

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 8672

1739 HLC 1/14/82 NAACP/AIDA/AHFC - 1/20/82 HB 146

NAME OF PROGRAM

Alaska Housing Finance Corporation  
Non-Owner-Occupied Rural Mortgage Purchase Program

DEPARTMENT/DIVISION RESPONSIBLE

AHFC is an independent public corporation and an instrumentality within the Department of Revenue

STATUTE REFERENCE

AS 18.56.100

PURPOSE AND/OR CONDITIONS

To insure a supply of rental housing in rural areas, through assistance in acquisition and development of land and the construction, rehabilitation, financing, management, maintenance, sale, and rental of dwelling units for people of lower and moderate income or people in remote, underdeveloped or blighted areas.

QUALIFIED USERS

Applicant must intend to use loan to construct or substantially rehabilitate rental housing of no more than eight units; mortgages are for use only in communities of 4,500 or fewer inhabitants, in areas not connected to Anchorage or Fairbanks by road or rail; borrower's debt to AHFC may not exceed \$500,000; no income limit for borrowers.

LOAN TERMS

MAXIMUM AMOUNT:	\$500,000, depends upon the number of units, at \$71,500 per unit (3-8) up to maximum amount.
DOWN PAYMENT:	5% for loans up to \$65,000. 10% for loans over \$65,000.
MAXIMUM TERM:	30 years.
INTEREST:	9.5%
FEES:	3/8 of 1% serving fee. .5% commitment fee (refundable) 1% origination fee

LENDING MECHANISM

Secondary

NAME OF PROGRAM

Alaska House Finance Corporation (AHFC)  
Pledged Account Mortgage Program

DEPARTMENT/DIVISION RESPONSIBLE

AHFC is an independent public corporation and an instrumentality within the Department of Revenue.

STATUTE REFERENCE

Developed in 1980

PURPOSE AND/OR CONDITIONS

To allow borrowers to make graduated mortgage payments, smaller in the earlier years of the mortgage and larger as time goes on.

QUALIFIED USERS

The mortgage dwelling, or one unit of a duplex, must be occupied by the borrower. No limit on income of borrower.

LOAN TERMS

Same as those offered under AHFC Special Mortgage Loan Purchase Program, except for repayment requirements.

SEE BACK

LENDING MECHANISM

Secondary

## Loan Terms

### Single-family dwelling (conventional loans)

MAXIMUM AMOUNT: \$147,750, or maximum borrower can afford to service, whichever is less.  
DOWN PAYMENT: 5%  
MAXIMUM TERM: 30 years  
INTEREST: 9% for veterans  
10% for nonveterans  
These rates apply only to the first \$90,000 of a mortgage; borrowers pay the bond market rate for any amount over \$90,000

### Single-family dwelling (FHA-insured loans)

MAXIMUM AMOUNT: \$101,250  
DOWN PAYMENT: Set by FHA  
MAXIMUM TERM: 30 years  
INTEREST: 9% for veterans  
10% for nonveterans  
These rates apply only to the first \$90,000 of a mortgage; borrowers pay the bond market rate for any amount over \$90,000

### Single-family dwelling (VA guarantee loans)

MAXIMUM AMOUNT: \$110,000  
DOWN PAYMENT: The amount of the VA guarantee plus the down payment must be equal to 25% or more of the value  
MAXIMUM TERM: 30 years  
INTEREST: 9%  
Rate applies only to the first \$90,000 of a mortgage; borrowers pay the bond market rate for any amount over \$90,000

### Owner-occupied duplex (conventional loans)

MAXIMUM AMOUNT: \$189,000  
DOWN PAYMENT: 5%  
MAXIMUM TERM: 30 years  
INTEREST: 9% for veterans  
10% for nonveterans  
These rates apply only to the first \$90,000 of a mortgage; borrowers pay the bond market rate for any amount over \$90,000

### Owner-occupied duplex (FHA-insured loans)

MAXIMUM AMOUNT: \$114,000  
DOWN PAYMENT: Set by FHA  
MAXIMUM TERM: 30 years  
INTEREST: 9% for veterans  
10% for nonveterans  
These rates apply only to the first \$90,000 of a mortgage; borrowers pay the bond market rate for any amount over \$90,000

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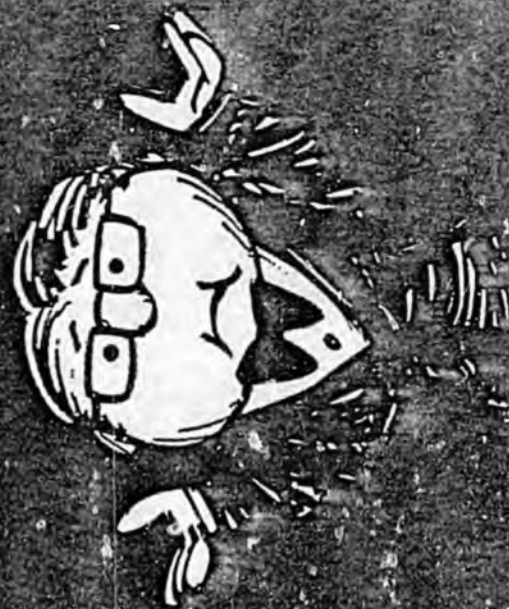
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**Alaska Industrial  
Development Authority**

1577 C Street  
Anchorage, AK 99501

274-1651

H. A. HOFFMAN - EXEC. DIR.

DEPUTY OF CREDIT

WAYNE WILLIAMS

# A. through AIDA!



## That's great but who or what is AIDA?

The Alaska Industrial Development Authority. We were set up by the State of Alaska to help creditworthy businesspeople secure long-term financing for capital projects. To accomplish this, a lot of thoughtful planning was pulled by the Governor, the Lieutenant Governor, and the Legislature before AIDA was created.

But we're not a state agency. We're an independent body dedicated to a smooth-running, quiet approval loan program in cooperation with Alaska lending institutions.

## Here's how the program works in a nutshell.

AIDA sells bonds on the national money market. With the proceeds from these sales we purchase portions of loans made by lenders to businesspeople. Now here's the good part. Because the interest paid on AIDA's bonds is exempt from Federal Income Tax, the bonds bear relatively low interest rates. These low interest rates are passed on to you through your lending institution.

We want to help businesspeople with good credit standards obtain long-term financing. AIDA has programs for loans under a million and for loans from one to ten million dollars.

This is a brief summary of how AIDA works. The following sections answer questions most often asked about AIDA's different programs.

## Questions you probably have about loans under a million dollars:

**Q.** Who can qualify for this program?

**A.** Any small business enterprise with good credit who desires permanent financing up to \$1 million. Also two individual commercial fishermen may apply for loans of \$500,000 each. There is no minimum loan amount.

**Q.** What types of projects qualify?

**A.** Loans are made for new construction, new additions or expansions, new equipment, or for acquisition of existing plant or equipment when seller and buyer are unrelated.

**Q.** If AIDA commits to purchase part of my loan from a lender, how long does that commitment last?



**A.** For up to a year. This allows you time to complete your plans.

**Q.** Will AIDA give me a break if there's a bad business or fishing season?

**A.** Yes, you can get an extension, if both the lender and AIDA agree.



**Q.** And some people say that the fees are pretty steep. True?

**A.** No, your non-refundable fees will never exceed \$600. In fact, we're working to lower the fees even more.

**Q.** If I have a good season and can pay off the loan early, will AIDA penalize me?

**A.** No, there is no penalty for an early payoff.

**Q.** How long after my lender agrees to make my loan will it take AIDA to commit to participate?

**A.** Usually five days seldom over ten.

**Q.** How long after AIDA's commitment will I have the money?

**A.** Usually within 48 hours - a time acceptable to AIDA and your lender.

**Q.** Can I refinance?

**A.** No, AIDA's program is only for purchase or acquisition of capital assets or improvements.

## Questions about bigger loans (1-10 million dollars):

**Q.** What's the major difference between loans under and over 1 million dollars?

**A.** While loans over a million dollars are still financed through tax exempt bonds, the cost to the borrower is more and the borrower must have considerable financial strength.

**Q.** What is AIDA's role in these loans?

**A.** We can help you arrange, through a nationally recognized firm, issuance of tax exempt bonds for your project. If a national firm can't be found, we will try to obtain funds through other financial institutions.



## Questions lenders ask us most often:

**Q.** Won't dealing with AIDA cause the lender a lot of headaches?

**A.** No, AIDA will participate in a loan of up to 75% of the cost of borrower's project. We can purchase up to 90% of the loan if you carry 10%. We make it easier to lend to your customers at lower interest rates.



**Q.** What restrictions apply to the lenders who originate these loans?

**A.** AIDA's participation must be serviced within Alaska by a regulated financial institution.

**Q.** But there's a lot of special forms we have to fill out, right?

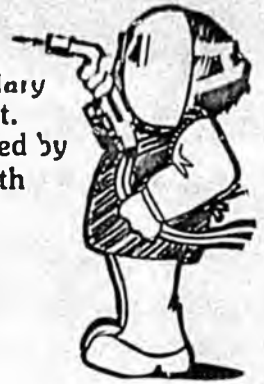
**A.** Not at all. AIDA will accept your loan forms.

**Q.** Do I have to sell 90% of my loans to AIDA?

**A.** No, you may sell any portion as long as it doesn't exceed 90%. And you may sell up to 90% of your portion to another regulated financial institution. You could have as little as 1% in the loan.

**Q.** Is AIDA a direct lender?

**A.** No, we serve only as a secondary financing market. The use of AIDA is controlled by you, the lender, working with your client.



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**Directors of AIDA**

Lance Anderson, *Chairman*  
Thomas K. Williams, *Vice Chairman*  
L. C. Coffman  
Charles R. Webber  
Lee McAnerney  
H. A. "Buzz" Hoffman, *Executive Director*

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**Well you've certainly answered our questions about AIDA!**

If you have further questions, please contact your lender, or call us at 274-1651.



NAME OF PROGRAM

ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY (AIDA)

DEPARTMENT/DIVISION RESPONSIBLE

Prior to July 1, 1981, the Small Business Loan program was handled by the Division of Business Loans. AIDA now handles this program. AIDA is a public corporation and an instrumentality of the Department of Commerce and Economic Development, with a legal existence separate from and independent of the State.

STATUTE REFERENCE

AS 44.88.010-220

PURPOSE AND/OR CONDITIONS

Promote, develop, and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment and to create additional employment by providing means of financing industrial, manufacturing, small business, tourism, mining, and commercial fishing enterprises.

QUALIFIED USERS

AIDA may finance any project it approves as long as the project conforms to IRS guidelines for use of proceeds of tax-exempt bond sales. Tax-exempt bonds may be used to finance only new construction or plants; no refinancing is eligible.

LOAN TERMS

see back

LENDING MECHANISM

Public bond sales. State appropriations, fees and charges. Secondary.



Copies to  
Dist 1 House  
members + Sec  
Dist A. number  
led 1-27-81

Jan 14, 1982

Anchorage Republican Terry Diaster:

Dear Sir,

I listened to the teleconference for women and minorities in the Alaska economic picture and would like to speak for women.

In 1967 I came to Ketchikan from Heceta Island south of Sitka, with teenage children, an illness which had escaped diagnosis and almost unlimited financial credit. I was desperate for a plan to leave my children in case I wasn't around to take care of them.

My children found a small Marina - they thought they could handle and it was for sale. The owner and I drew up an earnest agreement & left it at the bank, which held his mortgage.

Just months later the bank called for me to sign the papers. They had changed my name and marital status and I could either sign or forfeit the deal. We were living at and running the Marina by that time so I signed in desperation thinking I could clear it up with a will and court.

I was wrong. The judge refused to hear any thing I said I never got to court. The news finally published that I had asked for divorce but in the meanwhile my "husband" was given free access to every thing. The bank even loaned him money on my credit. I was pringed by a bank which

When we arrived Tom help me write told  
a man has a right to choose his family in Alaska

had almost nothing to gain  
except 8% of \$6,000 for 7 years. We  
had no protection. I was beaten  
insensible + suffered a stroke.  
My daughter was scalped. We  
were robbed. It was 18 months  
before I got to the hospital +  
my health turned around. The  
State took the harbor and put  
us out of business. (a Ketchikan man)  
Part of the property was taken by  
a state computer for a parking  
lot. No survey or remuneration.  
My "husband" gave the property to  
a buddy by quit claim which I have  
no doubt the court will be glad  
to honor when I sue contest it.

Sorry this is so long but  
I am the one who knows  
about women and the economic  
situation in Alaska. They are  
pimped by it.

