

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 13, 2015

3:19 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Shelley Hughes, Vice Chair
Representative Jim Colver
Representative Gabrielle LeDoux
Representative Cathy Tilton
Representative Andy Josephson
Representative Sam Kito

MEMBERS ABSENT

Representative Mike Chenault (alternate)

COMMITTEE CALENDAR

HOUSE BILL NO. 169

"An Act directing the Regulatory Commission of Alaska to provide a report to the legislature relating to electrical transmission in certain areas of the state; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 66

"An Act relating to providing medical insurance coverage under the Teachers' Retirement System of Alaska and the Public Employees' Retirement System of Alaska; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 12

"An Act relating to mortgage lending, mortgage loan originators, depository institutions, nonprofit organizations, and nonprofit organization employees; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 122

"An Act relating to the required reports, required fees, and other aspects of for-profit corporations, cooperative

corporations, nonprofit corporations, corporations formed under AS 10.40, limited liability companies, and limited liability partnerships; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 169

SHORT TITLE: RCA: RAILBELT ELECTRIC UTILITY REPORT
SPONSOR(s): LABOR & COMMERCE

03/30/15 (H) READ THE FIRST TIME - REFERRALS
03/30/15 (H) L&C
04/13/15 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 66

SHORT TITLE: INS. FOR DEPENDENTS OF DECEASED TEACHERS
SPONSOR(s): MILLETT

01/21/15 (H) READ THE FIRST TIME - REFERRALS
01/21/15 (H) L&C, FIN
04/08/15 (H) L&C AT 3:15 PM BARNES 124
04/08/15 (H) Heard & Held
04/08/15 (H) MINUTE(L&C)
04/13/15 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 12

SHORT TITLE: MORTGAGE LENDING AND LOAN ORIGINATORS
SPONSOR(s): HUGHES

01/21/15 (H) PREFILE RELEASED 1/9/15
01/21/15 (H) READ THE FIRST TIME - REFERRALS
01/21/15 (H) L&C
04/13/15 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 122

SHORT TITLE: CORPORATION/LLC/PARTNERSHIP REPORTS
SPONSOR(s): COLVER

02/23/15 (H) READ THE FIRST TIME - REFERRALS
02/23/15 (H) L&C, JUD
04/03/15 (H) L&C AT 3:15 PM BARNES 124
04/03/15 (H) -- MEETING CANCELED --
04/13/15 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

KONRAD JACKSON, Staff
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of the House Labor and Commerce Standing Committee, Kurt Olson, Chair, testified and answered questions on HB 169.

BRAD JANORSCHKE, General Manager
Homer Electric Association (HEA)
Homer, Alaska

POSITION STATEMENT: Testified during the discussion of HB 169.

T.W. PATCH, Commissioner, Chair
Regulatory Commission of Alaska
Department of Commerce, Community & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 169.

CORY BORGESON, President & CEO
Golden Valley Electric Association (GVEA)
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 169.

GRACE ABBOTT, Staff
Representative Charisse Millett
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the prime sponsor, Representative Millet, during the discussion of HB 66.

BRANDY JOHNSON
Wasilla, Alaska

POSITION STATEMENT: Testified in support of HB 66.

NIKKI TOLL
Wasilla, Alaska

POSITION STATEMENT: Testified in support of HB 66.

JAMES COCKRELL, Colonel; Director
Alaska State Troopers (AST)
Department of Public Safety (DPS)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 66.

ARRON DANIELSON, President

Public Safety Employees Association (PSEA)
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 66.

MOLLY BRINK
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 66.

REPRESENTATIVE SHELLEY HUGHES
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 12 as prime sponsor.

KIMBERLY SWIANTEK, Staff
Representative Shelley Hughes
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the sponsor on the changes in the proposed committee substitute, Version H, of HB 12.

GINGER BLAISDELL, Staff
Representative Shelley Hughes
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the prime sponsor, Representative Shelley Hughes, during the discussion of HB 12.

KRISTIE BABCOCK, Agent
State Farm Insurance
Kenai, Alaska

POSITION STATEMENT: Testified in support of HB 12.

ROGER BAINBRIDGE, Counsel
State Farm Bank
Bloomington, Illinois

POSITION STATEMENT: Testified during the discussion of HB 12.

JOHN CARMAN, President
Home State Mortgage
Chair; Legislative Affairs Committee
Alaska Mortgage Bankers Association
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 12.

MICHAEL MARTIN, Executive Vice President, General Counsel
Northrim Bank
Alaska Bankers Association (ABA)

Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 12.

KEVIN ANSELM, Director

Division Banking and Securities

Department of Commerce, Community & Economic Development (DCCED)

Anchorage, Alaska

POSITION STATEMENT: Testified and answered questions during the discussion of HB 12

MIKE WILKINSON, Agency Field Leader

State Farm Insurance

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 12.

DAVID SCOTT, Staff

Representative Jim Colver

Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the prime sponsor, Representative Jim Colver, during the discussion of HB 122.

SARA CHAMBERS, Operations Manager

Division of Corporations, Business, and Professional Licensing

Department of Commerce, Community, & Economic Development (DCCED)

Juneau, Alaska

POSITION STATEMENT: Provided comments and responded to questions on HB 122.

ACTION NARRATIVE

[3:19:17 PM](#)

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

^#hb169

HB 169-RCA: RAILBELT ELECTRIC UTILITY REPORT

[3:19:45 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 169, "An Act directing the Regulatory Commission of Alaska to provide a report to the legislature relating to

electrical transmission in certain areas of the state; and providing for an effective date."

