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HOUSE COMMITTEE REPORT

File

(11)

Date Referred: April 2, 1990

FURTHER REFERRALS:

Date of Committee Action: 5/4/90

The FINANCE Committee considered:

CSSSSB 72 (FINANCE) am

CS SSSB NO. 72 (Finance) am REGISTRATION/LICENSING OF CONTRACTORS

"An Act relating to registration and endorsements for contractors; prohibiting the use of state money in relation to certain residential work unless the work is performed by a general contractor who has a residential contractor endorsement; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with HCS CSSSSB 72 (LFC) the same title
- have attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s): _____ APPROVES PREVIOUS: _____
 (Dept) (Date/Dept)

- fiscal impact C & ED fiscal note(s) _____
- zero fiscal note _____ zero fiscal note(s) _____
- zero with analysis _____ zero fn/analysis _____

SIGNING DO PASS:

SIGNING:
(Check approp. column)

Do Not
Pass No Rec Amend

<u>Laura Hoffman</u> Hoffman			
<u>Ronald J. Larson</u> LARSON			
<u>Cliff Swackhammer</u> SWACKHAMMER			
<u>Jim Brown</u> BROWN			
<u>Robert Koponen</u> KOPONEN			
<u>Robert E. Phillips</u> PHILLIPS			
<u>Steve Rieger</u> RIEGER			

Ronald J. Larson LARSON
 Chairman's Signature
Laura Hoffman Hoffman

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to registration and licensing of contractors; . . .
Sponsor: Senator Szymanski
Requestor: House Labor & Commerce

Agency Affected: Commerce & Economic Dev.
BRU: Occupational Licensing
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	21.0	21.0	21.0	21.0	21.0	21.0
TRAVEL	7.0	7.0	7.0	7.0	7.0	7.0
CONTRACTUAL	15.0	15.0	15.0	15.0	15.0	15.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS		0				
MISCELLANEOUS						
TOTAL OPERATING	43.0	43.0	43.0	43.0	43.0	43.0

CAPITAL						
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REVENUE	0	75.0	75.0	0	75.0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER GF/PR	43.0	43.0	43.0	43.0	43.0	43.0
TOTAL	43.0	43.0	43.0	43.0	43.0	43.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary) No fiscal impact for FY 90.

SEE ATTACHED

Prepared by: Jennifer Strickler Phone: 465-2144
Division: Occupational Licensing Date: March 30, 1990
Approved by Commissioner: Larry Merculieff Date: 3/30/90
Agency: Department of Commerce & Economic Development

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

**ANALYSIS
HCS CSSSSB 72 (L&C)**

The bill establishes an endorsement to the registration of a general contractor who oversees the construction of or who performs alterations to residential structures. This fiscal note represents the anticipated costs associated with the establishment of the registration endorsement for residential contractors.

The division has no way of knowing the number of residential contractors who will be affected by the bill; therefore, calculations in this fiscal note are based on an estimate of 500 of the approximately 1,500 licensed general contractors seeking registration endorsement as a residential contractor. Based on 500, the new category can be expected to cover 1.86% of the administrative costs (500 divided by 26,945 total licensees).

Personal Services: \$21.0

Consists of:

- o 13.00% of a licensing examiner \$ 5.1
- o 2.00% of an investigator 1.8
- o 1.86% of administrative overhead 14.1

Travel: \$ 7.0

This will provide travel funds for the licensing examiner to assist with exam development and administer the examinations at least two times a year in each judicial district.

Contractual Services: \$15.0

This will provide funding for examination development; communication expenses; printing of applications, examinations, etc.; public notices; exam facility rentals; seminars; and other informational publications necessary.

TOTAL \$43.0

REVENUES:

The revenues identified are based on an endorsement fee for residential contractors, assuming that residential contractors will pay a biennial fee of \$150 (\$75 per year) in addition to their general contractor registration.

FY 90: No anticipated impact.

