

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

March 3, 2016

1:33 p.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Cathy Giessel, Vice Chair
Senator Kevin Meyer

MEMBERS ABSENT

Senator Gary Stevens
Senator Johnny Ellis

COMMITTEE CALENDAR

SENATE BILL NO. 127

"An Act relating to actions by insurers based on credit history or insurance score; and providing for an exception to consideration by an insurer of credit history or insurance score."

- MOVED SB 127 OUT OF COMMITTEE

SENATE BILL NO. 158

"An Act relating to real estate broker licensure; relating to the real estate commission; and providing for an effective date."

- MOVED SB 158 OUT OF COMMITTEE

SENATE BILL NO. 126

"An Act establishing an exemption for the offering and sale of certain securities."

- MOVED CSSB 126(L&C) OUT OF COMMITTEE

SENATE BILL NO. 161

"An Act relating to an exemption from the regulation of construction contractors."

- MOVED CSSB 161(L&C) OUT OF COMMITTEE

SENATE BILL NO. 108

"An Act repealing and reenacting the Alaska Securities Act, including provisions relating to exempt securities and transactions; relating to registration of securities, firms, and agents that offer or sell securities and investment advice; relating to administrative, civil, and criminal enforcement provisions, including restitution and civil penalties for violations; allowing certain civil penalties to be used for an investor training fund; establishing increased civil penalties for harming older Alaskans; retaining provisions concerning corporations organized under the Alaska Native Claims Settlement Act; amending Rules 4, 5, 54, 65, and 90, Alaska Rules of Civil Procedure; and providing for an effective date."

- MOVED CSSB 108(L&C) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 127

SHORT TITLE: INSURER'S USE OF CREDIT HISTORY/SCORES

SPONSOR(s): SENATOR(s) HUGGINS

01/19/16	(S)	READ THE FIRST TIME - REFERRALS
01/19/16	(S)	STA, L&C
02/11/16	(S)	STA AT 9:00 AM BUTROVICH 205
02/11/16	(S)	Heard & Held
02/11/16	(S)	MINUTE(STA)
02/16/16	(S)	STA AT 9:00 AM BUTROVICH 205
02/16/16	(S)	Moved SB 127 Out of Committee
02/16/16	(S)	MINUTE(STA)
02/17/16	(S)	STA RPT 4DP 1AM
02/17/16	(S)	DP: STOLTZE, COGHILL, HUGGINS, MCGUIRE
02/17/16	(S)	AM: WIELECHOWSKI
02/25/16	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/25/16	(S)	Heard & Held
02/25/16	(S)	MINUTE(L&C)
03/03/16	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 158

SHORT TITLE: REAL ESTATE BROKER LICENSURE REQS

SPONSOR(s): LABOR & COMMERCE

01/25/16	(S)	READ THE FIRST TIME - REFERRALS
01/25/16	(S)	L&C
02/04/16	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/04/16	(S)	Scheduled but Not Heard
02/18/16	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

02/18/16 (S) Heard & Held
02/18/16 (S) MINUTE(L&C)
03/03/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 126

SHORT TITLE: SMALL SECURITY OFFERINGS

SPONSOR(S): COSTELLO

01/19/16 (S) PREFILE RELEASED 1/15/16
01/19/16 (S) READ THE FIRST TIME - REFERRALS
01/19/16 (S) L&C, FIN
02/11/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/11/16 (S) Heard & Held
02/11/16 (S) MINUTE(L&C)
03/03/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 161

SHORT TITLE: EXEMPTION: LICENSING OF CONTRACTORS

SPONSOR(S): LABOR & COMMERCE

01/27/16 (S) READ THE FIRST TIME - REFERRALS
01/27/16 (S) L&C, FIN
02/09/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/09/16 (S) Heard & Held
02/09/16 (S) MINUTE(L&C)
03/03/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 108

SHORT TITLE: AK SECURITIES ACT; PENALTIES; CRT. RULES

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

04/13/15 (S) READ THE FIRST TIME - REFERRALS
04/13/15 (S) L&C, JUD, FIN
02/09/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/09/16 (S) Scheduled but Not Heard
02/11/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/11/16 (S) Heard & Held
02/11/16 (S) MINUTE(L&C)
02/18/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/18/16 (S) Heard & Held
02/18/16 (S) MINUTE(L&C)
03/03/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

JANEY HOVENDEN, Director
Division of Corporations, Business and Professional Licensing

Department of Commerce, Community and Economic Development
Juneau, Alaska

POSITION STATEMENT: Answered questions related to SB 158.

