

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

February 7, 2014

3:19 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Mike Chenault
Representative Dan Saddler
Representative Andy Josephson

MEMBERS ABSENT

Representative Lora Reinbold, Vice Chair
Representative Bob Herron
Representative Charisse Millett

COMMITTEE CALENDAR

OVERVIEW: DEPARTMENT OF COMMERCE~ COMMUNITY & ECONOMIC
DEVELOPMENT BY COMMISSIONER SUSAN BELL

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

SUSAN BELL, Commissioner
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Presented opening remarks during the
overview of the Department of Commerce, Community & Economic
Development (DCCED).

KEVIN ANSELM, Director
Division of Banking and Securities (DBS)
Department of Commerce, Community & Economic Development
Juneau, Alaska

POSITION STATEMENT: Presented an update on the Division of
Banking and Securities.

DON HABEGER, Director
Division of Corporations, Business, and Professional Licensing

Department of Commerce, Community & Economic Development
Juneau, Alaska

POSITION STATEMENT: Presented an updates on the Division of Corporations, Business, and Professional Licensing (DCBPL).

MARTY HESTER, Acting Director
Division of Insurance, Juneau Office
Department of Commerce, Community & Economic Development
Juneau, Alaska

POSITION STATEMENT: Presented an update on the Division of Insurance (DOI).

ACTION NARRATIVE

[3:19:53 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:19 p.m. Representatives Chenault, Saddler, Josephson, and Olson were present at the call to order.

Overview: Department of Commerce, Community & Economic Development by Commissioner Susan Bell

[3:20:16 PM](#)

CHAIR OLSON announced that the only order of business would be an Overview: Department of Commerce, Community & Economic Development by Commissioner Susan Bell.

[3:20:27 PM](#)

SUSAN BELL, Commissioner, Department of Commerce, Community & Economic Development (DCCED), introduced her staff present today, including Jo Ellen Hanrahan, Deputy Commissioner, and Micaela Fowler, Legislative Liaison. She indicated that three divisions will present overview updates. She identified the divisions and the directors: Kevin Anselm, Director, Division of Banking and Securities; Don Habeger, Director, Division of Corporations, Business & Professional Licensing; and Marty Hester, Acting Director, Division of Insurance.

[3:21:40 PM](#)

COMMISSIONER BELL stated the DCCED mission is to promote a healthy economy, strong communities, and protect Alaskan consumers. She noted that Alaskans face a number of challenges

and possesses unique assets and strengths. The department has been very active in working to address the high cost of energy and building infrastructure to develop resources and to get them to market. The DCCED works to market Alaska's goods and services and has been very focused on Alaska's business climate. The department also focuses on agency responsiveness, making communities functional and stable, and providing assurance of low taxes and fees to promote investment in Alaska. She has served as commissioner since 2010 and commended her team of dedicated people. She said DCCED continually works across departmental boundaries through its regulatory and consumer best practices, marketing programs, and energy and infrastructure development programs to achieve overall efficiency.

[3:23:17 PM](#)

COMMISSIONER BELL provided a "snapshot" of DCCED's activities to illustrate the volume of interactions it has with the business community. The Division of Banking and Securities is responsible for examining state charter banks and examined 40 depository and non-depository institutions in fiscal year 2013 (FY 13), issued more than 150 mortgage broker and lender licenses, and registered more than 1,200 security broker/dealer licenses. The Division of Corporations, Business and Professional Licensing (BCBPL) oversees over 130,000 businesses that have one or more professional license, business license, or corporate license. Additionally, the DCBPL currently licenses more than 50 registered corporations. The Division of Insurance (DOI) oversees more than 45,000 licensees. She emphasized the importance in recognizing that the department is engaged with businesses, individuals, and communities.

[3:24:54 PM](#)

KEVIN ANSELM, Director, Division of Banking and Securities (DBS), DCCED, stated the division's mission is to protect consumers of financial services and promote safe and sound financial systems. The division accomplishes its mission through three sections that cover most of the financial services in the state. She highlighted the division's 24 positions in the organization chart, noting the DBS is divided among three sections: banking, securities, and consumer finance [slide 1].

MS. ANSELM stated that division-wide the DBS protects consumers by fielding questions, enforcing laws, and, if necessary, penalizing those who harm citizens' financial well-being or those who take unfair advantage of Alaska's business community.