FY 91: No revenue impact, although exam development will commence in preparation for the effective date of the bill.

FY 92: The effective date of the bill is July 1, 1991 and, therefore, revenues are based on an initial 500 contractors seeking a residential endorsement. The initial endorsement would be valid to December 31, 1992 so that residential endorsements will coincide with the general contractor's certificate of registration renewal date of December 31, 1992. 500 x \$150 license fee = \$75.0.

FY 93: Residential contractor endorsements will be due for renewal on December 31, 1992. The renewed endorsement will be valid for two years and will expire on the same date as the general contractor's certificate of registration. $500 \times \$150 = \75.0 .

FY 94: This will be a nonrenewal year and no revenues other than fees from new registrants (not estimated) will be generated. Although no revenues will be received in this year, like all other licensing programs, the program will be covered by program receipts of other occupations renewing during that year.

Original sponsor(s): SEN. SZYMANSKI

1 IN THE SENATE BY THE LABOR & COMMERCE COMMITTEE
2 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 72 (L&C)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to registration and endorsements for
7 contractors; prohibiting the use of state money in
8 relation to certain residential work unless the work
9 is performed by a general contractor who has a res-
10 idential contractor endorsement; and providing for an
11 effective date."

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

13 * Section 1. AS 08.01.050(a) is amended to read:

14 (a) The department shall perform the following administrative
15 and budgetary services when appropriate:

16 (1) collect and record fees;

17 (2) maintain records and files;

18 (3) issue and receive application forms;

19 (4) notify applicants of acceptance or rejection as de-
20 termined by the board or as determined by the department under AS 08.-
21 11 for audiologists, under AS 08.18 for contractors, under AS 08.45
22 for naturopaths, or under AS 08.55 for hearing aid dealers;

23 (5) designate dates examinations are to be held and notify
24 applicants;

25 (6) publish notice of examinations and proceedings;

26 (7) arrange space for holding examinations and proceedings;

27 (8) notify applicants of results of examinations;

28 (9) issue licenses or temporary licenses as authorized by
29 the board or as authorized by the department under AS 08.11 for

1 audiologists, under AS 08.18 for contractors, under AS 08.45 for
2 naturopaths, or under AS 08.55 for hearing aid dealers;

3 (10) issue duplicate licenses upon submission of a written
4 request by the licensee attesting to loss of or the failure to receive
5 the original and payment by the licensee of a fee established by
6 regulation adopted by the department;

7 (11) notify licensees of renewal dates at least 30 days
8 before the expiration date of their licenses;

9 (12) compile and maintain a current register of licensees;

10 (13) answer routine inquiries;

11 (14) maintain files relating to individual licensees;

12 (15) arrange for printing and advertising;

13 (16) purchase supplies;

14 (17) employ additional help when needed;

15 (18) perform other services that may be requested by the
16 board;

17 (19) provide inspection, enforcement, and investigative
18 services to the boards and for the occupations listed in AS 08.01.010,
19 regarding all licenses issued by or through the department;

20 (20) retain and safeguard the official seal of a board and
21 prepare, sign, and affix a board seal, as appropriate, for licenses
22 approved by a board;

23 (21) issue business licenses under AS 43.70.

24 * Sec. 2. AS 08.18 is amended by adding a new section to read:

25 Sec. 08.18.013. CATEGORIES OF CONTRACTORS. The department may
26 adopt regulations establishing categories of contractors and the
27 registration or endorsement requirements for persons in those categor-
28 ies.

29 * Sec. 3. AS 08.18 is amended by adding a new section to read:

1 Sec. 08.18.024. RESIDENTIAL CONTRACTORS. (a) A general con-
2 tractor may not undertake the construction or alteration, or submit a
3 bid to undertake the construction or alteration of a privately-owned
4 residential structure of one to four units or advertise or publicly
5 represent that the general contractor may undertake work of this type
6 in the state without a residential contractor endorsement issued under
7 this section. In this subsection, "alteration" means changes that
8 have a value greater than 25 percent of the value of the structure
9 being altered.