WESTON EILER, Staff
Senate Labor and Commerce Committee and
Senator Costello
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Explained the changes in the CS for SB 126;
the CS for SB 161; and the CS for SB 108.

JAMES SQUYRES, representing himself
Rural Deltana, Alaska

POSITION STATEMENT: Testified in opposition to SB 161.

PAM GOODE, representing herself
Rural Deltana, Alaska

POSITION STATEMENT: Testified in opposition to SB 161.

RICHARD CARR, BEMA Construction
Wasilla, Alaska

POSITION STATEMENT: Testified in support of SB 161.

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

POSITION STATEMENT: Recapped the reasons for SB 108.

ACTION NARRATIVE

[1:33:31 PM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:33 p.m. Present at the call to order were Senators Meyer, Giessel and Chair Costello.

SB 127-INSURER'S USE OF CREDIT HISTORY/SCORES

[1:34:25 PM](#)

CHAIR COSTELLO announced the consideration of SB 127.

JEANNE MUNGLE, Deputy Director, Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), offered to answers to questions related to SB 127.

CHAIR COSTELLO found no questions or input from the sponsor's staff and solicited a motion.

SENATOR GIESSEL moved to report SB 127, version 29-LS0529\W, from committee with individual recommendations and attached fiscal note(s).

[1:35:58 PM](#)

CHAIR COSTELLO announced that without objection, SB 127 is reported from the Senate Labor and Commerce Standing Committee.

[1:36:01 PM](#)

At ease

SB 158-REAL ESTATE BROKER LICENSURE REQS

[1:37:16 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of SB 158; "An Act relating to real estate broker licensure; relating to the real estate commission; and providing for an effective date." She noted this is the second hearing. She asked Ms. Hovenden if she wanted to add anything to her previous testimony.

[1:37:38 PM](#)

JANEY HOVENDEN, Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development (DCCED), said she provided the committee follow up information to the questions that were asked during the first hearing.

CHAIR COSTELLO asked if the administration had a position on the legislation.

MS. HOVENDEN said the Real Estate Commission supports the bill and the department supports it because it provides additional public protections.

CHAIR COSTELLO found no questions and solicited a motion.

SENATOR GIESSEL moved to report SB 158, labeled 29-LS1303\W, from committee with individual recommendations and attached fiscal note(s).

[1:38:59 PM](#)

CHAIR COSTELLO announced that without objection, SB 158 is reported from the Senate Labor and Commerce Standing Committee.

[1:39:16 PM](#)

At ease

SB 126-SMALL SECURITY OFFERINGS

[1:42:47 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of SB 126; "An Act establishing an exemption for the offering and sale of certain securities." She stated the intent is to conclude public testimony, adopt a committee substitute and look to the will of the committee. Finding no public testimony, she closed it.

SENATOR GIESSEL moved to adopt the CS for SB 126, labeled 29-LS1284\W, as the working document.

CHAIR COSTELLO objected for an explanation of the changes.

[1:44:01 PM](#)

WESTON EILER, Staff, Senate Labor and Commerce Committee and Senator Costello, Alaska State Legislature, said the CS makes two substantive changes. The first deletes subsection (c) on page 4, lines 8-13. The reason is that it the Department of Commerce, Community and Economic Development has more flexibility if this rule is handled through regulations.

CHAIR COSTELLO asked if the bill allows the department to draft those regulations.

MR. EILER answered yes.

