

House Business Committee

Minutes
2005



MINUTES

HOUSE BUSINESS COMMITTEE

DATE: January 13, 2005

TIME: 1:30 P.M.

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** Rep. Cannon

GUESTS: None

Meeting was called to order by Chairman Black at 1:35 p.m. Members were invited to choose seats for Business Committee meetings, according to the order of seniority on the committee.

Chairman Black explained to the members that the minutes of committee meetings are available on the Internet once they are approved. He stated that at the end of the session, each member will receive a CD containing minutes of all meetings held during the session. He advised them that, in light of the availability of minutes via the Internet and CD, members may choose not to keep their minute books after the session is adjourned. If that is the case, he asked that they leave them with the committee secretary at the end of the session.

The Chairman then discussed standard committee procedures, noting that the standard meeting time for the Business Committee is 1:30 p.m. on odd-numbered days. Occasionally, because of a luncheon meeting or other commitment, meetings may start slightly later than 1:30, but every effort should be made to be present by the appointed time so meetings can start promptly.

Chairman Black asked that members of the committee extend all courtesy to members of the public who visit meetings to testify in favor of, or in opposition to, proposed legislation. He pointed out that, particularly for those who have never testified before a committee, the process can be intimidating and confusing, and he asked members to be understanding and patient. Chairman Black specifically asked that members try not to be confrontational with witnesses. He also mentioned that sometimes testifiers have come from out of town and need to catch flights in the afternoon to return home. In those cases, every possible consideration is given to their schedules, and the Chairman will allow them to testify early enough to accommodate their travel plans.

The Chairman noted the types of legislation that generally come before the

Business Committee, including matters from the Department of Finance, the Department of Insurance, the Board of Occupational Licensing, and the Division of Building Safety.

Chairman Black stated that the committee will first be addressing all the Administrative Rules submitted to it for consideration by various state agencies. He said that it is his intention to assign the rules to subcommittees for study and review; after the subcommittees finish their review, they will make a recommendation to the full committee concerning adoption or rejection of the rules. He also noted that, in the past, members have made visits to a number of state agencies in order to acquaint themselves with the personnel who work there and the issues they handle. He encouraged the members to avail themselves of the opportunity to visit the various agencies, saying that this kind of personal contact with agency personnel will prove to be invaluable if they want to be more effective legislators.

Chairman Black introduced Chandi Hall, the high school page who has been assigned to the Business Committee. Chandi lives in Wendell and attends Liberty Christian Academy in Jerome.

The Chairman asked whether any members had questions or concerns that could be addressed at this time. There being no response, he announced that the next meeting of the committee would be Monday, January 17, at which time he will appoint the subcommittees responsible for rules review.

There being no further business to come before the committee, the meeting was adjourned at 2:05 p.m.

Representative Max Black
Chairman

MaryLou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: January 17, 2005

TIME: 1:30 P.M.

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

ABSENT: Chairman Black, Rep. Block

EXCUSED:

GUESTS: Jack Lyman

Meeting was called to order at 1:30 P.M. by Vice Chairman Collins. **Rep. Miller** moved that the minutes of the January 13 meeting be approved as written; **motion carried on voice vote.**

Vice Chairman Collins announced that Chairman Black had appointed the following representatives to serve as members of the Subcommittee to study administrative rules: Rep. Bilbao, Rep. Chadderdon, Rep. Henderson, Rep. Nonini, and Rep. Rusche. He also briefly reviewed the schedule which is being set up for reviewing rules of the various agencies assigned to the Business Committee.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 1:35 p.m.

Representative Gary Collins
Vice Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE SUBCOMMITTEE ON ADMINISTRATIVE RULES

DATE: January 17, 2005

TIME: 1:38 P.M.

PLACE: Room 408

MEMBERS: Reps. Collins, Bilbao, Chadderdon, Henderson, Nonini, Rusche

**ABSENT/
EXCUSED:** None

GUESTS: None

Meeting was called to order at 1:38 P.M. by Vice Chairman Collins. Rules books were distributed to subcommittee members.

Rep. Collins explained that Chairman Black has assigned each of the five subcommittee members to serve as acting chairman for different agency rules. He announced the following assignments: Rep. Nonini will be chairman for the review of rules from the Department of Insurance and the Board of Professional Engineers and Professional Land Surveyors. Rep. Bilbao will be chairman for the review of rules from the Department of Finance and the Board of Registration of Professional Geologists. Rep. Chadderdon will be chairman for the review of rules from the Real Estate Commission and the Bureau of Occupational Licensing. Reps. Henderson and Rusche will be co-chairmen for the review of rules from the Division of Building Safety and the Board of Accountancy.

