

SENATE FINANCE COMMITTEE

March 6, 2018

9:02 a.m.

[9:02:17 AM](#)

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Anna MacKinnon, Co-Chair
Senator Click Bishop, Vice-Chair
Senator Peter Micciche
Senator Donny Olson
Senator Gary Stevens
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Juli Lucky, Staff, Senator Anna MacKinnon; Senator Kevin Meyer, Sponsor; Edra Morledge, Staff, Senator Kevin Meyer; Sara Chambers, Deputy Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development; Laura Stidolph, Staff, Representative Adam Wool; Heather Fair, Statewide Right-Of-Way Chief, Department of Transportation and Public Facilities, Juneau.

PRESENT VIA TELECONFERENCE

David Derry, Chair, Board of Certified Real Estate Appraisers, Kenai; William Scroggins, Real Estate Valuation Advocacy Association, North Carolina.

SUMMARY

SB 155 REAL ESTATE APPRAISAL MNGMT. COMPANIES

SB 155 was HEARD and HELD in committee for further consideration.

HB 131 RELOCATION ASSISTANCE FOR FED. PROJ/PROG

HB 131 was HEARD and HELD in committee for further consideration.

#sb155

SENATE BILL NO. 155

"An Act relating to the registration and regulation of real estate appraisal management companies; relating to the establishment of fees by the Department of Commerce, Community, and Economic Development; relating to the Board of Certified Real Estate Appraisers; and relating to real estate appraisers."

[9:02:52 AM](#)

Vice-Chair Bishop MOVED to ADOPT proposed committee substitute for SB 155, Work Draft 30-LS1295\D (Radford, 2/28/18).

Co-Chair MacKinnon OBJECTED for discussion.

JULI LUCKY, STAFF, SENATOR ANNA MACKINNON, discussed the Committee Substitute (CS) for SB 155. She informed that the changes to the bill were a result of questions that had arisen related to concerns about the legislation.

Ms. Lucky read from the Explanation of Changes document (copy on file):

- Increases the limit for the required surety bond to \$50,000 (previous bill limit was \$25,000) see page 5, line 21.
- Removes the fingerprinting requirement for the "controlling person" - AS 08.87.135 (c) on page 5 of the previous bill.
- Allows the department to collect fees to cover costs by removing the specific references to subsection (j) of AS 08.01.165 on page 4, line 18.
- Adds transition language with an immediate effective date to allow the department to promulgate regulations before the effective date of the act, per the department's request.

- Conforming amendments, as required, including deletion of:

Previous Section 8 - removed due to deletion of fingerprinting requirement

Previous Section 9 - duplicative of language already appearing in statute is AS 37.05.146(c)(24).

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO OBJECTION, the proposed committee substitute was ADOPTED.

[9:06:13 AM](#)

SENATOR KEVIN MEYER, SPONSOR, introduced himself.

EDRA MORLEDGE, STAFF, SENATOR KEVIN MEYER, discussed the bill. She shared that, due to the Dodd Frank Act of 2010, there was a federal deadline for states to enact comprehensive regulations regarding appraisal management companies. The deadline was August 2018. Subsequently, the department requested a one-year waiver to implement the program, but there was no notification whether the state had been granted that waiver. She stated that appraisal management companies were business entities that administered networks of independent appraisers to fulfill real estate appraisal assignments on behalf of lenders. She noted that the companies would no longer be able to operate in the state without the comprehensive legislation. She stated that it would cause problems for realtors, banks, and other lenders; and have an adverse effect on the economy. She noted that Alaska was one of four states plus the District of Columbia that have yet to pass comprehensive legislation on the subject. Those locations were currently in the legislative process to address the subject.

Co-Chair MacKinnon noted that there had been significant changes to the bill, and there were people ready to answer questions.

Senator Olson asked if the sponsor was in agreement with the changes in the CS.

Senator Meyer answered in the affirmative. He continued that he had wanted an immediate effective date, which would allow for compliance by August 2018 without the need for an

extension. He thought there might be a difference of opinion on the effective date, as well as with the bond requirements.