Every Alaskan is touched by the 12 programs the division administers, including banks, credit unions, payday lenders, securities registered for sale in Alaska, investment advisors and brokers who sell those securities, and Alaskans who obtain a mortgage or use a money service business to wire funds, purchase money orders or exchange currency. Additionally, the DBS is the sole registry for Alaska Native Claims Settlement Act's (ANSCA) corporation proxy filings [slides 2-3].

MS. ANSELM stated that the banking section charters, licenses, and examines 65 state financial institutions including state banks, holding companies, a credit union, a business industrial development corporation, a small loan company, two trust companies, 28 premium finance companies, and 25 payday loan offices. These financial institutions are examined about every 18 months. She indicated 40 examinations were conducted in FY 13, and while examination results are confidential, the depository institutions are profitable and well capitalized.

[3:27:59 PM](#)

CHAIR OLSON asked whether the division regulates pawn shops.

MS. ANSELM answered no.

[3:28:18 PM](#)

REPRESENTATIVE SADDLER asked whether there are any limitations on the geographical location of payday lenders in Alaska.

MS. ANSELM answered that they are not, and it is clear under the law that Internet payday lenders are also regulated. She said that the division takes most actions against payday lenders since many didn't seem to recognize that Alaska law covers them, although the division has persuaded them otherwise.

[3:28:47 PM](#)

MS. ANSELM turned to the consumer finance section, which licenses 165 mortgage broker/lenders, 143 branch offices, and 1,226 mortgage loan originators, of which 184 are physically located in Alaska. She noted that every site that houses a loan originator has to be licensed in Alaska. For instance, if a California company is registered as a mortgage broker in Alaska and has a separate office, that office will be licensed as a branch. This requirement allows the division to track everyone working in the industry. The consumer finance section also

oversees 63 money service businesses although only one is domiciled in Alaska. She reported that over 700 delegates in the money service businesses work in Alaska, often operating in cruise ship ports seasonally or in the tourist industry, typically wiring money and exchanging currency.

3:30:10 PM

REPRESENTATIVE SADDLER asked for clarification on the number of financial institutions domiciled in Alaska. He asked whether the presumption is that businesses such as the payday lenders operate on the Internet or on cruise ships.

MS. ANSELM answered that the lenders are in the Lower 48 but are licensed in Alaska since they conduct business in Alaska.

3:30:42 PM

MS. ANSELM reported that the consumer finance section conducted 13 examinations on the consumer finance regulated entities in FY 13. Additionally, this section fields consumer complaints, such as investigating money transmitters. The division has received consumer complaints that these businesses are difficult to reach. Also, the division has received consumer complaints on deceptive mortgage lending advertising or in instances in which a mortgage loan originator fails to disclose fees or relevant information to a borrower.

3:31:29 PM

CHAIR OLSON asked how the division regulates bitcoins.

MS. ANSELM answered that the division has been considering bitcoins, which are a virtual currency [created by a process called mining in which participants verify and record payments in exchange for transaction fees and newly minted bitcoins]. The division has received inquiries about money transmitters being registered to exchange bitcoins in Alaska. The division has also considered the securities aspects due to the way bitcoins are structured, as well as the investment it might take to mine bitcoins. For example, the division has found some companies want to syndicate, in essence, the purchase of equipment and electronic software to mine bitcoins. She remarked that bitcoins are currently a topic of conversation at the state and federal level throughout the country.

3:32:31 PM

MS. ANSELM referred to the securities section [slide 6]. She stated that the section registers 1,224 broker-dealers but none are domiciled in Alaska; however, 51 branch offices are located in the state. This section oversees 730 investment advisers, of which 25 are solely state-supervised and located in Alaska. Over 81,000 securities agents are registered in Alaska, of which only 780 agents are located in Alaska.

MS. ANSELM reviewed the securities registrations and filings, including that the division has over 5,000 mutual fund filings and 370 securities registrations each year for stocks, bonds or other offerings. Additionally, the division has 186 exemptions from registration filings, which are primarily from Alaska residents. She reported that approximately \$13 million is generated annually by the securities registrations and filing fees. In FY 13, this section conducted 12 investment advisor examinations and one broker-dealer examination in Alaska. The securities section accepted 229 proxy related Alaska Native Claims Settlement Act (ANCSA) filings, which are public documents. The division also had 115 ANCSA inquiries. Further, the securities staff investigates investor and ANCSA related complaints and reports of securities fraud; however, most complaints are related to activities that originate outside Alaska. A number of companies sell bogus investments to Alaskans, and Alaskans are often subject to scams related to real estate, oil and gas, and precious metal extraction.