Rep. Collins asked the subcommittee members to make an attempt to familiarize themselves with the rules changes before each of the scheduled meetings, with a view toward making the review meetings as efficient as possible. In response to a question from the subcommittee, Rep. Collins said that, after reviewing all the pending, temporary, and fee rules, the subcommittee will make a recommendation to the full committee to accept or reject the rules. The actual approval or rejection of any rules is the business of the full committee.

Rep. Collins then gave a tentative schedule for agency visits and/or rules review, as follows: Wednesday, January 19: Engineers, Geologists, Occupational Licensing, and Real Estate Commission. Tuesday, January 25: Board of Accountancy, Department of Insurance, and Department of Finance. Thursday, January 27: Division of Building Safety. Off-site visits are planned to the Department of Insurance, the Department of Finance, and the Division

of Building Safety. The remaining agencies will present their rules changes to the subcommittee in its regular meeting room, Room 408.

Members were advised that they could take their rules books with them in order to review the rules, but that they would need to bring their own books to the upcoming meetings in order to have them available.

ADJOURN: There being no further business to come before the subcommittee, the meeting was adjourned at 1:50 p.m.

Representative Gary Collins
Vice Chairman

Mary Lou Molitor
Secretary

MINUTES

**HOUSE BUSINESS COMMITTEE
SUBCOMMITTEE ON ADMINISTRATIVE RULES**

DATE: January 19, 2005

TIME: 1:32 P.M.

PLACE: Room 408

MEMBERS: Reps. Collins, Bilbao, Chadderdon, Henderson, Nonini, Rusche

**ABSENT/
EXCUSED:** None

GUESTS: Dave Curtis, Helen Harrington, Bruce Allcott, Rayola Jacobsen, Donna Jones, Shad Priest, Mark Larson, Jeremy Pisca, Todd Lakey

Meeting was called to order at 1:32 P.M. by Rep. Nonini. **Rep. Bilbao** moved that the minutes of the previous meeting, January 17, be approved as written; **motion carried on voice vote.**

Rep. Nonini asked the permission of the subcommittee to rearrange the agenda slightly, in order to hear rules from the Department of Insurance immediately after the rules from the Board of Professional Engineers and Professional Land Surveyors. This will allow Rep. Nonini to remain in the chair and preside over the two agencies to which he is assigned as chairman. There being no objection, the subcommittee proceeded in this order.

Docket No. 10-0102-0401 Rep. Nonini recognized **Dave Curtis**, Executive Director of the Board of Professional Engineers and Professional Land Surveyors, to present **Docket No. 10-0102-0401**. Mr. Curtis explained that there is no administrative rule that requires engineers and land surveyors to be "candid" with their clients. There was an attempt last year to provide such a requirement, but the Board ultimately asked the Legislature to reject last year's rule change in order to work out acceptable language. The current proposed rule requires engineers and land surveyors to be "complete, objective and truthful" in all communications with their clients.

MOTION **Rep. Bilbao** moved to recommend that the Business Committee **accept** the rule as proposed; **motion carried on voice vote.**

Docket No. 18-0150-0401 **Rep. Nonini** then recognized **Mark Larson**, State Fire Marshal, who presented **Docket No. 18-0150-0401**. This rule was promulgated to adopt the 2003 edition of the International Fire Code, a companion code to the 2003 edition of the International Building Code, which was adopted by the Legislature in the last session. The changes reflected in this proposed rule are in response to requests from fire service personnel throughout the state of Idaho.

In response to committee questions, Mr. Larson stated that the Idaho Homebuilders worked with fire personnel in developing requirements for fire sprinkling on residential buildings, and it was decided that a requirement for automatic sprinkling would be imposed on buildings of five units or greater. He

also said that alternatives for fire department access roads, including those regulating turnarounds and widths, are now included in the body of the code. Also, the 20-foot requirement applies only to new construction.

MOTION

Rep. Rusche moved to recommend that the Business Committee **accept** the rules as proposed; **motion carried on voice vote.**

**Docket No.
18-0156-0401**

Shad Priest presented **Docket No. 18-0156-0401**, which changes the amount of allowable contributions made by title companies to trade associations in a given year. Previously, this amount was limited to \$2,000; the new rule reduces this amount to zero. The rule also increases the maximum dollar value of gifts and entertainment that title companies can give to producers of title insurance business. Mr. Priest stated that the department has received no negative comments on this change.

Larry Benton, representing the Idaho Land Title Association, testified **in favor**

MOTION

Rep. Henderson moved to recommend that the Business Committee **accept** the rule as proposed; **motion carried on voice vote.**

Rep. Bilbao assumed the chair to preside over hearings on the rules from the Board of Professional Geologists.