9:10:31 AM

Co-Chair MacKinnon advised that the bill would not be moving from committee in the current meeting. The committee was working with the sponsor to address issues with due consideration.

Co-Chair MacKinnon stated that the meeting would continue with invited testimony.

DAVID DERRY, CHAIR, BOARD OF CERTIFIED REAL ESTATE APPRAISERS, KENAI (via teleconference), spoke in support of the bill. He stated that the Board of Certified Real Estate Appraisers was ready to assume oversight of appraisal management companies. He appreciated the changes identified in the committee substitute. He spoke in support of the amendments, except for the bond amount. He recalled that he had originally requested that the bond amount be increased from \$25,000 to \$150,000. He pointed out that the Washington had a bond amount of \$100,000. He felt that since the appraisal management companies were all lower 48-based companies, and that the board had fiduciary responsibilities, the bond amount would provide some coverage and protection. He reported that there was an opinion that the \$150,000 would be too costly, and he disagreed. He remarked that, currently, Alaska real estate appraisers currently paid a recertification fee of \$1,130. He furthered that all appraisers that worked for them, were usually required to carry insurance, which could cost between \$1000 and \$2500 per year. He shared that the defense of keeping the bond amount low, was that it would affect competition and result in higher consumer fees. He disagreed with that argument. He pointed out that some of the larger Alaska-based lenders did not use a third-party mortgage initiator. He felt that it would not affect the consumer.

9:15:02 AM

Co-Chair MacKinnon noted that she had a list of states with bonding fees of \$25,000. She queried a nationwide average to consider.

Mr. Derry did not have an average, but had a list of states that had the legislation enacted, but stated other states had a \$50,000 bonding amount.

Senator von Imhof wondered how the bill sponsor had chosen the amount of \$50,000.

Senator Meyer was not sure what the right amount should be. He used the example of Hawaii, which would have a similar geographical circumstances. He observed that the State of Washington was at \$100,000, but of the states he had researched, most were lower than \$100,000.

Co-Chair MacKinnon asked if there had been an average of surety bond rates.

Ms. Morledge had found in her initial research that the average was approximately \$33,000.

[9:19:14 AM](#)

Senator Micciche asked Mr. Derry what costs would not be covered by a \$50,000 surety bond, and what other protections would be available if there was a claim or appraisal problem above that amount.

Mr. Derry replied that there may be a default payment from an out of business appraisal company. He remarked that many appraisals servicing rural areas must charge airfare, in addition to the appraisal fee, which often exceed the fee itself.

Senator Micciche asked if Mr. Derry was more concerned about a collective cost rather than a single company defaulting and having exposure on several appraisals.

Mr. Derry answered in the affirmative.

Co-Chair MacKinnon asked whether a company had had to use its share of surety bonds.

Mr. Derry stated that he had no oversight

Co-Chair MacKinnon wondered whether there was anything prohibitive in the bill that would restrict a company from going above the \$50,000 proposed limit.

Mr. Derry replied in the affirmative. He stated that they could set any appraisal amount. He felt that normal business practices would at least push to meet the minimum.

[9:23:52 AM](#)

Co-Chair Hoffman shared that he had several appraisals done in rural Alaska. He noted that appraisers had not come to the area unless there were multiple appraisals to complete. He thought the practice was working well currently in Western Alaska.

Co-Chair MacKinnon asked about the amount of the surety bond.

Senator Meyer thought the amount of the surety bond was a policy call by the committee. He thought if the amount was set too high, it might dissuade some appraisers

Ms. Morledge reminded that the surety bond was a recurring cost.

Co-Chair MacKinnon had no issue with the \$50,000 surety limit. She noted that the lending agencies were referred to within the bill.

Ms. Morledge replied that the appraisal management companies were standalone agencies. She stressed that lending institutions would contact the individual agencies.

Vice-Chair Bishop thought the bill sponsor had made a reasonable compromise.