He said the second change adds a new subsection (d) on page 4, lines 11-15. It states that if someone is subject to a disqualifier or has violated the Dodd-Frank Wall Street Reform and Consumer Protection Act, they can't use this exemption for crowd funding in Alaska. This disqualifier was requested by the administration.

MR. EILER referenced a question Senator Giessel asked during the last hearing about the Department of Revenue conducting a report on how Alaskans can become investors in the AKLNG project and the gasline. He related that it's the department's intention to initiate a report once a commercial agreement is presented to the legislature.

CHAIR COSTELLO asked if that would be in this section of statute.

MR. EILER replied it would likely be in a different set of statutes. This bill is a securities exemption regulated by DCCED and fiscal terms dealing with the AKLNG project and oil and gas are regulated by the Department of Revenue.

CHAIR COSTELLO removed her objection and finding no further objection, version W was adopted.

[1:49:07 PM](#)

SENATOR GIESSEL moved to report the CS for SB 126, version 29-LS1284\W, from committee with individual recommendations and attached fiscal note(s).

CHAIR COSTELLO announced that without objection, CSSB 126(L&C) is reported from the Senate Labor and Commerce Standing Committee.

[1:49:20 PM](#)

At ease

SB 161-EXEMPTION: LICENSING OF CONTRACTORS

[1:51:00 PM](#)

CHAIR COSTELLO reconvened the meeting and announced consideration of SB 161. She relayed that this is the second hearing, public testimony is open, and there is a proposed committee substitute (CS).

[1:51:27 PM](#)

JAMES SQUYRES, representing himself, Rural Deltana, Alaska, testified in opposition to SB 161. He said the bill tries to close a contractor loophole, but it has an unintended consequence. Many people living in rural areas build their own homes and move in before they are finished. Should SB 161 pass, an owner/builder who wants or needs to sell within the two-year timeframe would have to demonstrate to the department's satisfaction that they are not a contractor. He described this new burden as a liberty bite. He maintained the bill does not fix the problem; it does unintentionally affect one man's liberty; and it will impact state finances. He suggested the bill needs a fiscal note because new regulations and enforcement will be needed. He mentioned previous versions of the bill and claimed that it keeps coming up because of the contractor's

lobby that tenaciously chips away at the people. He urged the committee to hold SB 161.

CHAIR COSTELLO told the committee that SB 161 is different than the versions just described. Additionally, the committee substitute clarifies the two-year timeframe and the period of construction.

[1:56:03 PM](#)

PAM GOODE, representing herself, Rural Deltana, Alaska, testified in opposition to SB 161. She said this is the third year in a row she has had to testify against this bill. She noted this is a Labor and Commerce Committee bill and listed entities that may be pushing it. She maintained that the people of Alaska should not have to file anything with the state in order to sell their homes. It goes against an individual right. She urged the committee to hold SB 161.

[1:58:44 PM](#)

RICHARD CARR, BEMA Construction, Wasilla, Alaska, testified in support of SB 161. He said he is a homebuilder who specializes in disaster restoration and remodeling so he has a better perspective than most about the need for this legislation. He frequently receives calls from homeowners who are upset and heartbroken that their new home has faulty plumbing or electrical breakers that keep tripping. Sometimes the homeowner is unable to find out who built the home. SB 161 does not prohibit someone from building their own home, but it will impede unscrupulous builders and protect Alaska consumers.

[2:00:31 PM](#)

CHAIR COSTELLO closed public testimony on SB 161 and solicited a motion to adopt the committee substitute (CS).

SENATOR GIESSEL moved to adopt the CS for SB 161, labeled 29-LS1319\W as working document.

CHAIR COSTELLO objected for an explanation of the changes.

WESTON EILER, Staff, Senate Labor and Commerce Standing Committee and Senator Costello, explained that the CS replaces the term "ends" with "begins" in two places. These appear on page 1, line 11 and page 3, line 4, of the CS. The consensus of the Department of Commerce, Community and Economic Development and stakeholders is that two years after construction ends is a more nebulous timeframe than two years after construction begins. The practical implication is that the two year clock

begins when the foundation and footings of a residential structure are put in place.

