

HOUSE FINANCE COMMITTEE
April 18, 2014
12:00 a.m.

[Note: Continuation of 4/17/14 9:00 p.m. meeting]

12:00:56 AM

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Lindsey Holmes
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Peter Micciche; Wojtusik, Staff, Senator Lesil McGuire; Bill Peddler, Alaska Tourism Association; Roberta Graham, Assistant Commissioner, Department of Commerce, Community and Economic Development.

PRESENT VIA TELECONFERENCE

Kathleen Martin, Self, Cooper Landing; Ed Martin, Self, Cooper Landing; Ed Sniffen, Department Of Law, Anchorage; Al Nagel, Department Of Labor And Workforce Development, Anchorage.

SUMMARY

SB 193 CONTRACTORS: BONDS; LICENSING

SB 193 was HEARD and HELD in committee for further consideration.

CSSB 194(FIN)

TOURISM MARKETING BOARD

HCS CSSB 194(L&C) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Department of Commerce, Community and Economic Development and one previously published fiscal note: FN2 (LEG).

#sb194

CS FOR SENATE BILL NO. 194(FIN)

"An Act creating the Alaska Tourism Marketing Board; and relating to tourism marketing."

12:00:56 AM

BILL PEDDLER, ALASKA TOURISM ASSOCIATION, replied in response to a question by Representative Wilson related to a quorum of members from each region of the state. He stated that the representatives from the legislature or agency were not counted with the designated regions of the state. He noted that he had never had a problem achieving a quorum, as the subject was passionate amongst industry members.

Representative Wilson stated that she served as a Fairbanks assembly representative and a board member for the tourism association. She appreciated the legislation.

12:02:08 AM

Representative Munoz described the similarity to the marketing board established by the Alaska Travel Industry Association (ATIA). She wondered about the benefit of placing the association in statute.

12:02:27 AM

ROBERTA GRAHAM, ASSISTANT COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, stated that the marketing committee of ATIA was affiliated with the Qualified Trade Association in statute.

Representative Munoz understood that one of the primary purposes of the organization would be to make recommendations on the future of the marketing funds.

Ms. Graham concurred, she noted that the relationship maintained by the state and industry existed for decades.

[12:03:38 AM](#)

Representative Gara asked if the board was represented regionally.

Ms. Graham replied that the bill did have regional representation. She mentioned the five regions of the state represented.

Representative Holmes opined that ATIA had done a fantastic job representing different aspects of the tourism sector. She credited Ms. Graham with her work. She supported the legislation.

[12:04:56 AM](#)

Representative Thompson appreciated the legislation and the travel industry.

[12:05:21 AM](#)

Co-Chair Austerman noted that the board and the trade association promoted Alaska. He mentioned the improvement between other industries and the tourism industry. He wished to continue funding marketing efforts for Alaska.

Co-Chair Stoltze asked what would be done differently as a result of the legislation.

[12:06:50 AM](#)

Mr. Peddler replied that the industry participated in successful joint-marketing adventures. He stressed the benefits of collaboration between the state and the industry.

[12:08:10 AM](#)

Representative Costello discussed the two fiscal notes, one zero note and one indeterminate.

Vice-Chair Neuman MOVED to REPORT HCS CSSB 194(L&C) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HCS CSSB 194(L&C) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Department of Commerce, Community and Economic Development and one previously published indeterminate fiscal note: FN2 (LEG).

#sb193

SENATE BILL NO. 193

"An Act relating to bonds required for contractors."

12:10:09 AM

SENATOR PETER MICCICHE, SPONSOR, testified that the purpose of the construction surety bonds was to provide consumer protection. The bonds amounts remained the same since 1982, while material costs and wages had quadrupled. The bond rates remained the same at \$10 thousand for general contractors and \$5 thousand for specialty. The majority of contractors took pride in their work. The bill modernized the surety bond protection level, which would provide additional protection. The legislation increased the rate for general contractors to \$25 thousand, added a new residential-only endorsement for \$20 thousand, a mechanical or specialty contractor bond for \$10 thousand and a handyman category for those performing small projects.

