



ARCA / Timber Exchange have Liquid Assets
ready also in the event
of a catastrophic loss.

Bankruptcy of one Member could harm other members
under Joint Severable Liability

→ FREMONT

Assets --

Insurance laws across the country are very specific about what constitutes an asset or liability and how its value is determined. Is that the case in this legislation?

Does the Division of Insurance monitor how assets and liabilities change over time, and is there adequate provisions in this bill in that regard?

How would the assets of a member or members of a group as envisioned in this bill be affected by a bankruptcy filing by a member? Would the assets still be available to the group, if the assets were needed?

Questions for HB 51

TO LINDA HALL:

Insurance laws across the country are VERY specific about what constitutes an asset or liability and how its value is determined. Is that the case with this legislation?

NO

Does the Division of Insurance monitor how assets and liabilities change over time? And are there adequate provisions in this bill in that regard?

NO

NO - NOT IN THIS BILL

How would the assets of a member or members of a group, as envisioned in this bill, be affected by a bankruptcy filing by another member? Would the assets still be available to the group if the assets are needed?

↓
POSSIBLY

↓
A LOSS



Self-Insured Groups

What is a Self-Insured Group

- Self-Insured Group (SIG) is an organization owned by it's members to collectively self insure workers' compensation liability. To obtain the same self insured status as singly self insured employers, but in a group format.
- A SIG will retain the first layer of risk (\$350,000 to \$750,000 negotiated with excess carrier) and purchase excess insurance to cover the required statutory workers' compensation limits
- Each member must meet the required financial requirements and must produce acceptable Financial Statements or financial information, and continue to furnish them in the future
- Each member must sign a Joint and Several Liability Agreement, essentially pledging the assets of their company for the financial stability of the SIG.
- A SIG is a long term tool to ensure the safety and well being of employees. By employing stringent safety, risk management and control of program expenses, the long term result is continuity and stability of costs and can result in long term savings.



Self-Insured Groups

- The financial stability is secured by:
 - Strict underwriting. This is not a “ya’ll come” type of program. Typically only 30-40% of those that apply to a SIG will initially qualify to become a member. Qualification are based upon historical loss record, safety programs and financial stability.
 - Upon becoming a member, each employer must comply with all safety measures and programs required by the SIG. Included are mandatory training seminars, video training and regular job site evaluations.
 - Must attend claims training sessions where members are instructed in “best practices” on how to best take care of injured workers, assist them in their care and return to work status.
 - Claims oversight management and control. Members play an active role in assisting the management of claims. Proactive management lessens the exposure to malingering claims ensures the fair and proper treatment of injured employees and returning them to work as quickly as possible.
 - Purchase of excess and aggregate insurance coverage for catastrophic (severe) claims or lots of claims (frequency)



Self-Insured Groups

- The financial stability is secured by (continued):
 - Independent Actuarial reviews are done on a regular basis (more than just annually) to project losses over a 5 year period. This allows to SIG to adjust collection of premium assessments to meet the obligations of the SIG more accurately. The most expensive Workers compensation claims are considered a “long tail” type of claims and can take 3-5 years on average to “mature”. The frequent reviews provide the ability to predict trends and costs and allow the SIG to adjust.
 - Monthly financial statements prepared on a GAAP basis provided to board on a fully incurred with IBNR (Incurred But Not Reported projections) reserve basis.
 - Annual independent CPA audits.
 - Annual actuarial audit and rate adequacy audit by independent Actuary.
 - Joint and Several Liability agreement of members remains in place.



Self-Insured Groups

- Concerns or risks with Self Insured Groups:
 - Bankruptcy of one of the members – The group is considered the insurer and the SIG (and remaining members) remains liable for all claims. The members must report financials to SIG administrator annually to ensure qualifications of the group are maintained.
 - Over time, it would be the intent of a group to develop a membership sufficient to ensure that one members demise does not unduly compromise the solvency of the group.
 - Catastrophic claims – What would be the impact. With excess insurance in place, the SIG's liability is mitigated. Additionally with the long tail nature of larger claims and actuarial projections, the group can adjust.
 - What if SIG does become “insolvent” and unable to pay bills as they are due. The SIG would have to assess their members (Joint and Several Liability) to make up any deficit.
 - What if a member has left the SIG. That member remains liable for the time period that they belonged to the SIG. If an assessment was required for the period they belonged, then they would be liable and be assessed (Joint and Several Liability)



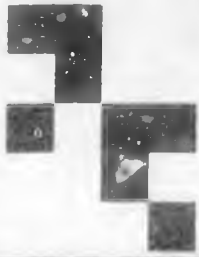
Self-Insured Groups

- Concerns or risks with Self Insured Groups (continued):
 - What is the history of SIG's around the nation. Some have gone insolvent.
 - SIG's have been in existence around the nation for over 40 years in over 35 states. Most recently Texas enacted enabling legislation authorizing SIG's. In the early 1980's some SIG's in Florida and Oklahoma experienced problems. More recently a group in Kentucky and a group in Tennessee have been taken over by regulators and assessments have been invoice to members. In all of these cases, while the facts and situations are different, there was generally weak regulatory oversight. Regulators were not seeing financials, actuary reports, audits etc. Subsequently those states have strengthened their regulatory roles.
 - Contrast these several problems over a 40 year time span to the admitted carrier market with all of the "regulations" in place. Literally hundreds of carriers are deemed insolvent each year.

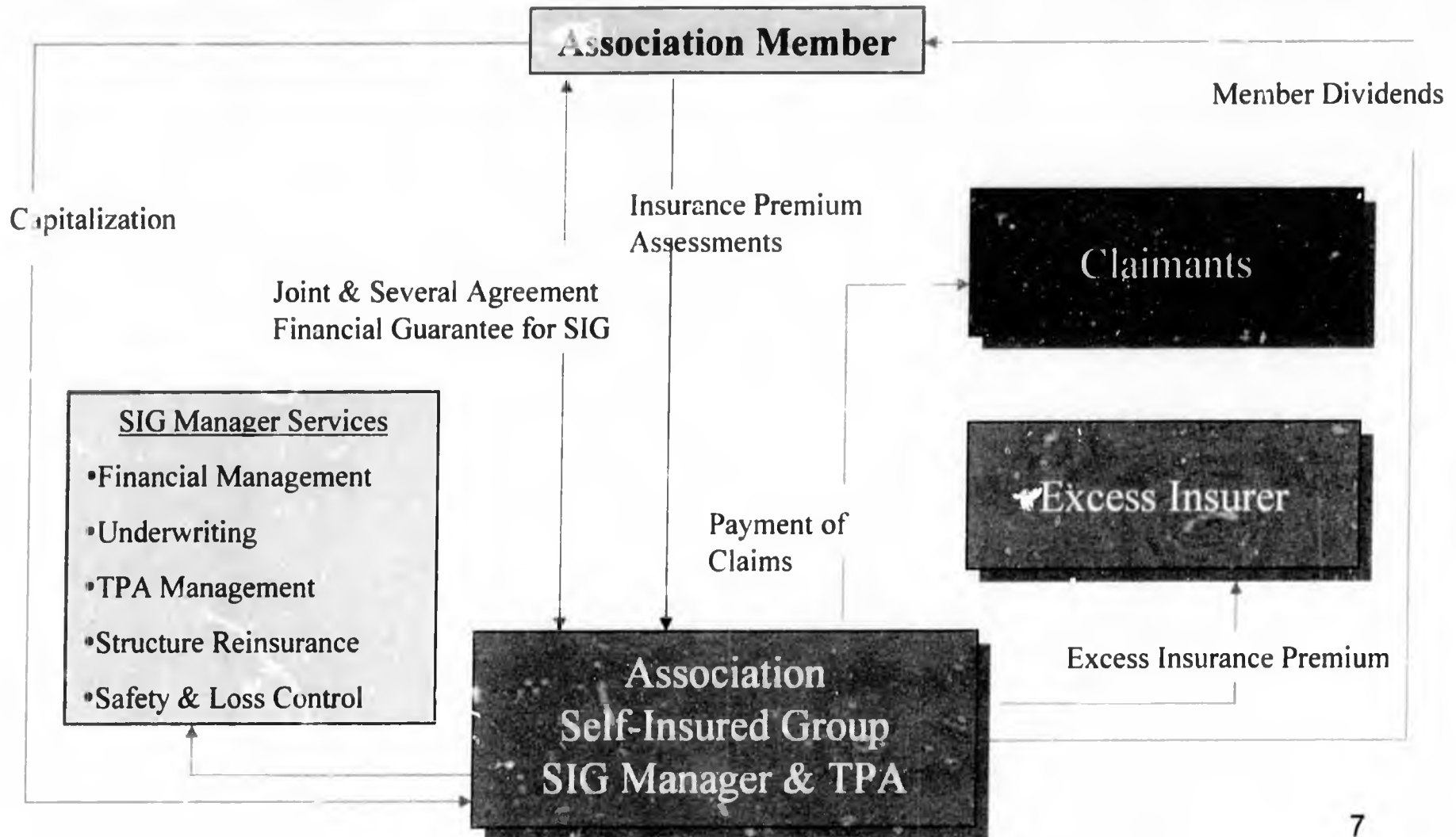


Self-Insured Groups

- Concerns or risks with Self Insured Groups (continued):
 - Why doesn't the industry consider some other alternative – a reciprocal for example.
 - The industry wants the same benefits of singly self insured rather than another type of insurance product.
 - A reciprocal is arguably another type of alternative solution, but is generally regulated the same as an insurance company regarding reserves, financials and rates.



How a Self-Insured Group Operates





Benefits of a Self-Insured Group(Cont'd)

SIG Program:

- "SIG Retention" shared by members ranges between \$350,000 to \$750,000 depending on the class of business
- Excess and Aggregate coverage is placed over the "SIG Retention" for protection of the members and costs depends on the reinsurance market place and the Groups Feasibility Study results
- Member is provided 1st Dollar coverage with Statutory Limits and benefits required by the State of Alaska
- A "Certificate of Coverage" is issued to each member
- Continuous coverage with no annual renewal for the member
- The rate for premiums is calculated based on the Groups and members results
- Underwriting, Loss Prevention, Safety and Claims Management, are key to the groups success
- The reduction of losses, closing claims quickly, results in cost stabilization, and the profits are returned members in dividends or rate reductions

2/10/06

HB51 - REP. MEYER

EMPLOYER ASSN. FOR WORK COMP. INSUR.