3:20:20 PM

KONRAD JACKSON, Staff, House Labor & Commerce, Representative Kurt Olson, Chair, stated that HB 169 would direct the Regulatory Commission of Alaska (RCA) to review and make recommendations regarding a process whereby an Independent Railbelt Transmission Operator would be created. The Railbelt energy system consists of an interconnected electrical transmission system in Southcentral Alaska which encompasses the Bradley Lake hydroelectric plant on Kachemak Bay near Homer north to Fairbanks. The interconnection of the communities by these transmission lines helps keep a significant number of people of Alaskans safe and secure. With long distances between utility companies and their generation facilities, the interconnected system is of great importance. The interconnect system helps bring reliable electricity to a large percentage of Alaskans should not to be taken lightly, he said.

MR. JACKSON said the transmission authority proposed to be evaluated by the RCA would act as more of a "craigslist" type of authority. Instead of mandating utilities pledge their assets to one controlling entity, this concept would allow continued local control of assets while at the same time maximizing the value and reliability of the interconnected system. Using this approach, excess power could be posted as available and be purchased as needed by any utility. This would promote usage of the most economical power along the interconnected system at all times. Without local control of assets, some utilities stand to be losers while others stand to gain from these losses. Consumer pricing and reliability across the Railbelt is critical for any transmission company to work in the long-term.

3:22:35 PM

MR. JACKSON said that willing participation and continued local control of assets should also be considered critical as Alaska continues to look towards an ISO [Independent System Operator] concept along the Railbelt. Last year the RCA was tasked with the job of reporting to the legislature whether creating an independent system operator was the best option to provide for effective and efficient electrical transmission. The RCA is nearing completion on its work and the intent of HB 169 is not to interrupt the foregoing work, but to allow the legislature to consider any further direction to the RCA. He characterized HB

169 as a first step in that regard. In response to Representative Kito, he stated that House Bill 340 was considered by the legislature in 2014 and directed the RCA to look at a similar concept with an independent system operator (ISO) and report back to the legislature. This bill refers to a slightly different ISO and the reporting date falls one year later, he said.

3:25:00 PM

REPRESENTATIVE KITO, referring to the fiscal note, suggested some cost should be associated with it, but the fiscal note was identified as indeterminate through 2021. He questioned why the report would still be ongoing in 2021 and also said he was a little confused why the fiscal note was indeterminate. He further asked for clarification on the source of funding for the report.

MR. JACKSON offered his belief that last year House Bill 340 had a fiscal note. He deferred to Mr. Patch, RCA to speak to the fiscal note. He surmised that some of the funds might be available for this report, but Mr. Patch could better answer questions on the fiscal note.

3:26:25 PM

BRAD JANORSCHKE, General Manager, Homer Electric Association (HEA), stated that the RCA has been directing a study which was funded during the last legislative session to consider whether creating an ISO or similar structure for the Railbelt transmission system is the best option for effective and efficient use of the transmission system. Although the RCA's efforts were appreciated, he offered his belief that HB 169 would provide additional direction and clarity on the RCA's analysis. This bill would direct the RCA to evaluate the creation of an independent entity to manage the transmission system and the entity, regulated by the RCA, and must meet criteria the Homer Electric Association (HEA) has identified as important. The entity would be required to attain a Certificate of Public Convenience and Necessity from the RCA and operate under a tariff. Secondly, participation in such an entity would be voluntary, he said, which is a critical attribute for HEA. While each utility's participation is important, each utility should voluntarily enter into the arrangement since a voluntary model encourages cooperation and reduces the magnitude of winners and losers. He said he recently talked to Alaska Municipal Light & Power's (AML&P) chair, Jim Trent, who couldn't

participate today since he was attending an RCA hearing. However, Mr. Trent advised him that he also felt very strongly that any entity created should be voluntary in order to better allow for consensus on a common set of principles and standards and to mitigate any losers in the process. Lastly, the entity envisioned in HB 169 will allow for continued local control of assets, while at the same time it will maximize the value and reliability of an interconnected system, he said.

[3:29:20 PM](#)

MR. JANORSCHKE said that the entity envisioned in HB 169 will manage and create a voluntary and transparent wholesale energy market without adding significant administrative overhead, which will be the most economical distribution of wholesale power on the Railbelt. He said that HEA has worked with other utilities, without a middle man, to ask for bids on short term spot market energy needs, which has been fairly successful. The Railbelt has been going through some increases and ratepayers and members have had to shoulder most of those rising costs. Thus the HEA has tried to mitigate circumstances that will add to the costs. Last September, all the Railbelt utilities signed a [MOU] Memorandum of Understanding adopting guiding principles of a Railbelt "transco" [or transmission company]. This bill appears to be entirely consistent with those principles, he said. The entity envisioned by HB 169 would be transparent and nondiscriminatory and adhere to established planning and reliability standards. He stated that these standards and protocols would be based on established objective transmission, operating, maintenance, planning, and design principles to promote safety, reliability, and economic efficiencies across the Railbelt grid.

[3:31:16 PM](#)

T.W. PATCH, Commissioner, Chair, Regulatory Commission of Alaska (RCA), Department of Commerce, Community & Economic Development (DCCED), stated he is a commissioner and Chair of the Regulatory Commission of Alaska.

[3:31:58 PM](#)

The committee took an at-ease from 3:31 p.m. to 3:34 p.m.

[3:34:33 PM](#)

MR. PATCH stated that the RCA recently got a new state phone system. [Mr. Patch was unable to testify due to technical difficulties with the audio.]

3:35:46 PM

The committee took an at-ease from 3:35 p.m. to 3:36 p.m. due to technical difficulties.