Margerie Jackson

RT-1 Box 38 Ketchikan 99901

1/14/82

House Labor & Commerce

Minutes

1273

1282 Wesley, Anch, NAACP; (1281) - ~~summary~~ history of need for mtg

1300 - Harry Goldbar deferred to \_\_\_\_\_; spoke about equal credit opportunity act; 1312 - up to institution to guess race, age, & sex; (1322) notification of adverse action, maintenance of records; (1327) <sup>federal</sup> home mortgage disclosure act; (1337) gotten by Sturgelewski re disclosure act & ECO act.

(1348) Buzzy Hoffman - background on AIDA's programs & how they hold & notice mtgs; (1359) data on minority employment w/in AIDA. (1369) overview of authority & dispersal of funds

(1374) <sup>Sen. Sturgelewski</sup> commended publicly of programs; (1383) Hoffman - will send breakdown on loans to legis re past year's activity.

KTN - Bill Moran, Pres. Ark Bankers Assoc (1390) - recognize potential for discrimination, federal efforts to avoid this.

(1405) compliance w/regulations; (1409) recourse of fed discriminated against

(1427) Kirkpatrick - complaints system; most related to account processing problems; (1437) one complaint re mortgage loan rate.

(1446) jurisdiction w/state chartered financial institution - federally chartered bank complaints go to other institutions. (1457) - microphone problems to 1476

1476 - Kirkpatrick resumed testimony re proceedings on complaints

(1486) - what is looked for in joint examinations (1482) FEDIC new ~~reg~~ program on discrimination. (1503) gotten by Martin re who to contact; (1505) Kirkpatrick response; 1513 - need complaint expressed in writing before formal action

(1525) Adelheid Hermann, Birmingham - Fisherman's mortgage note program to buy boats; explanation of proto w/prog & need for program; cost of entry into market are too high

Anch - (1563) Louis Overstreet - problems minorities have getting funds. (1584) Sen Sturgelewski - attended NAACP mtg, spoke

w/ several people who pointed out need for specifics

(1598) Wesley - comments from agencies re advertising; they're concerned if agencies don't have data to prove they aren't discriminating, they are, de facto. System doesn't work.

(1620) state has poor affirmative action program

(1621) Martin - response; ~~was~~ cd voluntary effort of black community listing race help provide data? (1630) Wesley - shouldn't have to put burden on citizen when legislators have been informed of problem.

Fbx - Pres NAACP - loan prob in Fbx for blacks.

(1646) ask bank what's needed, ~~then~~ fulfill reqts, & are told not enough info; <sup>banks</sup> refuse loans. Governor investigated & cdn't find discrimination. <sup>(1662)</sup> Recourse according to federal regs - treasury, justice dept

(1665)

Pete Aikens - difficulties (1677) state loan offers - were bank offers (in Fairbanks). (1680) specifics of his problems borrowing money fm Ak. Statebank - took over a year to get the loan.

(1698) Martin - questions - (1) once turned down, did he follow through on complaint? (2) did lending inst give list of procedures to follow getting loan; (1707) - Aikens response

Sitka - Phil Moreno (1714) - hard to obtain housing

(1734) Mat - Su, no testimony

(1743) Willy Radcliff, Ak. Minority Business Task Force - problems

(1784) portion of bank's money shd be allocated to black community

(1805) Martin questions - what is possibility of black community drawing up plan they feel is fair & addressing legislative funds.

(1815) Radcliff - don't have resources, not their responsibility

(1828) Mary Afghan, AHC - <sup>first months</sup> AHC lending, no home loans made to blacks; bond market concerned about bonds susceptible to attack; when AHC found out, change in attitude, which was communicated fm AHC to private market. AIDA staffed by former bankers. (Testimony continued on Tape 2)

(056) attempts made to take property away fm blacks in order to ruin economic stability. (083) Martin comments.

(089) Samuel Franks, NAACP, Fbx; (165) Barry Bees - wants funds to conduct study

~~At~~ Ktn (179) Jeff Swartz, depts coord, city of Saxman  
(200) look at national participation programs to develop  
citizens participation rights policy for state. Suggestions for  
community development programs; loan programs; local housing  
authority. (310) Nora DeWitt, Clerk, City of Saxman, large  
native pop'n. Pests getting housing funds, losing youth population.  
Being denied funds because of road link to Ktn.

(358) Future Ries, ~~frustrated~~ frustrated, so doesn't think Wesley responded  
to problem, address procedures instead. (396) Tom Stoner,  
Ainc, grievances w/AHFC.

(449) moderator polled sites  
-471)

Dean de Cloin  
(476) ~~some guy~~ in. Ainc - comments on agencies with potential  
to provide info who don't. (504) shd be required to  
collect & use minority info. (538) supports lending programs.

(585) Phillip Pleasant, Ainc - comments on worsening situation  
for blacks

(610) Ktn, \_\_\_\_\_, comment on constitutional rights

(655) Buzz Hoffman, outreach programs

(687) Harry Goldbar

1-18-82

HB 612

HOUSE LABOR & COMMERCE  
 STANDING COMMITTEE  
 January 18, 1982  
 1:20 p.m.

Members Present: Rep. Martin, Chairman  
 Rep. Bylsma, Vice Chairman  
 Rep. Randolph  
 Rep. Gardiner

Members Absent: Rep. Rogers

COMMITTEE CALENDAR

HB 612 An act relating to public contracts for architectural and engineering services.  
 HB 600 Re/Civil Liability/Architects/Engineers

WITNESS REGISTER

Tom Sofo  
 LAA Legal Services  
 Pouch Y  
 Juneau, Alaska 99811  
 465-3867

Position Statement: Compared committee substitute workdraft and discussion drafts.

Charles E. Torkko, President  
 Consulting Engineers Council of Alaska  
 1351 Virginia Court  
 Anchorage, Alaska 99501  
 278-2551

Position Statement: Supports legislation ensuring selection made on the basis of professional qualifications and competence, not price bids.

PREVIOUS ACTION

HB 600 No previous action to record.

Chairman Martin asked the committee to defer action on HB 600 indefinitely; committee agreed unanimously.

HB 612 No previous action to record.

Rep. Randolph moved to accept workdraft of committee substitute for HE 612. Rep. Gardiner seconded motion; motion passed

unanimously.

ACTION NARRATIVE

Tape #002  
Recording  
Number 000

Meeting was called to order by Chairman Martin at 1:20 p.m. Committee members present were Reps. Martin, Bylsma, Randolph, and Gardiner. Rep. Rogers was absent.

Number 0734

Chairman Martin gave a brief history of HB 612 and presented the final workdraft.

Number 0746

TOM SOFO, of Legislative Legal Services, compared the committee substitute workdraft and discussion drafts. He said the drafts share the goal of changing contracts criteria from considering only the lowest bidder. Recent drafts look at "best qualified...on the basis of professional competence." The difference lies in the words used to specify qualifying criteria. He felt there was room for argument over distinguishing criteria, as all applicants may be capable and qualified; agencies may always end up with the same pool of qualified contractors and may be forced to choose one who is "best". SofO said the legislation may be left to a layman's interpretation of what the legislation means. He said the difference between capable and qualified and best qualified are the differences in the versions of the bill. SofO said he would need more material if he was to review the bill further.

Number 0817

CHARLES E. TORKKO, president of Consulting Engineers Council of Alaska, said he supports legislation ensuring selection made on the basis of professional qualifications and competence, not price bids. (NOTE: Mr. Torkko left a copy of his prepared testimony with the committee; this is available for review.) He compared selection of an engineer or architect to selecting a doctor or lawyer by who gave the lowest bid. Torkko said that skill and experience must be considered before awarding a bid; then negotiate for a fair and reasonable price. He expanded on quality versus cost; premature bids often result in poorer quality or cost overruns. Torkko said the generally accepted method of bidding is to

select qualified bidders, then negotiate a price; as an example, he said the federal government uses this method. He said the State Board of Architects, Engineers and Land Surveyors prohibits architects and engineers from soliciting or giving fee bids. Torkko said this legislation would apply only to architects, engineers, and land surveyors. It would ensure highest quality of service while retaining flexibility.

Number 0924

There was committee discussion about how it is determined who is best qualified, questions about price negotiation, cost estimates, and rating firms, with Torkko responding.

Number 1038

There being no further testimony, Rep. Randolph moved to accept the workdraft of committee substitute for HB 612. Rep. Gardiner seconded the motion. Motion passed unanimously.

Number 1051

Chairman Martin said groups had requested deferrment of consideration of HB 600; the committee agreed, and HB 600 was deferred indefinitely.

Number 1055

As there were no further items to come before the committee at this time, the Chairman adjourned the meeting at 1:53 p.m.

COMMITTEE MINUTES

COMMITTEE HOUSE LABOR & COMMERCE

HEARING DATE January 18, 1982

TAPE NO. 2, Side A

The meeting was called to order by Chairman Martin at 1:20 p.m. in the Labor & Commerce Committee Room, Behrends Building, Juneau, Alaska. Committee members present in addition to the Chairman were Representatives Bylsma, Randolph, and Gardiner. Representative Rogers was absent. Committee staff in attendance were Mary Isaacs, Jeff Barry, and Joan Mathews.

The committee schedule called for the consideration of the following items: House Bill 612 and House Bill 600. Testifying before the committee regarding HB 612 were Tom Sofo, counsel from Legislative Legal Services, and Charles E. Torkko, President, Consulting Engineers Council of Alaska.

Chairman Martin (meter no. 0734) gave a brief history of HB 612 and presented the final workdraft.

Tom Sofo of Legislative Legal Services (meter no. 0746) compared the committee substitute workdraft and discussion drafts. He said (meter no. 0759) the drafts share the goal of changing contracts criteria from considering only the lowest bidder. Recent drafts (meter no. 0766) look at "best qualified...on the basis of professional competence." The difference lies (meter no. 0722) in the words used to specify qualifying criteria. He felt there was room for argument (meter no. 0783) over distinguishing criteria, as all applicants may be capable and qualified; agencies may always end up with the same pool of qualified contractors and may be forced to choose one who is "best". Sofo said the legislation (meter no. 0800) may be left to a layman's interpretation of what the legislation means. He said (meter no. 805) the difference between capable and qualified and best qualified are the differences in the versions of the bill. Sofo said (meter no. 811) he would need more material if he was to review the bill further.

Charles E. Torkko, president of Consulting Engineers Council of Alaska (meter no. 0817) said he supports legislation ensuring selection made on the basis of professional qualifications and competence, not price bids. (Note: Mr. Torkko left a copy of his prepared testimony with the committee; this is available for review.) He compared selection of an engineer or architect to selecting a doctor or lawyer by who gave the lowest bid (meter no. 0846). Torkko said (meter no. 0850) that skill and experience must be considered before awarding a bid; then negotiate for a fair and reasonable price. He expanded on quality versus cost; premature bids (usually low) often result in poorer quality or cost overruns. Torkko said (meter no. 0884) the generally accepted method of bidding is to select qualified bidders, then negotiate a price; as an example, he said the federal government uses this method. He said (meter no. 0893) the State Board of Architects, Engineers and Land Surveyors prohibits architects and engineers from soliciting or giving fee bids.

House Labor & Commerce  
Committee Minutes  
Meeting of 1/18/82

Torkko said (meter no. 0914) this legislation would apply only to architects, engineers, and land surveyors. It would ensure highest quality of service while retaining flexibility.

Rep. Randolph (meter no. 0924) asked how it is determined who is best qualified, and whether this procedure would not create the opportunity for "less than proper determinations". Torkko responded (0929) that price competitions does not eliminate this, and that selection by qualification is traditional, competing with qualifications and skills on a fair basis rather than artificial procedures with sketchy data.

Rep. Bylsma (meter no. 0948) asked, if two or three firms appear equal, how is selection made. Torkko responded (meter no. 0950) that any number might do an adequate job; the process in analyzing "subject specificity" results in a "level of comfortability", and establishes trust and confidence. He said (meter no. 962) it is common to have equally qualified firms ranked differently due to different approaches, personalities, etc.

Rep. Bylsma asked (meter no. 0970), if price is negotiated after selection, would that have a bearing on the fee. Torkko (meter no. 0973) didn't think so. He said the development of a contract is a difficult project; some agencies have a budget, which may or may not be revealed; larger agencies do checks on workscope. The major difference is what is included in the contract. He added (meter no. 0989) that the owner has leverage--if the price is unsuitable, they can terminate the negotiations.

