.

Co-Chair Thomas told a personal story about his son receiving a state loan to buy a boat. His son had applied and had been turned down by two traditional banks, but had eventually received a loan from the state. He offered that the difference between the traditional banks and state was that the banks did not ask him to cosign on his son's loan, but that he had cosigned on the state loan. He recalled that he had been denied for a loan from CFAB about 25 years prior because he was not qualified. He stated that he had attempted to go through CFAB for a Bristol Bay fishing boat and gillnet permit because he knew that he would not have qualified through a commercial bank or the state. He shared that although he had 20 years of prior fishing experience as a gillnetter in Southeast Alaska, CFAB had denied him a loan because they thought he lacked experience. He voiced agreement with Co-Chair Stoltze's earlier observation regarding CFAB's desire to protect its "turf." He supported the legislation and thought it would help young fishermen who were starting out in the industry.

Vice-Chair Fairclough directed the committee's attention to multiple letters of support, which raised issues with the earlier mentioned letter of concern.

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Vice-Chair Fairclough MOVED to report CSHB 261(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 261(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero impact note from the Department of Commerce, Community and Economic Development and one previously published zero fiscal note: FN1 (DFG).

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AT EASE

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RECONVENED

#hb358

HOUSE BILL NO. 358

"An Act relating to an advertising campaign in support of opening the Arctic National Wildlife Refuge for development."

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Co-Chair Stoltze discussed the issues of concern that had been expressed during HB 358's prior hearing; the two issues were that the CS needed an addition to prevent the legislation from influencing political action and that there needed to be a cap placed on the maximum dollar amount of the advertising campaign.

Vice-Chair Fairclough MOVED to ADOPT the proposed committee substitute for HB 358, Work Draft 27-LS1406\I (Bailey, 3/19/12) as a working document.

Co-Chair Stoltze OBJECTED for the purpose of discussion.

REPRESENTATIVE LANCE PRUITT, SPONSOR, asked his staff to discuss the change in the new CS.

DIRK CRAFT, STAFF, REPRESENTATIVE LANCE PRUITT, explained that the only addition to the CS was Section 1, subsection (e)(4), which was on Page 2, line 26 of the legislation. Subsection (e)(4) was added at Representative Gara's request in order to insure that the legislation would not be used for any lobbying purposes on any elected official or any kind of campaign.

Co-Chair Stoltze requested the exact wording of the new language. Mr. Craft read from the bill starting on the beginning of subsection E on line 16.

"A qualified trade association may not use money from a contract awarded under (a) of this section"

Mr. Craft continued reading from the bill on subsection (e)(4).

"in an advertising campaign that refers to a particular elected official or candidate for public office or specifically promotes or criticizes a political party."

Co-Chair Stoltze commented that the other issue of concern, which was the maximum cap of the advertising campaign, had been addressed in the fiscal note.

Mr. Craft remarked that the sponsor had attempted to put the cap in the legislation itself, but that they were advised against putting it directly in statute because it would take away from the appropriating powers of the Alaska Legislature. Co-Chair Stoltze interjected that it would certainly take away flexibility from the legislature and that fiscal notes were a more flexible document than statutes.

Vice-Chair Fairclough discussed the fiscal from the House Finance Committee for DCCED; the note set the aforementioned cap at \$1.5 million in general funds. She spoke to several indeterminate fiscal notes.

Co-Chair Stoltze indicated that the committee would only adopt the House Finance Committee fiscal note and identified it as OMB component number 1844.

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, Work Draft 27-LS1406\I was ADOPTED.

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Vice-Chair Fairclough MOVED to report CSHB 358(FIN) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

Representative Gara inquired if the program would run for two years. Co-Chair Stoltze responded in the affirmative and that it would run until 2015.

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CSHB 358(FIN) was REPORTED out of committee with a "do pass" recommendation and with a new fiscal impact note by the House Finance Committee for the Department of Commerce, Community and Economic Development.

Representative Joule referenced comments that were made in a prior meeting, in which Vice-Chair Fairclough discussed a trip that Alaska Legislators had taken to Washington, D.C. He discussed the need to for Alaska to do work around the country to get a groundswell of support regarding the Arctic National Wildlife Refuge (ANWR) and opined that being reactive to particular bill "has not been getting the job done." He offered that having a more full-time effort was the beginning of Alaska's future regarding ANWR, as well as other issues facing the state. He shared that unfortunately, Congress and others outside of Alaska operated with very little accurate information and that how the state marketed itself those individuals and entities was important.