3:36:54 PM

CORY BORGESON, President & CEO, Golden Valley Electric Association (GVEA), stated that the GVEA has 34,000 members and provides electric service as an electric cooperative owned by its members in Interior Alaska. He spoke in support HB 169. The GVEA has faith in the RCA, he said, noting that Mr. Patch has done a phenomenal job. Most Railbelt utilities generally support changes in how the Railbelt interties are operated. He related his understanding that how the Railbelt dispatches its energy needs to be reevaluated, which is exactly what HB 169 is intended to do. As Mr. Janorschke mentioned, the composition of the Railbelt utilities has changed in the past few years and will continue to evolve as Matanuska Electric Association (MEA) becomes a self-generating utility. He reported that the Railbelt consists of five utilities that produce third generation and there needs to be additional rules and regulations as the Railbelt becomes "a bigger club." Historically, three utilities primarily produced all of the energy, but as the Railbelt has grown and matured some additional rules, organizations, and structures will be necessary. The Railbelt utilities have been discussing the need for change over the past few years.

MR. BORGESON acknowledged that some information that has come to the legislature has been from independent power producers, who have had some issues with their ability to connect to the intertie for their own projects. As utilities have become more complex, they realize that an evolution is necessary in the Railbelt. He stated that Golden Valley Electric Association (GVEA) supports the study that is contemplated in HB 169. All six utilities have signed the "guiding principles," which indicates the cooperative spirit that has evolved in the Railbelt towards this issue. The guiding principles have been filed with the RCA so they are also available for committee members to review. One concept in the bill is for a voluntary organization. As Homer Electric Association stated, that aspect is important to them. The GVEA believes that the markets will

prevail and as the new system is developed, the Railbelt will have a better economic dispatch of energy that will save Alaskans on electric costs. He appreciated this bill coming into play. He anticipated that discussions will continue over the summer.

[3:41:01 PM](#)

CHAIR OLSON hoped the committee could work on HB 169 over the legislative interim.

[3:42:33 PM](#)

CHAIR OLSON left public testimony open.

[HB 169 was held over.]

The committee took an at-ease from 3:42 p.m. to 3:44 p.m.

^#hb66

HB 66-INS. FOR DEPENDENTS OF DECEASED TEACHERS

[3:43:32 PM](#)

CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 66, "An Act relating to providing medical insurance coverage under the Teachers' Retirement System of Alaska and the Public Employees' Retirement System of Alaska; and providing for an effective date."

[3:44:13 PM](#)

GRACE ABBOTT, Staff, Representative Charisse Millett, Alaska State Legislature, on behalf of the prime sponsor, Representative Charisse Millett, said that this bill would provide health care coverage for dependents and spouses of a state employee who has died in the line of duty. The coverage would be offered under PERS [Public Employees' Retirement System] and TRS [Teachers' Retirement System], and would be uniform to all public employees.

[3:46:23 PM](#)

BRANDY JOHNSON, spoke on behalf of herself, her three daughters, and her late husband, Scott Johnson, as well as for the spouses of current and prior Alaska State Troopers, in support of HB 66. She said she had never lost anyone prior to her husband's death,

but when she lost her husband she lost her best friend and father of their three children. Scott Johnson was an Alaska State Trooper (AST) who was shot to death on May 1, 2014 in Tanana by Nathaniel Kangas while in the line of duty, she advised. Five years ago at his 18-year mark with PERS [Public Employees' Retirement System], Scott traveled to Juneau as the Northern Vice-President of the Public Safety Employees Association (PSEA) to lobby for House Bill 242, which would have provided Tier II benefits to Alaska State Troopers, including full medical benefits at their 20-year mark. Unfortunately, the bill failed to pass, which meant Scott needed to work an additional seven years to obtain benefits. Since she and Scott had three daughters, working the additional time was an important consideration for them. At the time of his death, Scott Johnson had worked 23 years with the state, two years shy of qualifying for full medical benefits. When asked the AST if she and her children had medical benefits, she was initially told she was "set for life" by one lieutenant, but that was not the case. She was later told that the health care benefits would only be provided until the end of May 2014. Initially, she was shocked, disappointed, and angry to learn of the limited coverage. She had thought that the family's medical coverage would be similar to their health care coverage prior to Scott's murder. She stated that Scott always took his responsibilities to protect Alaskans very seriously and she thought the state would take care of his family after his death, and when it didn't she felt like his last few years of his service was all for nothing.

MS. JOHNSON said she later learned that Trooper Tage Toll's wife, Nikki Toll, had exactly one day of health insurance for herself and their three sons after her husband was killed in a helicopter crash on March 30, 2013.

MS. JOHNSON said she found it frustrating that the person who shot her husband to death and his father, who helped move her husband's dead body, have medical coverage available to them at no cost while they are incarcerated.

MS. JOHNSON asked for members' support for HB 66 since this bill will help take care of families of peace officers killed in the line of duty. Further, it allows families to grieve instead of needing to address medical coverage.

[3:49:55 PM](#)

NIKKI TOLL, spoke in support of HB 66 on behalf of herself, her three sons, her late husband, Tage Toll, and families of Alaska State Troopers. She stated that her husband, Trooper Tage Toll, was killed in the line of duty when the rescue helicopter crashed in Talkeetna on March 30, 2013. She said that Trooper Tage Toll is an Alaskan hero. As a family, she and Tage were well aware of the dangers he faced when he was on duty. However, she had faith and confidence in his abilities to handle himself and using his training and skills acquired as a law enforcement officer so nothing prepared her when he died. When he was killed she lost her best friend, the father of their three children, and the life she had with him for 19 years. At the time of his death, Trooper Tage Toll had served as an AST for 10 years. They chose Alaska as their home and she continues to make her home in Alaska since this state is a wonderful place. She said, "Tage served Alaska with loyalty, integrity, courage, compassion, leadership, and accountability." When Tage was killed, she had one day of insurance coverage before her insurance expired at the end of the month. Tage's body had not even been positively identified yet when her family was without insurance. Four months later, after piles of paperwork and corrections to an inaccurate death certificate, she was finally able to obtain health insurance benefits through the state's Division of Retirement and Benefits, by paying 100 percent of the cost herself, she said.

