

**SB**

**193**

<TARGET><BILL>SB 193</BILL><SUBJECT>SB  
193</SUBJECT><COMM>HFIN28</COMM></TARGET>

# HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 17, 2014

FURTHER REFERRALS:

Date of Committee Action: 4.19.14

The FINANCE Committee considered:

SB 193

SENATE BILL NO. 193

"An Act relating to bonds required for contractors."

SB 193 CONTRACTORS: BONDS; LICENSING

Recommends it be replaced with  HCS or  CS for SB 193 (FIN)  
 For Senate Bills with new title:  Technical Title  New Title: HCR \_\_\_\_\_  Same Title  New Title

- attach amendments
- add new referral to \_\_\_\_\_ Committee
- Letter of Intent \_\_\_\_\_ Committee

- List of Abbrev for Depts.:
- ADM
  - CED
  - COR
  - CRT
  - EED
  - DEC
  - DFG
  - GOV
  - DHS
  - LWF
  - LAW
  - LEG
  - MVA
  - DNR
  - DPS
  - REV
  - DOT
  - UA

<u>NEW FISCAL NOTES</u>				
*FN# is assigned by Chief Clerk's Office				
*FN#	List by Dept(s):	Fiscal	Indet.	Zero
	LWF			✓
	CED			✓

<u>PREVIOUS FISCAL NOTES</u>				
FN#	List by Dept(s):	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Holmes	X			
	T. Wilson			✓	
	T. Wilson			✓	
	THOMPSON	✓			
	Edgum	✓			
	Edgum	✓			
	Munoz	✓			
	CASTELLO	✓			
Chair:	Stoltz			✓	
Chair:	AUSTERMAN	X			

# Fiscal Note

State of Alaska  
2014 Legislative Session

Bill Version: SB 193  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB193-DOLWD-MI-4-17-14  
Title: CONTRACTORS: BONDS; LICENSING  
Sponsor: MICCICHE  
Requester: House Labor & Commerce

Department: Department of Labor and Workforce Development  
Appropriation: Labor Standards and Safety  
Allocation: Mechanical Inspection  
OMB Component Number: 346

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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**Estimated SUPPLEMENTAL (FY2014) cost:** 0.0 (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2015) cost:** 0.0 (separate capital appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Changed to reflect no significant fiscal impact.
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Prepared By: Grey Mitchell, Director  
Division: Labor Standards and Safety  
Approved By: Dianne Blumer, Commissioner  
Agency: Office of the Commissioner

Phone: (907)465-4842  
Date: 04/16/2014 06:20 PM  
Date: 04/17/14

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2014 LEGISLATIVE SESSION

BILL NO. SB 193

**Analysis**

The bill amends AS 08.18 to increase the dollar amounts for construction contractor and home inspector surety bonds and to establish an exception from liability and property damage insurance requirements for a contractor who does work with a contract price of \$2,500 or less. In addition, the bill repeals the exclusion from contractor licensing under AS 08.18.161(8) for work on a project that has an aggregate contract price of \$10,000.

The Department of Labor and Workforce Development provides contractor licensing enforcement services under a reimbursable services agreement with the Department of Commerce Community and Economic Development, Division of Corporations, Business and Professional Licensing. The department does not anticipate a significant fiscal impact as a result of the changes associated with the proposed legislation.

# Fiscal Note

State of Alaska  
2014 Legislative Session

Bill Version: SB 193  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB193-DCCED-CBPL-04-16-14  
Title: CONTRACTORS: BONDS; LICENSING  
Sponsor: MICCICHE  
Requester: House Labor and Commerce

Department: Department of Commerce, Community and  
Economic Development  
Appropriation: Corporations, Business and Professional  
Licensing  
Allocation: Corporations, Business and Professional  
Licensing  
OMB Component Number: 2360

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>OPERATING EXPENDITURES</b>	<b>FY 2015</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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**Estimated SUPPLEMENTAL (FY2014) cost:** 0.0 (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2015) cost:** 0.0 (separate capital appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/15

**Why this fiscal note differs from previous version:**

updated after further review and discussion with the sponsor to reflect no fiscal impact.

Prepared By: Sara Chambers, Director	Phone: (907)465-2536
Division: Corporations, Business and Professional Licensing	Date: 04/16/2014 06:00 PM
Approved By: Jeanne Mungle, Director	Date: 04/16/14
Agency: Administrative Services	

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2014 LEGISLATIVE SESSION

BILL NO. SB193

### Analysis

SB 193 would require all construction contractors to obtain a license through the elimination of the "handyman" exemption. SB 193 also increases the amount of the bond for general, specialty, and mechanical contractors, creates a new category of bonding for residential contractors at \$20,000, requires "handymen" who do work valued under \$10,000 to post a \$5,000 bond, and amends insurance requirements so that any contractor who does work valued at \$2,500 or less is not required to obtain liability and property insurance.