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AT EASE

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RECONVENED

#hb337

HOUSE BILL NO. 337

"An Act relating to the Board of Registration for Architects, Engineers, and Land Surveyors and to the Department of Commerce, Community, and Economic Development."

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Vice-Chair Fairclough MOVED to ADOPT HB 337, 27-LS1405\A as a working document.

There being NO OBJECTION, HB 337 was ADOPTED.

LYNETTE BERGH, STAFF, REPRESENTATIVE THOMPSON, provided an overview of the legislation:

I would like to thank the Chair and the Committee for hearing House Bill 337 today, "An Act relating to the Board of Registration for Architects, Engineers, and Land Surveyors and to the Department of Commerce, Community, and Economic Development."

For brevity's sake, I will refer to the Board of Architects, Engineers, and Land Surveyors as the AELS board.

House Bill 337 revises the Statutes to designate a full-time investigator, rather than part-time, to serve the AELS Board. This full-time position will ensure that the AELS Board can meet the growing demands of oversight of the industries in its area of responsibility.

Currently, the AELS Board shares one part-time investigator with five other Boards: Construction Contractors, Home Inspectors, Electrical Administrator, Mechanical Administrator, and Storage Tank Workers. The investigator's oversight includes a total of approximately 20,000 licensees. Of these 20,000 licensees, 28% of them are AELS registrants. That's over 5,600 licensees for the AELS Board alone.

A new regulation will take effect within the next 30 days. Ten *additional* engineering professions that have not been previously regulated will be placed under the AELS Board's oversight. Therefore, the number of branches will expand from the current 6 branches to a new total of 16 branches. Some of the newly regulated professions are from the structural, environmental, nuclear, and industrial engineer branches.

This means the number of licensees the AELS Board oversees will *increase drastically*. It is necessary for the safety of Alaskans to add these branches; however, the addition of these 10 branches will add to an already heavy workload for the part-time investigator.

Each of the six Boards that the part-time investigator oversees has an increasing number of licensees. The investigator faces mounting pressure to spend less time on AELS Board registrants and more time on the 5 other boards to which he is assigned. On top of the oversight workload, this sole investigator is required to maintain knowledge of all statutes and regulations of all boards he oversees.

Clearly, the lack of a full-time investigator for the Board could reduce its effectiveness in carrying out charges required by the Statutes and the Regulations. An unintended consequence of overloading the investigator may result in a failure to fulfill to the fullest extent the State and Regulatory charges. As a result, the State of Alaska may be put at risk, and inadvertently create a hazard to public health, safety, and welfare.

House Bill 337 will ensure that the AELS Board can continue proper oversight of the licensees while remaining in compliance with all State Regulations and all State Statutes mandated by the Legislature. As a result of hiring a full-time investigator, the AELS Board will be able to maintain its reputation and integrity of the professions it oversees.

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Ms. Bergh continued to discuss HB 337:

At this time, I would like to address the fiscal note and point out that the AELS Board intends to begin forward funding the full-time investigator position starting in December 2013 at which time the next scheduled fee increase will take place. Currently the licensees pay \$125.00 for biennial licensure. It is estimated that the pay increase will be minimal, approximately \$20 or less per licensee per year. All testimony to date has been in favor of the pay increase. There was no testimony in opposition.

Co-Chair Stoltze inquired whether the landscape architects were still members of AELS board. Ms. Bergh replied in the affirmative.

Co-Chair Stoltze inquired why landscape architects were not referred to in the bill title. Ms. Bergh opined that perhaps landscape architects had been combined into the general category of architects, but admitted that she was unsure of the answer.

Co-Chair Stoltze noted that when the landscape architects had first come on the AELS board, they originally had no interest in having a board seat; however, after several years, they changed their minds and had repeatedly tried to get a seat on the board. He observed that landscape architects represented a very small part of industry in terms of size and numbers and that although they did not have a seat on the board, they did have representation on the board. He shared that the landscape architects had been "brutal" with him once he had reminded them of their "past agreement," and inquired if the bill would enable the landscape architects to resurface the issue of obtaining a seat on the AELS board. Ms. Bergh replied that to her knowledge, it did not put that offer on the table.