**Docket No.
14-0101-0401**

Helen Harrington, Secretary of the Board of Registration for Professional Geologists, presented **Docket No. 14-0101-0401**, which reflects the change of address for the Board. The Geologists had to move their offices to 3350 Americana Terrace, Suite 243, because of flooding that took place in their previous offices in June 2004.

MOTION

Rep. Nonini moved to recommend that the Business Committee **accept** the proposed rule; **motion carried on voice vote.**

Rep. Chadderdon assumed the chair to preside over consideration of the rules from the Real Estate Commission and the Board of Occupational Licensing.

**Docket No.
33-0101-0401**

Donna Jones, Executive Director of the Real Estate Commission, presented **Docket No. 33-0101-0401**, which reduces the real estate licensing fee from \$220 to \$200. Ms. Jones said that the commission does not anticipate any necessity of raising this fee in the coming years, since they now enjoy a high cash flow due to the large increase in licensees during the past few years. In addition, the commission has undergone a streamlining in their operations and has enjoyed a consequent 23% reduction in its employee base.

MOTION

Rep. Rusche moved to recommend that the Business Committee **accept** the proposed rule; **motion carried on voice vote.**

**Docket No.
24-0101-0401**

Rayola Jacobsen, Director of the Board of Occupational Licensing, gave a brief overview of the operations of her department, and noted that there are 18 different boards under the direction of the Board of Occupational Licensing. Ms. Jacobsen then presented **Docket No. 24-0101-0401**, rules of the Board of Architectural Examiners. She explained that these rules correct the website address, clarify the requirements for interns, and add continuing education

requirements for architects. The proposed rules are retroactive to January 1, 2005. In response to questions from committee members, Ms. Jacobsen stated that the rules also add a provision for experience in lieu of a degree, and she said that the only negative comments with regard to the rules changes have come from older licensees who do not agree with the proposed continuing education requirements.

MOTION **Rep. Rusche** moved to recommend that the Business Committee **accept** the proposed rule; **motion carried on voice vote.**

Docket No. 24-0201-0401 **Ms. Jacobsen** then presented **Docket No. 24-0201-0401**, which reduces the fees for barber licensing. This reduction is possible because the reserve fee is in excess of one year's operating expenses. Responding to committee questions, Ms. Jacobsen stated that the Board has attempted to have barber shops in a particular area of the state inspected by the investigative division when they are in that area for other inspections. The inspections are paid for in part by this fund. It is difficult to hire full-time inspectors, so the Board attempts to cover the inspections and complaint resolution with existing personnel.

MOTION **Rep. Nonini** moved to recommend that the Business Committee **accept** the proposed rule; **motion carried on voice vote.**

Docket No. 24-0701-0401 **Ms. Jacobsen** then presented **Docket No. 24-0701-0401**, which raises the fees for landscape architect licenses by \$25, in order to keep up with increased expenses. She also noted that the Board had not received any negative comments on this change.

MOTION **Rep. Rusche** moved to recommend that the Business Committee **accept** the proposed rule; **motion carried on voice vote.**

Docket No. 24-1801-0401 **Ms. Jacobsen** also presented **Docket No. 24-1801-0401**, which makes various changes to the rules of real estate appraisers. The proposed rule changes the web address for the board, and prohibits carry-over of continuing education hours from one reporting period to the next. No public comment was received on these changes.

MOTION **Rep. Rusche** moved to recommend that the Business Committee **accept** the proposed rule; **motion carried on voice vote.**

Docket No. 24-1801-0501 **Ms. Jacobsen** explained that, as a result of a federal request, **Docket No. 24-1801-0501** changes one of the entities from which educational credits for real estate appraisers can be obtained. The previous entity was the Appraisal Foundation; that is being changed to the Appraisal Qualifications Board.

MOTION **Rep. Henderson** moved to recommend that the Business Committee **accept** the proposed rule; **motion carried on voice vote.**

Rep. Nonini asked that the subcommittee welcome **John McHugh**, member of the State Board of the Idaho Transportation Department, who was attending the meeting.

ADJOURN: There being no further business to come before the subcommittee, the meeting was adjourned at 2:30 p.m.

Representative Gary Collins

Mary Lou Molitor
Secretary

MINUTES

**HOUSE BUSINESS COMMITTEE
SUBCOMMITTEE ON ADMINISTRATIVE RULES**

DATE: January 25, 2005

TIME: 1:30 p.m.