Chairman Martin (meter no. 0995) asked if this procedure could help state and municipal governments better estimate final costs. Torkko said (meter no. 1002) that, by hiring skilled people, estimates should be as skillful as humanly possible. Budgets are often made up with little information. That, and construction cycles beyond control, can distort figures.

Rep. Bylsma (meter no. 1021) asked if it would not help a firm's ratings if they were accurate in their estimates, and vice versa. Torkko said it would.

There being no further testimony, Rep. Randolph (meter no. 1038) moved to accept the workdraft of committee substitute for HB 612. Rep. Gardiner (meter no. 1042) questioned exactly which draft was being referred to, and then seconded the motion. Motion passed unanimously (meter no. 1047).

Chairman Martin (meter no. 1051) said groups had requested deferral of consideration of HB 600; the committee agreed, and HB 600 was deferred indefinitely.

As there were no further items to come before the committee at this time, the Chairman adjourned the meeting at 1:53 p.m.

MINUTES REVIEWED AND APPROVED:

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Representative Terry Martin, Chairman  
House Labor & Commerce Committee





LABOR & COMMERCE COMMITTEE  
DAILY COMMITTEE HEARING

Date: 1/18/82

Place: Committee Room

<u>Members</u>	<u>Present</u>	<u>Absent</u>	<u>Time Arrived</u>	<u>Time Left</u>
Rep. B. Bylsma, V. Chair	✓		1:10	1:53
Rep. D. Randolph	✓		1:13	1:53
Rep. B. Rogers		✓		
Rep. T. Cardiner	✓		1:33	1:53
Rep. T. Martin, Chair	✓		1:05	1:53

Subject Matter:

House Bill No. 612<sup>copy</sup> 600 \_\_\_\_\_

Senate Bill No. \_\_\_\_\_

Special Orders

612 - CS accepted unanimously

600 - hearing deferred

Sofa  
9/16/81

*precedent*

Original sponsor: Labor and Commerce  
Committee by request

BY THE LABOR AND  
COMMERCE COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 612 (L&C)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - SECOND SESSION  
5 A BILL

6 For an Act entitled: "An Act relating to public contracts for architectural  
7 and engineering services."

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

9 \* Section 1. AS 35.15 is amended by adding a new section to read:

10 Sec. 35.15.055. CONTRACTS FOR ARCHITECTURAL AND ENGINEERING SER-  
11 VICES. (a) The department may award a contract for architectural or  
12 engineering services only to a person or firm that the department deter-  
13 mines is capable and qualified. Notwithstanding AS 35.15.050, after  
14 selecting a capable and qualified contractor for architectural or engi-  
15 neering services the department shall establish a reasonable fee for the  
16 services through negotiations with the contractor. The fee shall be  
17 based on the scope and complexity of the services required.

18 (b) A person or firm that <sup>(submit)</sup> provides architectural or engineering  
19 services may annually submit to the department a statement of qualifica-  
20 tions and performance data. Before awarding a contract under (a) of  
21 this section, the department shall review the statements of qualifica-  
22 tions and performance data on file with the department together with  
23 statements of qualifications and performance data submitted by others in  
24 response to an advertisement or request for bids under AS 35.15.030.

*for proposals*







1/15/82

TESTIMONY OF MR. CHARLES E. TORKKO  
President, Consulting Engineers Council of Alaska

Mr. Chairman and members of the Committee, my name is Charles E. Torkko. I am the President of the Consulting Engineers Council of Alaska. The Council is an association of active engineering firms dedicated to advancing the quality of engineering in Alaska. I would like to speak today in support of legislation ensuring that the selection of registered professional architects, engineers, and land surveyors for public projects will be made on the basis of professional qualifications and competence and not on premature fee or price bids. To assist the Committee, I have prepared copies of my remarks which I would like to leave with you, Mr. Chairman, at the conclusion of my testimony.

Traditionally, the selection of architects, engineers, and land surveyors--like many other learned professions--has been conducted through an evaluation process based on demonstrated competence and professional qualifications to perform the specific work that is desired. In this regard the selection of an engineer differs from the selection of a vendor for parts or supplies and from selection of construction contractors in that the choice of a vendor or contractor is generally based on detailed specifications and a quoted price, and contracts are generally awarded on a "low-bid" basis. The reason for this difference lies in the fact that the

professional architect or engineer offers a service that calls for applying state-of-the-art techniques to problems which are invariably unique and result in procurement specifications for vendors and construction contractors. I have been a professional engineer for over 20 years, and I can represent to this Committee that in those years I cannot remember solving the same design problem twice. Given these circumstances, the sole consideration in selecting an architect or engineer for a project must be whether the education, skills, and experience represented are best suited to the specific design problems of a proposed project.

No one in this room today--if he or she were here--would think of asking for bids from physicians and expecting the low bidder to cure a person's illness while restricting the physician's resources. Nor would anyone with a particular complex legal problem--let's say an antitrust matter--ask for bids from the entire legal profession hoping that the most qualified attorney will just happen to submit the cheapest price. Similarly, in the design of a building or other public project, the first and foremost consideration must be the relative skill and experience of persons proposing to do the work. Only after a person or firm has been selected as the best qualified, and after the full requirements of the job have been assessed, should an attempt be made to negotiate a fair and reasonable price for the desired work. I stress the terms "fair" and "reasonable" because I do not mean to suggest that the cost of professional services should be ignored. It must always be the duty of the state or local official responsible for a public project to ensure that fees for professional

architectural or engineering services are amply justified. However, the only time that such a determination can properly be made is after the full scope and complexity of the project are understood, through negotiation. The selected firm must often be given clarifying assistance in the development of the project's objectives.

Many of you might ask what is wrong with requesting preliminary fee bids or estimates of charges for architectural and engineering services. Who loses if a contract is awarded based on, or substantially influenced by, such fee bids?

First and foremost--it is the public who loses--as the ultimate consumer for the proposed project. The public loses in that a few dollars saved at the critical design stage through shortcuts or unimaginative design solutions will result in increased construction costs and--more importantly--in increased operating, maintenance, and other life-cycle costs for the project over the many years of its useful life.

The public loses again in terms of receiving less than maximum value or utility from the project. A "bargain" price is no bargain if the item purchased does not do the job or does it at reduced efficiency.

Second, the professions of architecture and engineering suffer. Human nature being what it is, if fee bids or price estimates are injected prematurely into a competition process, the temptation to "lowball" the bid

will often be irresistible. A job obtained through a "bare bones" bid will produce one of two results. Either the client, and in this case the public, gets a less than optimal project and pays manyfold for the few dollars saved in design costs, or the design costs are later escalated upward through change orders as the client discovers the true cost of quality, professional work. This is, of course, unfair to others in the competitive process who may have refused to sacrifice professional quality for price.

The concept that I have outlined for you today, and which is represented in the legislation before this Committee, is neither new nor radical. As I mentioned at the beginning of my remarks, the generally accepted method for selecting architects and engineers has been to defer negotiation of fee until after a selection has been made based on qualifications. The federal government recognized the need to ensure that this concept is protected by passage of the Brooks Act in 1972. Many other states have followed this precedent and have enacted similar legislation. I have attached a list of these jurisdictions to my written remarks for the information of the Committee. Also, the American Bar Association, after years of effort, has adopted its Model Procurement Code, which calls for competitions to be based on qualifications and for the best qualified person or firm to be selected before fee or price is negotiated. Finally, the Alaska State Board of Registration for Architects, Engineers and Land Surveyors, established under Title 8 of the Alaska Statutes, has adopted, as a regulation with the force of law, 12 AAC 36.230, which prohibits registered professional architects and engineers from soliciting

or submitting proposals for services based on fee or price bids.

Although the substantial majority of public contracts for architectural and engineering services in Alaska are presently being advertised and awarded in accordance with the concept I have described, there have, unfortunately, been cases in which, either intentionally or inadvertently, registered professionals have been requested to submit fee bids. When a registered architect or engineer is faced with such a request, he or she must either decline to submit a proposal for the public job or be placed in a situation which violates the code of professional conduct established by regulation. The legislation which the Consulting Engineers Council of Alaska supports would specify that for contracts with registered architects or engineers issued by the state or a political subdivision, the initial selection of a person or firm must be made on the basis of professional qualifications and demonstrated competence to perform the desired work. I would, however, like to stress that the state or local official would, under this proposal, be free to establish whatever procedures or criteria they deem best in selecting a qualified person or firm. The only requirement under the proposed bill is that an attempt be made to negotiate a fair and reasonable fee with a person or firm selected as best qualified to perform the needed work. If negotiations with that person or firm are unsuccessful, state or local officials remain free to negotiate with other qualified applicants or to reject all or part of the remaining proposals. The recommended legislation would only apply to contracts with registered professional architects, engineers, and land

surveyors and would not affect bids for construction or other types of services or supplies by the state or its local governments. Also, contracts awarded in response to an emergency condition would be exempt from provisions of the bill.

By adopting the proposed bill, Alaska will join with many other states in ensuring that the public receives the highest possible quality of architectural and engineering services while preserving flexibility for state and local officials. I urge this Committee to act favorably on the proposed bill, and I will be happy to attempt to answer any questions. Thank you for the opportunity of testifying before the Committee today, and I thank you for your consideration of the proposed bill.

1/18/82

(0734) Ch. M. explained history of bill; presented final work draft

(0746) <sup>CS</sup> Sojo - compared ~~work draft~~ & discussion drafts.

(759) drafts share goal of taking <sup>chng</sup> contracts criteria from only lowest bidder (inc. other criteria).

(766) recent drafts look at "best qualified... on basis of professional competence." (772) difference is words used to specify qualifying criteria. Most recent drafts look at "best" qualified - distinguished 2 drafts. (781) ~~I~~ went over items Burns had in his draft that we did not include. (783) - room for argument over distinguishing criteria - all applicants may be capable & qualified; may end up with same pool of qualified contractors, & may be forced to choose 1 who is "best." (800) left to layman's interpretation of what bills mean. <sup>(805)</sup> ~~A diff~~ bet cap + qual & best qual are diff in bill. (811) Need more mat'l to row further.

Charles

(817) ~~From~~ E. Torco Pres Consulting Engrs Council of AK. Supports legis ensuring selection made on basis of prof't qualifications & competence, not price bids (left copy of prep prepared testimony)

(846) Compared to selecting doctor or lawyer by lowest bidder.

(850) skill & experience must be considered, then negotiate fair & reasonable price. Expanded on quality v. cost; prematurity pricing bids (low) w/ resulting poorer quality or higher-than-bid cost. Unfair to qualified bidders.

(884) generally accepted method of bidding is to select qualified bidders, then ~~for~~ ~~the~~ negotiate price. Federal govt does this. (893) State Board of Archs & Engrs prohibits archs & engs from soliciting or giving <sup>fee</sup> ~~price~~ bids.

~~The World Today~~

(914) wd only apply to arch's, engs & LS's. ~~at~~  
wd ensure highest quality of service while retaining  
flexibility (encl 0723)

924 Randolph - how do you determine best qualified?  
(don't this open up "less than proper determinations"?)

927 Torko - price competition does not eliminate this; this  
type of selection (by quality) is traditional;  
competing w/ quality & skills on fair basis rather  
than artificial procedure w/ sketchy data.

~~944 R~~

948 Bysma - if 2 or 3 firms equal - what is procedure?

950 Torko - Any # might do adequate job; process in analyzing  
"subject specificity" results in "level of comfortability" -  
establishes trust & confidence. 960 - common to have  
equally qualified firms ranked differently due to  
different approaches, personalities, etc.

970 B - if firms equal, pick one firm, then negotiate -  
wd that have bearing on fees?

973 T - ~~no~~ doesn't think so; depth of contract different  
project; some agencies have budget, which is or isn't  
revealed; larger agencies do checks on workscope.  
major diff of what is inc. in contract. <sup>989</sup> ~~There~~ owner has  
leverage - if price is unsustainable, they can terminate again.

995 Ch. M - <sup>for</sup> can state & muni govt - can procedure like  
this help better estimate costs?

1002 T - by hiring skilled people, estimates shd be as skillful  
as humanly possible. Budgets often made up w/ little info.  
That a cost cycle ~~that~~ beyond control can distort  
figures.

101<sup>st</sup> Randolph

1021 Bycome - What if put firm closer to top of accounts in estimates, + vice versa.

1025 T - yes.

1034 - no further test.