Co-Chair Stoltze stated that he preferred a "no" answer to "not to my knowledge" and queried if the sponsor supported or opposed the landscape architects having a seat on the AELS board. Ms. Bergh replied that the sponsor wanted to make sure that the AELS board, with its current makeup, had enough oversight by giving it a full-time investigator. She related that the sponsor was not adding other boards, but noted that the AELS board had met in December of 2011 and had decided to add some new branches; however, none of the additions included the landscape architects.

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Representative Costello inquired if Don Habegar could come to the table and answer questions and mentioned that there had been lengthy testimony in the DCCED subcommittee related to some challenges involved with investigations and the process of investigations, as well as the rising costs that all of the professional licensing boards were experiencing. She asked Mr. Habegar to share DCCED's efforts to get a handle on the issue and related that she was concerned with the solution of adding an investigator. She offered that it was her understanding that the department was currently analyzing the process of how investigations were handled and that "perhaps not every complaint needs to be taken to the nth degree before it's

turned away." She indicated that she did not want to see a pattern of the different boards requesting additional investigators when the department was currently in the middle of a process that was attempting to address the problem.

DON HABEGAR, DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS, AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, replied that the division was going through an intensive review of investigations because of legislative audits, as well as other concerns over the years regarding timeliness in the investigative processes. He shared that one of the things that the division was attempting to correct was its investigative software; although the software system was relatively new and was intended to address a number of the issues, it became clear after working with the software that there were a number of improvements that were still needed in that area. He related that the analysis had been completed and that the recommendations were currently before management. The software was just one example of a process that the division was going through. He mentioned that some of the audits had requested simple changes, such as having a correct hierarchy of investigators under the chief; the division was in the process of instituting a senior investigator position to address that concern. He mentioned that it was true that the department was in the middle of "these fixes," but that the requests for investigations and the demand for the investigators' time had also been increasing. He stated that in 2011, the Division of Corporations, Business, and Professional licensing had 1100 requests from the public, which had asked for attention to make sure a licensee was not in violation of rules and regulations; the division's report was posted in its website. He shared that he had 18 investigators who each had an average caseload of about of 40 to 45 cases per year and that the division was trying to manage its resources in the face of rising demand for its investigators' time.

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Representative Wilson inquired if ten additional branches would be added to the AELS board. Mr. Habegar responded that through new regulations, there were additional disciplines in the engineering field that required licensure and that his understanding was that some

engineers that currently were generally licensed may be able to specialize and convert to a specific license, which would be one of the new categories. He added that there would be other categories that were new to the state system.

Representative Wilson wondered how many people the additional branches would represent. Mr. Habegar replied that there were estimates from his staff that the number of new licensures in the new disciplines would be around 1,000 individuals; he was unsure regarding the correctness of the estimate, but recalled hearing that number.

Representative Wilson inquired why the additional disciplines were being added because she had not heard of a lot of safety issues. Mr. Habegar responded that it was difficult for him to speak on behalf of the AELS board, but that the statutes required the board to regulate their own profession; he opined that he could speculate the board's reasoning and offered that it probably thought that specialization was better for the profession. He observed that there had been a lengthy public processes on the specialization and that eventually the regulations were passed.

Representative Wilson wondered if adding the extra people would change the composition of the board and inquired how much revenue the new investigator would cost the state. She felt that she did not have enough information on the bill.

Representative Gara stated that he would have opposed the bill if it were not for the fact that the AELS board would be paying for the investigator. He observed that the position would cost \$109,000 and that the board would self-regulate by raising fees on its own members to fund the position. He concluded that the bill had zero cost to the state and that he was comfortable with the legislation. He inquired if his understanding of the bill was correct. Mr. Habegar responded in the affirmative and explained that licensing statute required that the costs would be passed on to licensees and that it would come from increased fees.

Representative Gara queried how the legislature could be comfortable that the members of a particular profession had agreed to the changes and inquired whether the board had made the decision themselves as "spokesmen for the profession." Mr. Habegar responded that there were a number

people from the profession who were available to testify on the bill during a Labor and Commerce Committee meeting and that all of those testifiers had supported the bill.

Representative Gara stated that if there was a backlash, the position could be taken out. He reiterated that the new position did not cost the state anything and that he was ok with the bill.

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Representative Guttenberg thought that the board was pretty contentious. He asked what percentage of the investigations that were conducted ended up being "actionable" afterwards. Mr. Habegar replied that he did not have that information with him, but that he would get it for the committee.