PLACE: Offices of the Division of Building Safety, 1090 E. Watertower, Meridian

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Block, Cannon, Miller, Bilbao, Chadderdon, Henderson, Nonini, Smith (30), Rusche

**ABSENT/
EXCUSED:** None

GUESTS: Welton Ward, Joe & Pat Felts, Jerry Peterson, Bob Corbell, Rod Clay, Chris Compton, Bruce W. Graham, Ted Hogander, Steve Keys, Carol Alexander, Pat Minegar, Wayne Price, Gary Malmen, Jim Bledsoe, Jack Rayne, Russell Firkins, Marsi Woody, Bob Rawlings, Michael Kelly, Sue Walker, Rick Evans

Meeting was called to order at 1:45 by Rep. Gary Collins, who invited the members of the general public and the attendees from the Division of Building Safety to introduce themselves. Rep. Collins then asked Rep. Henderson to chair the remainder of the meeting.

Docket No. 07-0701-0402 **Dave Munroe**, director of the Division of Building Safety, explained that the division had asked the Senate to **hold Docket No. 07-0701-0402** until the division could further study its provisions. Mr. Munroe then asked that the House Business Subcommittee reject this rule change.

MOTION **Rep. Collins** moved to recommend that the Business Committee **reject** Docket No. 07-0701-0402; **motion carried on voice vote.**

Rep. Henderson suggested that the committee hear testimony on **Docket No. 07-0701-0501** first, since there were several people who wished to testify on this docket. **Dave Munroe** informed the committee that **Ted Hogander** would discuss all the proposed plumbing rules, **Gary Malmen** would discuss the proposed electrical rules, and **Jack Rayne** would discuss the proposed rules dealing with building codes and manufactured homes. Mr. Munroe also noted that there had been no objections to any of the proposed rules, with the exception of two written communications objecting to Docket No. 07-0701-0402; one letter was received on Friday, January 21, and the second was received on Monday, January 24.

Docket No. 07-0701-0501 **Ted Hogander**, Plumbing Bureau Chief, presented **Docket No. 07-0701-0501**, which clarifies building codes pertaining to HVAC installations. One of the sections of this rule would add a prohibition for the installation of unvented fuel-burning room heaters in residences. The prohibition already exists for assembly, educational, and institutional buildings. Mr. Hogander stated that this prohibition is necessary because, under current building codes, buildings have tighter construction and unvented heaters cause condensation problems unless a window is open for adequate ventilation. He also noted that other states have banned these installations because of

enforcement issues, and he said that other agencies in the state of Idaho, including some municipalities, are enforcing a ban on the installation of such heaters.

Wayne Price, Idaho Falls, testified **in opposition** to the proposed rules. Mr. Price stated that he is a distributor of vented gas stoves and inserts as well as unvented appliances. He noted that unvented appliances are installed in residences as auxiliary heat sources, to serve in an emergency or as a backup to a residence's main heat source. He explained that they have an oxygen depletion sensor (ODP) to warn if there is a problem with the oxygen level being depleted. He also said that the propane industry sells thousands of these appliances and that there have been no safety problems with them. Mr. Price said that such unvented appliances are used throughout the world; in fact he said that the State of Montana had just cleared them for use, and that they were also cleared in both Wyoming and Utah, where they had previously been banned.

In response to committee questions, Mr. Price explained that the oxygen sensor senses the oxygen level right at the heater's location. If consumers are concerned about carbon dioxide levels, they can install a carbon dioxide detector. He said that these unvented appliances can be hooked up to a natural gas line or to a butane or propane tank.

Sue Walker, representing the Gas Appliance Manufacturers Association (GAMA), testified **in opposition** to the proposed rules. Ms. Walker stated that GAMA represents all central heating and water heating companies. She noted that the Hearth Products Association also concurs with GAMA's position in this matter. Ms. Walker explained that there have been 16 million unvented gas appliances installed in homes in the United States since 1980, and about 60 million worldwide. The appliances are rigorously tested for safety, undergoing 19 separate safety tests, in the same labs as those used for testing gas furnaces. She stated that these appliances are always intended for supplemental or emergency heat. She distributed information packets to committee members which contain test results and safety information for the appliances, and she pointed out that in 22 years of usage, no carbon monoxide deaths or poisoning have been attributed to a vent-free product. Ms. Walker explained that the ODS devices act like an electrical circuit breaker, protecting against any unsafe oxygen levels by shutting off the appliance.

In response to a question concerning the ODS sensor's effectiveness in a space with two stories of open space, Ms. Walker explained that the carbon monoxide level is concentrated at the site of the heater, but that the carbon monoxide dissipates as the air moves farther away from the appliance. Heat rises, but emissions don't rise; rather, the air mixes and disperses. Ms. Walker asked, rhetorically, whether it would be preferable to outlaw unvented gas appliances but allow kerosene heaters, electric heaters, or wood stoves, none of which are inspected.