10 (b) The department shall issue a residential contractor endorse-
11 ment to a person who

12 (1) has a certificate of registration as a general contrac-
13 tor;

14 (2) passes a residential contractor examination, which
15 shall be offered by the department at least once each year in each
16 judicial district; the examination, which may be written or practical,
17 may test competence in relation to arctic structural and thermal
18 construction techniques and other matters as determined by the depart-
19 ment in consultation with representatives of the construction indus-
20 try;

21 (3) applies for an endorsement within six months after
22 passing the examination required under (2) of this subsection;

23 (4) within the two years preceding the date of application
24 for the endorsement, has satisfactorily completed either the Alaska
25 craftsman home program sponsored by the Department of Community and
26 Regional Affairs, or its equivalent, or a postsecondary course in
27 arctic engineering, or its equivalent;

28 (5) within the seven years preceding the date of
29 application, has not been under a sentence for an offense related to

1 forgery, theft in the first or second degree, extortion, or conspiracy
2 to defraud creditors or for a felony involving dishonesty; and

3 (6) pays the appropriate fees.

4 (c) The department may not renew an endorsement issued under
5 this section unless the applicant submits proof of continued compe-
6 tency relating to residential contracting that satisfies the depart-
7 ment. A lapsed endorsement may be reinstated, within two years after
8 the lapse, upon proof of continued competency, payment of a renewal
9 fee for the intervening time period, and payment of any penalty fee
10 established under AS 08.01.100(b). If the endorsement has been lapsed
11 for more than two years, the department may not reinstate it until the
12 person also passes the residential contractor examination described in
13 (b) of this section.

14 * Sec. 4. AS 08.18.041 is repealed and reenacted to read:

15 Sec. 08.18.041. FEES. (a) The department shall set fees under
16 AS 08.01.065 for

17 (1) registration and renewal of registration for all cat-
18 egories of contractors;

19 (2) examination, issuance of initial endorsement, and
20 renewal of active or inactive endorsements for residential contrac-
21 tors; and

22 (3) departmental publications and seminars related to this
23 chapter.

24 (b) A person who fails a residential contractor examination
25 shall pay the examination fee set by the department if the person
26 applies to retake an examination.

27 * Sec. 5. AS 08.18.116 is amended to read:

28 Sec. 08.18.116. INVESTIGATIONS. Either the Department of Com-
29 merce and Economic Development or the Department of Labor may

1 investigate alleged or apparent violations of this chapter. These
2 departments, upon showing proper credentials, may enter, during regu-
3 lar hours of work, a construction site where it appears that contract-
4 ing work is being done. The departments may make inquiries about the
5 identity of the contractor or the person acting in the capacity of a
6 contractor. Upon demand, a contractor or person acting in the capac-
7 ity of a contractor, or that person's representative, shall produce
8 evidence of current endorsement, if applicable, and registration.

9 * Sec. 6. AS 08.18.121 is amended by adding a new subsection to read:

10 (h) The endorsement of a residential contractor is automatically
11 suspended or revoked while the contractor's registration is suspended
12 or revoked.

13 * Sec. 7. AS 08.18 is amended by adding a new section to read:

14 Sec. 08.18.123. DENIAL, SUSPENSION, AND REVOCATION OF ENDORSE-
15 MENT. (a) The department may suspend, revoke, or refuse to grant or
16 renew a residential contractor endorsement upon a finding that

17 (1) the application is fraudulent or misleading;

18 (2) the contractor has knowingly violated this chapter or a
19 lawful order or regulation of the department;

20 (3) the contractor is incompetent or has engaged in fraudu-
21 lent practices.

22 (b) Proceedings for the denial, suspension, or revocation of
23 residential contractor endorsement are governed by the Administrative
24 Procedure Act (AS 44.62).