[3:51:42 PM](#)

MS. TOLL said the burden of losing her husband was heavy enough without the added stress. Her own health has suffered as the result of that added stress, she said, yet, the man charged with the murders of two Alaska State Troopers, Scott Johnson and Gabe Rich, has cost-free medical coverage during his incarceration. In contrast, she and Brandy Johnson, Scott's widow, have been expected to carry the cost of their health and medical expenses while working through the grief of rebuilding their lives. Their husbands dedicated their lives to the pursuit of justice, but the state's medical insurance policies are an injustice. She said that HB 66 is part of the solution to correct this injustice and this bill will remedy an oversight in Alaska's acknowledgement and help to honor its heroes by providing health insurance for families of those who have lost their lives in the line of duty. She acknowledged the losses the Alaska State Troopers have had with the deaths of Troopers Johnson, Rich, and Toll and state pilot, Mel Nading. With budget cuts and reductions of services, the men and women in the Alaska State Trooper community need to have the encouragement and knowledge

that their families will be cared for if the worst happens to them. She asked members to support HB 66.

[3:53:44 PM](#)

JAMES COCKRELL, Colonel; Director, Alaska State Troopers (AST), Department of Public Safety (DPS), thanked members and the sponsor. He spoke in support of HB 66, on behalf of the prior administration, Governor Parnell, and current Governor Walker, who gave him permission to speak out and support the bill as a member of the Alaska State Troopers and as a state employee. He relayed that he was in Fairbanks shortly after May 1, 2014, Tanana incident.

COLONEL COCKRELL said that as a 25-year AST veteran, he always believed that if he was killed in the line of duty that his family would be cared for, in fact, troopers routinely discuss these issues with their spouses. Many troopers, including him, were surprised to learn that survivors of troopers killed in the line of duty were not covered by health insurance. He said that health care is an important benefit and many troopers are following HB 66. He offered his belief that the state has an obligation to take care of surviving family members, to pay for premiums. Meanwhile, the department has continued to pay the premiums for the four members' families until this bill passes. In closing, he offered the department's full support for HB 66.

[3:56:10 PM](#)

ARRON DANIELSON, President, Public Safety Employees Association (PSEA), spoke in support of HB 66. He said the PSEA has over 700 members and this bill is important to surviving families and to all law enforcement families. He acknowledged that police officers understand the risks they face; however, one thing that most do not think about health benefits for their families if they are killed in the line of duty. In fact, law enforcement officers simply assume that the state, city, or organization will take care of the surviving family members. Unfortunately, the policy the state has had for many years does not do so and this knowledge has shocked and disappointed members and their families. They worry enough as it is about their spouses and now they believe they will be "left out to dry" if the unthinkable happens. He expressed gratitude for the past and current administrations for helping families of tragic events. These administrations have stepped up to do the right thing, he said. He stated that the PSEA is fully in support of HB 66. It's important to PSEA's current members and surviving members

that these changes occur and to improve the policy to help ensure the wellbeing of surviving families. He urged members to support HB 66.

[3:59:02 PM](#)

MOLLY BRINK stated she is the wife of a Juneau Police officer. Although HB 66 was not exclusively for police officers since it affects PERS and TRS employees, law enforcement would probably be the biggest beneficiary, she said, which is the least we can do as a society for those who put their lives on the lines for the public every day. She stated that her husband has worked for the state or city for 27 years. She said she hoped she would ultimately be fine if something happened to him, in terms of medical insurance; however law enforcement is a young person's job, many officers have children, with some surviving families having four or five children. These families will have to try to get medical coverage or else hope the state will fund it in the budget. She urged members to support HB 66.

[4:00:52 PM](#)

CHAIR OLSON held public testimony open on HB 66.

[HB 66 was held over.]

[4:01:25 PM](#)

The committee took an at-ease from 4:01 p.m. to 4:03 p.m.

^#hb12

HB 12-MORTGAGE LENDING AND LOAN ORIGINATORS

[4:03:38 PM](#)

CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 12, "An Act relating to mortgage lending, mortgage loan originators, depository institutions, nonprofit organizations, and nonprofit organization employees; and providing for an effective date."

[4:04:14 PM](#)

REPRESENTATIVE TILTON moved to adopt the proposed committee substitute (CS) for HB 12, Version H, labeled 29-LS0089\H, Bannister, 4/10/15, as the working document.

There being no objection, Version H was before the committee.

4:04:34 PM

REPRESENTATIVE SHELLEY HUGHES, Alaska State Legislature offered that HB 12 would protect the public, update the law, create more level playing field, and simplify the process for mortgage loan originators in Alaska. She referred to the flow chart in members' packets created by the Division of Banking that may be helpful in interpreting the current process as compared to the process under HB 12. Under current statutes, a depository institution or a bank and each of its licensed mortgage loan originator (MLOs) employees are exempt from mortgage lender brokers' licenses since regulation of banks fall under federal regulations. However, if the licensed MLO does not work as a direct employee and instead works as a contractor, that person must not only have a license as MLO, but also obtain a license as a mortgage lender broker. She characterized it as being a double-layer licensing policy.