Senator Micciche pointed out that the bill ignored those people attempting projects costing \$2500 or less. The definition of a contractor remained the same. He provided an example about cost increases. He mentioned a list of supporters. He estimated that the cost of increasing the bond would fall between \$125 and \$500 per year for contractors. The additional cost included a great deal of protection to the consumer.

12:13:34 AM

Co-Chair Stoltze OPENED public testimony.

KATHLEEN MARTIN, SELF, COOPER LANDING (via teleconference), (via teleconference) reported to the committee that she found out about the legislation relatively late in the session. She contacted other contractors on the Kenai Peninsula who were also unaware of the proposed changes to Alaska's bonding requirements. She expressed concern about the lack of information provided to contractors and wondered if polls were taken prior to introducing the bill. She suggested a method of punishment for those contractors acting in a less than professional manner. She stated that small claims court provided necessary recourse for those consumers that were poorly served. She expressed concern that the higher costs would be passed on to the consumer.

Co-Chair Stoltze apologized for the late hour of public testimony.

[12:18:38 AM](#)

Representative Wilson asked how much Ms. Martin paid now and what the increase would mean to the business.

Ms. Martin replied that the inception of her business in 2008 as a specialty contractor required \$500, but with the upgrade to general contractor the price increased to \$1000. She stated that she did not contact her bond company for the precise increase, but she predicted a \$1250 cost.

Representative Wilson asked about her annual business earnings.

Ms. Martin replied that her business earned between \$250 thousand and \$400 thousand annually.

Representative Wilson appreciated the information.

Co-Chair Stoltze appreciated the patience of the testifier.

[12:20:31 AM](#)

ED MARTIN, SELF, COOPER LANDING (via teleconference) testified with concern about the legislation's impact. He had difficulty believing that the additional cost to the consumer was beneficial. He noted that he was a member of the Associated General Contractors (AGC) while many contractors were not. He hoped that the committee would hold the bill to obtain further testimony from Alaskan

contractors. He reminded that AGC represented approximately 350 contractors in the state. He stated that many small contractors could not afford the small dues for the membership at \$1800 to \$2500 per year. He anticipated that the insurance companies would be the only entities to benefit from the bond increases. He believed that the handyman provision was valid.

[12:25:08 AM](#)

Co-Chair Stoltze CLOSED public testimony.

Vice-Chair Neuman discussed fees and definitions related to the business of contracting. He stated that he did not like the legislation and wondered how so few testifiers opposed the bill. He asked if only one contractor opposed the bill.

[12:27:25 AM](#)

Senator Micciche replied yes. He believed that Vice-Chair Neuman misunderstood the definition of a contractor. He quoted that a contractor was "a person who in the pursuit of an independent business undertakes or offers to perform or claims to have the capacity to perform or submits a bid for a project to construct, alter, repair, move or demolish a building, highway, road, railroad or any type of fixed structure including excavation."

Vice-Chair Neuman stated that the installation would incur similar bonding issues as a result of the bill.

Senator Micciche reported to the committee that the bill would not change the definition of contractor.

[12:28:47 AM](#)

Representative Wilson wondered what prompted the legislation. She asked if some consumers had not been able to recoup their costs following a lawsuit or was it the lack of update since 1982.

Senator Micciche replied that both reasons prompted the introduction of the bill. He stated that the Martins in Cooper Landing were the only testifiers to oppose the legislation. He stated that he tried to return their calls for most of the day. He pointed out that all other costs had been updated, but inadequate coverage existed for the

bonding levels. He noted support from AGS of Alaska along with many other letters of support that had been received by his office. He stated that people could continue to operate without licenses, bonding or insurance. He stated that the bill's intent was that of basic consumer protection. He mentioned the annual cost for a \$10 thousand surety bond of \$500 per year.

[12:30:44 AM](#)

Representative Wilson stated that she also received a call from the Martins in Cooper Landing earlier in the day. She wanted to better understand their concerns. She wished to avoid misrepresentations by contractors that would leave the consumer without recourse. She also understood the need to update the statute. She wondered if the handyman clause was applicable to any consumer with the limit of \$2500.