• LARRY PARTUSCH

- LOWER RATES
- ASSIGNED RISK POOL vs. ER ASSOC.
- 23% ARE COVERED UNDER SINGLE PRIVATE ER PROGRAMS

NR - SOLVENCY ISSUES & MAINTAINING COVERAGE; SPINELL HOMES - WC HIGH

• ROBERT VOGEL - PRO MET GROUP

PLANNED ADMIN. - SELF INSURED GROUPS
NM, NV - NOW MANAGE 4 SI GROUPS
1995, 1999 . . .

NV - UNDER INSUR

CA - UNDER LABOR

- QUARTERLY ACTUARIAL REVIEW
- ANNUAL INDEP CPA AUDITS
- ANNUAL ACTUARIAL AUDIT
- SAFETY PRACTICES / INSPECTIONS / VIDEO TRAINING / CLAIMS TRAINING

①

• LINDA HALL / PAUL LISANKIE

★ PUBLIC POLICY ISSUE.

ISSUES: 4 MAJOR PIS

① FINANCIAL OVERSIGHT -

SOLVENCY - MAKING SURE CLAIMS GET PAID

DIV. OF INSUR. HAS AUDITORS OVER:

INVESTMENT (LIQUIDITY, QUALITY)

SECURITIES QUALIFICATIONS

RISKED BASED AND ACTUARIAL ANALYSIS

② GUARANTEE FUNDS

- POTENTIAL FOR INSOLVENCY

- NEED FOR SAFETY NETS / BACK STOP

③ REGULATORY OVERSIGHT

DIV. OF INSUR - ANY TRANSACTION OF INSUR
AND MARKETING, FALSE ADS ...

④ OTHER STATES - NOT SIMILAR

⑤ CURRENT STATUTES PROVIDES FOR
RECIPROCAL -

THIS BILL FALLS UNDER TITLE 23 (LABOR)

AK TIMBER/ INSUR. EXCHANGE
ARECA

②

• PAUL LISANKE -
DIV. OF WORKERS COMP.

★ ERS SI WC LAB. IN AN
HANDOUT

- E.G. AFTER BANKRUPTCY OF
CALIFORNIA COMPANY - FREMONT -
THREAT OF UNREGULATED
SELF-INSURED.

REPRESENTATIVE KEVIN MEYER

HOUSE DISTRICT 30

MEMORANDUM

Date: January 23, 2006

TO: Representative Tom Anderson, Chairman
House Labor and Commerce Committee

FR: Representative Kevin Meyer, Co-Chairman
House Finance Committee

RE: Sponsor Substitute for HB 51

Representative Anderson,

I introduced a sponsor substitute to HB 51 *Joint Insurance Arrangements* after working over the interim with interested parties. This memorandum is intended to provide a comparison between the two versions of HB 51 and insight into the reasons for the changes.

Statutory Change: From AS 21.76.010 to AS 23.30.090

The original version of HB 51 amended AS 21.076.010, the *Joint Insurance Association* statutes. The provisions of title 21 apply to Municipalities and their public corporations. The joint insurance arrangements covered by title 21 are limited to public entities that ultimately can turn to taxes and other revenue instruments and who were therefore removed from regulation under AS 21.76.020. Though the original version of HB 51 required an association to meet the standards for a self-insurance certificate issued under AS 23.30.090, there was no oversight due to AS 21.76.020.

Since the intent of HB 51 is to apply to private entities, the sponsor substitute to HB 51 shifts the proposed changes from AS 21.76.010 *Joint Insurance Arrangements* to AS 23.30.090 *Self Insurance Certificates*. By moving to AS 23.30.090, the proposed associations of employers are treated the same as an existing single employer provided the association meets similar financial criteria. Through the joint and several liability provision of SSHB 51 (page 2 lines 8-10) the members of an association are responsible for the workers compensation obligations accrued by **any** of the individual members of the association. The joint and several liability provision enables an association to, in the aggregate, meet the minimum financial thresholds (a net worth of \$5 million) a single employer is currently required to meet.

A single employer is allowed to self-insure their workers compensation obligations under current statutes. SSHB 51 would repeal and reenact the current authorization in statute to allow an association of employers to self-insure without changing the existing rules for a single employer.

Changes to AS 23.30.090 Self-Insurance Certificates

SSHB 51 repeals and reenacts AS 23.30.090 to authorize an *association of employers* as well as an *employer* to self-insure workers' compensation obligations. The proposed reenacted statute incorporates several provisions currently found in regulations adopted by the Alaska Workers' Compensation Board. Below is a summary of the provisions in the proposed AS 23.30.090 and their source material.

23.30.090 (1) [Page 1, lines 10-12] – 8 AAC 46.010 (5)

23.30.090 (2) [Page 1, lines 13 –14 & Page 2 line 1] – 8 AAC 46.010 (6)

23.30.090 (3) [Page 2, lines 2-3] – Current AS 23.30.090

23.30.090 (4) [Page 2, lines 4-5] – 8 AAC 46.010 (4)

23.30.090 (5) [Page 2, lines 6-7] – 8 AAC 46.050

23.30.090 (6) [Page 2, lines 8-10] – **New requirement limited to an association of self-insured employers.** Requires an association to file an agreement with the board jointly and severally binding each member of the association.

23.30.090 (b) [Page 2, lines 11-18] – 8 AAC 46.020

23.30.090 (c) [Page 2, lines 19-20] – **New provision** making information provided under (b) confidential.

23.30.090 (d) [Page 2 lines 21-27] – **Changed provision.** Modifies existing AS 23.30.090 to provide that a certificate of self-insurance remains in effect until revoked by the board. Does not alter or change the timeline/process of revocation or the authority to reissue a certificate.

23.30.090 (e) [Page 2 lines 29-31] – Current AS 23.30.090

23.30.090 (f) [Page 3 lines 1-6] – **New requirement limited to an association of self-insured employers.** Requires an association to notify the board if one of its members withdraws from the association or a new member joins the association.

23.30.090 (g) [Page 3 lines 7-10] – **New provision limited to an association of self-insured employers.** Allows an association to function on behalf of its members as an “employer” for purposes of complying with AS 23.30.

23.30.090 (h) [Page 3 line 11] – Current AS 23.30.090 (*explicitly allows the Board to adopt regulations to implement this chapter.*)

23.30.090 (i) [Page 3 lines 12-16] – **New provision defining an “association of employers.”**

Thank you for considering SSHB 51,

Representative Kevin Meyer



Alaska Chapter

TO: Tom Anderson
Chairman
House Labor and Commerce Committee

FROM: Rebecca Logan
President
ABC Alaska

CC: House Labor and Commerce Committee Members

DATE: February 9, 2006

Chairman Anderson:

Please accept this letter as an endorsement from ABC Alaska for House Bill 51.

As you know the Workers Comp situation for employers in Alaska is not good. HB 51 provides employers in the same industry with the opportunity to pool together for workers comp insurance to lower their premiums without jeopardizing coverage for their workers or putting the state at risk.

Any opportunity to provide Alaska employer's with more options for workers comp insurance without letting the state bear the risk should be encouraged.

HB

61

~~Proposed~~
Adopted
Conceptual
Amend #1

HB 81
Proposed Amendment for Consideration

As it currently stands, a person issued a notice of administrative fine can simply call up on the telephone and state that they want a hearing without providing any reasons to support the need for a hearing. In addition, the current language does not define a "timely request" for hearing and does not close the door to further appeal if a hearing request is not made timely. To resolve these problems, we propose the following language is substituted for paragraph (c) (Section 2, line 17-20):

(c) If a person who is issued a notice of an administrative fine under (b) of this section fails to request a hearing within 30 days, the proposed fine is considered final and not subject to review by any court. The hearing request must be in writing and must set out the reasons the fine is objected to. Upon receiving a request for hearing, the department shall schedule a hearing not earlier than 10 days after receiving the request for a hearing.

Home inspector removed
insert
~~Specialty Contractors~~
page 1 in title
page 2 line 4

Concept #2

DATE

Inst: Make # of building units

officially consider to prohibit → but to make sure the builder is a bona fide occupant of the property

↳ restrict #s of family members who can take advantage of the exemption



DOYON FOUNDATION

1 Doyon Place, Suite 300, Fairbanks, Alaska 99701

Doyon Foundation Written Testimony Proposed House Bill 61

Thank you for this opportunity to speak to proposed House Bill 61 regarding Calcutta's. For the record, my name is Sharon McConnell Gillis, Executive Director of Doyon Foundation in Fairbanks.

Doyon Foundation is a 501 (c) (3) private Foundation established in 1989 by Doyon, Limited, the regional Native corporation for Interior Alaska. Our mission is "to promote self-reliance and the economic and social well-being of Doyon's shareholders and descendants and to strengthen our Native culture and heritage through education."

To accomplish our mission, Doyon Foundation provides scholarships for higher education to over 300 students each year totaling some \$350,000. To award this amount the Foundation relies on a yearly contribution from Doyon, Limited and revenue from corporate and individual donors. Tuition and living costs are high and the amounts awarded do not nearly fund the student's needs.

Doyon Foundation does have a State of Alaska gaming permit that allows us to hold raffles. This has proven very beneficial to raise needed funds for our scholarship programs. However, if Calcuttas were legal, the amount raised could be substantially more, which in turn would mean more scholarship dollars that we could provide.

Therefore, legalizing Calcutta's would provide an additional revenue stream for non-profits such as Doyon Foundation.

Thank you.