Rep. Rusche asked Mr. Hogander, in light of the apparent safety statistics, why the division wanted to prohibit such vent-free installations. Mr. Hogander asked **Pat Minegar** to respond to the question. Mr. Minegar said that the rule was proposed for several reasons: First, some cities and counties in Idaho have not allowed their installation, and the division wanted

to achieve continuity with those local entities' regulations. Second, the vent-free products need to be serviced every year and may not be undergoing that necessary service. Third, some vent-free products are installed with the intention of using them as the primary source of heat. The division thinks it is better to prohibit their use altogether.

Rep. Collins asked whether the division could cite any negative incidents that have occurred with the use of these vent-free appliances. Mr. Hogander asked **Carol Alexander**, Latah County Building Department, to respond. Ms. Alexander stated that, in today's tight construction, the appliances produce moisture by condensation, and she said that each 1000 BTUs will emit one gallon of water into the house. If proper ventilation is not provided, Ms. Alexander said that the appliances will cause a mold problem in the house. She stated clearly that she has no problem with the safety record of vent-free products, but that it is a question of overall indoor air quality. She said that Latah County disallows such installations in residences.

Ms. Walker was recognized to comment. She stated that the previous requirement for an "open window" to provide adequate ventilation has not been in effect for about 10 or 12 years. She pointed out that the installation instructions clearly state the ventilation requirements, and that if a home has a shower and a dishwasher, for instance, it will be properly vented to avoid moisture problems.

MOTION

Rep. Collins moved to **HOLD** Docket No. 07-0701-0501 to time certain, to Monday, January 31, in order to allow the committee more time for study, research, and further testimony on this question. **Motion carried on voice vote.**

**Docket No.
07-0103-0401**

Gary Malmen, Electrical Bureau Chief, presented **Docket No. 07-0103-0401**, which deals with continuation training for apprentice electricians. Mr. Malmen stated that there had been no negative comment on this rule.

MOTION

Rep. Collins moved to recommend that the Business Committee **approve** Docket No. 07-0103-0401; **motion carried on voice vote.**

**Docket No.
07-0103-0402**

Mr. Malmen presented **Docket No. 07-0103-0402**, stating that this is a cleanup which will bring the rules into compliance with the statute. The experience required to achieve a master electrician designation is increased from two years to four years.

MOTION

Rep. Nonini moved to recommend that the Business Committee **approve** Docket No. 07-1003-0402; **motion carried on voice vote.**

**Docket Nos.
07-0104-0401
07-0105-0401
07-0106-0403**

Mr. Malmen presented **Docket No. 17-0104-0401**, which deals with well drillers and water pumps, **Docket No. 17-0105-0401**, which deals with examinations and allows retesting after training; and **Docket No. 17-0106-0403**, which provides alternatives for installations of luminaries on poles.

MOTION

Rep. Rusche moved to recommend that the Business Committee **approve** Docket Nos. 07-0104-0401, 07-0105-0401, and 07-0106-0403; **motion carried on voice vote.**

Docket Nos.
07-0205-0401
07-0205-0402
07-0205-0403
07-0206-0301

Ted Hogander, Plumbing Bureau Chief, reappeared before the committee to discuss these four dockets. **Docket No. 07-0205-0401** deals with requirements for apprentice plumbers; **Docket No. 07-0205-0402** provides for a staggered system for license renewals; **Docket No. 07-0205-0403** sets the order of training for apprentices and specifies the number of hours in a school year; and **Docket No. 07-0206-0301** adopts the Uniform Plumbing Code with amendments. This is a necessary rule change that takes place every year in order that the rules comply with the current Uniform Code.

MOTION **Rep. Rusche** moved to recommend that the Business Committee **approve** Docket Nos. 07-0205-0401, 07-0205-0402, and 07-0205-0403, and 07-0206-0301; **motion carried on voice vote.**

Docket No.
07-0203-0401

Mr. Hogander presented **Docket No. 07-0203-0401**, which is a change in the fee rules to avoid duplication of fees on multiple sprinkler installations.

MOTION **Rep. Chadderdon** moved to recommend that the Business Committee **approve** Docket No. 07-0203-0401; **motion carried on voice vote.**

Docket No.
07-0207-0401

Mr. Hogander presented **Docket No. 07-0207-0401**, which deals with civil penalties for violations in plumbing work.

MOTION **Rep. Bilbao** moved to recommend that the Business Committee **approve** Docket No. 07-0207-0401; **motion carried on voice vote.**

Docket No.
07-0304-0401

Jack Rayne, Building Bureau Chief, presented **Docket No. 07-0304-0401**, which repeals outdated language referring to the old mechanical code.

MOTION **Rep. Collins** moved to recommend that the Business Committee **approve** Docket No. 07-0304-0401; **motion carried on voice vote.**

Docket No.
07-0307-0401

Mr. Rayne then presented **Docket No. 07-0307-0401**, which repeals redundant language in the energy conservation code.