Representative Neuman inquired whether the AELS board currently had an investigator and if it did not, how its investigations were handled. Mr. Habegar replied that the Division of Corporations, Business, and Professional Licensing had 18 investigators and that, through statute, only the medical board currently had a dedicated investigator. He explained that the other boards shared the investigators and that there was system in place to determine where the investigators were needed. He shared that currently, there was one investigator that solely took care of the construction industry and that the majority of the investigator's time was spent on architects, engineers, and land surveyors. He mentioned that DCCED had an agreement with the Department of Labor and Workforce Development for additional investigative resources for the construction industry.

Representative Neuman assumed that adding the investigator would expedite disputes that came before the AELS board and inquired if this was the justification of the legislation. Mr. Habegar responded that the AELS board believed that adding an investigator would enable better service and that he agreed with the board's assessment.

Representative Gara "tepidly" supported the bill because he did not believe the caseload of the Division of Corporations, Business, and Professional Licensing's investigators was compelling. He offered that district attorneys and public defenders typically had caseloads of over 100 cases and worked very long hours, but that the

division's investigators only had caseloads of 40 cases. He stated that he was supportive of the legislation because the profession wanted to regulate itself and fund the position itself. Mr. Habegar clarified that the best-case scenario for his investigators was a caseload of 40 to 45 cases, but that in reality, the investigators had more cases than that.

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Representative Costello noted that the bill would create one dedicated investigator for one specific board, but observed that other boards were also experiencing an increase in investigator demand. She wondered whether the sponsor would be willing to change the legislation so that the added position would benefit all of the professional licensing boards; DCCED could be given the flexibility to assign the new investigator to where the workload was. She observed that the investigator could be assigned to the AELS board full-time, but would be directed to where the need was. Ms. Bergh replied that the sponsor had been concerned about the number of licensees that were under the purview of the part-time investor that served the AELS board. She added that because the number of licensees and branches under the AELS board was growing, there was an imbalance of the amount of work that the investigator was able to handle for the AELS board versus the other boards that were served. The sponsor believed it would be a good idea to have one investigator for the AELS board.

Representative Costello queried whether DCCED had considered requesting an additional investigator during the budget process or if the department had held off on requesting the position because it was studying the problem first. Mr. Habegar replied that the department did not consider making any changes to staffing until it had further investigated a number of issues that had driven comments of concern in the legislative audits.

Representative Costello inquired when the department expected its recommendations to be made available. Mr. Habegar responded that the Division of Corporations, Business, and Professional Licensing was on the tail end of a cost allocation analysis, which would be completed in approximately 30 to 60 days. He stated that the division thought it would have better recommendations in the spring of 2012.

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BOYD BROWNFIELD, SELF, ANCHORAGE (via teleconference), spoke in support of the legislation and related his personal experience of serving as both the chair and vice-chair of the AELS board in the past. He expressed support of AELS having its own investigator and mentioned that it was the third largest board out of about 18 boards, but that it was first in the category complexity. Within the engineering profession alone, there were six separate and distinct branches, each of which represented its own challenges; the 6 branches were expected to increase in number to 15. The uniqueness of the AELS board placed a special demand on its investigator. He explained that the current investigator served the AELS board only 20 percent of the time and was assigned to 5 other boards. The board's sole mandate was to carry out its mission to protect the public's health, safety, and welfare through the regulation of architecture, engineering, land surveying, and landscape architecture. He related that the fourth largest board, the medical board, currently had its own investigator. He thought that it was imperative that the AELS have a full-time investigator if it was to do an effective job serving the entire state.

2:46:06 PM

Mr. Brownfield addressed earlier comments that were made in committee and explained that landscape architects had a temporary, non-voting seat on the AELS board; there were only about 35 registrants from landscape architects on the board. He observed that the landscape architects acted and participated on the board; however, by statute, the seat was temporary and non-voting. He spoke to an earlier question regarding why the number of branches was increasing to 15 from 6 and relayed that for 27 years there had been 6 branches of engineering in state; he explained that Alaska was one of the few states that still only had 6 branches. He shared an example that if a structural engineer entered Alaska, they could not work in the state under that branch and would be required to take an exam to work as a civil engineer; agricultural engineers in Alaska were likewise required to take the civil engineer examination. He stressed that it was time for the state to recognize that 6 branches were not sufficient and offered

that the state was losing business. He reiterated the importance of a full-time investigator for the AELS board.

[2:49:41 PM](#)

Co-Chair Thomas noted that the legislation's sponsor statement indicated that there would be 6 to 16 new branches added to the AELS board, which was probably the reason people were referring to 16 branches as a number. Mr. Brownfield replied that one of the professions was architect engineer; however, the board felt that it would be confusing to the public if architects were considered engineers and as a result, that branch was not included.