Respectfully submitted,

Sharon McConnell Gillis
Sharon McConnell Gillis
Executive Director

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 61
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
 Title Charitable Gaming; Calcutta Pools RDU Revenue Programs & Services 509
 Component Tax Division
 Sponsor Representatives McGuire and Ramras
 Requester (H) L&C Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

* We do not know how many Calcutta pools may be conducted by qualifying organizations as a result of passage of this bill. Consequently, it is not possible for us to estimate the revenue effects with any degree of accuracy. However, it is likely that the revenue amount would be relatively small. For Calendar year 2003, the estimated revenue to the state from all game types, except for pulltabs and bingo, was less than \$50,000. This does not include revenue from licenses and permits because in most cases Calcutta games would be offered by qualifying organizations that already have gaming licenses and permits. There are at least three states that define Calcuttas as legal gambling: Wyoming, North Dakota and Montana. North Dakota limits the Calcuttas to amateur and professional sports. Total after-prize income in North Dakota for Calcuttas was \$33,916 for FY 2004. This is prior to any deductions for expenses. The other two states do not collect revenue from the Calcuttas.

Prepared by: Larry Meyers Phone 269-1011
 Division Tax Division Date/Time 1/28/05 3:33 PM
 Approved by: Jerry Burnett, Special Assistant to the Commissioner Date 1/28/2005
 Agency Department of Revenue

24-LS0281\G
Luckhaupt
1/28/05

CS FOR HOUSE BILL NO. 61(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVES MCGUIRE, Ramras

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to licensing for a Calcutta pool as a game of chance."**

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

3 *** Section 1.** AS 05.15.100(a) is amended to read:

4 (a) The department may issue a permit to a municipality or qualified
5 organization. The permit gives the municipality or qualified organization the privilege
6 of conducting bingo, raffles and lotteries, pull-tab games, ice classics, race classics,
7 rain classics, goose classics, mercury classics, deep freeze classics, canned salmon
8 classics, salmon classics, king salmon classics, dog mushers' contests, snow machine
9 classics, fish derbies, animal classics, Calcutta pools, and contests of skill.

10 *** Sec. 2.** AS 05.15.115(c) is amended to read:

11 (c) A permittee may not contract with more than one operator at a time to
12 conduct the same type of activity. For the purposes of this subsection, bingo games,
13 raffles, lotteries, pull-tab games, ice classics, race classics, rain classics, goose
14 classics, mercury classics, deep freeze classics, canned salmon classics, salmon
15 classics, king salmon classics, dog mushers' contests, snow machine classics, fish

1 derbies, animal classics, Calcutta pools, and contests of skill are each a different type
2 of activity.

3 * Sec. 3. AS 05.15.180(b) is amended to read:

4 (b) With the exception of raffles, lotteries, bingo games, pull-tab games, race
5 classics, rain classics, goose classics, mercury classics, deep freeze classics, dog
6 mushers' contests, snow machine classics, canned salmon classics, salmon classics,
7 animal classics, Calcutta pools, and king salmon classics, an activity may not be
8 licensed under this chapter unless it existed in the state in substantially the same form
9 and was conducted in substantially the same manner before January 1, 1959. A snow
10 machine classic may not be licensed under this chapter unless it has been in existence
11 for at least five years before the licensing. An animal classic may not be licensed
12 under this chapter unless it was in existence before November 1, 2002.

13 * Sec. 4. AS 05.15.690 is amended by adding a new paragraph to read:

14 (46) "Calcutta pool" means a game of chance in which, according to
15 the rules of the particular game, participants bid on competitors who will compete in
16 an event, with each successful bidder wagering the amount of the successful bid on the
17 competitor bid for and in which, according to the rules of the particular game, a
18 portion of the pool of the amount wagered on all competitors is divided among the
19 pool participants who have wagered on the competitors who are winners of the event.

Conceptual
AMENDMENT #1

OFFERED IN THE
HOUSE LABOR AND COMMERCE COMMITTEE BY REP. ANDERSON

TO: HB 61

Page 2, line 13 - 19:
Delete all material.

Insert:

Sec. 4. AS 05.15.690 is amended by adding a new paragraph to read:

(46) "Calcutta pool" means wagering on a contest of skill limited to amateur golf and pool tournaments in the state conducted by a permittee in which those who wager bid and auction for the exclusive right to "purchase" or wager upon a particular contestant or entrant in the event and when the outcome of the event has been decided the total wagers comprising the pool, no less than 30% "take out" by the permittee conducting the event, is distributed to those who ~~the~~ charities "purchased" or wagered upon the winning contestants or entrants.

events

?

~~WAGERS~~ FISHING
TICKETS,
SLEDDOG
RACING

Alaska State Legislature

Session
State Capitol Building, Room 118
Juneau, Alaska 99801-1182
Phone (907) 465-2995
Fax (907) 465-6592

Interim
716 West Fourth Avenue, Suite 430
Anchorage, Alaska 99501
Phone (907) 269-0250
Fax 9907) 269-0249



Chair, Judiciary Committee

Vice-Chair, House Committee on
Economic Development,
Trade and Tourism

Member
Oil & Gas Committee

Representative Lesil McGuire

House District 28

SPONSOR STATEMENT

HB 61

"An Act relating to licensing for a Calcutta pool as a game of chance."

Alaska State law authorizes the Department of Revenue to issue permits to a municipality or qualified organization to conduct games of chance for charitable purposes. This bill would simply add "Calcutta pool" to the to the list of games of chance and give eligible organizations the opportunity to hold such events as a method of charitable fundraising.

The intent of HB 61 is to protect this traditional game of chance, which is strongly supported by many Alaskans and the charity organizations that rely on funds raised by this event. Organizations such as CIRC held Calcutta pools during their annual CIRC Golf Classic since 1983. In 2001, the last year the CIRC Calcutta Pool operated, the CIRC Golf Classic raised \$852,000 for programs focusing on youths and education. The Boys and Girls Club and the Alaska Academic Decathlon were two organizations that benefited from the Calcutta Pool fundraisers.

The Calcutta fundraising mechanism was discontinued in 2002 when the Department of Revenue construed state law as prohibiting Calcutta events as a method of charitable giving. Calcutta pools are a time-honored method of charitable fundraising uniquely suited to golfing events. They have been employed not just by CIRC, but also by other prominent charitable organizations throughout the State. Calcutta pools raise substantial amounts of money for charitable purposes, and certainly present no more harm to the public than other charitable giving activities, including "rat races," classics, and pull tabs which are already legal under the current state law.

HB

64

Audit Report

DEPARTMENT OF COMMERCE,
COMMUNITY, AND ECONOMIC DEVELOPMENT
BOARD OF PUBLIC ACCOUNTANCY
SUNSET REVIEW

October 25, 2004



Audit Control Number:

08-20027-05

Division of Legislative Audit
P.O. Box 113300, Juneau, Alaska 99811-3300

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

DIVISION OF LEGISLATIVE AUDIT

The Legislative Budget and Audit Committee is a permanent interim committee of the Alaska Legislature. The committee is made up of five senators and five representatives, with one alternate from the Senate and two from the House. The chairmanship of the committee alternates between the two chambers every legislature.

The committee is responsible for providing the legislature with audits of state government agencies. The programs and activities of state government now cost more than \$6 billion a year. As legislators and administrators try increasingly to allocate state revenues effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by the Division of Legislative Audit helps provide that information.

As a guide to all their work, the Division of Legislative Audit complies with generally accepted auditing standards established by the American Institute of Certified Public Accountants and with government auditing standards established by the U.S. General Accounting Office.

Audits are performed as mandated by Alaska Statutes or at the direction of the Legislative Budget and Audit Committee. Individual legislators or committees can submit requests for audits of specific programs or agencies to the committee for consideration. Copies of all completed audits are available from the Division of Legislative Audit's offices in Juneau, Anchorage, or at our web site <http://www.legaudit.state.ak.us/>

BUDGET AND AUDIT COMMITTEE

Representative Ralph Samuels, Chair
Representative Mike Hawker
Representative Beth Kerttula
Representative Vic Kohring
Representative Mike Chenault
Representative Reggie Joule (alternate)

Senator Gene Therriault, Vice Chair
Senator Ben Stevens
Senator Gary Wilken
Senator Con Bunde
Senator Lyman Hoffman
Senator Lyda Green (alternate)

DIVISION OF LEGISLATIVE AUDIT

Pat Davidson, CFA
Legislative Auditor

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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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November 5, 2004

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 and Title 44 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF COMMERCE, COMMUNITY,
AND ECONOMIC DEVELOPMENT
BOARD OF PUBLIC ACCOUNTANCY

October 25, 2004

Audit Control Number

08-20027-05

This audit was conducted as required by AS 44.66.050 and under the authority of AS 24.20.271(1). Alaska Statute 44.66.050(c) lists criteria to be used to assess the demonstrated public need for a given board, commission, agency, or program subject to the sunset review process. Currently under AS 08.03.010(c)(1), the Board of Public Accountancy is scheduled to terminate on June 30, 2005 and has one year in which to conclude its administrative operations. We recommend that the legislature extend the board's termination date to June 30, 2009.

Article IX, Section 14 of the Alaska Constitution, requires that the position of Legislative Auditor be filled by a certified public accountant (CPA). Likewise, the professional staff at the Division of Legislative Audit are either licensed or are pursuing licensure as CPAs. Since the board is responsible for licensing and regulating CPAs, our agency does not meet the independence standard required by generally accepted government auditing standards. Therefore, we are disclosing our lack of independence and the resulting lack of adherence to that auditing standard.

Except for the issue related to the independence standard discussed above, the audit was conducted in accordance with generally accepted government auditing standards. Fieldwork procedures utilized in the course of developing the findings and discussion presented in this report are set out on page one of this report.

Handwritten signature of Pat Davidson in cursive.

Pat Davidson, CPA
Legislative Auditor

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OBJECTIVLS, SCOPE, AND METHODOLOGY

In accordance with Title 24 and Title 44 of the Alaska Statutes, we have reviewed the activities of the Board of Public Accountancy (BOPA). As required by AS 44.66.050(a), the legislative committees of reference are to consider this report during the legislative oversight process involved in determining if the board should be reestablished. Currently, AS 08.03.010(c)(1) states that the board will terminate on June 30, 2005. If the legislature does not extend the termination date for the board, BOPA will have one year to conclude its administrative operations.

Objectives

The three central, interrelated objectives of our report are:

1. To determine if the termination date of the board should be extended.
2. To determine if the board is operating in the public interest.
3. To determine if the board has exercised appropriate regulatory oversight of certified public accountants.