[9:27:07 AM](#)

AT EASE

[9:33:53 AM](#)

RECONVENED

Senator Micciche thought there may have been a misunderstanding about the need for surety bonds. He understood that an appraisal management company could hire the same individual to do multiple appraisals. He did not know that \$50,000 was adequate. He thought he better understood Mr. Derry's concern.

Co-Chair MacKinnon asked Mr. Derry if Senator Micciche had accurately reflected his concern.

Mr. Derry answered in the affirmative.

Co-Chair MacKinnon asked Mr. Derry to stay online to comment on further topics.

Co-Chair MacKinnon referenced a letter dated February 8, 2018 (copy on file). She asked for comments about that letter.

SARA CHAMBERS, DEPUTY DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, relayed that she had submitted a letter to the appraisal subcommittee requesting an extension from the 2018 deadline to a 2019 deadline. She stated that the bulletin issued from the subcommittee stated that draft legislation would be considered a cause for an extension.

[9:39:22 AM](#)

Co-Chair MacKinnon thought the sponsor had indicated the bill needed to move forward with implementation.

Ms. Chambers answered in the affirmative.

Co-Chair MacKinnon thought the sponsor was concerned that without implementation, there would be consequences.

Ms. Chambers understood that there may be a period of time (if Alaska did not receive the extension) that business could continue. Without state oversight, federally-regulated companies would still be able to operate. Her assessment was that there could be a period of time that non-federally-regulation would be available.

Co-Chair MacKinnon asked if there was an option for emergency regulations.

Ms. Chambers stated that the Department of Law had advised that emergency regulations should be reserved for matters of public emergency, and not for administrative emergencies.

Co-Chair MacKinnon asked why it would take over a year to implement regulations for an existing board.

Ms. Chambers informed without the extension, the bill would take effect and licensure would be required before the 3 to 4 month time period necessary to complete regulations.

Co-Chair MacKinnon surmised that the issue was complex.

Senator von Imhof wondered if the extension was for an "all-in" scenario.

Ms. Chambers answered in the affirmative.

Vice-Chair Bishop thought Ms. Chambers had provided the worst case scenario. He asked if there was a better scenario to consider.

Ms. Chambers stated that what she had described was likely the best case scenario.

Co-Chair MacKinnon asked when the federal compliance deadline.

Ms. Chambers stated that the federal compliance deadline was July 2018; unless an application for extension was submitted.

Co-Chair MacKinnon felt that there needed to be contingency language.

[9:46:30 AM](#)

Vice-Chair Bishop referenced Ms. Chambers comment regarding federal loans being currently processed within the state, and asked for more information about that statement.

Ms. Chambers understood that there were federally-regulated appraisal management companies currently that would continue to operate without the legislation.

Senator Micciche wondered why the bill was up against a deadline.

Ms. Chambers stated that the board worked to secure a sponsor to accomplish the goal of legislation two years previously. The board was unable to do so.

[9:49:04 AM](#)

Mr. Derry thought there was a question of implementation of regulations, and recalled that there was effectively only one or two AMCs that were federally regulated.

Co-Chair MacKinnon asked Mr. Derry to help elucidate the consequences if regulations were not put into place.

Mr. Derry supported Ms. Chambers. was not aware if either of the federally-regulated AMCs.

Co-Chair MacKinnon stated that the committee would work with the sponsor on this particular issue. She stated that there was an issue about a "controlling person" within the bill. It had been proposed to remove the requirement that the controlling person be within the state.

[9:55:26 AM](#)

WILLIAM SCROGGINS, REAL ESTATE VALUATION ADVOCACY ASSOCIATION, NORTH CAROLINA (via teleconference), association had worked with many states to push forward legislation to satisfy Dodd-Frank Act requirements. He viewed \$50,000 to be excessive but did not oppose the provision. He did not want to limit the certification. He thought it had been a drafting oversight.

Co-Chair MacKinnon asked Mr. Scroggins to be available for questions later in the meeting.