25 * Sec. 8. AS 08.18.141(a) is amended to read:

26 (a) A contractor or a person acting in the capacity of a con-
27 tractor who knowingly violates [IN VIOLATION OF] AS 08.18.011 or
28 08.18.024 is guilty of a class B misdemeanor. A person who violates
29 another provision of this chapter is guilty of a violation punishable

1 under AS 12.

2 * Sec. 9. AS 08.18.171 is amended by adding a new paragraph to read:

3 (10) "residential contractor" means a general contractor
4 whose business and operation involve undertaking the construction or
5 alteration of a privately-owned residential structure of one to four
6 units that is used or intended to be used as a human dwelling.

7 * Sec. 10. AS 37.05 is amended by adding a new section to read:

8 ARTICLE 6A. MISCELLANEOUS PROVISIONS.

9 Sec. 37.05.800. RESTRICTION ON USE OF STATE MONEY FOR RESI-
10 DENTIAL CONTRACTING. (a) The state may not grant or loan money or
11 purchase a loan for the construction or alteration of a privately-
12 owned residential structure of one to four units unless the grant or
13 loan requires the construction or alteration to be undertaken by a
14 residential contractor with an endorsement issued under AS 08.18. In
15 this subsection, "alteration" means changes that have a value greater
16 than 25 percent of the value of the structure being altered.

17 (b) The restriction of (a) of this section does not apply to a
18 state loan or grant or purchase of a loan made for work described in
19 AS 08.18.161 that is exempt from the requirements of AS 08.18.

20 * Sec. 11. TRANSITIONAL LICENSING. Notwithstanding AS 08.18.024(b)(2)
21 and (3), enacted by sec. 3 of this Act, the Department of Commerce and
22 Economic Development shall issue a residential contractor endorsement to a
23 person who

24 (1) applies for an endorsement under this section by July 1,
25 1992;

26 (2) meets the requirements of AS 08.18.024(b)(1) and (4) - (6);
27 and

28 (3) has been an active general contractor in the state for three
29 of the five years immediately preceding application for an endorsement

1 under this section.

2 * Sec. 12. EXEMPTION. (a) The residential contractor endorsement
3 requirement of AS 08.18.024, enacted in sec. 3 of this Act, and the resi-
4 dential contractor endorsement requirement of AS 37.05.800(a), enacted in
5 sec. 10 of this Act, do not apply to work performed on a residential struc-
6 ture located in a community with a population of 2,500 or fewer.

7 (b) Notwithstanding AS 08.18.013, enacted by sec. 2 of this Act, the
8 Department of Commerce and Economic Development may not adopt regulations
9 that require a residential contractor endorsement for work exempt from the
10 endorsement requirement under (a) of this section.

11 (c) This section is repealed July 1, 1992.

12 * Sec. 13. This Act takes effect July 1, 1991.

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

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March 31, 1989

POSITION PAPER

RE: Senate Bill 72

SPONSOR: Senator Szymanski

Program Effects of Bill

Senate Bill 72 proposes to set up registration and licensing requirements for contractors who undertake residential construction. The bill would not affect existing Departmental programs.

Comments

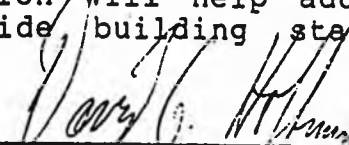
The Department of Community and Regional Affairs strongly supports the concept of licensing residential contractors combined with training in appropriate construction techniques. The state's climate and soil conditions are so different from that of the rest of the country that contractors can not simply apply their experiences in other states to Alaska.

Energy is a critical concern in housing for all Alaskans. The cost of energy is usually one of the largest costs associated with homeownership. A study by the Rural Alaska Community Action Program reported that in eight rural villages 16 to 37 percent of families' incomes were spent on energy. Sixty-eight percent of Alaskans' energy bills are spent on staying warm.