<sup>38</sup>  
1045 - Randolph moved to ~~pass~~ accept committee <sup>substitute</sup> draft  
HB 612

~~1042~~  
1042 qstn by Gardner as to which draft; second by Gardner

1047 passed unanimously

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2:53

HB 600

1051 Ch. M. said qps had requested deferment of consideration

2:53 adjourned

1-19-82

HB 623

HB 640

HOUSE LABOR & COMMERCE  
STANDING COMMITTEE  
January 19, 1982  
1:00 p.m.

Members Present: Rep. Martin, Chairman  
Rep. Bylsma, Vice Chairman  
Rep. Rogers  
Rep. Gardiner  
Rep. Randolph

Members Absent: No members absent.

COMMITTEE CALENDAR

TELECONFERENCE HEARING

HB 623 An act relating to games of chance and contests of skill; and providing for an effective date.

HB 640 An act relating to games of chance and contests of skill; and providing for an effective date.

WITNESS REGISTER

Representative Grussendorf  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811  
465-3824

Position Statement: Sponsor of HB 623. Gave reasons he felt legislation is needed.

Representative Vaska  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811  
465-4914

Position Statement: Co-sponsor of HB 623. Said constituents in his district support this legislation.

Joe Donohue, Deputy Commissioner of Taxation  
Department of Revenue  
Pouch S  
Juneau, Alaska 99811  
465-2302

Position Statement: Gave governor's position and background of use of pull tabs and punch boards.

Marie Reynolds

VFW Ladies Auxiliary  
Bethel, Alaska  
Position Statement: Supports legislation.

Kathy Ward  
Bristol Bay Native Association  
Dillingham, Alaska  
Position Statement: Supports legislation.

K.C. Jackson  
Volunteer, Senior Citizen Program  
Bristol Bay Native Association  
Dillingham, Alaska  
Position Statement: Supports legislation.

Laura Schroeder, Manager  
City of Dillingham  
Dillingham, Alaska  
Position Statement: Supports legislation.

LeRoy Whittich, President  
Elks Club Alaska Association  
Kodiak, Alaska  
Position Statement: Supports legislation.

Merle Snider  
American Legion, Jack Allman Post  
Kodiak, Alaska  
Position Statement: Supports legislation.

Edward Hoffman, Sr.  
Kuskokwim Native Valley Association  
Bethel, Alaska  
Position Statement: Supports legislation.

Andy Edge  
self  
Bethel, Alaska  
Position Statement: Supports legislation.

Arnold Brower, Jr.  
Post Commander, VFW  
Barrow, Alaska  
Position Statement: Supports legislation.

Phil R. Holdsworth, Chairman  
Government & Public Relations Committee  
Alaska State Elks Association  
Juneau, Alaska 99801  
Position Statement: Suggestions.

Mark Beltz  
self  
Anchorage, Alaska

Position Statement: Wanted to speak about another subject; was asked to address committee at another time.

Harry Feldmann

Elks Club

Fairbanks, Alaska

Position Statement: Supports legislation.

Martha Johnson, Chairman

USO

Fairbanks, Alaska

Position Statement: Supports legislation.

Norman Bouffieux

Lions Club

Fairbanks, Alaska

Position Statement: Supports legislation.

Charles Busbee

Elks Club

Fairbanks, Alaska

Position Statement: Supports legislation. Problem with wording of bill.

Raymond Perkins

American Legion

Sitka, Alaska

Position Statement: Supports legislation.

Earl Arnold

Moose Lodge #1350

Sitka, Alaska

Position Statement: Supports legislation.

Bob Kedony

Manager and Secretary

Moose Lodge #1350

Sitka, Alaska

Position Statement: Supports legislation.

Del Childress

Secretary

Elks Lodge

Sitka, Alaska

Position Statement: Supports legislation.

Chester Ballot

Lions Club

Ketzebue, Alaska

Position Statement: Supports legislation.

Charlotte Brower, President

Mothers Club

Barrow, Alaska

Position Statement: Supports legislation.

Priscilla Sage, Vice President  
Mothers Club  
Barrow, Alaska

Position Statement: Supports legislation.

Jim Thompson  
Midnight Sun Lions Club  
Fairbanks, Alaska

Position Statement: Supports legislation.

Mary Caywood  
Alano Club  
Fairbanks, Alaska

Position Statement: Supports legislation.

Vern Kugzruk  
Arctic Native Brotherhood  
Nome, Alaska

Position Statement: Supports legislation.

Howard Farley  
Vice President  
Nome Kennel Club  
Nome, Alaska

Position Statement: Supports legislation. Problem with wording  
in bill.

John Pullock  
King Island Native Community  
Nome, Alaska

Position Statement: Supports legislation.

Leo Land  
Vice President  
Alaska Native Brotherhood  
Haines, Alaska

Position Statement: Supports legislation.

#### PREVIOUS ACTION

HB 623 No previous action. Statutory Ref: AS  
05.15. No action taken on this bill.

HB 640 No previous action. Statutory Ref: AS  
05.15.

Amendments Formally Considered: Rep. Rogers  
moved amendment to page 1, line 24. Motion  
passed unanimously.

Rep. Gardiner moved that bill, as amended,

be passed as Labor & Commerce committee substitute with do-pass by unanimous consent. There was objection. Rep. Gardiner reworded motion to pass out of committee with individual recommendations. Motion passed unanimously. CSHB 640 L&C was passed out of committee. Next committee of referral is House Judiciary.

ACTION NARRATIVE

Tape #003  
Recording  
Number 0000

The meeting was called to order by Chairman Martin at 1:05 p.m. All committee members were present. Other legislators attending the hearing were Reps. Grussendorf and Vaska. Rep. Adams sent written testimony. Committee hearing was teleconferenced statewide.

Number 0022

After an introduction to the teleconference by moderator Jack Sanderson, Chairman Martin gave a summary of the bills and noted the difference in the two bills.

Number 0046

REPRESENTATIVE GRUSSENDORF, sponsor of HB 623, gave background on why he felt legislation was needed. He described pull tabs, or Nevada cards, and the types of organizations who had contacted him concerned over the State banning these games. He said he became concerned that the interpretation of the game ' legality rested with the Department of Revenue. He said that countless organizations rely on pull tabs and punchboards for their fun. Rep. Grussendorf said he had no objection to Rep. Randolph's version of the bill (HB 640) which puts a limit on how much can be charged for the games (\$1 limit). Rep. Bylsma pointed out that, as HB 640 was worded, the dollar limit would apply to raffles and other games, as well as the punchboards and pulltabs. Chairman Martin said that the Governor, in his state of the state address, felt legalizing these games is a moral issue, and asked whether Rep. Grussendorf would oppose amending the bill to go to a referendum vote. Rep. Grussendorf said there is a general tendency on the part of elected officials to cop out on issues facing them; that the ballot will

already be crowded; and that he did not think this issue should go on the ballot. Rep. Gardiner agreed that the problem should be rectified. He said the only person he knew of opposed to the legislation is the Governor. As no members of the public had requested the question to go to referendum vote, he felt the committee should hear testimony and take action. Rep. Randolph concurred. He said that, as chairman of the Regulation Review Committee, he held hearings in Fairbanks and Anchorage, where testimony was unanimously supportive of corrective legislation maintaining the games. He said he felt limiting the cost of pull tabs to \$1 might alleviate the governor's concern about liberalizing gambling laws, and said he plans to amend his bill to be sure this dollar limitation does not apply to bingo, raffles, etc.

Number 0280

REPRESENTATIVE VASKA said constituents in his district supports continuing these activities. He said he co-sponsored HB 623 because of the benefits of this type of fundraising. He supports the bill and supports expediting it.

Number 0311

JOE DONOHUE, Deputy Commissioner of the State Department of Revenue, said the governor is prepared to veto legislation like HBs 623 and 640 unless the legislation contains a provision allowing a vote by the people. He said investigators discovered the use of the pulltabs, which had gone on unknown by the Department for several years, and that the Department had notified permittees that pulltabs were illegal. The Department then received petitions and requests for reconsideration asking the Department to expand regulations to include the use of pulltabs. The governor decided to utilize emergency regulations to allow organization to deplete stocks and to give notice that, as of 1/1/82, pulltabs and punchboards were illegal, and that other fundraising activities should be found. Rep. Rogers asked, in reference to the governor's philosophical difficulties, if the governor's opinion extended to Permit #81-519, the Hammond for Governor raffle and lottery permit. Rep. Gardiner asked if the Department had assessed how many pulltabs were being used, and the volume of money.

Donohue said they had no data except letters and petitions saying that, in some cases, substantially more than 50% of some organizations' income was from punchboards and pulltabs. Donohue said he would give the committee copies of their annual reports.

Number 0425

MARIE REYNOLDS, of the VFW Ladies Auxiliary, Bethel, spoke in favor of pulltabs. She said their income had dropped to less than 40% of what they were receiving before the pulltabs were deemed illegal. She said her group uses the money well to help others with scholarships, camp, and in disasters.

Number 0455

KATHY WARD, director of the Senior Citizens Program in Dillingham, favored pulltabs because they are easy for seniors to play. She felt playing the cards was voluntary, no one was being forced. She opposed a statewide vote, and said much harm would be done by not reinstating the games.

Number 0485

K.C. JACKSON, of the Bristol Bay Native Association's Sr. Citizens Program, Dillingham, said the games provide the seniors with recreation in a wholesome atmosphere where no alcohol is served; he said the only option is going to bars.

Number 0510

LAURA SCHROEDER, Manager of the City of Dillingham, said the city council recommends pulltabs be permitted. She pointed out that applicants have to get council recommendation before getting a state permit for games, so the communities maintain authority. She said that, with cuts in federal revenue sharing, programs must find other means of support. She felt getting funds in this manner was healthier than asking the government for money.

Number 0538

LE ROY WHITTICH, president of the El's Club Alaska Association, Kodiak, said the president of the United States had asked lodges to renew voluntary efforts to help those in need. He feels it's their duty to respond to this. He said without pulltabs for obtaining funds, local and state funds will suffer (more government funds will have to be allocated).

Number 0560

MERLE SNIDER, American Legion Jack Allman

Post, Kodiak, favors the bills. He said his organization raised \$29,324 last year for donations to charity through the use of pulltabs and punchboards. He is forwarding a list of donations to charity and community service organizations. He said the Post would be hurt if denied this source of funds. Rep. Martin asked if Snider objected to the money limit on pulltabs; Snider said no, but he felt \$5 limit might be better. Rep. Bylsma asked if his organization had other sources of funding; Snider said they held twice-weekly bingo, Fourth of July boosts, and some other revenue. Games of chance comprised about 60% of their money raised.

Number 0605

EDWARD HOFFMAN, SR., Bethel, said it should be up to the people, who pay Internal Revenue. He said everybody wants donations to buy a coffin and send kids down to Juneau. He felt Internal Revenue should dig out of their pockets.

Number 0628

ANDY EDGE, Bethel, had no objection to HB 64 as written, but would object to raising the limit beyond \$1. He doesn't want to sanction gambling. He felt, however, that the games in question do good in the community and will continue to do so. He does object to making it big business by raising the \$1 limit.

Number 0649

ARNOLD BROWER, JR., Post Commander, VFW, Barrow, said his Post has members from Barter Island to Point Hope. His Post supports HB 640. He felt Governor Hammond should either look at their side of the issue (in using punchboards and pulltabs to raise funds) or subsidize their programs. He felt the regulations banning the games were detrimental to their existence as a community. He wants legislation as soon as possible, and urged legislators to override the governor's anticipated veto. He doesn't care about the dollar amount in the bill; felt it should be up to the community to limit or not limit games.

Number 0707

PHIL HCLDSWORTH, chairman of the Government and Public Relations Committee of the Alaska State Elks Association, Juneau, suggested, to clarify the interpretation of H. 640, that a comma be placed at the end of line

24. He noted that contributions of working hours should also be taken into consideration when speaking of funds raised.

Number 0731

MARK BELTZ, Anchorage (testifying in Juneau) wanted to talk about minority discrimination. He was asked to address the committee at another time.

Number 0750

GARY FELDMANN, Eagles, Fairbanks, said his group has a membership of 600. Last year they raised \$36,000, including \$10,000 in scholarships. He said they also support sports programs (baseball, basketball and hockey). He said his group lost 70% of their revenue without the pulltabs. With regard to the issue going to statewide vote, he said voter approval is given when a group applies for their license at city hall, and she felt making the games illegal was another infringement on a person's rights.

Number 0772

MARTHA JOHNSON, USO chairman, Fairbanks, said without the sale of pulltabs, their organization will have to shut down. All their budgets were cut. USO provides overnight lodging and transportation to servicemen. She desperately urged passing the legislation.