Co-Chair MacKinnon referenced page 4, lines 28 through 30 of the bill, which talked about uniform standards of professional appraisal practices. She wondered whether the standards were "like" or "exact."

Mr. Derry queried the requirement that the controlling person be within the state.

Co-Chair MacKinnon referenced page 5, line 22.

Mr. Derry supported the bill as it was currently written.

Co-Chair MacKinnon stated that the committee would get legal clarification on the matter.

[10:03:02 AM](#)

Ms. Chambers stated that the bill section referenced being active was the same as Mr. Derry's. She agreed that the person must be certified, but did not have to be physically a resident of the state.

Co-Chair MacKinnon stated that she had a comment from an individual who believed that was a burden for larger out of state management firms.

Senator Stevens asked Ms. Chambers to comment on reciprocity with other states.

Ms. Chambers stated that licenses were fairly transportable. She announced that if a state's requirements were equal to or greater than Alaska's, there would be an expedited process to recognize the standards.

Co-Chair MacKinnon relayed that the committee still awaited a new fiscal note for the bill. The committee would have a new CS drafted for a future meeting.

SB 155 was HEARD and HELD in committee for further consideration.

#hb131

HOUSE BILL NO. 131

"An Act relating to relocation assistance for federally assisted public construction and improvement projects and programs; and providing for an effective date."

[10:05:57 AM](#)

Co-Chair MacKinnon directed attention to HB 131.

LAURA STIDOLPH, STAFF, REPRESENTATIVE ADAM WOOL, stated that Representative Wool was currently unavailable, and she was working on behalf of the House Transportation Committee.

Ms. Stidolph addressed the Sponsor Statement (copy on file):

House Bill 131 would allow an increase of the maximum relocation benefits available to a person or a business displaced by federally-funded highway, bridge, or facilities project. In 2012, Congress relaxed the eligibility criteria and increased the maximum reimbursement limits for states' relocation assistance payment programs when they passed their transportation authorization and funding bill, the Moving Ahead for Progress in the 21st Century Act, aka MAP-21. Prior to MAP-21, the payment rates hadn't been changed for 30 years.

These changes went into effect October 1, 2014. Unfortunately, Alaska Statute continues to reflect the more stringent eligibility criteria and the smaller maximum reimbursement limits.

HB131 will also protect Alaska's approximately \$700 million annual allocation of Federal Highway Administration and Federal Aviation Administration funding by bringing the State into compliance.

Having an equivalent state statute is one of the requirements for a state to receive a delegated authority to independently administer the federal program. Additionally, being out of compliance, even for a short period of time, jeopardizes our relationship with our funding partners, putting our entire program at risk.

Further, the bill would provide that a displaced person or business in the state would be retroactively eligible for an increased federal maximum benefit for relocation expenses incurred after October 1, 2014.

[10:09:06 AM](#)

Ms. Stidolph discussed the Sectional Analysis (copy on file):

Section 1 - amends AS 34.60.010 to clarify applicability and intent, adopting and incorporating by referencing the corresponding federal law's payment amounts available to displaced persons. Clarifies that federally assisted programs subject to relocation assistance and real property acquisition practices includes public construction and improvement projects.

Section 2 - repeals and reenacts AS 34.60.040(c) to clarify eligibility for displacement payments in accordance with corresponding federal law, mirror federal language, and increase the maximum fixed payment in lieu of itemized reimbursements from \$20,000 to \$40,000 for displaced parties.

Section 3 - amends AS 34.60.040(d) payment amount in accordance with corresponding federal law.

Section 4 - amends AS 34.60.050(a) payment amount and dwelling owned/occupied period for eligibility in accordance with corresponding federal law.

Section 5 - amends AS 34.60.060 payment amounts in accordance with corresponding federal law.

Section 6 - amends uncodified law to establish retroactive effective date of law to October 1, 2014 in accordance with corresponding federal law.

Section 7 - provides for an immediate effective date.

[10:10:32 AM](#)

Co-Chair MacKinnon asked if the administration was supportive of the bill.