HARLEY HIGHTOWER, CHAIR, BOARD OF REGISTRATION FOR ARCHITECTS, ENGINEERS, AND LAND SURVEYORS, ANCHORAGE (via teleconference), vocalized the AELS board's support for the legislation and concurred with the testimony of prior testifiers. He related that because of a lack of a full-time investigator, the board was presently being prevented from performing its charge of protecting the health, safety, and welfare of the public. He pointed out that the investigator who currently served the AELS board was overextended due to his obligations to numerous other boards, as well as increases in the number of registrants. He warned that the "present conditions" exposed the state of Alaska and the AELS board to liability. He related the board's current fees were low and that if a small fee increase occurred as result of the legislation, it would not be significant. He addressed an earlier question regarding the possibility of an investigator pool and stated that the board had decided against that idea because it felt that it would be difficult for an investigator to know the statutes and regulations that applied to multiple boards. He spoke to an earlier comment regarding being unaware of safety issues in the state and noted that in the past month, there had been three roof collapses in Anchorage because the buildings were not designed to the standard that they should have been.

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Co-Chair Thomas CLOSED public testimony.

Vice-Chair Fairclough observed that although some public comments had stated that the board was not adding a position, the fiscal note showed that a position was being

adding. She wondered whether the current investigator positions were funded with general fund money. Mr. Habegar responded that the bill did add one position and that the investigators were funded with general fund fee-supported services.

Vice-Chair Fairclough commented that the bill relieved the department of its current obligation and wondered whether there would be an excess of general fund dollars that could be used somewhere else. Mr. Habegar replied that he may have misspoken and that the investigator positions were fee-supported; the revenue was raised through licensing fees and was used to support whatever program was required. He explained that DCCED was required by statute to analyze programs ever year and to recommend fee increases or decreases.

Vice-Chair Fairclough inquired how many investigators there would be in 2013. Mr. Habegar replied that if the bill passed, the Division of Corporations, Business, and Professional Licensing would have a total of 19 investigators.

Representative Gara expressed that he was confused about the bill. He related that the testimony had stated that a half-time position would be increased to a full-time position, but noted that there was funding in the legislation for a full-time position. He asked for clarification on the issue. Mr. Habegar responded that the bill required a dedicated investigator, but that there were numerous issues that the division needed to deal with. He shared that more enforcement investigations were being requested by the construction industry and that it was also the number one priority for the home builders association. He stated that if the bill passed, it was his intent to give a full-time position to the AELS board and use the current position control number (PCN) for additional resources in the construction industry.

Representative Gara observed that this was the second time that day that DCCED had attempted to fill a half of a position with at least the money for full position. He offered that perhaps he had missed something earlier in the testimony, but that he was just realizing that the bill would be used to add half of a staff position somewhere else.

[2:57:59 PM](#)

Vice-Chair Fairclough discussed that the current proposal was paid for by receipts from licensees, which she was okay with. She inquired if relieving the pressure on the AELS board's investigative efforts would give the department the opportunity to reallocate available time to investigate other licensees under its control. Mr. Habegar responded in the affirmative.

Representative Wilson surmised that using the PCN for another board would affect how much that board was paying in fees because someone had to make up the funding and inquired if that assumption was correct. Mr. Habegar answered in the affirmative and explained that state law required DCCED to do an annual analysis for all the programs. He stated that there were currently 40 programs and that the Division of Corporations, Business, and Professional Licensing would adjust fees based on the usage of in-house resources.

Representative Wilson inquired whether 40 programs meant that there were 40 boards. Mr. Habegar replied in the negative and explained that Title 8 of the Alaska Statutes had 40 programs, but that 20 of them were run by the division and 20 were boarded.

Vice-Chair Fairclough discussed a previously published fiscal impact note from the Division of Corporations, Business, and Professional Licensing.

Representative Neuman inquired if the fiscal note was paid for by fees and not general funds. Ms. Bergh responded in the affirmative.

Co-Chair Thomas pointed to the fund source on the fiscal note.

[3:01:12 PM](#)

Vice-Chair Fairclough MOVED to report HB 337 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 337 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1 (CED).

Co-Chair Thomas discussed the committee schedule for the following day.

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ADJOURNMENT

3:02:10 PM

The meeting was adjourned at 3:02 PM.