Number 0787

NORMAN BOUFFIOUX of the Lions Club, Fairbanks, said his group gave over \$100,000 to a park and over \$36,000 to the hospital for a laser eye machine. He said they need the legislation; there is nothing wrong with the games; and the revenue from the games is needed.

Number 0800

CHARLES BUSBEE, Elks, Fairbanks, takes exception to the wording in the bills about raffles before 1959. He felt a \$5 limit would not be objectionable. he said the loss of monies for charities would be substantial if legislation were not passed. Busbee and Rep. Randolph discussed wording of the bill.

Number 0849

RAYMOND PERKINS, American Legion, Sitka, said their main source of revenue is from pulltabs. He favored Grussendorf's bill, but did not oppose Randolph's bill. He named several programs his group sponsors several community-oriented programs, but noted that they are costly. He felt

pulltabs are vital.

Number 0872

EARL ARNOLD, Moose Lodge, Sitka, said his group relies on pulltabs. His group puts out scholarships, sponsors little league, provides disaster funds, help needy families and the pioneers home, purchases TVs for hospitals, gives money to schools, drill teams, and special olympics. He favors both bills, and had no qualms about a money limit.

Number 0889

BOB KEDONY, manager and secretary of Moose Lodge, Sitka, favors HB 623 and a \$5 limit. He said they need the revenue from pulltabs.

Number 0902

DEL CHILDRESS, secretary of the Elks Lodge, Sitka, said his group's charitable contributions run into thousands of dollars, much of which is from the sale of pulltabs. He noted that the cost of activities have gone up; with inflation, in order to continue their activities, they need the gaming situation. He favors both bills, anything to keep going.

Number 0920

CHESTER BALLOT, of the Lions Club, Kotzebue, supports HB 640. He said his organization supports thirteen different groups, from the senior center to little league, with pulltabs. He said the Kotzebue Dog Musers also support the legislation.

Number 0930

CHARLOTTE BROWER, president of the Mothers Club, Barrow, said their primary fundraising is with bingo and pulltabs. Their Club has raised funds for the needy, scholarships, and churches; they sponsor a women's shelter, alcohol programs, youth alternative program, basketball, Jesse Owens, and many other groups and functions. Eliminating pulltabs would take away their primary source of funds. She felt local cities have control and can monitor abuse of games.

Number 0970

PRISCILLA SAGE, vice president, Mothers Club, Barrow, supports HB 640. She noted that, if this main source of funding is eliminated, they would have to cut back on their charitable functions.

Number 0986

JIM THOMPSON, Midnight Sun Lions Club, Fairbanks, heartily supports HB 640. Without pulltabs, they cannot go ahead with

their plans. Eliminating the pulltabs caused them to lose 40% of their funding, without which they will have to drastically cut back programs. He recommended the \$1 limit.

Number 1015

MARY CAYWOOD, Alano Club, Fairbanks, said they desperately need pulltabs, and supported HB 640. She said the Moose also support HB 640. She said Alano is paying for a new building for Alcoholics Anonymous.

Number 1030

VERN KUGZRUK, of the Arctic Native Brotherhood (a non-profit organization), Nome, favored HB 640; he objected to lines 16-20 and did not like 1959 date. He said, without the income from pulltabs, several of their functions (scholarship fund, firefighting equipment) are in jeopardy. He said pulltabs and bingo support these as well as get together bars and dog mushing (including in Nome, Teller, and other communities). He said the funds are needed to keep dog mushing alive. He said he enjoys bingo and doesn't mind paying for pulltabs because the funds go to a good cause. He said if the state authorizes ice classics, it should authorize pulltabs and punchboards. He felt the alternative was to go to bars or stay home drinking. The functions provide a chance for people to socialize and enjoy an evening of bingo and pulltabs. He favors HB 640 except for the 1959 date.

Number 1075

HOWARD FARLEY, vice president of the Nome Kennel Club, Nome, which, he pointed out, is the oldest dog mushing club in the world, supported HB 640, except for the 1959 date. Rep. Randolph clarified what the 1959 date in the bill stood for.

Number 1094

JOHN PULLOCK, King Island Native Community, Nome, supported HB 640. He said attendance has dropped almost 50% since eliminating pulltabs (at their fundraising events).

Number 1104

LEO LAND, vice president of Alaska Native Brotherhood, Haines, said if pulltabs are taken away, they will have to close their doors and end their charitable work. He saw no problem with a \$5 limit, regardless of the governor. He said 50-70% of their funds comes from pulltabs, and that people can

afford a \$5 limit.

Number 1131

At this point, public testimony was ended and the bills went before the committee for consideration. Representative Rogers moved an amendment to HB 640 on page 1, line 24; Rep. Randolph seconded the motion and, there being no objection, the amendment passed. Rep. Gardiner moved that HB 640 as amended be moved out of committee as a Labor & Commerce committee substitute, with a do-pass recommendation by unanimous consent. There being objection, he changed his motion to move the bill out of committee with individual recommendations. Motion passed, and CSHB 640 I&C was directed to House Judiciary committee. Rep. Randolph directed further testimony on the bill be given to Rep. Barnes, Judiciary Committee chairman.

Number 1171

As there were no further items to come before the committee at this time, the Chairman adjourned the meeting at 2:49 PM.

COMMITTEE MINUTES

COMMITTEE: House Labor & Commerce  
HEARING DATE: January 19, 1982  
TAPE NO. 3, Side A

The meeting was called to order by Chairman Martin at 1:05 PM in the Labor & Commerce Committee Room, Behrends Building, Juneau, Alaska. Committee members present in addition to the Chairman were Representatives Bylsma, Randolph, Rogers, and Gardiner. Committee staff in attendance were Jeff Barry, Joan Mathews, and Mary Isaacs. Other legislators attending the hearing were Representatives Grussendorf and Vaska. Representative Adams sent written testimony.

The committee schedule called for the consideration of the following items: House Bills 623 and 640, relating to games of chance and contests of skill. The committee hearing was teleconferenced statewide.

After an introduction to the teleconference by moderator Jack Sanderson (meter no. 022), Chairman Martin (meter no. 028) gave a summary of the bills and noted the difference in the two bills.

REPRESENTATIVE GRUSSENDORF (meter no. 046), sponsor of HB 623, gave background on the legislation was needed. He described pull tabs, or Nevada cards (meter no. 100), and the types of organizations who had contacted him concerned over the State banning these games. He said he became concerned that the interpretation of the games' legality rested with the Department of Revenue. He said that countless organizations rely on pull tabs and punchboards for their funds. Rep. Grussendorf said he had no objection to Rep. Randolph's version of the bill, which puts a limit on how much can be charged for the game (\$1 limit). Rep. Bylsma pointed out that, as HB 640 was worded, the dollar limit would apply to raffles and other games, as well as the punchboard and pull tabs. Chairman Martin said that the Governor, in his state of the state address, felt legalizing these games is a moral issue, and asked whether Rep. Grussendorf would oppose amending the bill to go to a referendum vote. Rep. Grussendorf said there is a general tendency on the part of elected officials to cop out on issues facing them; that the ballot will already be crowded; and that he did not think this issue should go on the ballot. Rep. Gardiner agreed that the problem should be rectified. He said the only person he knew of opposed to the legislation is the Governor. As no members of the public had requested the question to go to referendum vote, he felt the committee should hear testimony and take action (meter no. 191). Rep. Randolph concurred. He said (meter no. 220) that as chairman of the Regulation Review Committee, he held hearings in Fairbanks and Anchorage, where testimony was unanimously supportive of corrective legislation maintaining the games. He said he felt limiting the cost of pull tabs to \$1 might alleviate the governor's concern about liberalizing gambling laws, and said he plans to amend his bill to be sure this dollar limitation does not apply to bingo, raffles, etc.

REPRESENTATIVE VASKA (meter no. 280) said constituents in his district supported continuing these activities. He said he co-sponsored HB 623 because of the benefits of this type of fundraising. He supports the bill and supports expediting it.

JOE DONAHUE, Deputy Commission of the state Department of Revenue (meter no. 311) said the governor is prepared to veto legislation like HB 623 and HB 640 unless the legislation contains a provision allowing a vote by the people. He said investigators discovered the use of the pull tabs, which had gone on unknown by the Department for several years, and that the Department had notified permittees that pulltabs were illegal. The Department then received petitions and requests for reconsideration asking the Department to expand regulations to include the use of pulltabs. The Governor decided to utilize emergency regulations to allow organizations to deplete stocks and to give notice that, as of 1/1/82, pull tabs and punchboards were illegal and that other fund raising activities should be found. Rep. Rogers asked, in reference to the governor's philosophical difficulties, if the governor's opinion extended to Permit #81-519, the Hammond for Governor raffle and lottery permit. Rep. Gardiner asked if the Department had assessed how many pull tabs were being used, and the volume of money (meter no. 372). Donahue said they had no data except letters and petitions saying that, in some cases, substantially more than 50% of some organizations income was from punchboards and pulltabs. Donahue said he would give the committee copies of their annual reports.

MARIE REYNOLDS, of the VFW Ladies Auxiliary, Bethel (meter no. 425), spoke in favor of pulltabs. She said their income had dropped to less than 40% of what they were receiving before the pulltabs were deemed illegal. She said her group uses the money well to help others with scholarships, camp, and in disasters.

KATHY WARD, director of the Senior Citizens Program in <sup>Dillingham</sup> Bethel (meter no. 455), favored pull tabs because they are easy for seniors to play. She felt playing the cards was voluntary, no one was being forced. She opposed a statewide vote, and said much harm would be done by not reinstating the games.

K.C. JACKSON of the <sup>Dillingham</sup> Bristol Bay Native Association's Sr. Citizens Program (meter no. 0485), ~~Bethel~~, said the games provide the seniors with recreation in a wholesome atmosphere where no alcohol is served; he said the only other option is going to bars.

LAURA SCHROEDER, Manager for the City of Dillingham (meter no. 510), said the city council recommends pull tabs be permitted. She pointed out that applicants have to get council recommendation before getting a state permit for games, so the communities maintain authority. She said that, with cuts in federal revenue sharing, programs must find other means of support. She felt getting funds in this manner was healthier than asking the government for money.

LE ROY WHITTE<sup>ch</sup>, president of the Elks Club Alaska Association, Kodiak, (meter no. 538) said the president of the United States had asked lodges to renew voluntary efforts to help those in need. He feels it's their duty to respond to this. He said without pull tabs for obtaining funds, local and state funds will suffer (more government funds will have to be allocated).

MERLE SNEIDER, American Legion Jack Allman Post, Kodiak (meter no. 560), favors the bills. He said his organization raised \$29,324 last year for donations to charity through the use of pull tabs and punchboards. He is forwarding a list of donations to charity and community service organizations. He said the Post would be hurt if denied this source of funds. Rep. Martin asked if Sneider objected to the money limit on pulltabs; Sneider said no, but he felt \$5 limit might be better. Rep. Bylsma asked if his organization had other sources of funding (meter no. 589); Sneider said they held twice-weekly bingo, Fourth of July boosts, and some other revenue. Games of chance comprised about 60% of their money raised.

EDWARD HOFFMAN, SR., Bethel (meter no. 605) said it should be up to the people, who pay Internal Revenue. He said everybody wants donations to buy a coffin and send kids down to Juneau. He felt Internal Revenue should dig out of their pockets.

ANDY WEDGE, Bethel (meter no. 628), had no objection to HB 640 as written, but would object to raising the limit beyond \$1. He doesn't want to sanction gambling. He felt, however, that the games in question do good in the community and will continue to do so. He does object to making it big business by raising the \$1 limit.

ARNOLD BRZWER, JR., Post Commander, VFW, Barrow (meter no. 649), said his Post has members from Barter Island to Point Hope. His Post supports HB 640. He felt Governor Hammond should either look at their side of the issue (in using punchboards and pulltabs to raise funds) or subsidize their programs. He felt the regulations banning the games was detrimental to their existence as a community. He wants legislation as soon as possible, and urged legislators to override the governor's anticipated veto. He doesn't care about the dollar amount in the bill; felt it should be up to the community to limit or not limit games.

PHIL HOLSWORTH, chairman of the Government and Public Relations Committee of the Alaska State Elks Association (meter no. 707), Juneau, suggested, to clarify the interpretation of HB 640, a comma be placed at the end of line 24. He noted that contributions of working hours should also be taken into consideration when speaking of funds raised.

MARK BELTZ, Anchorage (testifying in Juneau) (meter no. 731) wanted to talk about minority discrimination. He was asked to address the committee at another time.