The division does not anticipate any fiscal impact from this legislation. It will likely increase the number of licensees, but any additional workload would be absorbed by existing staff.

While regulations are required to comply with this bill, the impacted regulations are currently being updated so there would be no additional cost.

**HOUSE CS FOR SENATE BILL NO. 193(FIN)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-EIGHTH LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): SENATORS MICCICHE, McGuire, Dyson, Bishop**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to bonds required for contractors; and providing for an effective**  
2 **date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 **\* Section 1.** AS 08.18.024(b) is amended to read:

5 (b) Notwithstanding (a) of this section, a specialty contractor may perform  
6 work that

7 [(1)] requires the use of not more than three trades [; OR

8 (2) IS EXEMPT UNDER AS 08.18.161(8)].

9 **\* Sec. 2.** AS 08.18.071(b) is repealed and reenacted to read:

10 (b) The amount of the bond for a

11 (1) general contractor shall be \$25,000;

12 (2) general contractor with a residential contractor endorsement under  
13 AS 08.18.025 who performs exclusively residential work shall be \$20,000;

14 (3) for a mechanical or specialty contractor or home inspector shall be

1 \$10,000; or

2 (4) contractor whose work on one project with an aggregate contract  
3 price of \$10,000 or less, including all labor, materials, and other items, when the work  
4 is not part of a larger or major operation or otherwise divided into contracts of less  
5 than \$10,000 to evade a higher bonding requirement, shall be \$5,000.

6 \* **Sec. 3.** AS 08.18.071(c) is amended to read:

7 (c) The bond required by this section remains in effect until cancelled by  
8 action of the surety, the principal, or the commissioner. An action may not be  
9 commenced upon the bond later than three years after its cancellation. **In lieu of the**  
10 **surety bond required by this section, the applicant may file with the**  
11 **commissioner a cash deposit or other negotiable security acceptable to the**  
12 **commissioner in the amount specified for bonds.**

13 \* **Sec. 4.** AS 08.18.101(a) is amended to read:

14 (a) Each applicant, at the time of applying for registration or upon renewal of  
15 registration, shall file with the commissioner satisfactory evidence that the applicant  
16 has in effect

17 (1) to the extent required under AS 23.30, workers' compensation  
18 insurance that is purchased from a private insurer who is admitted to do business in the  
19 state and that shows coverage in this state, appropriate employee classifications, and  
20 rates applicable in this state, or a valid workers' compensation self-insurance  
21 certificate issued by the Alaska Workers' Compensation Board; and

22 (2) public liability and property damage insurance covering the  
23 applicant's contracting operations in this state in the sum of not less than \$20,000 for  
24 damage to property, \$50,000 for injury, including death, to any one person, and  
25 \$100,000 for injury, including death, to more than one person; **this requirement does**  
26 **not apply to an applicant whose contracting operations are for work on projects**  
27 **where each project has an aggregate contract price, including all labor,**  
28 **materials, and other items of \$2,500 or less.**

29 \* **Sec. 5.** AS 08.18.161(8) is repealed.

30 \* **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to  
31 read:

1           APPLICABILITY. The bonding requirement in AS 08.18.071(b), as amended by sec.  
2 of this Act, applies

3                   (1) immediately to a person who is not registered as a contractor or home  
4 inspector in this state under AS 08.18.011 on the effective date of this Act; and

5                   (2) January 1, 2015, or upon the next renewal of the contractor's registration,  
6 whichever is earlier, to a person who is registered as a contractor on the effective date of this  
7 Act.

8       \* **Sec. 7.** This Act takes effect January 1, 2015.