Too often in the past homes have been constructed in a manner that is not appropriate to the state's climate. While this is true statewide, it is particularly true in rural Alaska. The 1988 Alaska Rural Housing Needs Assessment reported that an appalling 28 percent of rural homes could not maintain an inside temperature of 70 degrees Fahrenheit. However, this problem is not unique to rural Alaska. During this winter's cold snap homeowners across the state experienced problems in keeping their residences warm.

Position Paper - SB 72
March 31, 1989
Page Two

Requiring competence testing in arctic structural and thermal construction techniques, coupled with required training through the Alaska Craftsman Home Program, as set out in this legislation, is one way to encourage construction of residential housing appropriate to Alaska's unique climate. While licensing under this legislation will help address the problems set out above, a statewide building standard of construction is also needed.




David G. Hoffman/
Commissioner

CSSSSB 72 (Fin) am: "An Act relating to registration and endorsements for contractors; prohibiting the use of state money in relation to certain residential work unless the work is performed by a general contractor who has a residential contractor endorsement; and providing for an effective date."

CSSSSB 72 (Fin) am proposes to improve the quality of residential construction work in Alaska by creating a special licensing category, including examination and competency requirements, for residential contractors. In addition, the bill prohibits the use of state funds for construction or alteration of residential structures unless the work is performed by a residential contractor with the appropriate residential contractor endorsement.

Currently, construction contractors must register with the state and are required to post a \$10,000 bond if a general contractor or a \$5,000 bond if a specialty or mechanical contractor. CSSSSB 72 (Fin) am requires a general contractor seeking to build residential structures of up to four units to first obtain a special endorsement to their contractor license. In order to get this special endorsement, a general contractor must: (1) pass an exam; (2) complete the Alaska craftsman home program sponsored by the Department of Community and Regional Affairs (or its equivalent) or take an arctic engineering course; and (3) not be under indictment -- or in the preceding seven years not have been sentenced -- for an offense related to forgery, theft, extortion, conspiracy to defraud, or dishonesty.

The department supports CSSSSB 72 (Fin) am because the licensing requirements established in the bill will work to better ensure the competency of contractors involved in residential construction. The industry and the public will benefit through increased quality of workmanship by demonstratively competent residential contractors.



Larry Mercurieff, Commissioner

Date: 3/21/90

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Alaska State Legislature

Senator Mike Szymanski

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SPONSOR STATEMENT

SENATE BILL 72, relating to registration and endorsements for contractors

Senate Bill 72 is consumer protection legislation.

Under present Alaska law, there are no standards which must be met by a general contractor in the performance of his work. Essentially, if a person obtains a contractor's bond and pays the required fees, the person may work as a general contractor.

Senate Bill 72 requires that certain standards are met for a general contractor to undertake the construction or alteration of a privately-owned residential structure of one to four units.

The Department of Commerce and Economic Development would issue a residential contractor endorsement to an individual who has met certain requirements. The key requirements are that the individual must pass a residential contractor examination, which may be written or practical, and that the individual must have satisfactorily completed either the Alaska Craftsman Home Program, its equivalent or a postsecondary course in arctic engineering. The individual must apply for an endorsement within 6 months after passing the examination to ensure that his qualifications are current.

These registration and endorsement requirements do not apply to a person who is a general contractor for the purpose of building his own home; it relates to the contractor who builds homes for sale.

Provision is made to grandfather in those general contractors who have been active in the state for three of the five years preceding the individual's application for an endorsement. Such individuals would be exempted from the examination requirement but would still be required to take the Alaska Craftsman Home Program course if they apply for an endorsement by July 1, 1992.

The House Labor and Commerce Committee Substitute for Senate Bill 72 adds a section to exempt those contractors who perform work on residential structures in communities of 2,500 or less for an additional year after the effective date of the legislation.

Senate Bill 72 is widely supported by the Alaska Homebuilders Association, Associated General Contractors and other industry groups.

Senate District E

Mat-Su Borough • Sitka Anchorage • Bird/Indian • Girdwood • Nikiski • Cooper Landing • Hope • Seward • Prince William Sound