GARY FELDMAN, Eagles, Fairbanks (meter no. 750), said his group has a membership of 600. Last year they raised \$36,000, including \$10,000 in scholarships. He said they also support sports programs (baseball, basketball and hockey). He said his group lost 70% of their revenue without the pull tabs. With regard to the issue going to statewide vote, he said voter approval is given when a group applies for their license at city hall, and he felt making the games illegal was another infringement on a person's rights.

MARTHA JOHNSON, USO chairman, Fairbanks (meter no 772), said without the sale of pulltabs, their organization will have to shut down. All their budgets were cut. USO provides overnight lodging and transportation to servicemen. She desperately urged passing the legislation.

NORMAN BOUFFIOUX of the Lions Club, Fairbanks (meter no. 0787), said his group gave over \$100,000 to a park and over \$36,000 to the hospital for a laser eye machine. He said they need the legislation; there is nothing wrong with the games; and the revenue from the games is needed.

CHARLES BUSBEE, Elks, Fairbanks (meter no. 800), takes exception to the wording in the bills about raffles before 1959. He felt a \$5 limit would not be objectionable. He said the loss of monies for charities would be substantial if legislation were not passed. Busbee and Rep. Randolph discussed wording of the bill.

RAYMOND PERKINS, American Legion, Sitka (meter no. 849) said their main source of revenue is from pulltabs. He favored Grussendorf's bill, but did not oppose Randolph's bill. He named several programs his group sponsors several community-oriented programs, but noted that they are costly. He felt pulltabs are vital.

EARL ARNOLD, Moose Lodge, Sitka (872), said his group relies on pull tabs. His group puts out scholarships, sponsors little league, provides disaster funds, help needs families and the pioneers home, purchases TVs for hospitals, gives money to schools, drill teams, and special olympics. He favors both bills, and had no qualms about a money limit.

BOB <sup>Kedomy</sup>~~KEDING~~ manager and secretary of Moose Lodge, Sitka (meter no. 889), favors HB 623 and a \$5 limit. He said they need the revenue from pulltabs.

DEL CHILDRESS, secretary of the Elks Lodge, Sitka (meter no. 902) said his group's charitable contributions run into thousands of dollars, much of which is from the sale of pulltabs. He noted that the cost of activities have gone up; with inflation, in order to continue their activities, they need the gaming situation. He favors both bills, anything to keep going.

CHESTER BALLOT, of the Lions Club, Kotzebue (meter no. 920), supports HB 640. He said his organization supports thirteen different groups, from the senior center to little league, with pulltabs. He said the Kotzebue Dog Musers also support the legislation.

CHARLOTTE BROWER, president of the Mothers Club, Barrow (meter no. 930), said their primary fundraising is with bingo and pulltabs. Their Club has raised funds for the needy, scholarships, and churches; they sponsor a women's shelter, alcohol programs, youth alternative program, basketball, Jesse Owens, and many other groups and functions. Eliminating pulltabs would take away their primary source of funds. She felt local cities have control and can monitor abuse of games.

PRISCILLA SAGE, vice president, Mothers Club, Barrow (meter no. 970), supports HB 640. She noted that if this main source of funding is eliminated, they would have to cut back on their charitable functions.

JIM THOMPSON, Midnight Sun Lions Club, Fairbanks (meter no. 986), heartily supports HB 640. Without pull tabs, they cannot go ahead with their plans. Eliminating the pulltabs caused them to lose 40% of their funding, without which they will have to drastically cut back programs. He recommended the \$1 limit.

MARY CAYWOOD, Alano Club, Fairbanks (meter no. 1015) said they desperately need pulltabs, and supported HB 640. She said the Moose also support HB 640. She said Alano is paying for a new building for Alcoholics Anonymous.

VERN KUGZRUK, of the Arctic Native Brotherhood (non-profit organization), Nome (meter no. 1030), favored HB 640; objected to lines 16-20 and did not like 1959 date. He said without the income from pulltabs, several of their functions (scholarship fund, firefighting equipment) are in jeopardy. He said pulltabs and bingo support these as well as get togethers and dog mushing (including in Nome, Teller, and other communities). He said the funds are needed to keep dog mushing alive. He said he enjoys bingo and doesn't mind paying for pulltabs because the funds go to a good cause. He said if the state authorizes ice classics, it should authorize pulltabs and punchcards. He felt the alternative was to go to bars or stay home drinking. The functions provide a chance for people to socialize and enjoy an evening of bingo and pulltabs. He favors HB 640 except for the 1959 date.

HOWARD FARLEY, vice president of the Nome Kennel Club (meter no. 1075), which, he pointed out, is the oldest dog mushing club in the world, supported HB 640, except for the 1959 date. Rep. Randolph clarified what the 1959 date in the bill stood for.

JOHN PULLOCK, King Island Native Community, Nome (meter no. 1094), supported HB 640. He said attendance has dropped almost 50% since eliminating pulltabs (at their fundraising events).

LEO LAND, vice president of Alaska Native Brotherhood, Haines (meter no. 1104), said if pulltabs are taken away, they will have to close their doors and end their charitable work. He saw no problem with a \$5 limit, regardless of the governor. He said 50-70% of their funds comes from pulltabs, and that people can afford a \$5 limit.

At this point, public testimony was ended and the bills went before the committee for consideration (meter no. 1131). Representative Rogers moved an amendment to HB 640 on page 1, line 24; Rep. Randolph seconded the motion and, there being no objection, the amendment passed. Rep. Gardiner moved that HB 640 as amended be moved out of committee as a Labor & Commerce committee substitute with a do-pass recommendation by unanimous consent. There being objection, he changed his motion to move the bill out of committee with individual recommendations. Motion passed, and CSHB 640 L&C was directed to House Judiciary committee. Rep. Randolph directed further testimony on the bill be given to Rep. Barnes, Judiciary Committee chairman.

As there were no further items to come before the committee at this time, the Chairman adjourned the meeting at 2:49 PM (meter no. 1171).

Introduced: 1/11/82  
Referred: Labor and Commerce  
and Judiciary

1 IN THE HOUSE

BY RANDOLPH, MOSS AND O'CONNELL

2 HOUSE BILL NO. 640

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to games of chance and contests of  
7 skill; and providing for an effective date."

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

9 \* Section 1. AS 05.15.100 is amended to read:

10 Sec. 05.15.100. COMMISSIONER OF REVENUE MAY ISSUE PERMITS. The  
11 commissioner of revenue may issue a permit to a qualified organization.  
12 The permit gives the organization the privilege of conducting games of  
13 chance and contests of skill including bingo, raffles and lotteries, ice  
14 classics, rain classics, dog mushers' contests, and fish derbies (AND  
15 CONTESTS OF SKILL).

16 \* Sec. 2. AS 05.15.180(b) is amended to read:

17 (b) With the exception of games of chance [RAFFLES, LOTTERIES AND  
18 RAIN CLASSICS], no activity may be licensed under this chapter unless it  
19 existed in the state in substantially the same form and was conducted in  
20 substantially the same manner before January 1, 1959.

21 \* Sec. 3. AS 05.15.210 is amended by adding a new paragraph to read:

22 (22) "game of chance" means a game in which the skill and  
23 experience of the player is secondary to purely fortuitous or accidental  
24 circumstances incidental to the game and includes ~~raffles and lotteries~~  
25 ~~and~~ pull-tab and punchboard games in which the price of each chance is  
26 \$1 or less, *and raffles and lotteries.*

27 \* Sec. 4. Sections 1 - 3 of this Act are retroactive to January 1, 1982.

28 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-  
29 070(c).

#





# Alaska State Legislature

## House of Representatives

Albert P. Adams

Chairman

Committee on Finance

WHILE IN SESSION

Pouch V

State Capitol

Juneau, Alaska 99811

(907) 465-3706

ANCHORAGE OFFICE

1024 W. 6th Avenue

Anchorage, Alaska 99501

(907) 274-0615

HOME - DISTRICT 21

P.O. Box 271

Kotzebue, Alaska 99752

(907) 442-3320

Official Business

January 19, 1982

The Honorable Terry Martin  
Chairman, House Labor and  
Commerce Committee  
and  
All Committee Members

Dear Colleagues:

I am unable to attend today's teleconference on games of chance and skill. However, I would like to express my concern over a recent Attorney General's opinion which found that pull tabs are illegal under current state law. Pull tabs are commonly used in rural areas at bingo games to raise money for various civic and charitable organizations and functions. These range from the Lions' Club, Veterans of Foreign War, and the Senior Citizens' Program in Dillingham which provides a ride service and hot meal service to the elderly. In addition, money from pull tabs is used to buy food and coffins for poor people in the Bethel area.

I am unfamiliar with the use of pull tabs in urban areas of Alaska but, I can vouch for their importance in rural areas, where there are often few alternatives for raising money for charitable purposes.

Because of the importance of pull tabs in rural communities I urge the committee to legalize their use. Governor Hammond warned us in his state of the state address not to liberalize gambling laws, as this would result in an immigration of riff raff and low life to Alaska. I am sure he did not have pull tabs in mind when he made this statement, as pull tabs are not associated with low life, but with the highest motives of human nature, those of giving and sharing.

I therefore support House Bills 623 and 640, and I am not particularly concerned with the minor difference between them.

Sincerely,



Representative  
Albert P. Adams

APA/wlr

Alaska State Legislature



REPRESENTATIVE  
**TERRY MARTIN**

DISTRICT 8  
CHAIRMAN—LABOR AND COMMERCE COMMITTEE  
PHONE 465-3873

3960 NEKA DRIVE—D6  
ANCHORAGE, AK 99504  
PHONE 333-6990

DURING LEGISLATURE  
POUCH V  
STATE CAPITOL  
JUNEAU, AK 99811  
PHONE 465-3784

LABOR AND COMMERCE COMMITTEE

February 4, 1982

Leo Nunley, Quartermaster  
Wasilla VFW  
Box 2000  
Wasilla, Alaska 99687

Dear Mr. Nunley:

I received word from the Legislative Information Office in Wasilla that you would like information about the "games of chance" teleconference which was heard before this committee on January 19. I have enclosed minutes of that meeting, as well as a copy of the bill as it was passed out of committee.

There were two near-identical bills before the committee dealing with games of chance: HB 623, sponsored by Rep. Grussendorf of Sitka; and HB 640, sponsored by Rep. Randolph of Fairbanks. Both bills were designed to statutorily legalize games such as pull-tabs (Nevada cards) and punchboards. The only difference between the two bills was that HB 640 put a limit of \$1 on the amount which could be charged for these games.

House Bill 640 was amended to clarify that this dollar limit would not apply to raffles, lotteries, and the like. The bill was approved by the Labor & Commerce Committee, and passed to House Judiciary Committee. Rep. Ramona Barnes is chairman of Judiciary, if you are interested in contacting her to give testimony or with any questions.

As you can see from the minutes, public testimony taken from around the state was overwhelmingly in support of this legislation. You should be aware, however, that Governor Hammond has already informed the legislature that he plans to veto any legislation which, in his definition, would broaden Alaska's gambling laws.

If you have any questions or would like more information, don't hesitate to contact me, by phone at 465-3657, by mail at the above address, or through the Legislative Information Office.

Sincerely,

*Joan Mathews*

Joan Mathews  
Committee Secretary

enclosures

cc: Mary Kvalheim .  
Legislative Information Officer

LABOR & COMMERCE COMMITTEE  
DAILY COMMITTEE HEARING

Date: 1/19/82

Place: \_\_\_\_\_

<u>Members</u>	<u>Present</u>	<u>Absent</u>	<u>Time Arrived</u>	<u>Time Left</u>
Rep. B. Bylsma, V. Chair	✓		12:58	2:49
Rep. D. Randolph	✓		11:04	2:49
Rep. B. Rogers	✓		1:22	2:49
Rep. T. Gardiner	✓		1:11	2:49
Rep. T. Martin, Chair	✓		12:58	2:49

Subject Matter:

House Bill No. 623 640 \_\_\_\_\_

Senate Bill No. \_\_\_\_\_

Special Orders:

*Representatives Grussendorf, Vaska present to testify.  
Rep. Adams sent written testimony.*

*HB 640 amended & passed.*

COMMITTEE REPORT

HOUSE

(5)

FURTHER: JUDICIARY

1/11/82

Date: \_\_\_\_\_

Mr. Speaker:

The Committee on LABOR & COMMERCE has had HB 640

"An Act relating to games of chance and contests of skill; and providing for an effective date."

under consideration and ~~(a majority of the committee)~~ ~~(the committee)~~ reports it back with the following recommendations:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 640  same title  
 new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

[Signature]  
[Signature]  
[Signature]  
[Signature]  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

[Signature] (No Rec)  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

[Signature]  
 CHAIRMAN

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-2300

January 19, 1982

The Honorable Terry Martin  
Chairman  
House Labor & Commerce Committee  
Room 211 - Behrends Building  
Juneau, AK 99811

Dear Mr. Martin:

Re: House Bill No. 640

House Bill No. 640, an Act relating to games of chance and contests of skill, was introduced in the House on January 11, 1982, and was referred to the House Labor & Commerce and Judiciary Committees.