# 2014 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 4/19/20

~~Amendment:~~ \_\_\_\_\_

MEMBER	Favor	Oppose
REP. NEUMAN		✓
REP. THOMPSON		✓
REP. WILSON		✓
REP. COSTELLO		✓
REP. EDGMON		✓
REP. GARA		✓
REP. GUTTENBERG		✓
REP. HOLMES		✓
REP. MUNOZ		✓
REP. AUSTERMAN		✓
REP. STOLTZE		✓

YEA                      NAY    10

**HOUSE CS FOR SENATE BILL NO. 193(FIN)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-EIGHTH LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): SENATORS MICCICHE, McGuire, Dyson, Bishop**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to bonds required for contractors."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 **\* Section 1.** AS 08.18.071(b) is repealed and reenacted to read:

4 (b) The amount of the bond for a

5 (1) general contractor shall be \$25,000;

6 (2) general contractor with a residential contractor endorsement under  
7 AS 08.18.025 who performs exclusively residential work shall be \$20,000;

8 (3) for a mechanical or specialty contractor or home inspector shall be  
9 \$10,000; or

10 (4) contractor whose work on one project with an aggregate contract  
11 price of \$10,000 or less, including all labor, materials, and other items, when the work  
12 is not part of a larger or major operation or otherwise divided into contracts of less  
13 than \$10,000 to evade a higher bonding requirement, shall be \$5,000.

14 **\* Sec. 2.** AS 08.18.071(c) is amended to read:

15 (c) The bond required by this section remains in effect until cancelled by

1 action of the surety, the principal, or the commissioner. An action may not be  
 2 commenced upon the bond later than three years after its cancellation. In lieu of the  
 3 surety bond required by this section, the applicant may file with the  
 4 commissioner a cash deposit or other negotiable security acceptable to the  
 5 commissioner in the amount specified for bonds.

6 \* Sec. 3. AS 08.18.101(a) is amended to read:

7 (a) Each applicant, at the time of applying for registration or upon renewal of  
 8 registration, shall file with the commissioner satisfactory evidence that the applicant  
 9 has in effect

10 (1) to the extent required under AS 23.30, workers' compensation  
 11 insurance that is purchased from a private insurer who is admitted to do business in the  
 12 state and that shows coverage in this state, appropriate employee classifications, and  
 13 rates applicable in this state, or a valid workers' compensation self-insurance  
 14 certificate issued by the Alaska Workers' Compensation Board; and

15 (2) public liability and property damage insurance covering the  
 16 applicant's contracting operations in this state in the sum of not less than \$20,000 for  
 17 damage to property, \$50,000 for injury, including death, to any one person, and  
 18 \$100,000 for injury, including death, to more than one person; this requirement does  
 19 not apply to an applicant whose contracting operations are for work on projects  
 20 where each project has an aggregate contract price, including all labor,  
 21 materials, and other items of \$2,500 or less.

22 \* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to  
 23 read:

24 APPLICABILITY. The bonding requirement in AS 08.18.071(b), as amended by sec.  
 25 1 of this Act, applies

26 (1) immediately to a person who is not registered as a contractor or home  
 27 inspector in this state under AS 08.18.011 on the effective date of this Act; and

28 (2) January 1, 2015, or upon the next renewal of the contractor's registration,  
 29 whichever is earlier, to a person who is registered as a contractor on the effective date of this  
 30 Act.

# ALASKA STATE LEGISLATURE

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Phone: (907) 283-7996

270 W. Pioneer Ave.  
Homer, AK 99603  
Phone: (907) 235-0690

## SENATOR PETER A. MICCICHE

### SB 193-CONTRACTORS: BONDS; LICENSING Sponsor Statement

#### DISTRICTS

*Anchor Point*  
*Clam Gulch*  
*Cohoe*  
*Diamond Ridge*  
*Fox River*  
*Fritz Creek*  
*Funny River*  
*Halibut Cove*  
*Happy Valley*  
*Homer*  
*Kachemak City*  
*Kachemak Selo*  
*Kalifornsky*  
*Kasilof*  
*Kenai*  
*Nikolaevsk*  
*Ninilchik*  
*Razdolna*  
*Ridgeway*  
*Seldovia*  
*Soldotna*  
*Voznesenka*

AS 08.18.071 requires contractors operating in Alaska to file a license bond with the Department of Commerce, Community and Economic Development. The purpose of the bond is not only to ensure the contractor has financial resources to pay tax and other obligations, it is established in order to provide the public an avenue to seek recourse in the event there is negligent or improper work or breach of contract. It also helps provide protection to the business community to help contractors and vendors collect upon default for unpaid work or equipment rental. The statute is an important component of Alaska's consumer protection laws. The bond amounts were established in 1982 and have not been updated since. The current level of \$10,000 for general contractors and \$5,000 for specialty contractors is too low and is no longer providing the intended public protection. In many cases, the recoverable amount is not worth the legal and other costs associated with pursuing a claim against a bond.