[3:34:51 PM](#)

REPRESENTATIVE SADDLER asked whether the 115 inquiries are solely related to ANSCA.

MS. ANSELM answered yes. She pointed out that the inquiries are fewer than in previous years. Over the past three years, the division has streamlined its regulations and made the ANSCA regulations easier to understand. Further, the division has conducted more outreach to provide education to the public. Thus, the division's call volume has been substantially reduced, she said.

[3:35:27 PM](#)

MS. ANSELM said that the Banking and Securities' consumer protection section reaches consumers in a number of ways. Last fall, in coordination with AARP and the University of Alaska Anchorage, the division sponsored the Anchorage Fraud Summit

featuring the DCCED's commissioner, U.S. Attorney Karen Loeffler, and representatives from the U.S. Securities and Exchange Commission (SEC), the Federal Bureau of Investigation (FBI), and the attorney general's office. These presentations have been reprised on video that will be posted on the Internet to give Alaskans more tools to protect themselves. Additionally, the DBS has been building resources for the business community and the public on its website, making it a destination spot for finding financial information. The division has expanded its outreach to entrepreneurs, working with the Municipality of Anchorage (MOA) on the 49th State Angel Fund. She pointed out one challenge this section faces has been limited resources since the bulk of the licensees are outside Alaska. The technological age and lure of the wealth of Alaska's citizens bring the good and the bad to the physical and virtual borders. The division continues to cultivate its relationships with state and federal regulators and law enforcement in order to conduct joint examinations, investigations, and enforcement actions, including global negotiated settlements or administrative actions to save time and money. The division uses technology to share information with regulators to become more efficient and to use national databases to allow businesses and individuals the ability to register easily. Additionally, she reported a national database allows people to determine who is licensed in Alaska or in the Lower 48. The division accepts ANCSA corporation and shareholder filings electronically, but this section still maintains paper files.

[3:37:54 PM](#)

REPRESENTATIVE SADDLER referred to slide 6, to the 1,200 broker-dealers not located in Alaska and asked for clarification.

MS. ANSELM answered that the broker-dealers are licensed in Alaska, but they are not domiciled in Alaska. She commented that many branch offices and a number of firms and sales agents are licensed in Alaska.

[3:38:35 PM](#)

REPRESENTATIVE SADDLER inquired for clarification on the 51 branch offices and the employees that are not broker-dealers.

MS. ANSELM responded that sales agents of broker dealers work in the branch offices.

[3:38:54 PM](#)

MS. ANSELM related a scenario in which a brokerage is in Oregon, with 20 agents in Alaska, all of whom are likely registered in Alaska and in other states. She explained these agents work in Alaska, but the brokerage firm is also located in Oregon, with 50 agents who make calls to Alaska, New York, California, and Florida. She said this is the reason that so many broker sales agents are licensed in Alaska.

REPRESENTATIVE CHENAULT remarked that is where the 81,000 figure comes from.

MS. ANSELM answered that a number of brokerage firms license their higher producing agents in all 50 states since it is much less expensive to license the agents than to have them violate the law.

[3:40:04 PM](#)

REPRESENTATIVE JOSEPHSON expressed concern about litigation and the service of process. He said it is frightening to think of the level of fraud. He admired what the Division of Banking and Securities is doing.

[3:40:48 PM](#)

DON HABEGER, Director, Division of Corporations, Business, and Professional Licensing (DCBPL), DCCED, stated the DCBPL has four working units consisting of professional licensing, business licensing and corporations [slide 8]. Additionally, the division has an administrative support unit, which often is considered the "front line" and consists of employees who receive calls, sit at the front desk, handle licensing needs, and collect the money. The last unit is the investigations unit, which supports all activity, including professional licensing and corporations; however, they predominantly focus on professional licensing. Within these four units, the DCBPL has two primary functions, business licensing and corporations [slide 9]. The business licensing section issued 67,074 business licenses. While some people may have multiple licenses, each company is required to have a business license. Additionally, this section handles over 54,000 corporate licenses. He said this team of eight serves 120,000 Alaskan customers and customers outside Alaska.