MOTION **Rep. Bilbao** moved to recommend that the Business Committee **approve** Docket No. 07-0307-0401; **motion carried on voice vote.**

Docket No.
07-0309-0401

Mr. Rayne presented **Docket No. 07-0309-0401**, which deals with consumer complaints about manufactured homes. Mr. Rayne noted that the Manufactured Housing board has approved this rule, and that it will help consumers.

MOTION **Rep. Bilbao** moved to recommend that the Business Committee **approve** Docket No. 07-0309-0401; **motion carried on voice vote.**

Docket No.
07-0310-0401

Mr. Rayne presented **Docket No. 07-0310-0401**, which removes redundant language in the International Residential Code.

MOTION **Rep. Chadderdon** moved to recommend that the Business Committee **approve** Docket No. 07-0310-0401; **motion carried on voice vote.**

Docket No.

Mr. Rayne presented **Docket No. 07-0501-0401**, which provides new,

07-0501-0401 nationally recognized definitions in the area of public works.

MOTION **Rep. Nonini** moved to recommend that the Business Committee **approve** Docket No. 07-0501-0401; **motion carried on voice vote.**

Docket No. 07-0601-0301 Mr. Rayne presented **Docket No. 07-0601-0301**, which updates the language on school building safety to comply with the latest code language.

MOTION **Rep. Nonini** moved to recommend that the Business Committee **approve** Docket No. 07-0601-0301; **motion carried on voice vote.**

Docket No. 07-0402-0401 **Robert Brewton**, Program Manager for the Division of Building Safety, presented **Docket No. 07-0402-0401**, which moves the responsibility for elevator regulation from the Industrial Commission to the Division of Building Safety.

MOTION **Rep. Rusche** moved to recommend that the Business Committee **approve** Docket No. 07-0402-0401; **motion carried on voice vote.**

Docket No. 07-0306-0401 Mr. Hogander presented **Docket No. 07-0306-0401**, which changes the fees for plan reviews. Mr. Hogander noted that there have been only two increases in these fees, in 1983 and in 1990. This rule will raise fees approximately 55%, which will help the division catch up from being behind for a number of years.

MOTION **Rep. Rusche** moved to recommend that the Business Committee **approve** Docket No. 07-0306-0401; **motion carried on voice vote.**

Welton Ward, Malad, Idaho, appeared before the committee to discuss how the International Building Code interferes with individual property rights. Mr. Ward stated that the Idaho Farm Bureau, at its convention in September, passed a resolution asking the legislature to review this matter. Mr. Ward also provided an overview of individual property rights in U.S. and Idaho history. He said that the building code assumes control over private property, and cited specific sections of the code as illustrative of this fact. In conclusion, Mr. Ward said that he thinks the building codes should apply to public buildings, but not to private residences.

Rep. Henderson asked Mr. Ward to submit a written copy of his comments, which will be made part of the official record of the meeting, and he advised Mr. Ward that his comments will be taken under advisement by the Chairman of the Business Committee, Rep. Black.

Docket No. 07-0308-0401 Mr. Hogander presented **Docket No. 07-0308-0401**, which raises the fee for hourly plan reviews of commercial coaches to \$36 per hour. An example of a “commercial coach” is a building such as a temporary classroom used on school grounds for supplemental instructional space.

MOTION **Rep. Rusche** moved to recommend that the Business Committee **approve** Docket No. 07-0308-0401; **motion carried on voice vote.**

Docket No. 07-0311-0401 Mr. Hogander also presented **Docket No. 07-0311-0401**, which increases licensing fees for manufactured and mobile home dealers and sales people.

The department has not had an increase in these fees since 1999; this rule will raise the fees by approximately 76%.

MOTION **Rep. Bilbao** moved to recommend that the Business Committee **approve** Docket No. 07-0311-0401; **motion carried on voice vote.**

Docket No. 07-0313-0401 Mr. Hogander presented **Docket No. 07-0313-0401**, which deals with mobile home rehabilitation. He said that no fees had been charged since the inception of this program in 1998. The proposed rule will allow the department to charge an administrative fee of \$50 per certification.

MOTION **Rep. Bilbao** moved to recommend that the Business Committee **approve** Docket No. 07-0313-0401; **motion carried on voice vote.**

Docket No. 07-0701-0401 Mr. Hogander presented **Docket No. 07-0701-0401**, which provides for a staggered schedule of certificate renewals. He said that, over a three-year period, a monthly schedule for renewals will produce a considerable cost saving because regular staff can handle the renewals without hiring temporary help.