SB 193 proposes to increase the license bond amounts to the following:

General Contractors	\$25,000
General Contractors who perform only residential	\$20,000
Mechanical or Specialty Contractors	\$10,000
Contractors performing minimal work	\$ 5,000

The construction industry, which will be impacted by this legislation, brought forth the recommendation to make an adjustment in the bond amounts. Given the increase in inflation over the last 30 years, the industry felt an increase was long overdue. Purchasing a bond generally costs a small percentage of the total amount of coverage, thus providing a significant benefit to the public and other businesses in relation to the small cost increase as a result of this legislation.

SB 193 also corrects a loophole in the statute. All professional contractors are required to be licensed and file a bond. A notable exemption is that the law does not intend to impose license and bond requirement upon non-professional contractors such as family members, friends, neighbors, etc., who get paid for a small amount of work. However, current law allows work under \$10,000 to be exempt and this wording has allowed individuals who sell themselves as professionals to avoid the statutory licensure requirements. In these cases, the public has no recourse against unlicensed and unbonded contractors. The bill corrects this by establishing a very modest bond level for those professional contractors performing work on projects less than \$10,000. Non-professional handymen are still exempt from the license and bond requirements under the definition provided in AS 08.18.171(4), which states "'contractor' means a person who, in the pursuit of an independent business..." This language is not intended to include a person undertaking a small project for a friend or relative.

# ALASKA STATE LEGISLATURE

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Phone: (907) 235-0690

## SENATOR PETER A. MICCICHE

### SB 193-CONTRACTORS: BONDS; LICENSING Sectional Analysis

#### DISTRICT

*Anchor Point*

*Clam Gulch*

*Cohoe*

*Diamond Ridge*

*Fox River*

*Fritz Creek*

*Funny River*

*Halibut Cove*

*Happy Valley*

*Homer*

*Kachemak City*

*Kachemak Selo*

*Kalifornsky*

*Kasilof*

*Kenai*

*Nikolaevsk*

*Ninilchik*

*Razdolna*

*Ridgeway*

*Seldovia*

*Soldotna*

*Voznesenka*

**Section 1** of the bill is a conforming change needed due to the repeal in section 5 of the bill.

**Section 2** adjusts the contractor license bond amounts. The current amount of \$10,000 for general contractors and \$5,000 for specialty contractors were established in 1982 and have not been adjusted since. The amounts are so low, they are no longer meeting the original intent of the law, which is to provide the public some recourse in the event of negligent or improper work or breach of contract. The new amounts as follows were recommended by the various construction trade associations in Alaska.

SB 193 proposes to increase the license bond amounts to the following:

General Contractors	\$25,000
General Contractors who perform only residential	\$20,000
Mechanical or Specialty Contractors	\$10,000
Contractors performing minimal work	\$ 5,000

**Section 3** of the bill moves existing statutory language allowing for a cash deposit in lieu of a surety bond from AS 08.18.071(b) to AS 08.18.071(c).

**Section 4** of the bill moves existing statutory language requiring insurance coverage for contractors providing work over \$2,500, from the exemption under AS 08.18.161(8) to the section covering insurance in AS 08.18.101(a). This section does not alter the requirement and is only intended to clean up the current language.

**Section 5** repeals one of the registration and bond exemptions from AS 08.18.161. The current language allows for individuals performing work less than \$10,000 to be exempt from the license and bond requirements. However, the language establishes 5 criteria where the exemption is exempt including, when the individual "advertises or puts out a sign or card or other device that might indicate to the public that the person is a contractor." Given the ambiguity in AS 08.18.161(8), SB 193 proposes to eliminate the subsection and replace the license and bond requirements for contractors in AS 08.18.071(b) or Section 2 of the bill. The new language establishes bond amounts for the various types of contractors and does not impact non-contractors performing small jobs or helping family or friends.

**Section 6** The main purpose of this section is to allow existing contractors until January 1, 2015 or the next renewal of their registration to obtain the higher bond amounts.

# Alaska Independent Insurance Agents & Brokers, Inc.

## POSITION PAPER ON SB 193 : Increase to Contractor License Bonds

The Alaska Independent Insurance Agents & Brokers, Inc. is a Professional Trade Association representing Insured's and Insurance companies throughout the state of Alaska.

