

SB

193

<TARGET><BILL>SB 193</BILL><SUBJECT>SB
193</SUBJECT><COMM>SFIN28</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/11/14

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 193

SB 193-CONTRACTORS: BONDS; LICENSING

"An Act relating to bonds required for contractors."

and recommends:

- be replaced with CS _____ (_____) Same Title New Title
- adopt previous CS _____ (_____) Same Title New Title
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED		✓		1
LWF		✓		2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Anna Fairclough</i>	FAIRCLOUGH	✓			
<i>Cliff Bishop</i>	BISHOP	✓			
<i>Michael Tully</i>	DUNLEAVY				✓
<i>Jim Hoffman</i>	HOFFMAN	✓			
<i>Thomas Kelly</i>	KELLY				
CO-CHAIR: <i>Tom Meyer</i>	MEYER				
CO-CHAIR: <i>Tom Meyer</i>	MEYER				

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SB 193
Fiscal Note Number: 1
(S) Publish Date: 4/11/14

Identifier: SB193-DCCED-CBPL-02-21-14
Title: CONTRACTORS: BONDS; LICENSING
Sponsor: MICCICHE
Requester: Senate 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 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES								
Personal Services	***	***	***	***	***	***	***	***
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	***	***	***	***	***	***	***	***

Fund Source (Operating Only)

None								
Total	***	***	***	***	***	***	***	***

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
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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:

Not applicable, initial version

Prepared By: Don Habeger Phone: (907)465-2536
Division: Corporations, Business and Professional Licensing Date: 02/21/2014 06:30 PM
Approved By: Jeanne Mungle, Director Date: 02/22/14
Agency: Administrative Services

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. SB 193

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.

An indeterminate fiscal note is assigned to SB 193 as the division is unable to quantify how many "handymen" might apply for a construction contractor's license. "Handyman" business activity is not distinguishable from licensed construction or services lines of business. Without an estimated number of potential "handymen" needing to be newly licensed, the division is unable to determine revenue and cost impacts associated with SB 193.

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SB 193
Fiscal Note Number: 2
(S) Publish Date: 4/11/14

Identifier: SB193-DOLWD-MI-2-28-14
Title: CONTRACTORS: BONDS; LICENSING
Sponsor: MICCICHE
Requester: Senate 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	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015					
Personal Services	***		***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	***	0.0	***	***	***	***	***

Fund Source (Operating Only)

None							
Total	***	0.0	***	***	***	***	***

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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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:

Not applicable, initial version.

Prepared By: <u>Grey Mitchell, Director</u>	Phone: <u>(907)465-4842</u>
Division: <u>Labor Standards and Safety</u>	Date: <u>02/28/2014 03:50 PM</u>
Approved By: <u>Dianne Blumer, Commissioner</u>	Date: <u>02/28/14</u>
Agency: <u>Department of Labor and Workforce Development</u>	

FISCAL NOTE ANALYSIS #2

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. Due to a lack of information about the number of businesses that may become subject to licensing requirements as a result of the legislation, the impact on enforcement activity is indeterminate.

ALASKA STATE LEGISLATURE

SESSION ADDRESS:
Alaska State Capitol, Rm. 125
Juneau, Alaska 99801-1182
Phone: (907) 465-2828
Fax: (907) 465-4779
Toll Free: (800) 964-5733



INTERIM ADDRESSES:
145 Main St. Loop #226
Kenai, AK 99611
Phone: (907) 283-7996

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

SENATOR PETER A. MICCICHE

SB 193-CONTRACTORS: BONDS; LICENSING Sectional Analysis

DISTRICT Q

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 STATE LEGISLATURE

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Alaska State Capitol, Rm. 125
Juneau, Alaska 99801-1182
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Toll Free: (800) 964-5733



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SENATOR PETER A. MICCICHE

SB 193-CONTRACTORS: BONDS; LICENSING Sponsor Statement

DISTRICT 0

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 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. 41st Avenue, Suite 103
Anchorage, AK 99503
Phone: (907)349-2500 Fax: (907)349-1300
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

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

February 24th, 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

Sincerely,



Sam Robert Brice, President
Brice Incorporated



CRAIG TAYLOR EQUIPMENT COMPANY

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



**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

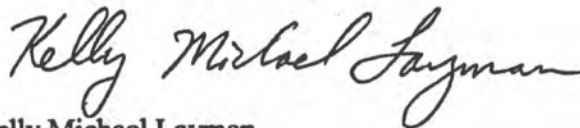
I have discussed this piece of legislation with many surety underwriters from over a half dozen different sureties. I asked them several questions. First, do they have any issues with these potential increased bond amounts? Second, could they provide information on what other states are requiring (Do 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 black 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.