The assessment of the operations and performance of the board was based on criteria set out in AS 44.66.050(c). Criteria set out in this statute relates to the determination of a demonstrated public need for the board.

Scope and Methodology

Another auditor at our direction, and under our supervision, conducted a majority of this review. We are satisfied that the contractor's work was competent and sufficient. The other auditor is subject to the licensing and regulatory oversight of the Board of Public Accountancy. However, neither the other auditor nor our agency is independent as to the licensing and oversight of the board. Government audit standards require that any time the auditor is not free both in fact and appearance from personal, external, or organizational impairments, the "*...impairment should be reported in the scope section of the audit report.*" This lack of independence is so noted.

Our audit reviewed the operations and activities of the Board of Public Accountancy for the period FY 01 through FY 04.

During the course of our examination, we reviewed and evaluated the following:

1. Compliance with statutes and regulations related to the certification of public accountants. Our evaluation addressed considerations of applications, testing of candidates, and continuing education necessary for a certified public accountant to maintain their license in good standing.
2. Minutes of meetings of the Board of Public Accountancy.
3. Annual reports issued by the board.
4. Complaints filed with the Division of Occupational Licensing.
5. The contract between the National Association of State Boards of Accounting, the American Institute of Certified Public Accountants, and a private corporation – Thomson Prometric related to the administration of the Uniform Certified Public Accountant Examination.
6. We also conducted interviews with employees of the Division of Occupational Licensing within the Department of Commerce, Community, and Economic Development.
7. We attended a teleconference of a subcommittee of the board charged with trying to arrange for additional testing sites in Alaska for CPA licensure applicants.
8. Other documents deemed pertinent.

ORGANIZATION AND FUNCTION

The Board of Public Accountancy is established under the authority of AS 08.04.010. The seven member board is appointed by the governor to four-year staggered terms.

Board Membership

Five of the members must be certified public accountants or public accountants currently licensed in the State of Alaska. Two members represent the general public. See the listing to the right for board members as of June 24, 2004.

The board is responsible for safeguarding the public interest by ensuring the competence and integrity of those who hold themselves out to the public as certified public accountants.

Board Duties

The board evaluates the qualifications of candidates, administers examinations, issues certificates and licenses to practice, promulgates rules of professional conduct, and takes disciplinary action.

The board charged by statute with granting a certificate of "Certified Public Accountant" (CPA) to individuals at least 19 years of age and of good moral character that:

1. Have satisfied the applicable education requirements;
2. Have passed written examination requirements; and,
3. Have provided evidence of satisfactory work experience.

The Department of Commerce, Community, and Economic Development, Division of Occupational Licensing

The Department of Commerce, Community, and Economic Development, Division of Occupational Licensing provides administrative and investigative assistance to the Board of Public Accountancy. Administrative assistance includes budgetary services and functions

Board of Public Accountancy (As of June 24, 2004)

Professional Members

Steven R. Tarola, Chair, CPA
Marjorie J. Kaiser, CPA
Sandra R. Wilson, CPA
Dan F. Kennedy, CPA

Public Member

Laura Welles

such as collecting fees, maintaining files, receiving and issuing application forms, and publishing notices of examinations and meetings.

Alaska Statute 08.01.065, mandates the Department of Commerce, Community, and Economic Development, with the concurrence of the Board, adopt regulations to establish the amount and manner of payment of application fees, examination fees, license fees, registration fees, permit fees, investigation fees, and all other fees as appropriate for the occupations covered by the statute.

Alaska Statute 08.01.087 empowers the Division of Occupational Licensing (OccLic) with the authority to act on its own initiative or in response to a complaint. OccLic may:

1. Conduct an investigation if it appears a person is engaged or is about to engage in a prohibited professional practice.
2. Bring an action in Superior Court to enjoin the act.
3. Examine the books and records of an individual.
4. Issue subpoenas for the attendance of witnesses and records.

REPORT CONCLUSIONS

In our opinion, the termination date for the Board of Public Accountancy (BOPA) should be extended. The board is serving a public interest by operating in an effective manner in its licensing and regulation of certified public accountants and public accountants. The board is acting in the public interest by promoting the competence and integrity of those who hold themselves out to the public as certified public accountants (CPAs) or public accountants (PAs).

The board continues to make regulation changes, improving its effectiveness of monitoring CPAs and PAs licensed in the State of Alaska; making sure they are competent and capable of maintaining the integrity of the profession. The board is proactively attempting to restore testing sites to Juneau and Fairbanks for the Uniform Certified Public Accountant Examination – which have been closed with the implementation of a new testing process by the American Institute of Certified Public Accountants.

Alaska Statute 08.03.010(c)(1) requires the Board of Public Accountancy be terminated on June 30, 2005. Under AS 08.03.020, if the termination date is not extended by the legislature, the board will have a one-year period to administratively conclude its affairs. We recommend the legislature extend the board's termination date to June 30, 2009.

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FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

BOPA should continue to be proactive in providing better access to its primary licensing examination – the Uniform Certified Public Accountant Examination (CPA Exam).

In 2004, the manner in which the CPA Exam is administered in Alaska was changed. Previously, the examination was administered twice a year at a minimum of three testing sites typically located in Anchorage, Fairbanks, and Juneau. The examination spread over two and one-half days; although individuals, who passed previous segments, only had to sit for the parts they had yet to successfully pass.

In 2004, in conjunction with changes of format and structure that were made nationally by the American Institute of Certified Public Accounts (AICPA), the examination was changed to an all-computerized format that could be taken in whole or in parts up to three, and eventually four, times a year. By increasing the availability of the examination across the full year, access for applicants was improved. However, as the new testing regimen was implemented in Alaska, this improved access was offset to a large degree by the restriction in the number of available testing sites. Under the new testing regimen, applicants can only take the examination at one test site located in Anchorage.

Such circumstances make taking the examination much more expensive for applicants in the Interior and Southeast Alaska. Applicants from these regions must now travel to Anchorage, arrange for transportation and accommodations, in addition of having to pay a higher examination fee.

Administration of the examination is beyond the direct control of BOPA.

The board has reported, and we confirmed, that the current testing arrangements are beyond its direct control. The examination was in effect privatized, and the manner in which it is administered is subject to the necessity of a private sector corporation, Thomson Prometric, to make an operating profit.

The manner and number of locations involved with administration of the licensing examination are set under terms of a contract between Thomson Prometric,¹ the National

¹ Thomson Prometric is a subsidiary of the Thomson Corporation which states on its website that it is a "leading global provider of integrated information solutions to business and professional customers." One of the more recognizable "brand names" of the Thomson Corporation is Westlaw, publisher and provider of legal and regulatory research information.

Association of State Boards of Accounting (NASBA),² and the AICPA. Under the contract, Prometric is only required to provide a minimum of one testing site in Alaska. Prometric reports that setup costs involved in providing necessary electronic security over the examination to meet AICPA standards,³ along with operating costs involved with keeping a testing site open throughout the year, make it cost-prohibitive to have more sites in a state such as Alaska – given the level of demand statewide for taking the CPA Exam. From Prometric's perspective, there is just not enough volume to provide them with a profit from opening additional test sites.

According to the BOPA, it took NASBA intervention with AICPA and Prometric to maintain at least one testing site in Alaska.⁴ Essentially, the AICPA has turned the availability of the CPA Exam into a profit-driven decision. The result, particularly in Alaska, has been to develop a restrictive practice that may unduly limit access to the profession which could be adverse to the public interest if the supply of CPAs become restricted.

BOPA has been proactive to make the CPA Exam available at more test sites in Alaska.

BOPA has adopted a resolution requesting that more testing sites be made available in Alaska for the CPA Exam. BOPA is actively working with NASBA, negotiating on the board's behalf, to modify the existing contract to provide for more test sites. The board, representatives of the University of Alaska, the state professional society, CPA firms – as well as individual CPAs – recognized the problems involved with having only one test site in Alaska. Individually, and in tandem, some of these groups have been trying to work with NASBA and Prometric to set up an additional testing site.

A central tenet of occupational licensing is that regulatory boards for given professions primarily exist to provide public and consumer protection without unduly restricting or limiting entry into the regulated profession. Accordingly, the board must continue to be proactive, and NASBA should be proactive with the AICPA, to be sure the licensing procedures conform with the public policy objectives of occupational regulation and oversight.

² NASBA represents 54 boards of accounting throughout the United States and its possessions. The organization includes accounting licensing board from 49 states, the Illinois board of examiners (which determines who may sit for the CPA examination), and the Illinois Public Accountant Registration Committee (which determines who is licensed to be a CPA), the District of Columbia, Virgin Islands, and Guam.

³ In correspondence with us, the BOPA chair comments that the CPA exam is "*the most secure exam of any professional exam and its passage is renowned and sought after worldwide.*"

⁴ In correspondence with us, the BOPA chair observed there are "*a half dozen other states including Hawaii, Montana, and Idaho who have only one test site where long distances must be traveled. No state has been successful in getting Prometric to increase testing site where they did fit the profitability clauses in [the contract between NASBA, Prometrics, and the AICPA].*"

A ANALYSIS OF PUBLIC NEED D

The following analyses of board activities relate to the public need factors defined in AS 44.66.050(c). These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

The extent to which the board, commission, or program has operated in the public interest.

As discussed in Recommendation No. 1, BOPA implemented a testing procedure for its primary licensing examination – the Uniform CPA Examination. The new examination is a 14-hour test divided into four sections: Auditing and Attestation; Financial Accounting and Reporting; Regulation; and, Business Environment and Concepts.

The computer-based Uniform CPA Examination is offered the first two months of each calendar quarter. Subject to availability of test site capacity, applicants can now take examinations four times in a calendar year as opposed to the previous twice-a-year schedule. This makes taking the examination more accessible to individuals seeking licensure as a CPA by examination.

In Alaska, this advantage is offset to a large degree by having the testing site limited to one location within the State. The board's actions and options regarding this area are discussed further in Recommendation No. 1 of this letter.

Additionally, in response to national concern over ethics violations by Certified Public Accountants, the board unanimously supported regulation changes that would require four hours of continuing professional education in ethics during the preceding 24 months for license renewal.