### Senate Bill 193 – Increase to Contractor License Bonds

THE ALASKA INDEPENDENT INSURANCE AGENTS & BROKERS, INC SUPPORTS SB 193 AS WRITTEN

#### *The followings bullet points support our position:*

- The current bond levels were established over thirty years ago, and an adjustment is long overdue. If the CPI were applied to the 1982 rate, the present bond limits would be just over double (2.18 times) what the 1982 amounts were. This makes the new license bond amounts a reasonable increase.
- The purpose of the bond is not only to ensure the contractor has financial resources to pay tax and other obligations, it is mostly importantly, established in order to provide the public an avenue to seek recourse in the event there is negligent or improper work or breach of contract.
- The current amount is not sufficient to provide the protections the bond is intended to provide
- The license bond provides financial protection for clients, other contractors, material suppliers, equipment rental companies.
- It gives business some confidence in extending credit to some contractors.
- It also gives those same businesses some recourse should bills go unpaid.
- The statute is an important component of Alaska's consumer protection laws.
- The amounts established in the bill are supported by the construction industry for the purposes of providing greater protection to the public and maintaining the integrity of the thousands of reputable contractors operating in Alaska

Thank you for sponsoring this piece of legislation that I believe is important for consumer protection and to our industry.

We respectfully request that you consider our stance when reviewing this bill.  
We welcome the opportunity to discuss this with you in more detail.

Sincerely,

*David Hale*

Legislative Chair

Alaska Independent Insurance Agents & Brokers, Inc.



Independent Insurance Agent

701 W. 41<sup>st</sup> Avenue, Suite 103  
Anchorage, AK 99503  
Phone: (907)349-2500 Fax: (907)349-1300  
[WWW.AIIAB.ORG](http://WWW.AIIAB.ORG)



## **ANCHORAGE SAND and GRAVEL CO., INC.**

1040 O'Malley Road • Anchorage, AK 99515 • Toll-free: (888) 349-3133 • Phone: (907) 349-3333  
Fax: (907) 344-2844 • www.anchsand.com

Senator Peter Micciche  
State Capitol Room 125  
Juneau AK, 99801

**Re: SB 193 Contractors License Bonds**

Dear Senator Micciche:

My name is Dale Morman and I have been with Anchorage Sand & Gravel in the construction materials supply business in Alaska for 24 years. I support SB 193 "An Act relating to bonds required for contractors". The bill would benefit our industry in several ways.

- Increasing these bond limits will increase our credibility and protection.
- The current bond levels were established over thirty years ago, and an adjustment is long overdue. If the CPI were applied to the 1982 rate, the present bond limits would be just over double (2.18 times) what the 1982 amounts were. This makes the new license bond amounts a reasonable increase.
- The purpose of the bond is not only to ensure the contractor has financial resources to pay tax and other obligations, it is most importantly established in order to provide the public an avenue to seek recourse in the event there is negligent or improper work or breach of contract.
- The license bond provides financial protection for clients, other contractors, material suppliers, equipment rental companies.
- It gives businesses some confidence in extending credit to some contractors.
- It also gives those same businesses some recourse should bills go unpaid.
- This would require contractors doing small jobs under the "handyman" exemption to also get a bond.
- The statute is an important component of Alaska's consumer protection laws.
- The amounts established in the bill are supported by the construction industry for the purposes of providing greater protection to the public and maintaining the integrity of the thousands of reputable contractors operating in Alaska

Thank you for sponsoring this piece of legislation that I believe is important for consumer protection and to our industry.

Sincerely,

Dale G. Morman  
President



## ASSOCIATED GENERAL CONTRACTORS of ALASKA

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8005 SCHOON STREET, SUITE 100 • ANCHORAGE, ALASKA 99518  
TELEPHONE (907) 561-5354 • FAX (907) 562-6118

February 28, 2014

Senator Peter Micciche  
State Capitol Room 125  
Juneau AK, 99801

RE: SB 193 Contractor License Bonds

Dear Senator ~~Micciche~~ *Peter*

The Associated General Contractors of Alaska (AGC) is a trade association representing over 650 Alaskan businesses in the construction industry. Approximately half of our members are contractors holding current contractors licenses.

The construction industry prides itself on having the highest in skills, talent and integrity – this legislation is part of that. We began working on this issue a few years ago, involving a number of other industry groups, including the Associated Builders and Contractors (ABC), the State Homebuilders (ASHBA), Electrical Contractors (NECA) and Mechanical Contractors (AMCA). We all agreed there needed to be some changes. While the levels may not be to everyone's satisfaction, there was consensus for the levels brought forward.

The license bond serves a number of purposes, but most importantly, it is a piece of Alaska's Consumer Protection laws. The current bond levels were established over thirty years ago, and an adjustment is long overdue. If the CPI were applied to the 1982 rate, the present bond limits would be just over double (2.18 times) what the 1982 amounts were. This makes the new license bond amounts a reasonable increase.

I believe the bond levels are in need of an update, and an increase in line with the CPI over the last thirty years reasonable. Thank you for sponsoring this piece of legislation that I believe is important for consumer protection and to the integrity of our industry.