CHAIR COSTELLO asked if an owner/builder would be affected by the bill if it takes him/her four years from the beginning to the end of construction.

MR. EILER answered no; it only affects individuals who build a home and advertise to sell it within two years of the start of construction. In that situation, the individual would be required to file a form to satisfy the department that they are not a contractor. The intent is to provide oversight of individuals who are taking advantage of the owner/builder exemption provided in state law.

CHAIR COSTELLO asked why there is no fiscal note.

MR. EILER explained that DCCED issued a zero fiscal note because they don't anticipate that processing the forms that owner/builders file will have a fiscal impact.

CHAIR COSTELLO asked him to speak to the public value the bill intends to promote.

MR. EILER explained that this is a consumer protection bill for those who are buying homes in Alaska. The legislative intent is to maintain the owner/builder exemption while ensuring that individuals that should have a contractor license aren't able to take advantage of the exemption.

CHAIR COSTELLO removed her objection to the adoption of the CS and solicited a motion.

SENATOR GIESSEL moved to report the CS for SB 161, labeled 29-LS1319\W, from committee with individual recommendations and attached zero fiscal note.

CHAIR COSTELLO announced that without objection, CSSB 161(L&C) is reported from the Senate Labor and Commerce Standing Committee.

[2:06:19 PM](#)

At ease

SB 108-AK SECURITIES ACT; PENALTIES; CRT. RULES

[2:09:43 PM](#)

CHAIR COSTELLO reconvened the meeting and announced consideration of SB 108. She relayed that this is the third hearing and the intent is to take public testimony, adopt a committee substitute, and look to the will of the committee. Finding no public testimony on SB 108, she closed it.

SENATOR GIESSEL moved to adopt the work draft CS for SB 108, labeled 29-LS1060\W, as working document.

CHAIR COSTELLO objected for an explanation of the changes.

WESTON EILER, Staff, Senate Labor & Commerce Committee and Senator Costello, Alaska State Legislature, said a non-substantive change is that the CS reorders sections beginning with the amendments to Title 6 and concluding with the amendments to Title 45.

The CS also makes two substantive changes.

[2:12:17 PM](#)

At ease from 2:12 p.m. to 2:17 p.m.

CHAIR COSTELLO reconvened the meeting and recapped that Mr. Eiler was explaining the changes in the CS for SB 108.

MR. EILER said the first substantive change removes the term "variable annuity" that appears on page 88, line 8, of version A. The administration requested this change so variable annuities will continue to be regulated by the Division of Insurance.

The second substantive change removes the entire Sec. 45.56.220 starting on page 13, line 24 through page 16, line 12. That is inherently crowd funding, which is advancing through SB 126.

CHAIR COSTELLO removed her objection. Finding no further objection, version W was adopted.

She asked Ms. Anselm to give the committee the 30 thousand foot rationale for the bill.

[2:20:08 PM](#)

KEVIN ANSELM, Director, Division of Banking and Securities, Department of Commerce, Community and Economic Development (DCCED), recapped the reasons to modernize the Alaska Securities Act: to recognize and incorporate current securities industry terms and standards; synthesize with other state laws to make it

easier for businesses, entrepreneurs and investors to understand their rights, responsibilities and opportunities in Alaska; deter investment scams; enhance penalties for harming older Alaskans; and separate the securities statutes from the Alaska Native Claims Settlement Act statutes to reduce confusion and improve understanding of both the Securities Act and the ANCSA Proxy Settlement Act.

CHAIR COSTELLO thanked Ms. Anselm for her diligent work.

SENATOR GIESSEL moved to report the CS for SB 108, labeled [29-GS1060\W], from committee with individual recommendations and attached fiscal note(s).

CHAIR COSTELLO announced that without objection, CSSB 108(L&C) is reported from the Senate Labor and Commerce Standing Committee.

[2:22:49 PM](#)

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 2:22 p.m.