HEATHER FAIR, STATEWIDE RIGHT-OF-WAY CHIEF, DEPARTMENT OF TRANSPORTATION and PUBLIC FACILITIES, JUNEAU, answered in the affirmative.

Vice-Chair Bishop wondered whether the bill could lead to increased payments to affected parties along the right-of-way, from an acquisition standpoint.

Ms. Fair replied that it could lead to increased payments to affected parties. She stated that the intent was to bring the federal regulations into the present-day costs to relocate a family. She remarked that the state match was very small, and would come out of the appropriation. The state match appropriation was approximately 10 percent of the total federal appropriation, and was included in the department's capital budget.

Senator von Imhof stressed that relocating was different than compensating market value for the land loss.

Ms. Fair answered in the affirmative, and noted that market value minimum was first paid for the acquisition of the property for a project. Additionally, relocation assistance was paid where applicable.

Senator von Imhof recalled that there was previously a \$20,000 maximum to relocate a farm, business, or family. That number would be changed to \$40,000, which was the federal government's maximum.

Ms. Fair stated that there were different numbers available for families versus businesses and farms. She agreed that the numbers had increased, and in some cases the numbers had been doubled.

Senator Micciche asked if the numbers provided were for non-residential properties.

Ms. Fair agreed. She noted that the federal government had not increased those amounts in over thirty years.

Senator Micciche queried the process of determining the escalation number.

Ms. Fair replied that they used historical data of actual relocations. She remarked that the numbers were still set based on actual expenses.

[10:15:25 AM](#)

Co-Chair MacKinnon explained that the fiscal note did not reflect cost to the state, although the bill had retroactive costs dating to 2014. She queried the accumulated additional GF spend or federal spend would be on those retroactive costs. She stressed that the date was used, because that was the point of authorization.

Ms. Fair affirmed that the date was based on the authorization from the federal government under the Moving Ahead for Progress in the 21st Century (MAP 21) Act. She remarked that the federal regulations were not yet finalized and updated, so those would have the retroactive number. She noted that there were no estimated retroactive

payments owed for past payments. She stated that there was only a small amount estimated for the upcoming four years.

Co-Chair MacKinnon estimated that there would be \$100,000 given to property owners along rights-of-way.

Mr. Fair answered in the affirmative, and the number was federal funds.

Senator von Imhof asked how the option would be communicated to alert those that were affected since 2014.

Ms. Fair replied that the option was already communicated. She stated that in order to exceed state maximums, there was a complex progress process called the Housing of Last Resort, with participation from the federal government.

Senator von Imhof wondered there were individuals who felt they were uncompensated in 2016, and whether they would know that the option was available.

Ms. Fair stated that there were no affected parties that would qualify, because there were very few relocations.

Senator von Imhof surmised that the lookback was immaterial, because there were no affected parties.

Ms. Fair replied in the affirmative.

Co-Chair MacKinnon OPENED public testimony.

Co-Chair MacKinnon CLOSED public testimony.

Vice-Chair Bishop addressed the fiscal note.

Co-Chair MacKinnon commented that that the estimates would be absorbed in the State Transportation Improvement Plan (STIP).

Senator Micciche understood that there was estimate on future costs in the upcoming four years in STIP.

Ms. Fair answered in the affirmative.

[10:21:00 AM](#)

Co-Chair MacKinnon pointed out that a similar bill had been considered by the committee in a previous legislature. She felt that it was troublesome to link with a federal statute, because there was little control over what the federal government would communicate.

Ms. Fair acknowledged Co-Chair MacKinnon's concern about the link to the federal regulation. She noted that the state was buffered from the risk, because of the large federal percentage. She felt that it allowed for flexibility in prioritizing projects.

Co-Chair MacKinnon wondered whether there could be a fixed number as opposed to an open statutory amount.

Ms. Fair replied in the affirmative.

Co-Chair MacKinnon highlighted committee business.

HB 131 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[10:24:10 AM](#)

The meeting was adjourned at 10:24 a.m.