Sincerely,

John MacKinnon, Executive Director  
Associated General Contractors of Alaska



301 Cushman St., Ste 200  
P.O. Box 70668  
Fairbanks, Alaska 99707  
907/452-2512  
907/452-5018 (fax)  
[samrobert@briceinc.com](mailto:samrobert@briceinc.com)

February 24<sup>th</sup>, 2014

Senator Peter Micciche  
State Capitol Room 125  
Juneau AK, 99801

Re: SB 193 Contractors License Bonds

Dear Senator Micciche

My name is Sam Robert Brice and I'm the President of Brice Companies based in Fairbanks, Alaska. Our companies have been in the construction, construction materials and equipment rental business in Alaska for over 50 years. We support SB 193, an increase to Contractor License Bonds for the following reasons:

- The current bond levels were established over thirty years ago, and an adjustment is long overdue.
- We work in the construction industry and we want these bond limits increased for our own credibility and protection.
- The purpose of the bond is not only to ensure the contractor has financial resources to pay tax and other obligations, it is mostly importantly, established in order to provide the public an avenue to seek recourse in the event there is negligent or improper work or breach of contract.
- The current amount is not sufficient to provide the protections the bond is intended to provide
- The license bond provides financial protection for clients, other contractors, material suppliers, and equipment rental companies.
- It gives business some confidence in extending credit to some contractors.
- It also gives those same businesses some recourse should bills go unpaid.
- This would require contractors doing small jobs under the "handyman" exemption to also get a bond.
- The statute is an important component of Alaska's consumer protection laws.

- The amounts established in the bill are supported by the construction industry for the purposes of providing greater protection to the public and maintaining the integrity of the thousands of reputable contractors operating in Alaska

Thank you for sponsoring this important piece of legislation for consumer protection and our industry.

Please don't hesitate to contact me if I can provide any further information. Office phone (907) 452-2512 or email, [samrobert@briceinc.com](mailto:samrobert@briceinc.com)

Sincerely,



Sam Robert Brice, President  
Brice Incorporated



## CRAIG TAYLOR EQUIPMENT COMPANY

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Senator Peter Micciche  
State Capital Room 125  
Juneau, AK 99801

RE: SB 193 Contractors License Bonds

Dear Senator Micciche

My name is Lonnie G. Parker and I've been in the construction/equipment rental business for 31 years.

- We work in the construction industry and we want these bond limits increased for our own credibility and protection.
- It's unusual that a business would ask to have a requirement increased, but I believe that the license bond limits need to be increased. The construction industry prides itself on having the highest in skills, talent and integrity – this legislation is part of that.
- The current bond levels are established over thirty years ago, and an adjustment is long overdue. If the CPI were applied to the 1982 rate, the present bond limits would be just over double (2.18 times) what the 1982 amounts were. This makes the new license bond amounts a reasonable increase.
- The purpose of this bond was not only to ensure the contractor has financial resources to pay tax and other obligations, it was, most importantly, established in order to provide the public an avenue to seek recourse in the event there is negligent or improper work, or breach of contract.
- The current amount is not sufficient to provide the protections the bond is intended to provide.
- The license bond provides financial protection for clients, other contractors, material suppliers and equipment rental companies.
- It gives businesses some confidence in extending credit to some contractors.
- It also gives those same businesses some recourse should bills go unpaid.
- This would require contractors doing small jobs under the "handyman" exemption to also get a bond.
- The statute is an important component of Alaska's consumer protection laws.
- The amounts established in the bill are supported by the construction industry for the purposes of providing greater protection to the public and maintaining the integrity of the thousands of reputable contractors operating in Alaska.

Thank you for sponsoring this piece of legislation that I believe is important for both consumer protection and our industry.

Sincerely,

Lonnie G. Parker  
President / C.E.O.  
Craig Taylor Equipment Company

An Alaskan Corporation

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733 East Whitney Road • Anchorage, Alaska 99501-1623 • 1-907-276-5050 • Fax 1-907-276-0889

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**MARSH & McLENNAN  
AGENCY**

**Kelly Michael Layman**  
Vice President  
Marsh and McLennan Agency, LLC  
1031 West 4th Avenue, Suite 400  
Anchorage, AK 99501  
907 257 6344 Fax 907 677 0390  
kelly.layman@marshmc.com

February 27, 2014

Senator Peter Micciche  
State Capitol Room 125  
Juneau AK, 99801

Re: SB 193 Contractor's License Bonds

Dear Senator Micciche

My name is Kelly Layman and I've been in the construction/surety business in Alaska for over eleven years. I have been in the construction/surety business for over 21 years.