MOTION **Rep. Nonini** moved to recommend that the Business Committee **approve** Docket No. 07-0701-0401; **motion carried on voice vote.**

Docket No. 07-0701-0403 Mr. Hogander presented **Docket No. 07-0701-0403**, which deals with expiration of permits. This rule resolves an existing conflict between the rules and the statute.

MOTION **Rep. Chadderdon** moved to recommend that the Business Committee **approve** Docket No. 07-0701-0403; **motion carried on voice vote.**

Rep. Henderson thanked all present for their patience in dealing with the new members of the Business Committee. **Chairman Black** also noted that assigning the freshman legislators to review administrative rules has proven to be a good opportunity for them to gain experience quickly.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 3:45 p.m.

Representative Gary Collins
Vice Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: January 27, 2005

TIME: 2:00 P.M.

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** None

GUESTS: Barbara Porter, Dawn Justice, Gavin Gee, Michael Larsen, Marilyn Chastain, Mary Hughes, David Jensen, Valerie Brooks, Jerry Deckard, Roger Seiber, Larry Benton

Meeting was called to order at 2:00 p.m. by Chairman Black. **Rep. Henderson** moved to **approve** the Administrative Rules Subcommittee minutes of the January 25 meeting; **motion carried on voice vote.**

The Chairman explained that the committee would hear the administrative rules from the Board of Accountancy, and then would recess in order to go to the offices of the Department of Finance. Chairman Black then asked **Rep. Rusche** to chair the meeting.

Docket Nos. 01-0101-0401 & 01-0101-0402 Rep. Rusche recognized **Barbara Porter**, executive director of the Idaho State Board of Accountancy, to present rules from her agency. Ms. Porter presented **Docket No. 01-0101-0401**. This is a housekeeping matter that updates the accountancy rules to reflect current dates. Ms. Porter also presented **Docket No. 01-0101-0402**, which eliminates obsolete language and also changes dates to reflect current year information. Ms. Porter noted that these rule changes were reviewed by Legislative Services and were publicized in the usual way, through a notice process and on the agency's website. No negative feedback was received.

MOTION **Rep. Collins** moved to approve **Docket No. 01-0101-0401** and **Docket No. 01-0101-0402**; **motion carried on voice vote.**

Rep. Rusche set the Business Committee at ease, and Chairman Black instructed the members to reconvene at the offices of the Department of Finance, 700 W. State Street, Second Floor.

At the Department of Finance, Chairman Black introduced **Gavin Gee**, director of the Department of Finance. Mr. Gee welcomed the committee and noted that March 6, 2005, will be the 100th anniversary of the establishment of the department. Mr. Gee introduced members of the department's administrative staff: **Dave Jensen**, Support Services Bureau Chief; **Mike Larsen**, Consumer Finance Bureau Chief; **Marilyn Chastain**, Securities Bureau Chief; and **Mary Hughes**, Financial Institutions Bureau Chief. Committee members introduced themselves and included their length

of service in the Legislature and the district they represent. Mr. Gee noted that he has served 28 years in the Department of Finance, ten of them as director.

Mr. Gee then provided a brief history of the Department of Finance, which at its inception in 1905 supervised banks only. Today, the department supervises 15 different industries, covering 127,000 businesses and individuals. The department employs 43 employees and anticipates increasing that number to 51 in the near future. The department has filled a variety of roles during its 100-year history, including acting as the state's tax collector, regulating the insurance industry, serving as Idaho's department of commerce, and investing the state's endowment fund. During the Depression, the department served as the Bank Liquidation Bureau. Mr. Gee distributed packets containing samples of the types of informational brochures that are available to consumers from the Department of Finance.

In response to questions from the committee, Mr. Gee discussed the payday loan industry and some of the problems encountered with these businesses. A recent case involved a business named "Check 'n Go" which was surreptitiously capturing customers' PIN numbers during transactions. The company was fined \$50,000 and has agreed to stop the practice and notify all customers so they can change their PIN numbers if they wish to do so. The department has also notified other states who may choose to investigate Check 'n Go's operations in their respective states. Mr. Gee stated that the department has made examination of payday loan companies a priority and is working closely with the industry to assure that they operate in the best interest of consumers. Although some parties think the state should reinstate the usury statutes that were repealed in 1983, Mr. Gee said there is better rate competition without a usury law, since an interest limitation tends to move interest rates up to that limit.

**Docket No.
12-0108-0401**

Chairman Black asked **Rep. Bilbao** to chair the meeting for consideration of the department's administrative rules. Rep. Bilbao recognized **Marilyn Chastain**, Securities Bureau Chief, who presented **Docket No. 12-0108-0401**, which repeals rules pertaining to the Idaho Securities Act. This is an obsolete reference, since the Idaho Securities Act has been replaced by the Uniform Securities Act.