[3:43:51 PM](#)

MR. HABEGER pointed out that business licensing is a team of two, who issued 16,000 new licenses and processed 35,000 renewals in FY 14. Alaska offers businesses an option to renew annually or biennially and about half choose the single year option and the rest the biennial option. Typically most licenses fall under a December renewal cycle. This group endorses business licenses for tobacco as retailers are required to have a tobacco endorsement in their business license. In FY 13, the division issued 1,364 tobacco endorsements.

MR. HABEGER said the second part of the team registers corporations. A number of entities can register in Alaska, including corporations and cooperatives. Although each type has their own section of law, the process to register is basically the same. The parties incorporate, register, identify their officers, provide an initial report, and receive a corporate license. The corporation must update its reports on a biennial basis, provide new information when officers change or certify its existing corporate officers. In some cases some percentage of ownership is required. The information is public, on the division's website, and individuals can check a name and see which corporations are connected to the individuals. Likewise, the public can check business licenses and parties can download a complete list of licensees from the website. In FY 13, this section sent out six batches of courtesy notices to businesses for a total of 28,000 courtesy notices to businesses to inform them they need to comply with the biennial report. The department sent the courtesy notices in an effort to increase the number of businesses that are in good standing.

[3:47:43 PM](#)

REPRESENTATIVE SADDLER asked whether the business licenses are fee supported.

MR. HABEGER answered yes; however, it is a little different than professional licenses. The professional licenses have a fee adjustment on a biennial basis, but business license fees are set in statute, whereas corporate fees are set in regulation. He clarified that the sections are adequately capitalized through their fees. He said that the section brings in more revenue than it expends.

[3:48:50 PM](#)

MR. HABEGER turned to professional licensing and investigations [slide 10]. He explained that 80 percent of the personnel activity is devoted to professional licensing. He said that the professional licensing provides administrative support for 19 licensing programs. For example, geologists can obtain licensure and the state recognizes them for life. Applicants of other programs can apply to the state either through credentials or examination. For example some boards, including the Board of Public Accountancy, have an agreement with the national professional group, and the board sends applicants to the testing site and the state recognizes those that pass.

MR. HABEGER explained that the division also issues licenses by reciprocity, in which applicants are licensed in another state and the board will recognize their credentials. Thus, if they are considered equivalent to the requirements in Alaska, the board will issue these applicants licenses.

[3:51:19 PM](#)

MR. HABEGER reviewed statistics, such that in FY 13, the team renewed nearly 30,000 licenses. The licensing cycle is typically a month-long cycle and the division is required by law to notify licensees that their license will expire. Licensees must meet the deadline or be subject to penalties. Nearly 30,000 renewed their licenses last year, and the division issued about 7,000 new licenses, bringing the total number of professional licenses to nearly 67,000.

MR. HABEGER highlighted that the professional licensing team has been working hard on responsiveness to consumers, for example, by processing license renewals timely. At times, the division brings in temporary personnel to ensure responsiveness. In FY 13, applications were screened within a ten-day timeframe. The division's goal is to have 50 percent of renewals issued in the four-week period. The division is open to public complaints in writing and received 1,301 complaints in FY 13. He explained the process, such that intake staff first obtains the information in writing to be certain the issue is a valid issue. After staff ensures the state has jurisdiction and the issue is a violation of a licensing law, the complaint becomes an official complaint. During this process, the board may become involved on a limited basis to determine if it is a legitimate issue. If a board member agrees that the matter is a violation, the investigator gathers evidence and the matter will be further investigated. The board limits its involvement since the whole board may ultimately need to consider the matter. Last year,

the division conducted 385 investigations, closed 240 investigations, and took 253 actions. For example, the action taken may be a formal board disciplinary measure, such as suspending the license. Further, the board may issue a conditioned license requiring continuing education, or the board may place the licensee on probation.

[3:56:12 PM](#)

MR. HABEGER outlined other improvements the division has made. He pointed out that the legislative audits highlighted problems with the division's case management system. The division has implemented a case management system to address the audit's findings. In 2012, the division completed phase 1 of this process and through the process identified some significant issues. The management team identified 67 items that needed to be addressed. In 2013, the division continued its work and the management team completed all 67 items, on time, and on budget. The division will finish the final testing and approval of the case management system by the end of FY 2013.