- The purpose of this type of bond is not only to ensure the contractor has financial resources to pay taxes and contributions due to the state and other political subdivisions, and to pay persons furnishing labor or material or renting or supplying equipment to the principal on the bond, but most importantly this type of bond should provide ADEQUATE protection to the general public in the event there is negligent or improper work or breach of contract, and damages have been adjudged.
- The current bond levels were established over thirty years ago, and an adjustment is long overdue. If the CPI were applied to the 1982 rate, the present bond limits would be just over double (2.18 times) what the 1982 amounts were. This makes the new license bond amounts a reasonable increase.
- The current bond amounts are not sufficient to provide the protections the bond is intended to provide.
- The license bond provides limited financial protection for clients, other contractors, material suppliers, equipment rental companies.
- It gives business some confidence in extending credit to some contractors.
- It also gives those same businesses some recourse should bills go unpaid.
- This would require contractors doing small jobs under the "handyman" exemption to also get a bond.
- The statute is an important component of Alaska's consumer protection laws.
- The amounts established in the bill are supported by the construction industry for the purposes of providing greater protection to the public and maintaining the integrity of the thousands of reputable contractors operating in Alaska

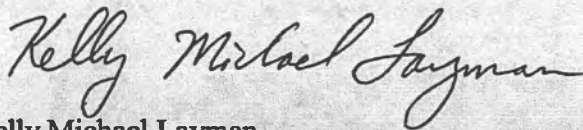
I have discussed this piece of legislation with many surety underwriters from over a half dozen different sureties. I asked them several questions. First, do they have any issues with these potential increased bond amounts? Second, could they provide information on what other states are requiring (Do all of the other states require a contractor's license bond? What are the bond amounts in other states? Have any states recently increased the bond amounts of their contractor's license bond limits? What are the typical rates for these bonds? Will this bond amount increase cause a rate increase?).

Based on my research it appears that in the mid-west, eastern seaboard and southern united states rather than have state-wide licenses it is more common that each county, city or municipality has their own licenses/bonds as opposed to statewide contractor's license bonds. I would be happy to share the information I have on the contractor's license bond amounts in many of the states in the western united states. Oregon is the one state I found that increased their contractor's license bond amount most recently.

In addition, the sureties I contacted all have rates filed for these types of bonds and the underwriters did not voice any concern about needing to change their rates due to the potential increased bond amounts. Currently the typical rates for Contractor's License Bonds vary between sureties and the specific cases of the applicants for the bonds. The most common rates are typically between 3 – 5% of the bond amount (charged on an annual basis). For example, the most common premium for a \$10,000 Alaska General Contractor's License Bond are in the range of \$300 - \$500 per year. However, since the bond amounts would be increased under this legislation, even if the rate remains constant the annual premium will be larger. For example, the most common premium for a \$25,000 Alaska General Contractor's License Bond would typically have a premium in the range of \$750 - \$1,250 per year. There will also be some contractors who would pay significantly more than this range and some contractors who would pay significantly less than this range, but these would be the exceptions to the rule.

Thank you for sponsoring this piece of legislation that I believe is important for consumer protection and to our industry.

Sincerely,

A handwritten signature in cursive script that reads "Kelly Michael Layman". The signature is written in dark ink and is positioned above the printed name.

Kelly Michael Layman

Serving Alaska Since Before Statehood



February 24, 2014

Senator Peter Micciche  
State Capitol Room 125  
Juneau AK, 99801

Re: SB 193 Contractors License Bonds

Dear Senator Micciche,

My name is Larry Bell, and I am the Executive Manager of the National Electrical Contractors Association, Alaska Chapter (NECA, Alaska Chapter). The Alaska Chapter of NECA has been serving the electrical construction industry in Alaska since before statehood, with members operating from Southeast Alaska to the North Slope of our great state. I personally have been in the construction business in Alaska for over 25 years, as my father before me was.

I am contacting your office in support of the recently submitted "SB 193 Contractors License Bonds" for several reasons. Included are the following points for which I wish you to consider as this important piece of legislation moves forward:

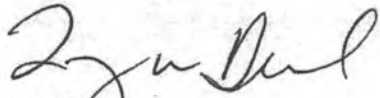
- The construction industry and desires to have these bond limits increased not only for our own credibility, but for our protection as well.
- While it may seem unusual that business would ask to have a requirement increased, many believe that a license bond increase is overdue.
- The current bond levels were established over thirty years ago, if the CPI were applied to the 1982 rate, the present bond limits would be just over double (2.18 times) what the 1982 amounts were. This makes the new license bond amounts a more than reasonable increase.
- The purpose of the License Bond is not only to ensure the contractor has financial resources to pay taxes and other obligations, it is most importantly established in order to provide the public an avenue to seek recourse in the event there is negligent or improper work performed, or breach of contract.
- The current amount is simply not sufficient to provide the protections that a reasonable License Bond is intended to provide.
- The License Bond provides financial protection for clients, other contractors, material suppliers, equipment rental companies, in addition to others.
- It gives business some confidence in extending credit to many contractors.
- It can also provide those same businesses an avenue of recourse should bills go unpaid.