The board also put in place regulations mandating a peer review process for practitioners who issue audits and various other attestation services. Such a requirement installs a quality control mechanism on auditing firms and practitioners that should contribute to higher audit integrity by the state's CPAs.

The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices that it has adopted, and any other matter, including budgetary, resource, and personnel matters.

As discussed in Recommendation No. 1, although the adoption of the new computer-based CPA examination provided greater accessibility for applicants seeking licensure by examination by making the examination available up to four times a year, the current

restriction to a single testing site in Anchorage limits the accessibility of individuals in Interior and Southeast Alaska due to the expense involved of getting to, and staying at, the Anchorage test site.

Alaska Statute 08.01.065(c) states, "...that the total amount of fees collected for an occupation approximately equals the actual regulatory costs for the occupation." As shown in the financial schedule below, BOPA is in a surplus situation at the end of FY 04 and fees appear to appropriately cover the board's projected FY 05 operating costs.

Licensing and renewal fees for licensees were increased in fiscal year 2000 from \$180 to \$220. This increase was necessary at the time to ensure the deficit was repaid and the total fees collected approximated the overall regulatory costs for the occupation. Based upon our analysis of the summary schedule on the following page, BOPA licensing fees are adequate in order to cover the regulatory costs of the profession.

State of Alaska Board of Public Accountancy FY 02 - FY 04 Schedule of License Revenues and Board Expenditures (Unaudited)			
	<u>FY 04</u>	<u>FY 03</u>	<u>FY 02</u>
Revenue	\$ <u>301,200</u>	\$ <u>119,800</u>	\$ <u>320,300</u>
Direct Expenditures			
Personal Services	51,600	37,600	40,000
Travel	19,500	26,900	20,600
Contractual	54,900	80,000	73,900
Supplies	100	200	100
Total Direct Expenditures	<u>126,100</u>	<u>144,700</u>	<u>134,600</u>
Indirect Expenditures	<u>68,200</u>	<u>62,500</u>	<u>46,700</u>
Total Expenditures	<u>194,300</u>	<u>207,200</u>	<u>181,300</u>
Net Income (Loss)	<u>106,900</u>	<u>(87,400)</u>	<u>139,000</u>
Beginning Cumulative Surplus (Deficit)	84,200	171,600	32,600
Ending Cumulative Surplus (Deficit)	\$ <u>191,100</u>	\$ <u>84,200</u>	\$ <u>171,600</u>

The extent to which the board, commission, or agency has recommended statutory changes that are generally of benefit to the public interest.

The board testified in favor of 2003 legislation relating to the examination process. Such legislation was necessary in order for the State to implement the new computer-based Uniform CPA Examination process. While change in the examination process doubles the number of opportunities an applicant has to test in one year, this advantage is offset by having only one test site available in Alaska. For further discussion, see Recommendation No. 1 of this letter.

The extent to which the board, commission, or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service that it has provided.

The location, date, and time of upcoming board meetings and notices of proposed changes in regulations are published in the *Anchorage Daily News*, the board's internet website and the State's on-line public notice internet website. The State also offers a subscription service whereby the State will e-mail the subscriber requested public notices.

The board's meeting agendas consistently set aside time for the board to take public comment. Minutes from the meetings of the board reflect public participation throughout the meeting. Proposed regulations are often circulated to those affected by the proposed regulations through professional trade journals, public notice advertisement, or direct mail correspondence from the Division of Occupational Licensing (OccLic).

The extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

Public notices of proposed regulations are published in major newspapers. Overall, meetings are adequately advertised and time is set aside for public testimony.

Major proposed regulation changes were circulated throughout the professional community by either direct-response mailing to the affected license holders or providing the proposed changes to the State's accounting organizations. Feedback resulted in changes to the proposed regulations addressing the profession's concerns. The Alaska Society of Certified Public Accountants has requested the board's support for legislation sought by the Society.

The efficiency with which public inquiries or complaints regarding the activities of the board, commission, or agency filed with it, with the department to which a board or commission is administratively assigned, or with the office of victims' rights or the office of the ombudsman have been processed and resolved.

In the 35-month period between July 1, 2001 and late May 2004, OccLic's investigative section conducted 25 investigations involving complaints related to licensees, or applicants for licensure, of BOPA. Five investigations originated from complaints made by CPA clients, while another three complaints were received from the general public. The remaining 17 complaints stemmed from internal OccLic application and renewal procedures. All complaints were ranked as a low priority by OccLic's investigation section.

In June 2004, 13, or just over half, of the complaints were still open. Six of those 13 complaints had been opened for longer than 120 days. We reviewed five of these six complaints in detail. Four of the five complaints had no evidence of having any investigative activity for the last 90 days. Based on our review, we concluded the public inquiries and complaints regarding BOPA activities were not being resolved efficiently.

Efficiency issues related to investigations are being evaluated in another audit report. This report addresses the history, and evaluates the effectiveness, of the State's overall sunset process.

No complaints or investigations specifically involving the actions and activities of BOPA were received, or undertaken by, either the Office of the Ombudsman or the Office of Victim's Rights within the past three fiscal years.

The extent to which state personnel practices, including affirmative action requirements, have been complied with by the board, commission, or agency to its own activities and the area of activity or interest.

We did not find any evidence that the board was not complying with state personnel practices, including affirmative action in qualifying applicants. In no instance did the board deny an applicant a license based on personal attributes.

The extent to which a board or commission that regulates entry into an occupation or profession has presented qualified applicants to serve the public.

The application process for licensing, followed by BOPA's OccLic staff, appears reasonable and appropriate. The board relies on a national exam for testing of qualified applicants. Additional educational requirements and experience hours are also required before an

applicant can be approved for licensure. After the initial licensing period, continuing education is required and adequately monitored by the board.

Listed below is a summary of new licenses and permits issued by the board for the period under review. This information was compiled from annual reports issued by the board.

New Permits Issued (Exclusive of Renewals)	FY01	FY02	FY03	FY 04	Current Licenses (as of June 30, 2004)
Certified Public Accountants	58	50	35	69	831
Resident Partnerships, Corporations and Limited Liability Companies	8	6	3	5	82
Nonresident General Permits	3	6	8	11	32

The extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency, board, or commission to better serve the interest of the public and to comply with the factors enumerated in AS 44.66.050.

The board, with the assistance of AICPA and NASBA, has recognized the need to evaluate and explore implementation of a "substantial equivalency" concept to simplify the licensing of applicants from other jurisdictions by reciprocity. This will allow Certified Public Accountants to practice across state lines in states that meet Uniform Accountancy Act Standards.

Nationally, the public accounting profession continually considers issues that may have an impact on industry standards. The board continues to be active in addressing these issues ensuring certified public accountants licensed in the State of Alaska are represented.

BOPA believes that, to effectively address these issues and serve the best interest of the public, it is essential for participation and attendance to be encouraged at National forums sponsored by the AICPA and NASBA. Travel costs for board members have been restricted in recent years. This has led board members to seek financial support from other sources enabling them to travel to national conferences regarding the licensing of CPAs. Participation in nationwide issues should be a primary responsibility of the Board of Public Accountancy.

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OFFICE OF THE COMMISSIONER

Frank H. Murkowski, Governor

December 30, 2004

Pat Davidson
Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811

RECEIVED
DEC 30 2004
LEGISLATIVE AUDIT

RE: Board of Public Accountancy

Dear Ms. Davidson:

We appreciate the opportunity to review and comment on the Board of Public Accountancy (BOPA) Preliminary Audit Report.

Our response to the Findings and Recommendation is noted below:

Recommendation No. 1:

BOPA should continue to be proactive in providing better access to its primary licensing examination – the Uniform Certified Public Accountant Examination (CPA Exam).

The analysis you have provided regarding the computerized exam process and single exam location coincides with the department's understanding of the exam site availability.

We concur with your statement that *"A central tenet of occupational licensing is that regulatory boards for given professions primarily exist to provide public and consumer protection without unduly restricting or limiting entry into the regulated profession."*

Many of Alaska's licensing professions utilize national exams which, in recent years, have become computerized. We see the same dilemma facing CPA exam candidates being shared by licensees in other professions. The benefits of use of nationally recognized exams may ultimately outweigh the hardships created for candidates who must travel to the one Alaska exam site. If Alaska professions were to develop state examinations in lieu of the national exams, reciprocity to other jurisdictions would likely be compromised.

It is our understanding the BOPA continues to work with AICPA, NASBA and Thomson Prometric to establish an additional testing site in Fairbanks. In fact, the BOPA is relatively certain it has secured a testing site in Fairbanks that meets the security requirements of the testing service.

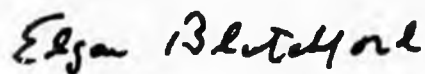
Also, the BOPA is revisiting the option of utilizing CPA Examination Services (a NASBA owned service) for the processing of CPA exam applications and administration of the CPA examination.

Other:

Lastly, we recognize the Board strongly supports attendance at national conferences/meetings related to the profession. In the past three years, six out-of-state travel authorizations have been provided to the Board for attendance at these forums.

Again, we appreciate the opportunity to comment.

Sincerely,



Edgar Blatchford
Commissioner

cc: Rick Urion, Director
Occupational Licensing

RECEIVED
DEC 28 2004
LEGISLATIVE AUDIT

Steven R. Tarola, CPA
P.O. Box 2074, Homer, Alaska 99603
907-235-3610 (Home/Fax) 907-399-3393 (Cell Phone) starola@xyz.net (E-mail)

December 21, 2004

Pat Davidson, CPA, Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
P.O. Box 113300
Juneau, Alaska 99811-3300

Dear Ms. Davidson:

Thank you for giving me the chance to respond to the Preliminary Report of the Sunset Review of the Department of Commerce, Community, and Economic Development, Board of Public Accountancy, October 25, 2004.

I am pleased to see that you are recommending that the termination date for the Board of Public Accountancy (BOPA) should be extended. I concur with your findings and recommendation regarding the Uniform Certified Public Accountant Examination (CPA Exam) as well as the rest of the Report.