[3:57:48 PM](#)

REPRESENTATIVE JOSEPHSON asked about the distinction between practice and title statutes. For example, a person can advertise himself/herself as a professional therapist and have a degree and credentials that supports his/her professional standing. However, the person could also act as a counselor and not possess the appropriate degree, but still be within the law.

MR. HABEGER explained that the division has 39 programs with a variety of protections. He agreed that some licensees have a title protection. For example, marriage and family therapists fall under title protection. This means that the person must have credentials in order to use the title of marriage and family therapist, for example, on business cards or other advertising. In other professions, such as the medical profession, a person cannot perform a service that a medical doctor would provide unless the person has a license to practice medicine. The distinction is that the title is protected in one, and the practice is protected in the other, he said.

REPRESENTATIVE JOSEPHSON answered that appraisers did not have any license. He asked whether any other professions are unregulated.

MR. HABEGER said some bills before the legislature discuss new licensing professions. For example, he understood an effort was being made to license phlebotomists.

4:00:38 PM

MARTY HESTER, Acting Director, Division of Insurance (DPI), Department of Commerce, DCCED, reviewed the organization chart. He said the Division of Insurance's mission is to regulate the insurance industry to protect Alaskan consumers [slide 11]. Two core themes offer consumers this protection. It protects consumers through an effectively regulated insurance market and protects Alaska's consumers by regulating the insurance marketplace to promote a healthy competitive marketplace. The division strives to keep a balance between the two, he said.

4:02:00 PM

MR. HESTER explained that the division must have the products offered by insurance companies for consumers. If the division fails to do so, the consumers are ultimately not protected. He pointed out that DOI has 54 positions, with 21 in Anchorage and 33 in Juneau [slide 11]. The division consists of six sections. The licensing section oversees current licensing statutory requirements and oversees training, ethics, selling, continuing education, and licensing renewals. The consumer services section provides direct contact with Alaskan consumers. The investigation section provides the first line in detecting insurance fraud for companies and consumers. The fourth section includes the property/casualty actuaries, and the fifth section are the life/health actuaries who approve rates and conduct exams on insurance entities. Sixth, the financial examinations section conducts financial audits on the seven domesticated insurance companies in Alaska and premium tax audits on any company licensed to sell insurance in Alaska.

4:03:39 PM

MR. HESTER highlighted some of the achievements each section has achieved in the last year. He began with the market conduct and filing approval section that monitors rates and forms [slide 12]. He characterized this as covering the normal products that consumers are familiar with, such as car policies, home policies, and health policies, which are reviewed and approved to ensure conformity with statutory standards. He reported that this section reviewed 3,256 rate and form filings and disapproved 135.

[4:04:31 PM](#)

CHAIR OLSON asked whether the non-compliance was property and casualty or life and health insurance.

MR. HESTER answered property and casualty insurance.

MR. HESTER said that the licensing section probably handles the most volume. Currently, over 45,316 licensees operate in Alaska, an increase of almost 8 percent. Of that, about 1,500 resident Alaskans are agents or producers. The division implemented new technology software developed by the National Association of Insurance Commissioners. The system is called state-based systems and the division is in the second phase of the rollout. The first phase primarily allows licensees to conduct their work with the state online. He said that 95 percent of the over 56,000 documents processed last year was conducted online, allowing agents and producers to conduct business from anywhere.

[4:06:01 PM](#)

MR. HESTER discussed the financial examination and compliance process that helps ensure that businesses in Alaska are solvent [slide 13]. He reported that in 2012, \$3.3 billion of total premiums were written in total premiums for both lines - property and casualty, and life and health insurance. These figures are down from \$3.5 billion, which suggests that the Alaska market is starting to enter a softer insurance market phase and means premiums go down and products go up. The rest of the nation is facing a harder market with higher premium rates while Alaska's rates are going down. One reason for this is the availability of profits. He pointed out that those in assigned risk pools for private automobile insurance number less than 50 and for commercial automobile insurance is zero.

[4:07:21 PM](#)

REPRESENTATIVE SADDLER asked for clarification on the comment that "premiums go down" and "products go up."

MR. HESTER answered that in a softer market the premium rate will go down as companies are trying to compete for the premium dollars, for example, the dollars paid for insurance policies for homes or cars. That the state is bringing in \$3.3 versus \$3.5 billion and people are not in assigned risk pools suggests

Alaskans are getting the products they need at a better price. In response to a question, he answered that when insurance companies compete for premium dollars, the companies will offer consumers additional products.