4:07:02 PM

REPRESENTATIVE HUGHES offered her belief that HB 12 would eliminate an unnecessary layer of licensure. Instead of requiring the contractor MLO [mortgage loan originator] to also be licensed as a lender/broker and a mortgage loan originator, the person will simply be licensed as an MLO. In addition, this bill also would give the state supervisory and regulatory authority over banks. For example, HB 12 would allow the state to require banks to submit reports and audits. Currently, if the bank was supervising contractor MLOs, the bank will be solely under federal regulation, but under the bill, the bank will need to register with the state. Essentially, this means the contractor MLOs would no longer be supervising themselves - since previously they were the MLO and the broker. Instead, the bank will have responsibilities for some of the supervision. These changes will allow the state to go to one point - the bank - for information rather than to contact each of the independent contractors throughout the state.

4:08:53 PM

REPRESENTATIVE HUGHES directed attention to the flowchart in members' packets entitled, "Comparison between provisions of Federal SAFE Act, the Alaska SAFE Act, and Proposed HB 12 which she briefly reviewed.

[4:10:21 PM](#)

REPRESENTATIVE HUGHES said that HB 12 would exempt the Alaska Housing Finance Corporation (AHFC) and any government agency from the state Mortgage Lender Broker license requirements. The governmental agencies would be responsible to ensure their MLOs meet the standards with respect to the Federal SAFE Act.

[4:11:04 PM](#)

KIMBERLY SWIANTEK, Staff, Representative Shelley Hughes, on behalf of the prime sponsor, Representative Shelly Hughes, reviewed the proposed committee substitute (CS) for HB 12, Version H. She said that Section 1 outlines the license requirements for mortgage loan originators and would add language that individuals can be licensed as mortgage loan originators if they work under an exclusive contract for a registered depository institution as stated on page 1, line 11 or are sponsored by a registered depository institution.

MS. SWIANTEK directed attention to page 2, line 5, Section 2, which outlines the requirements for a registered depository institution to be eligible to sponsor a mortgage loan originator by adding a registered depository institution (RDI) throughout this chapter creates same requirements for mortgage licensees or brokers.

MS. SWIANTEK, referring to page 3, line 8, Section 3, stated that this provision would exempt government agencies. In doing so, the state would recognize them under the SAFE Act effective August 30, 2011. She noted that this was limited to government agencies. By exempting the bona fide nonprofit organizations, the State of Alaska would be in compliance with the SAFE Act effective 8-30-2011, she said.

[4:13:45 PM](#)

MS. SWIANTEK directed attention to page 3, Section 4-7, which includes registered depository institutions (RDI) and the bonding requirements, which are the same for mortgage licensees.

MS. SWIANTEK stated that Section 4, line 12, would require a registered depository applicant to have a surety bond and Section 5, [page 3], line 19, ensures that an RDI does not have file more than one bond if they cover more than one location. Instead of having 15 contractors applying for a bond, only one will be filed, she said. Section 6, [page 3], line 23 required

the bond must last for three years Section 7 [page 3], line 27 gives the department the authority to determine if the bond is unsatisfactory.

MS. SWIANTEK directed attention to Section 8, page 3, line 31 through page 4, line 13, which would amend the annual reporting requirements by requiring registered depository institutions to follow the same reporting requirements as a mortgage loan originator licensee and be subject to the same penalties if the report is not filed as required.

[4:15:24 PM](#)

MS. SWIANTEK stated that Section 9-13 on pages 4-5, includes registered depository institutions in the existing requirements for managing mortgage records. She briefly reviewed these, noting Section 9 would apply to business transactions that occur entirely or partially in the state. Section 10 would require accounting records be kept in accordance with generally accepted accounting principles. Section 11 would require the retention of all records pertaining to the loan including electronic correspondence be kept for three years. Section 12 would require that the note and associated documents be kept for three years.

MS. SWIANTEK directed attention to Section 13, page 5, line 11, which would require a mortgage loan servicing agent who acts on behalf of the licensee or an RDI maintain adequate records for three years. She clarified that a mortgage loan servicing agent could be an accountant, legal counsel, or a collection agent.

[4:16:31 PM](#)

MS. SWIANTEK directed attention to Section 14, page 5, line 29, which would requires out-of-state records maintained by an RDI be made available to the state.

MS. SWIANTEK referred to Section 15 on page 6, line 10, which would grant the department investigation and examination authority. Section 16 indicates that a "person" and "person subject to this chapter" include a registered depository institution, she said.

MS. SWIANTEK referred to Section 17, page 6, line 25, through page 7, line 16 which would allow the department the authorization to censure, suspend, or bar a licensee or

depository institution in the same manner as a mortgage licensee.

[4:17:27 PM](#)

MS. SWIANTEK referred to Section 18, page 7, lines 18-24, which would allow the department to hold administrative hearings and issue disciplinary orders on RDIs.

MS. SWIANTEK referred to Section 19, page 7, lines 25-27, which would add definition of a registered depository institution. Finally, Sections 20-22 would allow the Department of Commerce, Community & Economic Development (DCCED) the authority to adopt regulations by January 1, 2016, which is the effective date of the bill.

[4:18:17 PM](#)

GINGER BLAISDELL, Staff, Representative Shelley Hughes, Alaska State Legislature, on behalf of the prime sponsor, introduced herself. In response to a question, she agreed that in every section in the statutes that pertains to mortgage was modified.

[4:18:57 PM](#)

REPRESENTATIVE COLVER asked whether the bill was responding to mortgage fraud and national regulation.

MS. BLAISDELL answered that the 2008 was a nationwide mortgage lending debacle, which was part of reason the SAFE Act was updated and finalized in 2011. This bill was directed at resolving business plans or models to level the playing field between other mortgage lender brokers and mortgage loan originators (MLOs).

[4:20:00 PM](#)

REPRESENTATIVE COLVER asked whether this bill was directed more at non-traditional lenders, such as insurance companies.

MS. BLAISDELL answered that the "level playing field" was more of an administrative leveler. People who are conducting the same types of business will have the same type of licensure requirement placed on them. She said that if this bill does not pass, any banks in Alaska with independent contractors can still conduct business and issue mortgages. This bill would make the

education and license requirements the same as others doing the same kind of business.