For consideration of the House Labor & Commerce Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Ervin B. Jones, Supervisor, Audit Division, Department of Revenue, concerning the proposed legislation.

Sincerely,



R. D. Stevenson  
Special Assistant

RDS:jas

Enclosure

cc: The Honorable Ramona L. Barnes  
Chairwoman  
House Judiciary Committee

Joseph K. Donohue  
Deputy Commissioner, Taxation  
Department of Revenue

Ervin B. Jones, Supervisor  
Audit Division  
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 640

Title "An Act relating to games of chance and contests of skill"; and  
~~Requested by~~ providing for an effective date Date January 18, 1982

Requested by: House Labor and Commerce

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Revenue Collection and Management

BRU, Program, Or Subprogram(s) Affected Audit Division

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars) None

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>						

FUNDING (Thousands of Dollars) None

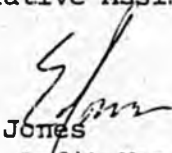
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS None

FULL TIME						
PART TIME						
TEMPORARY						

R.D. Stevenson  
Legislative Assistant

January 18, 1982

  
Ervin Jones  
Office Audit Manager  
Audit Division

HB 640  
(Labor and Commerce)

This bill proposes to amend three sections of AS 05.15.

The effect of these proposed changes is to considerably broaden the privileges granted with the issuance of a games of chance and skill permit. The original language of AS 05.15.100 limited the games of chance to only those activities listed (i.e., bingo, raffles, lotteries, ice classics, rain classics, dog mushers' contests and fish derbies). New games of chance would have to then be allowed under one of those listed. The proposed language removes that limitation and taken in context with sections 2 and 3 of the bill, would allow any game of chance which could be contrived where the element of chance and luck is foremost, regardless of whether those games of chance existed in Alaska prior to statehood. Since the original intent of the legislation was to permit continuance of those gaming activities after statehood which existed in territorial days, this change is a considerable divergence.

The only remaining limitation would be the limitation on use of gambling implements found in AS 05.15.180(a). This would presumably prevent the introduction of casino type hardware and coin operated video games as games of chance, but would not prevent the legal introduction of games of chance such as can be contrived by profit-seeking individuals and nonprofit organizations striving to maximize their take in an extremely competitive industry.

If the author's intent is simply to legalize pull-tabs, I would recommend this bill to legal counsel to arrive at a simpler way of accomplishing that goal without opening Pandora's box.

EJ:jg



# Alaska State Legislature

## House of Representatives

LABOR & COMMERCE COMMITTEE

Pouch V  
State Capitol  
Juneau, Alaska 99811

Official Business

FOR IMMEDIATE RELEASE

Contact Joan Mathews  
465-3657/3873

January 13, 1982

### "GAMES OF CHANCE" LAWS UNDER FIRE

"Games of chance and contests of skill" will be the topic of discussion at a January 19 hearing of the State House Labor & Commerce Committee. Recent state policy decisions have caused some confusion as to what qualifies as a game of chance.

Last year, the State Department of Revenue suspended regulations allowing the use of pull-tabs and punchboard games. Public outcry caused the reinstatement of those regulations last summer, but on January 1 of this year, the regulations were once again suspended. House bills <sup>Grusendorf</sup> 623 and <sup>Randolph</sup> 640, which would clarify statutes dealing with such games, have been scheduled for a statewide-teleconferenced hearing because so many service organizations have expressed concern that cutting off this means of funds would reduce or eliminate many of their charitable programs.

Committee chairman Representative Terry Martir said that many private charitable groups have expressed to him that games such as raffles, bingo and pull-tabs provide a good, low-overhead method of fundraising. The East Anchorage Republican said, "These games are used to raise a good deal of the money that enables such organiza-

--more--

PRESS RELEASE  
Page two

tions as the Elks Club, American Legion, Kiwanis Clubs, and National Brotherhood & Sisterhood Associations to fund sports programs, special events, and other community-service functions."

A statewide teleconference hearing is scheduled for Tuesday, January 19, at 1:00 pm Juneau time. Those interested in participating should contact the Legislative Information Office or House Labor & Commerce Committee chairman Terry Martin at 465-3873.

MSG 82-00001450 PRTY 1 01/15/82 16:08:11 ORIG: LJE5 IN= 0002 OUT= 0003  
FROM: JOAN MATHEWS, HOUSE LABOR & COM TO: MAXINE, FAIRBANKS  
TARGET: LJHY SUBJ: PRESS RELEASE PAGE 0001

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MAXINE:

FIRST, I'D LIKE TO THANK YOU FOR THE QUICK TRANSMITTAL OF THE COMMITTEE PRESS RELEASE TO THE NEWS MINER. I WAS CONTACTED TODAY BY DERMOT COLE, WHO REQUESTED FURTHER INFORMATION. UNFORTUNATELY, I HAVE NOT BEEN ABLE TO GET HOLD OF HIM SINCE HE CALLED. WILL YOU PLEASE LEAVE A MESSAGE FOR HIM THAT YOU HAVE THE INFORMATION HE REQUESTED, AND RELAY TO HIM THE FOLLOWING:

TO: DERMOT COLE, FAIRBANKS DAILY NEWS MINER  
FM: JOAN MATHEWS, HOUSE LABOR & COMMERCE COMMITTEE

I HAVE NOT BEEN ABLE TO GET BACK IN TOUCH WITH YOU SINCE THIS MORNING, AND WANTED TO BE SURE YOU GOT THE FOLLOWING INFORMATION.

I CONTACTED REP. RANDOLPH'S OFFICE TO GET LIST OF SOME OF THE ORGANIZATIONS IN FAIRBANKS AREA WHO CONTACTED HIM RE PULL TABS QUESTION. THEY INCLUDE:

FAIRBANKS CURLING CLUB

MSG 82-00001450 PRTY 1 01/15/82 16:08:11 ORIG: LJE5 IN= 0002 OUT= 0003  
FROM: JOAN MATHEWS, HOUSE LABOR & COM TO: MAXINE, FAIRBANKS  
TARGET: LJHY SUBJ: PRESS RELEASE PAGE 0002

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TANANA VALLEY AMERICAN RED CROSS  
GOLDEN NORTH REBEKKAH LODGE  
ST. NICHOLAS CHURCH, NORTH POLE  
SOROPTOMISTS CLUB OF FAIRBANKS  
NORTH POLE ELEMENTARY SCHOOL PTA  
MIDNIGHT SUN LIONS CLUB  
FAIRBANKS LIONS CLUB  
BEAVER KWITCHIN CORPORATION  
VFW  
SACRED HEART CATHEDRAL  
CHURCH OF GOD AND CHRIST  
FAIRBANKS HUMANE SOCIETY  
USO  
ELKS CLUB

I ASKED ABOUT EXACTLY WHAT PULL TAB GAMES ARE. APPARENTLY THEY ARE SIMILAR IN PLAY TO A SLOT MACHINE--ONE PULLS A TAB OFF A CARD TO SEE WHAT COMBINATIONS OF

MSG 82-00001450 PRTY 1 01/15/82 16:08:11 ORIG: LJE5 IN= 0002 OUT= 0003  
FROM: JOAN MATHEWS, HOUSE LABOR & COM TO: MAXINE, FAIRBANKS  
TARGET: LJHY SUBJ: PRESS RELEASE PAGE 0003

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FRUITS OR OTHER SYMBOLS ARE THERE, AND PRIZES OR MONEY ARE WON IF THE COMBINATION IS FAVORABLE (EG, 3 ORANGES, ETC). PUNCH CARDS OPERATE ON A SIMILAR THEORY. ONE PURCHASES A CARD AND PUNCHES OUT A SLOT OR HOLE TO SEE WHAT NUMBER LIES BENEATH; IF THE NUMBER IS THE SAME AS THE WINNING NUMBER, AGAIN, PRIZES OR MONEY ARE WON. I'M SURE THE LOCAL VFW OR ANY OF THE OTHER GROUPS LISTED ABOVE COULD EITHER SHOW YOU THESE GAMES OR EXPLAIN FURTHER.

THE ADMINISTRATION'S STAND ON THESE GAMES. SHE SAID THAT IN EARLY FALL, 1981, THE DEPARTMENT OF REVENUE BROUGHT TO THE GOVERNOR'S ATTENTION THAT FULL TABS AND PUNCHBOARDS ARE NOT TECHNICALLY COVERED BY STATUTE. THEY DETERMINED IT MIGHT BE POSSIBLE TO LEGALIZE, BY THE DEPARTMENT'S REGULATORY AUTHORITY; HOWEVER, THE GOVERNOR THOUGHT LEGALIZING THESE GAMES MIGHT APPROXIMATE LIBERALIZING GAMBLING LAWS, AS THE PRINCIPLE OF FULL TABS IS SIMILAR TO THAT OF "ONE ARMED BANDITS". THE GOVERNOR THOUGHT THIS INAPPROPRIATE. SINCE CHARITY-TYPE ORGANIZATIONS HAD BEEN USING THE GAMES, HE PERMITTED A 120 DAY EMERGENCY REGULATION EXTENSION TO ALLOW THESE ORGANIZATIONS TIME TO FIND OTHER

MSG 82-00001450 PRTY 1 01/15/82 16:08:11 ORIG: LJE5 IN= 0002 OUT= 0003  
FROM: JOAN MATHEWS, HOUSE LABOR & COM TO: MAXINE, FAIRBANKS  
TARGET: LJHY SUBJ: PRESS RELEASE PAGE 0004

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SOURCES OF FUNDING. THE EMERGENCY REGULATIONS EXPIRED DEC 30 OR 31. THE GOVERNOR INDICATED TO THE LEGISLATURE THAT HE HAS NO INTENTION OF REINSTATING THE REGULATIONS, FOR REASONS CITED ABOVE, AND INFORMED LEGISLATURE THAT, IF THEY PASSED LEGISLATION ALLOWING FULL TABS/PUNCHBOARDS, THEY SHOULD BE SURE THEY HAD THE REQUIRED 2/3 MAJORITY TO OVERRIDE HIS VETO, BECAUSE HE WOULD VETO ANY BILL LEGALIZING THESE GAMES.

SUSAN GREEN CAN BE CONTACTED AT 465-3500; SHE ALSO REFERRED ME TO DEPARTMENT OF REVENUE DEPUTY COMMISSIONER JOE DONAHUE, AT 465-2301, WHO HAS BEEN WORKING CLOSELY WITH HER ON THIS SUBJECT.

HC THIS CLARIFIES; SORRY TO BE SO UNINFORMATIVE THIS MORNING. PROMISE TO HAVE MORE BACKGROUND BEFORE RELEASING ARTICLES IN THE FUTURE.

JOAN MATHEWS

MSG 82-00001450 PRTY 1 01/15/82 16:08:11 ORIG: LJE5 IN= 0002 OUT= 0003  
FROM: JOAN MATHEWS, HOUSE LABOR & COM TO: MAXINE, FAIRBANKS  
TARGET: LJHY SUBJ: PRESS RELEASE PAGE 0005

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MAXINE: THANKS FOR YOUR ASSISTANCE, AND FOR THE GOOD WORK ON YESTERDAY'S TELECONFERENCE. HOPE TO MEET YOU ONE DAY..... JOAN MATHEWS.

PS--PLEASE CONFIRM RECEIPT BY OMNI TO LJHY. THANKS.

1/5/82

465-3500

Susan Green, Special Asst to the Gov.  
1988 Dept of Rev  
+ penitentiaries

early fall, came to Gov of abn  
that pull tabs, not technically  
covered by statute. Determined might  
be possible to legalize by <sup>dept</sup> regulatory act  
that might approximate ~~approximate~~  
liberalizing gambling (one armed  
banait). Gov felt this unapprop.

Since charity type regs had been  
using, he permitted extension (100 days)  
of emergency use regs. <sup>\*\*</sup> Indicated  
to legis that if they wished to  
liberalize laws, shd go to vote.