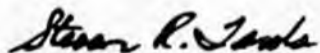
It is unfortunate that the change to the computerized CPA Exam restricted access and increased expense for rural applicants in Alaska. There are, however, new rules under the computerized exam which provide some significant benefits to applicants. These are as follows:

- Applicants no longer have to take all un-passed sections of the exam each time they sit, which saves exam re-take costs and allows them to concentrate on individual sections.
- Applicants are able to condition (keep) any single passed exam section rather than having to initially pass two sections in order to condition under the written exam.
- Pass rates have increased dramatically under the computerized exam, which allows some applicants to save costs by not having to sit for the exam as many times as required under the written exam.

- Applicants now have flexibility to schedule the timing of the exam to fit their situation, while under the written exam the test was given only twice a year on specific dates.
- Applicants may take the exam at any testing center they chose in the United States, Guam, Puerto Rico, or the U.S. Virgin Islands.
- Applicants are able to take the exam in a medium they are familiar with rather than paper and pencil.

Please let me know if you have any questions.

Respectfully yours,



Steven R. Tarola, Chair
Alaska Board of Public Accountancy

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 64
 () Publish Date: _____

Revision Date/Time (Note if correction):

Dept. Affected: Commerce

Title Extend Board of
Public Accountancy

RDU Occupational Licensing (117)

Component Occupational Licensing

Sponsor HAWKER, Stolze

Requester House Labor and Commerce

Component No. 2360

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 20076	FY 2008	FY 2009	FY 20010	FY 2011
Personal Services	0.0	51.6	51.6	51.6	51.6	
Travel	0.0	19.5	19.5	19.5	19.5	
Contractual	0.0	54.9	54.9	54.9	54.9	
Supplies	0.0	1.0	1.0	1.0	1.0	
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	127.0	127.0	127.0	127.0	

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1156)	0.0	127.0	127.0	127.0	127.0	
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other 1156 - Receipt Supported Services	0.0	127.0	127.0	127.0	127.0	
TOTAL	0.0	127.0	127.0	127.0	127.0	

Estimate of any current year (FY2006) cost: 127.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The bill extends the Board of Public Accountancy to June 30, 2009. In accordance with AS 08.03.020, funding is extended one year following the termination date allowing the Board to conclude its affairs. FY 2006 funding is included in the Operating Budget request. The costs shown for subsequent fiscal years reflect the direct costs included in the FY 2006 budget. New funds are not required to implement this bill.

Prepared by: Jennifer Strickler, Administrative Manager
 Division: Occupational Licensing
 Approved by: Edgar Blatchford, Commissioner
 Agency: Commerce, Community & Economic Development

Phone (907) 465-2144
 Date/Time 1/21/05 12:27 PM
 Date 1/21/2005

Representative Mike Hawker

Alaska State Legislature

Session:

State Capitol
Juneau, AK 99801
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Interim:

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Member:

House Finance Committee
Legislative Budget
& Audit Committee

House District 32:

Eagle River
Anchorage
Rainbow
Indian
Bird
Girdwood
Portage
Whittier
Sunrise
Hope

To: Representative Tom Anderson
Chairman, House Labor and Commerce Committee

From: Representative Mike Hawker

Date: January 19, 2005

Re: HB 64



Thank you for scheduling House Bill 64, extending the termination date for the Board of Accountancy, for a hearing on Friday, January 21, 2005.

I would like to request a teleconference offnet for Steve Tarola, Board Chairman, who will be traveling that day but will call in from New York. I also expect to hear testimony from the Alaska Society of CPAs.

Please feel free to contact me if you need any additional information.

Representative Mike Hawker

Alaska State Legislature



House Bill 64 Sponsor Statement

"An Act extending the termination date for the Board of Public Accountancy; and providing for an effective date."

House Bill 64 extends the sunset date of the Board of Public Accountancy (BOPA) until June 30, 2009, in accordance with recommendations of the Legislative Auditor.

The board consists of five certified public accountants and two public members. Board members are appointed by the Governor and confirmed by the Legislature. The board adopts regulations to carry out the laws governing the practice of public accountancy in Alaska. It makes final licensing decisions and takes disciplinary action against people who violate the licensing laws.

The board has been working proactively with the Alaska Society of Certified Public Accountants (ASCPA) and individual CPAs to bring Alaska into conformance with national professional testing standards and to make Alaska more attractive to multi-state businesses by making our accountancy statutes more consistent with the American Institute of the Certified Public Accountants Uniform Accountancy Act.

The legislative auditor has concluded the BOPA meets the statutory requirements of public need and is in compliance with AS 08.01.065(c), which requires occupational licensing fees to cover the regulatory costs of that occupation. A letter from the ASCPA, the accountants' professional organization, endorsing reauthorization of the BOPA is included in the bill package.

Accordingly, the best interests of Alaska's business and professional communities will be served by your support of this reauthorization.

Session:

State Capitol
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800 478-4950 toll free
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Member:

House Finance Committee
Legislative Budget
& Audit Committee

House District 32:

Eagle River
Anchorage
Rainbow
Indian
Bird
Girdwood
Portage
Whittier
Sunrise
Hope



ALASKA SOCIETY OF CPAs
311 W. TUDOR #105
ANCHORAGE, AK 99503
(907) 562-4134
800-478-4334
FAX (907) 562-4075

January 14, 2005

Representative Mike Hawker
State Capital, Room 502
Juneau, AK 99801-1182

Honorable Mike Hawker:

I would like to inform the State Legislature that the Alaska Society of Certified Public Accountants would like you to reauthorize the Alaska State Board of Accountancy.

If you have any questions regarding this, please feel free to contact me at anytime in Anchorage at 907-272-1421.

Sincerely,

Donovan W. Rulien, CPA
Chairman of the Legislative Committee
Past President of the Alaska Society of Certified Public Accountants

HB

81

HB 81 TALKING POINTS

- HB 81 changes the way that the State of Alaska deals with unregistered contractors.
- Currently Alaska exempts individuals from getting a contractors license if they are working on a job that costs less than \$5,000 in materials and labor
- This has resulted in over 1,600 unregistered "handymen" operating in Alaska today.
- In a breakdown of the various types of contractors in Alaska this figure made up over 23% of the total. By far the largest category.
- Under the current statutes the Dept. of Labor and Commerce and the Department of Commerce, Community and Economic Development handle violations of work performed by unlicensed contractors by issuing citations which are left to the Dept. of Law to prosecute or not as they see fit.
- Enforcement is difficult at best.
- HB 81 allows the DL&C and the DCCED to issue civil penalty fines for violations that are not dependant on the Department of Law.
- The fines created in HB 81 are \$1,000 for the first violation and \$1,500 for the second violation. If the individual is still operating without registration after that the matter is decided under the criminal code
- This fine may be appealed to an administrative hearing officer.
- The benefit of this system is that it allows the DL&C and the DCCED to quickly and effectively prosecute violators in an effective way that is currently unavailable to them
- The violations in this section are not to be applied in communities of less than 1000 people who are not connected by road or rail to Anchorage or Fairbanks. Our best guess is that there are about 232 such communities in Alaska.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB081-DOLWD-MI-1-20-05
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
 Title: Contractor License Enforcement RDU: Labor Standards and Safety
 Component: Mechanical Inspection
 Sponsor: Representative Anderson
 Requester: House Labor and Commerce Component Number: 346

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Worker Safety Account)						
Other (Worker Safety Account)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: None

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill proposes to establish a civil administrative fine to allow for an alternative to the current criminal penalty for contractor licensing violations. Criminal penalties are difficult to pursue for contractor licensing violations. The standard of proof and the formality required in the investigation process are much higher in a criminal case and the District Attorney must agree to pursue the case to achieve a penalty. When weighed against other criminal violations competing for the District Attorney's time, licensing violations are generally a low priority and may not be prosecuted. The administrative civil fine is expected to provide a more efficient means of enforcement. The fiscal impacts of the administrative fine and hearing process are not expected to be significant and will be absorbed at current funding levels. The administrative fines are expected to produce unrestricted General Fund revenues. The specific amount of revenue cannot be accurately estimated.

Prepared by: Grey Mitchell, Director Phone: (907) 465-4855
 Division: Labor Standards and Safety Date/Time: 1/20/05 1:23 PM
 Approved by: Greg O'Claray, Commissioner Date: 1/20/2005
 Agency: Department of Labor and Workforce Development

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 81
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title Contractor License Enforcement RDU Occupational Licensing (117)
 Component Occupational Licensing
 Sponsor Anderson
 Requester House Labor and Commerce Component No. 2360

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS:

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 81 establishes an administrative fine and procedure for construction contractors in certain circumstances. New funds are not required to implement this bill.

Prepared by: Jennifer Strickler, Administrative Manager Phone (907) 465-2144
 Division Occupational Licensing Date/Time 1/21/05 2:31 PM
 Approved by: Edgar Blatchford, Commissioner Date 1/21/2005
 Agency Commerce, Community & Economic Development

Home Builders Protect Consumers From Illegal Contractors

Prepared by John Bitney, ASHBA lobbyist

April 13, 2004

During a meeting of the Board of Directors, the Alaska State Home Building Association (ASHBA) voted in early March to pursue solutions to the growing issue of unregistered contractors providing construction services illegally under the guise of a "handyman license".

Background

A handyman is a person providing construction services without a state registration as a contractor or subcontractor. Instead of meeting qualification standards and insurance requirements, the Division of Occupational Licensing currently has sold 1,678 business licenses in Alaska for "Construction-related EXEMPT from contractor registration" (code 2360).

Under current state law (AS.08.18) there are minimum requirements for persons who represent themselves as either contractors or specialty contractors. For example, contractors and specialty contractor must have a bond, general liability insurance, education/qualifications standards, and may not offer more than three trade services.

There is also an exemption from registering for work on a project where labor and materials and all other items is less than \$10,000. This exemption does not apply when the work is divided into contracts of amounts less than \$10,000 for the purpose of evasion of the law, but enforcement can sometimes be difficult. For work priced at \$2,500 or more, some public liability and property damage insurance is required.

These exemption areas in state law have allowed the establishment and growth of over 1,600 unregistered contractor businesses in Alaska. Numerous reports have been made about these unregistered businesses offering construction services in violation of these laws, but enforcement efforts have proven to be difficult. The problem is that many consumers are unaware that their contractor may not be qualified to provide construction services, and even worse, have little or no insurance and warranty protections.