CHAIR OLSON added it could mean broader coverage.

MR. HESTER agreed. He acknowledged that it is a significant difference in one year. He said that having lower premiums with more products available is good for consumers. The division is determined to ensure that consumers have the products they want and need at a price they can afford.

[4:09:34 PM](#)

MR. HESTER reported that the division collected over \$65 million in premium taxes, fees, and penalties last year. Of that, \$7.6 million is the division's request, and the remaining goes in the general fund. The division admitted 15 new insurance companies to do business in Alaska, of which 3 were life and health and 12 were property and casualty insurance companies.

MR. HESTER discussed market conduct examinations. He explained that the division examines companies to ensure compliance with the National Association of Insurance Commissioners, which requires that states only perform full-fledged market conduct examinations on those insurance companies that are domesticated in their state. The division does not check each insurance company's books each year since the insurance companies pay for these compliance examinations. This limitation helps insurance companies, and it streamlines the audit process. The division completed six premium tax audits. He pointed out that 1,128 insurance companies are admitted to do business in Alaska and the division has authority to perform a premium tax audit at any time. The financial examination is the full-fledged market conduct exam conducted on one of the domesticated companies; however, two exams are pending. The 160 market regulatory activities listed represent a "spot check" on the insurers doing business in Alaska. If the division receives a series of complaints, the division will target the company and investigate the company for compliance.

[4:11:50 PM](#)

MR. HESTER discussed the investigations and consumer services sections [slide 14]. The investigation's section collaborates with local, state and federal entities across the state and

country to investigate alleged fraudulent activities. The division works with Workers' Compensation and the Division of Labor & Workforce Development. Last year, the division opened 54 criminal investigations and closed 77, of which 36 were from prior years. The consumer services section responds to consumer inquiries and policies and helps to assist the consumer with complaints. This section opened and closed 238 complaints, which indicates that this section is very efficient in responding to consumer complaints and issues. Of the 238 complaints, the division had insurance companies refund \$194,648 to Alaskan consumers in 2013.

[4:13:28 PM](#)

REPRESENTATIVE SADDLER referred to the \$194,000 in refunds. He asked whether the division receives any payment for the cost of processing the refunds.

MR. HESTER answered that there is not any refund to the state. He said that one of the division's missions is to protect Alaskan consumers. He said that it is a contract between the consumer and the insurance company, and it is the division's duty to ensure enforcement of insurance laws. In response to a question, he said the money is refunded directly to the consumer from the insurance company.

[4:14:38 PM](#)

REPRESENTATIVE JOSEPHSON asked whether consumers pursue their own appeals.

MR. HESTER answered that consumers can file a complaint at any time during the claims process. The division will review the claims documents to investigate the complaint. Further, the consumer doesn't need to wait for a check or file the claim 30 days after the claim is closed. The consumer can file the complaint while the claim is open.

[4:15:29 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the division needs general fund monies to operate.

MR. HESTER answered that the division is completely "receipts based," so the \$65 million it generates in revenue covers its operating costs.

4:15:56 PM

REPRESENTATIVE JOSEPHSON asked for clarification on how the revenue is generated.

MR. HESTER answered that the state assesses various premium taxes on insurers for insurance policies written in Alaska. He reiterated that insurers pay quarterly taxes of 2.7 percent on any insurance premiums collected for insurance policies written in Alaska.

4:16:23 PM

REPRESENTATIVE JOSEPHSON expressed concern about the philosophy behind self-funding. He asked whether the division would feel comfortable requesting general fund operating funds from the legislature for division needs not met by incoming receipts. He said it would be important for government to know if the DOI or DCBPL had a dire emergency arise. He recapped his concern by asking whether the divisions would ask for general fund monies if the divisions assessed that user groups couldn't absorb higher tax rates.

MR. HESTER offered his belief that the entire division has the full support of Commissioner Bell. In the event the division needed additional operating funds he would make the request; however, he couldn't think of any instance that it would be necessary to do so.

CHAIR OLSON recalled that the division generates revenue at a ratio of 9 to 1 in terms of its operating costs.

MR. HESTER agreed.

CHAIR OLSON remarked that the division is the third or fourth largest source of receipts deposited to the general fund after oil taxes.

MR. HESTER said that is correct.

4:19:06 PM

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:20 p.m.