[4:21:12 PM](#)

CHAIR OLSON opened public testimony on HB 12.

[4:21:28 PM](#)

KRISTIE BABCOCK, Agent, State Farm Insurance, spoke in support of HB 12, stating she works as independent contractor for State Farm Insurance in Kenai. She has been an agent and small business owner in Kenai for the past 15 years and has eight employees. She markets insurance and bank products exclusively on behalf of State Farm Insurance and State Farm Bank, she said.

MS. BABCOCK stated that as an originator she handles the initial application. Banks and their employees are exempt from state licensing since they are federally regulated; however, since she serves as an independent contractor, she must be licensed as a mortgage loan originator and broker. The mortgage loan originator (MLO) license requires rigorous state and federal testing, background check, fingerprinting, continuing education, and license renewal. In fact, she has undergone this process to better serve her customers and provide more lending options for Alaska homeowners, many of whom have been longstanding clients. Although she does not contest the MLO licensing requirements nor does this pertain to MLO licensing requirements, HB 12 will address an additional license she currently must possess. Under Alaska law an MLO must be sponsored and supervised by a mortgage broker and even though banks are exempt from having a mortgage broker license, she must be licensed as mortgage broker, which means that she must sponsor and supervise herself. This makes no sense, she said, since she must supervise self, plus she does not broker any loans. This requirement causes unnecessary expense, was time consuming, she said, estimating that the extra cost at \$2,000 per year for the broker license. In addition, it takes considerable time to file the required quarterly, annual reporting, filing, as well as meeting other reporting requirements.

MS. BABCOCK described the bill as a "win-win" solution since it will remove unnecessary costs and burdens for MLOs without reducing any protections associated with broker supervision. She stated that HB 12 would allow the sponsoring bank, in her case State Farm Bank, to step in and register with the state as her supervisor, thereby assuming all the liabilities,

responsibilities, and oversight as if the bank was her broker. She offered that this makes more sense since the bank serves as the leader and her business is the originator. In fact, it provides more oversight than if she supervised herself. She reported that 26 other states have licensing requirements similar to the provisions in HB 12. In closing, she emphasized that this bill would not result in any less regulation for MLOs. Although a similar bill was before the legislature in 2014, it did not pass. She asked members to pass out HB 12 today.

[4:26:39 PM](#)

ROGER BAINBRIDGE, Counsel, State Farm Bank, said he represents State Farm Bank as their in-house counsel. He offered his belief that Ms. Babcock did a fantastic job of explaining the issues. He offered that the Safe Act did not contemplate an independent contractor working on behalf of an exempt depository institution. He echoed that 26 other states have adopted legislation or otherwise provided State Farm Bank the opportunity to register an exempt company solely for the purpose of sponsoring its MLO state licensed agents. He pointed out that State Farm Bank was already regulated by the Office of the Comptroller of the Currency and the Consumer Financial Protection Bureau. He suggested that bringing in the Division of Banking for loans originated by the MLO license agents gives the sense of dual and layered supervision and examination that these loans originated by MLO licensed agents will receive. He asked members to support HB 12.

[4:28:33 PM](#)

CHAIR OLSON asked whether the 26 states previously mentioned had adopted model legislation to address this issue.

MR. BAINBRIDGE answered no. He said that State Farm has been working on these issues with other states and will continue to do so with the remaining states on similar licensing issues.

[4:28:58 PM](#)

CHAIR OLSON asked whether the legislation that was passed in the other 26 states was the same or if State Farm Bank has "tweaked" the solution.

MR. BAINBRIDGE answered that the remedy has varied based on the concerns of the banking department in individual states. Some states wanted their statutes to be very specific to the

particular business model and other states preferred to address the issue more broadly so that it doesn't limit the provisions to one insurance company. He characterized the Alaska proposal as one that takes a broad and less specific approach. He suggested that the specific remedy really depends on what the banking division or department will support. He said that State Farm Bank has worked closely with the Alaska Division of Banking for the past several years, noting that approximately 16-17 State Farm licensed agents work in Alaska and they have held several examinations of those offices. He described his relationship with the Division of Banking as being a good working relationship, that the division understands the state's business model, including how agents function, their limited origination activities, and how that transfers to the bank and its employees, who are federally registered to process and close loans.

[4:30:41 PM](#)

JOHN CARMAN, President, Home State Mortgage, Chair; Legislative Affairs Committee, Alaska Mortgage Bankers Association, stated he has held many conversations with the sponsor and was grateful for the communication. This bill was first introduced last year and he indicated was not totally in favor of this bill nor was he in agreement with the characterization thus far. He related his understanding that other testifiers characterized the bill as creating a level-playing field; however, he suggested the bill as creating a "remodeled" playing field to accommodate the State Farm Bank model. He said that the State Farm Bank has "non-employees" that they are sponsoring. He agreed that when First National Bank has an employee of the bank that separate registration requirements do not apply, but the State Farm Bank model uses independent contractors working primarily as insurance agents who originate a loan. However, he offered his belief that these independent contractors simply refer the loans to State Farm Bank for origination. He acknowledged that under this bank model the bank is very limited and only does conventional loans with a fixed rate with some adjustable rate mortgages and for example, they do not process all the other loans, such as FHA [Federal Housing Administration], VA [US Department of Veterans' Affairs, or [AHFC], Alaska Housing Finance Corporation loans. He said it does concern him that him if the agents don't do those loans or have them available that they may not be giving their clients the best advice in every situation.