New Handyman Legislation

Under current law, the State of Alaska investigates and enforces violations construction contractor laws. Both the Departments of Labor and Community & Economic Development have authority to pursue violations of work performed by unregistered construction contractors. For the most part, they rely upon the public to complain, and then they investigate (depending on the availability of resources).

Under current laws, these agencies enforce violation by issuing citations. After a citation is issued, it is then up to the Department of Law whether or not to prosecute the matter in Court.

A bill is proposed for next session (2005) that would amend the law to allow DCED to issue civil penalty violations for first-time violations. Instead of going through the Dept. of Law, a violator would either pay a fine (proposed at \$1,000) or appeal to an administrative hearing officer.

This system would be much more effective toward penalizing first-time violations quickly and effectively. Second-time and additional offenses would go through the criminal violation process.

Arguments against this proposal are expected to focus on the availability of due process within the administrative hearing process as opposed to the court system.

Handyman Issue Background

A handyman is a person providing construction services without a state registration as a contractor or subcontractor. In 2003, the Division of Occupational Licensing 1,678 business licenses in Alaska for "Construction-related EXEMPT from contractor registration" (code 2360).

Under current state law (AS.08.18) there are certain requirements for persons who represent themselves as either registered contractors or specialty contractors. For example, each must have a bond, general liability insurance, education/qualifications standards, and may not offer more than three specific construction trade services. There is an exemption for construction work on projects less than \$5,000.

With over 1,600 unregistered contractors operating under this exemption, numerous reports have been made about these unregistered businesses offering construction services in violation of the laws. Enforcement efforts have proven to be difficult. The problem is that many consumers are unaware that their contractor may not be qualified to provide construction services, and even worse, have little or no insurance and warranty protections.

Other Measures That Have Been Taken

HB542

Following the March meeting of ASHBA in Juneau, the House Labor & Commerce Committee introduced HB 542. HB542 lowers the project cost exemption from \$10,000 down to \$5,000, and expands the work that can be done by a specialty contractor.

This bill passed the Legislature and was signed into law by Governor Murkowski. ASHBA issued a letter of support for the legislation during committee testimony.

Elimination of Business License Exemption Code

After hearing from ASHBA and other contractors, the Division of Occupational Licensing announced the elimination of the business license code for "Construction-related EXEMPT from contractor registration" and created the handyman code (8101) and moved it to a different business lines category.

Occupational Licensing confirmed what ASHBA has been saying – there was too much abuse by allowing business licenses for exempt contractors under construction services. Consumers were sometimes easily confused with the reference to construction on the business license.

This new business line will hopefully help clear up any confusion about whether a business should or shouldn't be offering construction services.

Other Ideas

The following is a short of list of potential ways to address this issue that were brought forward by ASHBA Board members and others:

- Require title insurance agencies to establish a residential endorsement on all new-construction home sales

- Increase contractor licensure fees toward additional enforcement officers and efforts
- Eliminate all construction contractor exemptions – require state registration for all construction work

These last few suggestions were discussed by ASHBA's Board, but no actions have been taken to actively pursue them.

Lines of Business:

23 - Construction - Total under this code: 7,099 as of January, 2004

CONSTRUCTION (Six digit code requires an occupational license)		Business Activity TTL % of 23 Code						
		In AK	% of Total	Outside AK	% of Total	Total	Construction	Cross chk
2331	Land Subdivision, etc. (exempt no occ license required)	113	1.59%	7	0.10%	120	1.69%	120
233200	General Contractors	948	13.35%	39	0.55%	987	13.90%	987
233300	General Contractors (excluding residential)	1074	15.13%	312	4.39%	1386	19.52%	1386
Specialty Contractors								
234100	Road Construction	89	1.25%	13	0.18%	102	1.44%	102
234900	Construction but 234900 not a true code	5	0.07%	5	0.07%	10	0.14%	10
235100	Plumbing Heating and Air	244	3.44%	12	0.17%	256	3.61%	256
235200	Painting and Wall Covering	227	3.20%	19	0.27%	246	3.47%	246
235300	Electrical Contractors	235	3.31%	24	0.34%	259	3.65%	259
235400	Masonry, Drywall, Insulation, Tile Carpentry & Floor	305	4.30%	19	0.27%	324	4.56%	324
235500	Carpentry & Floor	810	11.41%	24	0.34%	834	11.75%	834
235600	Roofing, Siding and Sheet Metal	101	1.42%	18	0.23%	117	1.65%	117
235700	Concrete Contractors	89	1.25%	9	0.13%	98	1.38%	98
235800	Water Well Drilling	53	0.75%	1	0.01%	54	0.76%	54
235900	plaster, welding, gas tank and sewer systems, etc.)	479	6.75%	120	1.69%	599	8.44%	599
235991	Underground Storage Tank Workers	3	0.04%	2	0.03%	5	0.07%	5
2360	Construction-related EXEMPT from contractor registration.	1678	23.64%	19	0.27%	1697	23.90%	1697
2300	Entry Error; nonexistent code	1	0.01%	0	0.00%	1	0.01%	1
Blanks	No Entry	3	0.04%	1	0.01%		0.06%	4
Totals:		8457	90.96%	642	9.04%	7095	100.00%	7099

Josh Applebee

From: Sally Saddler [sally_saddler@commerce.state.ak.us]
Sent: Wednesday, January 19, 2005 11:57 AM
To: Josh Applebee
Cc: Bill J Rolfzen
Subject: List of Communities
Attachments: PopListforRepAnderson 011905.xls

Hi Josh!

Bill Rolfzen has pulled together the attached list of communities you requested.

This list is our best estimate of the communities that "are" and "are not" connected by road or rail to Anchorage or Fairbanks. The list is sorted by *No* and *Yes* and *Population*. You can change your population cutoff thresholds as you play with this!. The Community list was pulled from our community database which includes Alaska Native Village Statistical Areas (ANVSAs), Census Designated Places (CDPs), Incorporated Cities, and Incorporated Boroughs.

Let me know if you need additional info!

Sally Saddler
Department of Commerce, Community & Economic Development
PO Box 110800
Juneau, AK 99811.0800
Phone: 907.465.2503
Fax: 907.465.5442
Email: sally_saddler@commerce.state.ak.us

Community	2003 Population	On Road or Rail to Anchorage or Fairbanks
Afognak	0	N
Alpine	0	N
Belkofski	0	N
Bill Moore's Slough	0	N
Chuloonawick	0	N
Council	0	N
Cube Cove	0	N
Ekuk	0	N
Flat	0	N
Hamilton	0	N
Kaguyak	0	N
Kanatak	0	N
King Island	0	N
Mary's Igloo	0	N
Napaimute	0	N
Ohogamiut	0	N
Paimiut	0	N
Pauloff Harbor	0	N
Port William	0	N
Urukumiute	0	N
Unga	0	N
Woody Island	0	N
Hobart Bay	1	N
Telida	2	N
Georgetown	3	N
Ivanof Bay	3	N
Prudhoe Bay	4	N
Prudhoe Bay	4	N
Solomon	4	N
Pope-Vannoy Landing	10	N
Thom's Place	11	N
Chisana	12	N
Excursion Inlet	12	N
Ugashik	12	N
Meyers Chuck	18	N
Alatna	21	N
Evansville	21	N
Rampart	21	N
Port Clarence	22	N
Lake Minchumina	23	N
Attu Station	24	N
Karluk	24	N
Halibut Cove	25	N
Beluga	26	N
Shemya Station	27	N
Wiseman	29	N
Kupreanof	30	N
Elfin Cove	32	N
Bettles	33	N

Community	2003 Population	Fairbanks
Birch Creek	33	N
Hoaly Lake	33	N
Point Baker	33	N
Red Dog Mine	35	N
Game Creek	36	N
Lutak	36	N
New Allakaket	38	N
Jakolof Bay	39	N
Platinum	40	N
Nikolski	41	N
Red Devil	41	N
Lime Village	43	N
Edra Bay	45	N
Pedro Bay	45	N
Chiniak	49	N
Stony River	49	N
Igiugig	50	N
Akhiok	51	N
Kasaan	55	N
Aleneva	56	N
Port Protection	57	N
Whitestone Logging Camp	60	N
Portage Creek	61	N
Oscarville	62	N
Takotna	63	N
Nelson Lagoon	64	N
Beaver	65	N
Hughes	65	N
Clark's Point	66	N
Whale Pass	67	N
False Pass	69	N
Pilot Point	70	N
Port Alexander	70	N
Levelock	71	N
Sleetmute	72	N
Twin Hills	75	N
Hyder	77	N
Egegik	84	N
Chalkyitsik	86	N
Stevens Village	86	N
Port Heiden	87	N
Chignik	89	N
Chignik Lagoon	92	N
Iliamna	92	N
Skwentna	94	N
Atka	95	N
Cold Bay	95	N
Larsen Bay	96	N
Chenega Bay	99	N
Allakaket	102	N
Chuathbaluk	102	N

Community	2003 Population	Fairbanks
South Naknek	102	N
Port Alsworth	105	N
Perryville	106	N
Tenakee Springs	106	N
Pitkas Point	107	N
Anvik	108	N
Naukati Bay	109	N
Koyukuk	111	N
Taitlek	111	N
Chignik Lake	113	N
Pelican	113	N
Kobuk	125	N
Covenant Life	126	N
Nikolai	127	N
Ekwok	128	N
Diomedé	129	N
Deering	131	N
Tetlin	137	N
Seldovia Village	138	N
Crooked Creek	146	N
Golovin	146	N
Shageluk	146	N
Andreafsky	149	N
Mud Bay	149	N
Saint George	149	N
Adak	150	N
Wales	158	N
Coffman Cove	163	N
Port Graham	165	N
Arctic Village	166	N
Grayling	166	N
Newhalen	167	N
Ruby	169	N
Ouzinkie	170	N
Hollis	178	N
Kokhanok	182	N
Tyonek	193	N
Venetie	199	N
Koliganek	200	N
Nunam Iqua	204	N
Nunam Iqua	204	N
Mekoryuk	205	N
Holy Cross	209	N
Old Harbor	211	N
Nanwalek	214	N
White Mountain	214	N
Nondalton	217	N
Mosquito Lake	219	N
Shaktoolik	223	N
Nightmute	228	N
Kaltag	229	N