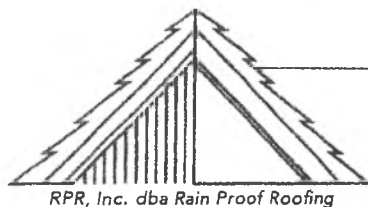
- This bill would require contractors doing small jobs under the “handyman” exemption to also get a bond. This should be an essential component of consumer protection for many homeowners.
- The statute is an important piece of Alaska’s consumer protection laws.
- The amounts established in the bill are 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



Rain Proof Roofing

2201 East 84th Court
Anchorage, AK 99507
Phone: (907) 344-5545
Fax: (907) 349-3386

1255 West Winter Court
Wasilla, AK 99654
Phone: (907) 373-5545
Fax: (907) 373-5509

Email: info@rainproofroofing.com

February 25, 2014

Senator Peter Micciche
State Capitol Room 125
Juneau AK, 99801

Re: SB 193 Contractors License Bonds

Dear Senator Micciche,

My name is Pat Reilly and I am writing you in support of SB 193 regarding Contractor's License Bonds. I have been in the roofing and construction industry for over forty years and our company has offices in Anchorage, Wasilla and the Kenai Peninsula as well as having had an office in Fairbanks until 2000. Our company works statewide and the more stringent bond requirements in SB 193 provide greater protection not only to suppliers and subcontractors, but more importantly to the ultimate end user, Alaska property owners.

Over the years we have seen numerous instances where homeowners, subcontractors and suppliers have gone unpaid due to the bond amount being insufficient to cover claims. I understand there will always be cases where the bond amount will not pay all claims, but SB 193 moves in the right direction.

Though it may seem unusual that a business would ask to have required bonding amounts increased, I believe the amounts proposed in SB 193 are reasonable and necessary for several reasons:

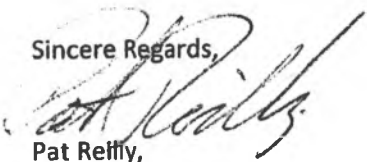
Bonding requirements are set in place to provide financial protection for consumers, material suppliers, equipment rental companies, subcontractors and other contractors as well as provide an avenue of recourse in the event of negligent work, unpaid bills or breach of contract. The current bond amounts are insufficient to provide this protection.

Current bond levels were established over 30 years ago and the proposed amounts are even less than what they would be if the CPI were applied over the same time period.

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.

As this statute is an important component of Alaska's consumer protection laws, we appreciate and thank you for sponsoring this piece of legislation that I believe is vital to the consumer as well as to our industry.

Sincere Regards,


Pat Reilly,
President

RPR, Inc. dba Rain Proof Roofing

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.

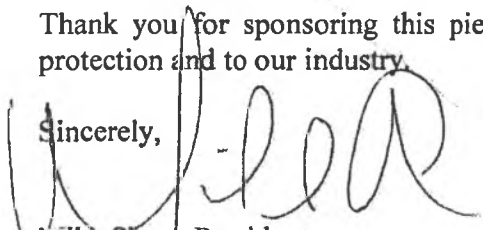
The purpose of the bond is not only to ensure the contractor has financial resources to pay tax and other obligations, it is mostly importantly, established in order to provide the public an avenue to seek recourse in the event there is negligent or improper work or breach of contract. The current amount 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.

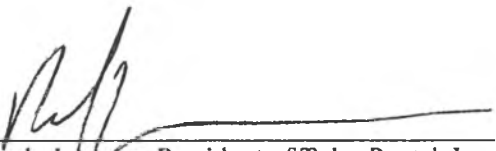
I am the President and owner of Tyler Rental, Inc. Tyler operates in four locations in Southeast Alaska and one location in Washington State. Our primary business is the rental of large construction equipment to contractors and smaller equipment to homeowners and small contractors.

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
PO Box 8158
Ketchikan, AK 99901
Office: 907-225-6069
Fax: 907-225-6118

Craig, AK
400 Port Bagial Blvd
PO Box 1172
Craig, AK 99921
Office: 907-826-2924
Fax: 907-826-2956

Juneau, AK
5295 Glacier Hwy
Juneau, AK 99801
Office: 907-780-2210
Fax: 907-780-2213

Chehalis, WA
153 Hamilton Rd North
Chehalis, WA 98532
Office: 360-748-8109
Fax: 360-748-8113