[4:33:15 PM](#)

MR. CARMAN admitted that under the current model [State Farm Bank] forms a brokerage and employ themselves as the only employee of the brokerage. He said he has talked to Ms. Kevin Anselm [Operations Manager, Division of Banking & Securities, Department of Commerce, Community, and Economic Development], who agreed that it would make the division's job to regulate these companies easier by changing to this model; however, he still has a hard time fully supporting the model. He guessed it was an improvement over the existing situation.

[4:33:59 PM](#)

MICHAEL MARTIN, Executive Vice President, General Counsel, Northrim Bank, stated he has an affiliation with the Alaska Bankers Association. He noted that the Alaska Bankers Association sent a letter dated April 10, 2015 in opposition to HB 12. He has reviewed the recent version [Version H] of HB 12. He very much appreciated the division's exhibits, which were very helpful. He noticed the original version would eliminate the proposed nonprofit entities from the licensing requirement for mortgage loan originators. He said it was one of provisions the Alaska Bankers Association opposed. He appreciated that the language has been removed.

[4:35:26 PM](#)

MR. MARTIN directed attention to background materials [in members' packets], which better illustrated the regulatory environment if HB 12 were to pass. He admitted that he hasn't fully digested the proposed committee substitute. The Alaska Bankers Association will convene on Friday, he said, and will review the bill. He expressed concern with the original version was the exemption for nonprofits. In addition, the [ABA] was concerned notion of level playing field was difficult to define. He expressed concern that some of the MLOs would be unlicensed and unregulated; however, these materials helped him to understand. This has been characterized as making things simpler, but there is nothing about this statute or the proposed changes in HB 12 that he considered simple. In fact, it will take some time to wade through all of it.

[4:37:07 PM](#)

KEVIN ANSELM, Director, Division Banking and Securities, Department of Commerce, Community & Economic Development

(DCCED), in response to Chair Olson, answered that the department was neutral on HB 12.

[4:37:51 PM](#)

REPRESENTATIVE HUGHES thanked for work she did to provide the graphic. She directed attention to the fiscal note that mentioned bona fide nonprofit provision which was removed in Version H. She asked whether that was an oversight.

MS. ANSELM agreed that the original fiscal note was prepared in January and the fiscal note has not been updated; however, the division does not believe there will be any fiscal impact.

[4:39:06 PM](#)

MIKE WILKINSON, Agency Field Leader, State Farm Insurance, thanked members for holding this hearing. He expressed support for HB 12 since it allows shifting of responsibility and oversight required of licensed mortgage brokers over its independent contractor mortgage loan originators from individuals agents to State Farm Bank. He offered his belief that the public will be better served if State Farm Bank was allowed to legally assume the assurances, oversight, and reporting requirements for mortgage broker licensing.

[4:40:48 PM](#)

CHAIR OLSON, after first determining no one wished to testify, closed public testimony on HB 12.

[HB 12 was held over.]

[4:41:42 PM](#)

The committee took an at-ease from 4:41 p.m. to 4:43 p.m.

^#hb122

HB 122-CORPORATION/LLC/PARTNERSHIP REPORTS

[4:43:11 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 122, "An Act relating to the required reports, required fees, and other aspects of for-profit corporations, cooperative corporations, nonprofit corporations, corporations

formed under AS 10.40, limited liability companies, and limited liability partnerships; and providing for an effective date."

[4:43:48 PM](#)

REPRESENTATIVE COLVER, speaking as prime sponsor of HB 122, stated that this bill hopes to cut "red tape" by reducing cost and time for businesses and the state by reducing the corporate filing reports from two years to four years. Currently, if the corporation does not renew its certificate of authority, it will automatically lapse and dissolve. There would not be any fiscal change except to change the regulations.

[4:45:59 PM](#)

DAVID SCOTT, Staff, Representative Jim Colver, on behalf of the prime sponsor, Representative Jim Colver, stated that HB 122 would amend two chapters, AS 10, related to corporation and AS 32, the Uniform Partnership Act. He related that the intent of the bill would be to change the reporting requirements from two years to four years for cooperative corporations, nonprofit corporations, religious corporations, LLCs and limited liability partnerships, businesses and professional corporations. He added that the changes are limited to the length of time for reporting from a biennial report to a status report every four years.

[4:47:06 PM](#)

MR. SCOTT briefly reviewed the bill. He stated that Sections 1-18 relate to the Alaska Corporations Code, Sections 19-25 relate to the Cooperative Corporations Act, Sections 26-36 relate to the Alaska Nonprofit Corporations Act, Sections 37-38 relate to religious corporations, Sections 39-45 relate to LLCs, Sections 46-49 relate to the Uniform Partnership Act, Section 50 provides transition provisions, Section 51 relates to regulation authority, and Sections 52-53 provide effective dates.

MR. SCOTT directed attention to Section 6, which would change the reporting requirement from every two years to every four years. Section 12 would change the amount the filing fee, which has a net effect of not changing the overall fees.

[4:48:20 PM](#)

MR. SCOTT referred to Sections 18, 25, 36, and 49 provide definitions and Section 50, provides the transition provisions

and conversion from a two-year reporting requirement to four years.

[4:48:40 PM](#)

REPRESENTATIVE JOSEPHSON asked whether there was anything the department might discern in a two year renewal cycle as opposed to the four year window.

REPRESENTATIVE LEDOUX changed to status report since people may not know what quatra-annual report.

MR. SCOTT answered that the bill drafter made the decision.

[4:49:46 PM](#)

REPRESENTATIVE HUGHES expressed concern about cost of \$72,000 listed in the fiscal note for operating expenditures and a loss of \$3.1 million for fiscal year (FY) 16, and in FY 17 of 2,617. She asked for further clarification on the fiscal note.

REPRESENTATIVE COLVER deferred to the department to respond.