Community	2003 Population	Fairbanks
Upper Kalskag	231	N
Aleknagik	235	N
Teller	242	N
Goodnews Bay	245	N
Atkasuk	247	N
Port Lions	251	N
Shungnak	264	N
Point Lay	265	N
Lower Kalskag	267	N
Atmautluak	279	N
Eek	290	N
Tanana	290	N
Ambler	291	N
Huslia	291	N
Kaktovik	295	N
Seldovia	300	N
Tununak	304	N
Russian Mission	310	N
Brevig Mission	314	N
Anaktuvuk Pass	319	N
Newtok	329	N
Akiak	337	N
Koyuk	340	N
Elim	341	N
Nulato	342	N
Kwigillingok	343	N
Marshall	368	N
Hydaburg	370	N
Napakiak	380	N
Tuntutuliak	381	N
King Salmon	385	N
Kivalina	388	N
Kongiganak	401	N
Manokotak	405	N
Kiana	408	N
Buckland	410	N
Saint Michael	413	N
McGrath	415	N
Nuiqsut	416	N
Napaskiak	419	N
Saxman	425	N
Chetofornak	434	N
Gustavus	438	N
Tuluksak	464	N
Noatak	469	N
Scammon Bay	470	N
Thorne Bay	480	N
New Stuyahok	493	N
Nunapitchuk	498	N
Angoon	505	N
Kasigluk	529	N

Community	2003 Population	Fairbanks
Saint Paul	539	N
Aniak	551	N
Wainwright	553	N
Fox River	563	N
Pilot Station	564	N
Stebbins	570	N
Toksook Bay	572	N
Fort Yukon	574	N
Quinhagak	579	N
Saint Mary's	585	N
Shishmaref	594	N
Kotlik	609	N
Naknek	614	N
Akiachak	633	N
Gambell	647	N
Kipnuk	649	N
Noorvik	649	N
Alakanuk	666	N
Womens Bay	667	N
Kake	682	N
Yakutat	691	N
Savoonga	704	N
Point Hope	725	N
Kwethluk	730	N
King Cove	737	N
Unalakleet	741	N
Mountain Village	750	N
Emmonak	763	N
Galena	763	N
Akutan	787	N
Selawik	821	N
Togiak	824	N
Hoorah	851	N
Klawock	851	N
Chevak	884	N
Sand Point	947	N
Bristol Bay Borough	1105	N
Hooper Bay	1115	N
Craig	1174	N
Lazy Mountain	1188	N
Metlakatla	1398	N
Lake & Peninsula Borough	1628	N
Wrangell	2113	N
Kodiak Station	2192	N
Haines Borough	2327	N
Fishhook	2342	N
Cordova	2372	N
Dillingham	2373	N
Aleutians East Borough	2700	N
Butte	2931	N
Petersburg	3060	N

Community	2003 Population	Fairbanks
Kotzebue	3076	N
Nome	3448	N
Unalaska	4388	N
Unalaska	4388	N
Barrow	4417	N
Meadow Lakes	5443	N
Douglas	5483	N
Bethel	5899	N
Kodiak	6138	N
Northwest Arctic Borough	7301	N
Ketchikan	8002	N
Sitka	8891	N
Ketchikan Gateway Borough	13548	N
Kodiak Island Borough	13811	N
Juneau	31283	N
Uganik		N
Miller Landing	0	Y
Fort Greely	6	Y
Alcan Border	13	Y
Petersville	14	Y
Coldfoot	15	Y
Sunrise	15	Y
Livengood	20	Y
Chicken	21	Y
Tolsona	28	Y
Ferry	32	Y
Dot Lake	33	Y
Chase	34	Y
Four Mile Road	36	Y
Dot Lake Village	37	Y
Susitna	38	Y
Paxson	44	Y
McCarthy	53	Y
Eagle Village	59	Y
Nelchina	66	Y
Mendoltna	67	Y
Manley Hot Springs	73	Y
Crown Point	78	Y
Northway	82	Y
Chistochina	85	Y
Primrose	87	Y
Lowell Point	89	Y
Northway Village	95	Y
Circle	96	Y
Gulkana	98	Y
Northway Junction	98	Y
Tonsina	106	Y
Dry Creek	109	Y
Lake Louise	109	Y
Central	113	Y
Central	113	Y

Community	2003 Population	Fairbanks
Klukwan	114	Y
Slana	118	Y
Eagle	126	Y
Chitina	132	Y
McKinley Park	133	Y
Mentasta Lake	143	Y
Eyak	144	Y
Tanacross	144	Y
Silver Springs	148	Y
Hope	161	Y
Willow Creek	174	Y
Clam Gulch	176	Y
Copperville	176	Y
Whittier	178	Y
Tazlina	192	Y
Point MacKenzie	194	Y
Harding-Birch Lakes	210	Y
Gakona	214	Y
Moose Pass	221	Y
Cantwell	226	Y
Minto	234	Y
Chickaloon	242	Y
Glacier View	256	Y
Nikolaevsk	313	Y
Fox	316	Y
Copper Landing	358	Y
Kenny Lake	369	Y
Copper Center	400	Y
Trapper Creek	426	Y
Eklutna	427	Y
Kachemak	473	Y
Happy Valley	503	Y
Nenana	519	Y
Kasilof	571	Y
Glennallen	574	Y
Moose Creek	574	Y
Anderson	592	Y
Two Rivers	592	Y
Knik River	654	Y
Pleasant Valley	677	Y
Big Delta	699	Y
Funny River	705	Y
Buffalo Soapstone	756	Y
Niniichik	777	Y
Skagway	845	Y
Talkeetna	847	Y
Salcha	865	Y
Salamatof	902	Y
Delta Junction	984	Y
Healy	1022	Y
Diamond Ridge	1086	Y

Community	2003 Population	Fairbanks
Farm Loop	1124	Y
Sutton-Alpine	1174	Y
Cohoe	1201	Y
Houston	1339	Y
Tok	1435	Y
North Pole	1646	Y
Deltana	1691	Y
Haines	1715	Y
Fritz Creek	1740	Y
Ester	1774	Y
Bear Creek	1823	Y
Anchor Point	1826	Y
Willow	1838	Y
Girdwood	1850	Y
Denali Borough	1914	Y
Ridgeway	2011	Y
Seward	2733	Y
Big Lake	2839	Y
Gateway	3292	Y
Soldotna	4059	Y
Valdez	4060	Y
Nikiski	4357	Y
Eielson AFB	4437	Y
<hr/>		
Sterling	4888	Y
Homer	4893	Y
Palmer	5474	Y
Tanaina	5843	Y
Kalifornsky	6230	Y
Wasilla	6715	Y
Lakes	6980	Y
Kenai	7125	Y
North Slope Borough	7253	Y
Knik-Fairview	8488	Y
College	11929	Y
Fairbanks	29486	Y
Eagle River-Chugiak	30000	Y
Kenai Peninsula Borough	51220	Y
Matanuska-Susitna Borough	67473	Y
Fairbanks North Star Borough	82214	Y
Anchorage	274003	Y

Note: List includes Alaska Native Village Statistical Areas (ANVSAs), Cens

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 25, 2005

SUBJECT: Construction Contractors - CSHB 81(L&C)
(Work Order No. 24-LS0144F)

TO: Representative Tom Anderson,
Chair of House Labor and Commerce Committee
Attn: Jon Bittner

FROM: Jean M. Mischel
Legislative Counsel



Enclosed is a draft CS for HB 81(L & C) incorporating a conceptual amendment to sec. 2 of the bill at sec. 08.18.125(c). I have not incorporated a second conceptual amendment involving sec. 3 that was described as a substitution of the term "specialty contractor" for "home inspector" as that term is used in AS 08.18.131 relating to civil penalties. It is my understanding that, in proposing this second amendment, the committee was operating under the misunderstanding that those terms were substituted for each other by the 23rd Legislature. They were not. In separate bills, the term "specialty contractor" was clarified by adding AS 08.18.024(b) (sec. 1, ch. 144 SLA 2004) and related changes, and the concept of "home inspector" was added as a regulated entity throughout AS 08.18, including a list of prohibited acts and exemptions related to home inspectors under AS 08.18.152 and 08.18.156 (sec. 31, ch. 134 SLA 2003), for which the civil penalty applies.

A substitution of those terms, in this bill, for purposes of imposing a civil penalty would create confusion in the entire chapter and result in a redundancy in the civil penalty section itself. The confusion would come from the deletion of "home inspectors" in a section that specifically cross-references "home inspection activities" while retaining the term "home inspectors" in all other sections of AS 08.18. Substituting the term "specialty contractors" in the civil penalty section would cause a specialty contractor to become subject to a civil penalty for violations of provisions that currently apply to a home inspector. In addition, a redundancy would result since two civil penalty provisions would apply to both "contractors", as used in the general sense to include specialty contractors, and to "specialty contractors", as used in a more narrow sense (for violations of home inspection activities).

For these reasons I advise that the second conceptual amendment to substitute the term "specialty contractor" for "home inspector" in section 3 of the bill be reconsidered and, on reconsideration, withdrawn.

24-LS0144\Y
Mischel
1/26/05

CS FOR HOUSE BILL NO. 81()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE ANDERSON

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing an administrative fine and procedure for construction contractors
2 in certain circumstances; increasing the amount of a civil penalty for persons acting in
3 the capacity of contractors or home inspectors; modifying the elements of a crime
4 involving contractor registration and residential contractors; modifying the exemptions
5 from regulation under AS 08.18 for contractors; and exempting the administrative
6 hearings for imposing an administrative fine on construction contractors from the
7 hearings conducted by the office of administrative hearings in the Department of
8 Administration."

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

10 * Section 1. AS 08.18.117 is amended to read:

11 **Sec. 08.18.117. Issuance of citations. Except as provided in AS 08.18.125,**
12 **either [EITHER] the Department of Commerce, Community, and Economic**