[12:31:38 AM](#)

Representative Wilson asked why one fee was increased while the other was decreased.

Senator Micciche stated that he did not wish to increase costs for business unless the basic level of protection was not available for consumers. He agreed that the prices that a handyman would charge were much less than a contractor. He believed that the bill addressed the protection of each level of consumer. He opined that the cost of bonding for a handyman was relatively low at \$125 to \$200. He noted that general liability insurance cost \$3 thousand to \$6 thousand annually. The cost of the bond was much less. He believed that the small increase in cost was advantageous to the consumer. He deferred to the Department of Law.

[12:34:03 AM](#)

ED SNIFFEN, DEPARTMENT OF LAW, ANCHORAGE (via teleconference) provided his position. He noted that he worked in the consumer protection unit. He stated that the department supported the legislation. He mentioned 57 complaints against contractors since 2010. Some of the complaints led to lawsuits where collections were impossible due to the low bonds. He believed that increasing the bonding amounts would provide some level of consumer protection. He spoke to the handyman issue and

noted that the majority of complaints stemmed from the issue.

Representative Wilson asked how many contractors had been sued because of insufficient bonding.

[12:36:48 AM](#)

Mr. Sniffen replied that he did not have the requested number of contractors. He noted that 3 consumers in 2013 were unable to collect against contractors without sufficient bonding. He pointed out one additional case where a contractor was sued without sufficient bonding to pay the creditors.

Representative Wilson wondered if criminal charges would be filed against a contractor or handyman operating without a bond.

[12:37:43 AM](#)

Mr. Sniffen replied that the contractor may be reported to the criminal division and to the Department of Labor and Workforce Development. In the past, following a criminal report, the same people were discovered performing similar tasks under different business names. He mentioned the benefits of hiding behind the corporate structure of a Limited Liability Corporation. He opined that the problem regarding unlicensed contractors would continue despite the passage of SB 193.

[12:38:49 AM](#)

Representative Edgmon asked about section 3, "the applicant may file with the commissioner a cash deposit or other negotiable security." He requested a definition of negotiable security.

Mr. Sniffen replied that he was unsure about the parameters of the negotiable security. He offered to present the information to the committee.

Senator Micciche replied that a person could post a cash bond rather than a surety bond for the same amount.

Representative Edgmon noted that the bonding capability might not represent cash out-of-pocket to pay the additional fee.

Senator Micciche replied yes. He stated that various prices were listed for different work.

[12:40:53 AM](#)

AL NAGEL, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, ANCHORAGE (via teleconference) was available to answer questions.

Representative Thompson addressed Mr. Nagel.

Mr. Nagel responded to Representative Wilson's question about unlicensed individuals and criminal sanctions. He stated that the crime mentioned was a Class B misdemeanor. In 2006, the legislature passed a statute allowing the department a civil or administrative fine authority. He addressed Representative Wilson's additional question related to the number of claims exceeding \$10 thousand. He stated that most claims were private litigation, so he was unable to provide an answer. He stated that research contractor licensing provided a number of contractors that held a \$10 thousand bond with a \$100 thousand claim against them. He noted that the person at fault might be a supplier, contractor or subcontractor. He stated that the problem was sizable for the consumer.

[12:43:23 AM](#)

Co-Chair Stoltze informed the committee that he would further address the handyman provision of the bill in the morning.

Representative Costello stated that the bill weighed the value of the public protection. She wondered about a way to quantify public protection versus a cost incurred by a business person resulting from an increased bond requirement. She wondered if the value of public protection could be quantified.

Senator Micciche replied that the level of damage to the consumer in addition to the money owed to the supplier or equipment company contributed to the amount owed. He opined that a reputable contractor would go out of their way to

protect their bond. The bill merely modernized the level of protection for consumers.

SB 193 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

[12:48:17 AM](#)

The meeting was adjourned at 12:48 a.m.