712 West 36th Avenue • Anchorage, Alaska 99503  
(907) 561-1958 • Fax (907) 561-8633

- This bill would require contractors doing small jobs under the “handyman” exemption to also get a bond. This should be an essential component of consumer protection for many homeowners.
- The statute is an important piece of Alaska’s consumer protection laws.
- The amounts established in the bill are supported by the construction industry for the purposes of providing greater protection to the public and maintaining the integrity of the thousands of reputable contractors operating in Alaska.

Thank you for sponsoring this piece of legislation that I believe will prove to be important for consumer protection and to our industry.

Respectfully Submitted,



Larry Bell  
Executive Manager  
NECA, AK Chapter

# Roger Hickel Contracting, Inc.

February 24, 2014

Senator Peter Micciche  
State Capitol Room 125  
Juneau AK, 99801

Re: SB 193 Contractors License Bonds

Dear Senator Micciche:

My name is Mike Shaw and I've been in the construction business in Alaska for over 30 years, and am currently the President of Roger Hickel Contracting, Inc.

Working in the construction industry we want these bond limits increased for our own credibility and protection. It's unusual that a business would ask to have a requirement increased, but I believe that the license bond limits need to be increased. The construction industry prides itself on having the highest in skills, talent and integrity – this legislation is part of that.

The current bond levels were established over thirty years ago, and an adjustment is long overdue. If the CPI were applied to the 1982 rate, the present bond limits would be just over double (2.18 times) what the 1982 amounts were. This makes the new license bond amounts a reasonable increase.

The purpose of the bond is not only to ensure the contractor has financial resources to pay tax and other obligations, it is mostly importantly, established in order to provide the public an avenue to seek recourse in the event there is negligent or improper work or breach of contract. The current amount is not sufficient to provide the protections the bond is intended to provide. The license bond provides financial protection for clients, other contractors, material suppliers, equipment rental companies. It gives business some confidence in extending credit to some contractors. It also gives those same businesses some recourse should bills go unpaid.

The statute is an important component of Alaska's consumer protection laws.

The amounts established in the bill are supported by the construction industry for the purposes of providing greater protection to the public and maintaining the integrity of the thousands of reputable contractors operating in Alaska.

Thank you for sponsoring this piece of legislation that I believe is important for consumer protection and to our industry.

Sincerely,



Mike Shaw, President  
Roger Hickel Contracting, Inc.

# TYLER RENTAL INC.

February 27, 2014

The Honorable Senator Mike Dunleavy  
Senate Labor and Commerce Committee  
Juneau, Alaska 99801

Re: SB 193 Contractors: Bonds; Licensing

Chairman Dunleavy,

I am writing to you in support of Senate Bill 193.

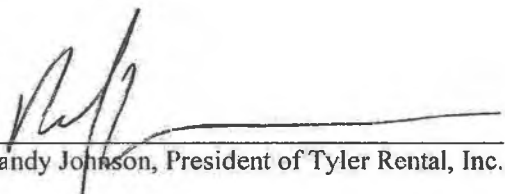
I am the President and owner of Tyler Rental, Inc. Tyler operates in four locations in Southeast Alaska and one location in Washington State. Our primary business is the rental of large construction equipment to contractors and smaller equipment to homeowners and small contractors.

Because the current bonding limits were set over 30 years ago the limits do not reflect the current economic environment. The limits as proposed in SB193 seem reasonable from the contractor perspective but would provide the general public greater security in small building projects.

With the increase in bonding limits the rental industry could at the same time increase the credit limits we have on smaller contractors and residential builders.

Thank you for your time and consideration of my comments regarding Senate Bill 193. If you have any questions regarding my support, please contact me at 907 228-5352 or my Chief Financial Officer, Doug Johnson at 907 228-5379.

Sincerely yours



Randy Johnson, President of Tyler Rental, Inc.

Cc: Senator Peter Micciche

**Ketchikan, AK**  
5216 Borch Street  
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Ketchikan, AK 99901  
Office: 907-225-6069  
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