~~Promised to veto, unless 2/3 majority,  
any legis'n legislature passed  
allowing~~ →

\* difficult to distinguish ~~bet~~ <sup>bet</sup> pull tabs  
or one armed  
bandits

\*\* by statute, possible to adopt em regs  
allowing games to continue 100 days  
to allow them to find other sources  
of funds; see out Dec 30 or 31

Dep. Comm. Joe Bonahue  
X 2301

Told legis. that if they passed  
legislation allowing these, they  
shd be sure they had 2/3 majority  
required to override his veto,  
because he would veto legislation.

~~Miss Green~~

see'g -- Betty Dalman, Bob's etc

465-3500



Yens  
Burns etc  
or  
my Terry



Bermot Cole

456-6661

Dept of Revenue - ask for regs  
on games of chance

- 10th or 11th fl, SOB

o get background on recent  
policy changes

Randolph for reg's

pull tabs like slot machines - get  
cherries or fruit & win  
prize money for good combinations

pinboards - punch a hole  
in cardboard game; if numbers  
match, win prize

Terry if available for stmt

ask deadlines  
give sources & let them  
do work

1-20-82

HB 146

HOUSE LABOR & COMMERCE  
 STANDING COMMITTEE  
 January 20, 1982  
 1:10 p.m.

Members Present: Rep. Martin, Chairman  
 Rep. Bylsma, Vice Chairman  
 Rep. Randolph  
 Rep. Gardiner  
 Rep. Rogers

Members Absent: No members absent.

COMMITTEE CALENDAR

HB 146 Re payment procedures/public contracts  
 HB 595 An act continuing the existence of the Board  
 of Welding Examiners; and providing for an  
 effective date.

WITNESS REGISTER

Representative Brown  
 Alaska State Legislature  
 Pouch V  
 Juneau, Alaska 99811  
 465-3744  
 Position Statement: Gave background on both bills.

Nick Coti, Management Analyst  
 Division of Occupational Licensing  
 Department of Commerce & Economic Development  
 Juneau, Alaska 99811  
 465-2534  
 Position Statement: Supported HB 595.

Donald Lockman  
 Testing Institute of Alaska and  
 State Board of Welding Examiners  
 Anchorage, Alaska  
 276-3440  
 Position Statement: Supported HB 595.

Ken Lomax  
 ARCO Oil and Gas Company  
 Anchorage, Alaska  
 338-1271  
 Position Statement: Supported HB 595.

Louie Rousseau  
 Welding Application-Methods

Anchorage, Alaska  
272-3543  
Position Statement: Opposed HB 595.

Erwin Long  
Arctic Foundations, Inc.  
Anchorage, Alaska  
276-5575  
Position Statement: Opposed HB 595.

PREVIOUS ACTION

HB 146 Referred to committee 3/11/81; no previous action. No action taken by committee this date.

HB 595 Referred to committee 5/26/81; no previous action. No action taken by committee this date.

ACTION NARRATIVE

Tape #003  
Recording  
Number 1190

The meeting was called to order by Chairman Martin at 1:10 p.m. All members were present. The committee schedule called for the consideration of HB 595 and HB 146. Testifying before the committee regarding both bills was Representative Fred Brown, prime sponsor.

Number 1201 Rep. Brown, sponsor of HB 595 and HB 146, gave background on both bills. Chairman Martin limited further testimony and committee consideration to HB 595.

Number 1259 Nick Coti, Division of Occupational Licensing, Department of Commerce and Economic Development, spoke from prepared testimony in favor of continuing the Board of Welding Examiners.

Number 1371 Donald Lockman, of the Testing Institute of Alaska and the State Board of Welding Examiners, testified in favor of HB 595. Rep. Rogers questioned Lockman about his testimony.

Number 1634 Ken Lomax, of ARCO Oil and Gas Company, testified in favor of the bill, and presented written statements and letters to

the committee.

Number 1710

Louie Rousseau, of Weldir , Application-  
Methods, a technical services business in  
Anchorage, testified against the bill.

Number 0136, Side B

Erwin Long, of Arctic Foundations, Inc., a  
manufacturer of pressure vessels and geo-  
tech equipment, also testified against the  
bill. He said he does contract work for the  
Corps of Engineers, and finds the State  
Board of Welding examinations and  
certifications to be in conflict with  
federal requirements that certification must  
be done according to the American Society of  
Mechanical Engineers (ASME) code.

Number 0312

Donald Lockman gave rebuttal testimony in  
favor of the State Board of Welding  
Examiners.

Number 0348

No action was taken on HB 595, and the  
Chairman adjourned the meeting at 3:00 p.m.  
Hearing on HB 595 will be continued in  
February.

COMMITTEE MINUTES

COMMITTEE House Labor & Commerce  
HEARING DATE January 20, 1982  
TAPE NO. 3, Sides A and B

The meeting was called to order by Chairman Martin at 1:10 p.m. in the Labor & Commerce Committee Room, Behrends Building, Juneau, Alaska. Committee members present in addition to the Chairman were Representatives Bylsma, Randolph, Rogers and Gardiner. Committee staff in attendance were Jeff Barry and Mary Isaacs.

The committee schedule called for the consideration of the following items: HB 595 and HB 146. Testifying before the committee regarding both bills was Representative Fred Brown, prime sponsor. Testifying before the committee regarding HB 595 were Nick Coti, Don Lockman, Ken Lomax, Louie Rousseau, and Erwin Long.

Rep. Brown, sponsor of HB 595 and HB 146, gave background (meter no. 1201) on both bills. Chairman Martin (meter no. 1248) limited further testimony and committee consideration to HB 595.

Nick Coti, of the Department of Commerce and Economic Development, Division of Occupational Licensing, spoke (meter no. 1259), from prepared testimony in favor of continuing the Board of Welding Examiners.

Donald Lockman of the Testing Institute of Alaska and the State Board of Welding Examiners testified (meter no. 1371) in favor of HB 595. Rep. Rogers (meter no. 1512) questioned Lockman about his testimony.

Ken Lomax of ARCO Oil and Gas Company (meter no. 1634) testified in favor of the bill, and presented written statements and letters to the committee.

Louie Rousseau of Welding Application-Methods, a technical services business in Anchorage (meter no. 1710) testified against the bill.

Erwin Long of Arctic Foundations, Inc., a manufacturer of pressure vessels and geo-tech equipment, (meter no. 0136, side B) also testified against the bill. He said he does contract work for the Corps of Engineers, and finds the State Board of Welding examinations and certifications to be in conflict with federal requirements that certification must be done according to the American Society of Mechanical Engineers (ASME) code.

Don Lockman (meter no. 0312) gave rebuttal testimony in favor of the State Board of Welding Examiners.

No action was taken on HB 595, and the Chairman adjourned the meeting at 3:00 p.m. Hearing on HB 595 will be continued in February.

MINUTES REVIEWED AND APPROVED:

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Representative Terry Martin, Chairman  
House Labor & Commerce Committee

TESTIMONY BEFORE THE HOUSE LABOR & COMMERCE COMMITTEE

ON HB 595

January 20, 1982

By Nicholas Coti, Management Analyst  
Division of Occupational Licensing

Thank you for the opportunity to comment on HB 595. The department would like to take this opportunity to indicate what it sees to be key issues with respect to the sunseting of the Board of Welding Examiners and to provide this committee with relevant information that may assist it in determining whether it is in the public interest to continue the board and the licensing process.

The first issue I would like to address is: Is the welding inspector system set up under the present statutes and regulations necessary to protect the public from the effects of unsafe weldments.

The answer to this question appears to be yes. Under the present system, the board licenses welding inspectors who certify welders. This certification is a prerequisite for a welder to work on a job where weldment failure might pose a public hazard to life or property. This procedure seems reasonable and is the preferred approach by industry as evidenced by the operations of the American Welding Society and by comments of nonboard member professionals. While this approach seems to be necessary, it is not clear whether it is adequate to properly protect the public. The department would urge the committee to encourage comments from knowledgeable professionals on whether this system is indeed adequate.

The second issue that we feel is key is: Given the fact that the system of certifying welders by welding inspectors is accepted as necessary by the industry and that an independent certification process is available through American Welding Society's welding inspector program, is it necessary to make the certification of welders a legal requirement or can we rely on industry (specifically the purchasers of welding services) to regulate themselves?

The Division of Legislative Audit has indicated that it feels that industry can adequately regulate itself in this area, while the board has indicated the present level of regulation is appropriate and desirable.

With respect to this issue, the department would like to make the following points for the committee's consideration:

- o Contractors, not welding inspectors, are generally held liable for the consequences of weldment failure. Contractors are already licensed by the State. The welding inspectors who are presently licensed by the State are at least twice removed from responsibility for the consequences of weldment failure (the welder and the contractor). In other words, there are no sanctions relating the welding inspector's performance to actual events of damage to the public.

- o Similarly, the present statutes do not provide a system in which there are any realistic ways of identifying abuses by welding inspectors. For example, there is really no way of determining whether a welder who has been certified by a welding inspector has actually taken and/or passed the test.

Both of the above points underline enforcement weaknesses in the present system that should be evaluated during the sunset process. This also explains in part why there haven't been complaints of a public protection nature brought before the board...a point made by the Division of Legislative Audit in arguing that there is no need for a board.

The following comments address problems with the present statutes and regulations and address the performance of the board. These comments assume that the welding inspector system should be a legal requirement.

The first issue I would like to raise here is: Is the present set of procedures for licensing welding inspectors adequate?

The present regulations and statutes define two basic procedures whereby someone can become licensed as a welding inspector in Alaska. These can be identified as the AWS route to licensure and the board testing route to licensure (cf. AAC 72.065).

I would like to briefly discuss both these routes to licensure, noting first that only the AWS route to licensure has been actually operationalized.

The AWS Route to Licensure: Under the present set of regulations, a person will receive a license if he/she has a current welding inspector certificate from the American Welding Society and submits proof of having previously passed an all position welding qualification test in at least one welding process. One problem with the AWS route to licensure is that it places Alaskan applicants at the mercy of an outside organization over which the State, the board and the applicant have no control. Applicants dissatisfied with a determination made by the AWS have no means of appeal.

Two applicants actually encountered this problem this year when their applications for AWS certification were unjustly obstructed and temporarily denied by AWS. The Division of Occupational Licensing interceded in this case, contacted the AWS and after a series of interactions, was able to assist in getting the AWS decisions reversed. The actual problem was determined to be an obstinate AWS employee who was acting counter to instructions from the AWS Qualifications Committee. While this particular incident is by no means typical of our past interaction with AWS (which has been good), it does highlight the fact that under a system which relies solely on AWS certification, there is no appeal guaranteed to the applicant. Therefore, if you determine that licensing is in the public interest, the above is an argument against the position recommended by the Division of Legislative Audit that we rely on AWS certification for licensure.

Some benefits of the AWS system should also be noted: It is a generally workable system that represents standards recognized by the industry as valid; its independence from the board reduces the potential for conflicts of interest between board members and applicants who may be potential competitors; and it is a readily available method.

The board testing route to licensure: Under this route to licensure, the applicant should be tested directly by the board according to criteria specified in the existing regulations. In fact, the regulations describe this as the normal route to licensure and the AWS route is an alternative. As noted above, procedures for implementing these regulations have not been developed and the board has relied exclusively on the AWS route.

For the reasons discussed above, if the present statutes, regulations and board are retained, the Legislature would urge the board to establish the necessary procedures so that applicants could be tested directly by the board if necessary.

It should be noted that while the board has been remiss in developing these procedures, there is no record of the board being urged to do so by the department or the Division of Legislative Audit which has done two performance audits on this board in the last three years. The board has a good record of positively responding to constructive criticism and recommendations from the Division of Legislative Audit. If the present licensing system is continued, the department will make every effort to assist the board in developing these regulations.

In closing, I would like to note that the board has an excellent record of licensing qualified applicants who follow the existing procedures. There are presently 219 welding inspectors licensed by the board, 136 of which are currently in active status. This is substantially more than is reported in either of the Division of Legislative Audit's reports and reflects the board's efforts to license qualified people.

It is also worthy to note that in the past the board has delegated routine licensing functions to the licensing examiner in an effort to expedite the licensing process. The board instructed the licensing examiner how to evaluate the AWS certification documents and routine all position welding documentation. The licensing examiner was then allowed to issue licenses under these strict guidelines. The system worked well and allowed for expeditious licensing, a major goal of the Division of Occupational Licensing. This practice came under criticism in one audit report and was discontinued in deference to the criticism. The department would urge the committee to encourage this type of expeditious licensing if it decides that licensing of welding inspectors is in the best interest of the public.