[4:51:13 PM](#)

REPRESENTATIVE HUGHES asked for further clarification on the cycle.

REPRESENTATIVE COLVER suggested that it would be more appropriate for department to answer the mechanics.

[4:52:33 PM](#)

REPRESENTATIVE JOSEPHSON asked for the type of things the department reviews when it inspects the biennial corporate reports and what might go missing if the reports were not reviewed every two years.

SARA CHAMBERS, Operations Manager, Division of Corporations, Business, and Professional Licensing, Department of Commerce, Community, & Economic Development (DCCED), answered the department collects basic information. The division was most interested in the officers of the corporation, and the registered agent. She stated that the division becomes the repository for this information and many entities and private citizens who use the information.

[4:53:34 PM](#)

CHAIR OLSON asked whether any information might be time sensitive and any impact of waiting four years for the data.

MS. CHAMBERS reported that if HB 122 were to pass, Alaska would be the only state not collecting the information on an annual or biennial basis. She acknowledged that the information on file might be less accurate if it was only required to be reported every four years. She said the department was neutral on the bill.

REPRESENTATIVE LEDOUX asked how the mechanism would work under the bill if the registered agent changed. She asked whether anyone else shared the concern.

MS. CHAMBERS shared Representative LeDoux's concern.

[4:55:35 PM](#)

REPRESENTATIVE HUGHES asked whether any other states have something similar.

MS. CHAMBERS answered the program coordinator showed other states have an annual or biennial license renewal.

[4:56:03 PM](#)

REPRESENTATIVE COLVER asked whether any states do not require reporting by corporations.

MS. CHAMBERS said she was not aware of any jurisdictions without reporting requirements.

REPRESENTATIVE COLVER offered that he has done some research and will distribute the results.

[4:56:48 PM](#)

REPRESENTATIVE COLVER asked for any consequences to corporations for not filing the biennial registration form.

MS. CHAMBERS answered that the department sends out courtesy notices to corporations if the department does not receive the form timely and if the corporation fails to respond, the corporation is involuntarily dissolved.

[4:57:23 PM](#)

REPRESENTATIVE COLVER expressed concern that the corporation would be dissolved for failure to return the biennial form that restates corporate officers and registered agents - which can be changed at any time. He stated that corporations pay a \$100 filing fee for their corporate license, but the entity still needs a business license, and any professional licenses. He was unsure if it was in the state's interest to dissolve corporations, which supports his desire to extend corporate licenses for four years.

[4:58:15 PM](#)

MS. CHAMBERS, in response to Representative Hughes, stated that the division initiated the courtesy notice a few years ago and found many corporations appreciated the reminder. The division has seen the numbers of involuntary corporate dissolutions drop dramatically. She said the division will continue to send courtesy reminders. As a side benefit, any net effect; surplus for corporate filing fees is deposited into the general fund, which has been between \$5 to 6 million. She stated that part of \$72,000 in the fiscal note was to cover informational courtesy mailings. In further response to Representative Hughes, she explained that the courtesy reminders were sent out prior to the involuntary dissolution; however she hoped everyone would remember to file their biennial reports.

[5:00:23 PM](#)

REPRESENTATIVE HUGHES asked how many corporations were involuntarily dissolved last year.

MS. CHAMBERS said she was uncertain, but could compile that information.

[5:00:49 PM](#)

REPRESENTATIVE HUGHES asked if corporations that are dissolved re-form their corporation.

MS. CHAMBERS answered yes; but explained corporations dissolve for a variety of reasons, and some corporations come back as a different iteration. Others simply acknowledged that they had a glitch and failed to renew. In further response to Representative Hughes, she explained that the initially filing costs about \$200 and the biennial report cycle would follow.

5:02:05 PM

REPRESENTATIVE LEDOUX, with regard to registered agents, referred to page 1, lines 12-14, indicates that the corporation was dissolved if within 30 days it has failed to notify the commissioner of any changes to the registered agent. Thus, that would not really be a consideration with the four year cycle versus the two year cycle.

MS. CHAMBERS answered that the division could involuntarily dissolve a corporation if the division was aware of any changes in registered agents.

5:03:01 PM

REPRESENTATIVE LEDOUX said the only information filed in the biennial report was registered agent and the officers of the corporation.

MS. CHAMBERS answered that some additional information is collected, such as shares of corporate ownership.

5:03:41 PM

REPRESENTATIVE LEDOUX wondered if it makes sense to have no filing required, unless the corporation changes its officers or registered agents.

REPRESENTATIVE COLVER agreed with Representative LeDoux's approach.

5:04:17 PM

CHAIR OLSON asked if the division could generate a list of other jurisdictions in terms of annual and biennial corporate filings to ensure Alaska treats corporations similarly.

5:04:53 PM

REPRESENTATIVE COLVER said the biennial report asks corporations to list their corporate officers, the number of outstanding shares and the shareholder interest of the corporate officers, or in other words, the number of share issued, the number of outstanding shares, and the number of shares held by corporate officers.

REPRESENTATIVE COLVER offered his belief that involuntary dissolution of a company because of failure to fill out this short form seemed like a harsh penalty. He suggested one alternative to changing the cycle was to offer forgiveness since it is expensive to reinstate a corporation, which often requires legal assistance.

5:06:02 PM

REPRESENTATIVE JOSEPHSON asked whether the impetus was the frustration over the threat of dissolution.

REPRESENTATIVE COLVER answered that it was he has a bit of a "Libertarian" streak in him. He wasn't certain that government should tell its citizens to do something. He asked whether the state could get by with different reporting period was one question and achieve the same results. He suggested that corporations may receive the card in the mail, but the corporation must track when the biennial report is due.

5:08:01 PM

[HB 122 was held over.]

#

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:08 p.m.