**Docket No.
12-0108-0402**

Ms. Chastain also presented **Docket No. 12-0108-0402**, which incorporates the Uniform Securities Act. This act contains the "nuts and bolts" of how securities are registered and how investment advisors register in the state. It also defines fraudulent and unethical practices, and defines a firm's supervisory responsibilities.

MOTION

Rep. Nonini moved that the committee accept **Docket No. 12-0108-0401** and **Docket No. 12-0108-0402** as presented; **motion carried on voice vote.**

RS 14380

Mike Larsen, Consumer Finance Bureau, presented **RS 14380**, which amends the Residential Practices Act, removing the exemption for agents. This RS has the support of the industry as well as H570, last year's legislation which licensed loan originators.

MOTION

Rep. Cannon moved that **RS 14380** be introduced; **motion carried on**

voice vote.

RS 14381 Mr. Larsen then presented **RS 14381**, which is a housekeeping measure that updates references to reflect current dates.

MOTION **Rep. Miller** moved that **RS 14381** be introduced; **motion carried on voice vote.**

RS 14382 Mr. Larsen presented **RS 14382**, which amends the Idaho Credit Code by updating references to reflect the year 2005.

MOTION **Rep. Smith** moved that **RS 14382** be introduced; **motion carried on voice vote.**

RS 14433C1 **Marilyn Chastain**, Securities Bureau Chief, presented **RS 14433C1**, regarding the Idaho Money Transmitters Act, which controls transactions such as wire transfers, money orders, and electronic payments. This RS revises and updates certain provisions of the act and gives the department the authority to conduct investigations. Ms. Chastain said that these changes are necessary in the current climate, in which drug money and terrorist funds are being increasingly sent via these means.

Ms. Chastain elaborated on some sections of the RS, including the portion dealing with records maintenance, which matches federal requirements, and the portion that requires the suspension of a license if a licensee is convicted of money laundering or terrorist activities.

In response to committee questions, Ms. Chastain noted that one of the changes will make it permissible for the department to release information to law enforcement without prior notification of the offending party. She also explained that transmissions under \$10,000 do not require the completion of a "currency transaction report" (CTR), but that a suspicious activity report can be done even if the amount is under the \$10,000 limit. She also said that financial institutions are very alert to cash transactions and can do "data mining" to track a number of smaller transactions within a certain time frame or from a particular party. This data mining allows them to cross check by destination and even by aliases that a person may be using.

MOTION **Rep. Nonini** moved that **RS 14433C1** be introduced; **motion carried on voice vote.**

Chairman Black called attention to an information packet available to them, which deals with the Division of Building Safety's HVAC rules, and asked committee members to study the issue before Monday's meeting.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 4:00 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE January 31, 2005

TIME 1:30 P.M.

PLACE Room 408

MEMBERS Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED** Rep. Edmunson

GUESTS Robert Brewson, Rayola Jacobsen, Ted Hogander, Wayne Foster, Gary Malmen, Michelle McMullen, Jack Rayne, Jerry Inouye, Dave Munroe, Jerry Peterson, Jim Bledsoe, Bob Corbell, Mark Larson, Bill Tonkin, Russell Firkins

Meeting was called to order at 1:40 p.m. by Chairman Black. **Rep. Rusche** moved to approve the minutes as written; **motion carried on voice vote.**

**Subcommittee
Report: Bilbao** **Rep. Bilbao** reported that his rules subcommittee studying the rules from the Board of Professional Geologists had completed its work, and that their recommendation is that the Business Committee approve Docket No. 14-0101-0401. Rep. Bilbao also reported that the rules submitted from the Department of Finance had been approved by the full committee at its January 27 meeting held at the Department.

MOTION **Rep. Bilbao** moved to **approve** Docket No. 14-0101-0401; **motion carried on voice vote.**

**Subcommittee
Report: Chadderdon** **Rep. Chadderdon** reported that her subcommittee assigned to study rules from the Bureau of Occupational Licensing and the Real Estate Commission had completed its work. The subcommittee recommends that the Business Committee approve Docket Nos. 24-0101-0401, 24-0201-0401, 24-0701-0401, 24-1801-0401, and 24-1801-0501 from the Bureau of Occupational Licensing. The subcommittee also recommends approval of Docket No. 33-0101-0401, proposed by the Real Estate Commission.

MOTION **Rep. Collins** moved to **approve** Docket Nos. 24-0101-0401, 24-0201-0401, 24-0701-0401, 24-1801-0401, 24-1801-0501, and 33-0101-0401; **motion carried on voice vote.**

**Subcommittee
Report: Henderson/
Rusche** **Rep. Rusche** reported that the subcommittee co-chaired by himself and Rep. Henderson had completed its study of rules from the Board of Accountancy and the Division of Building Safety. The subcommittee recommends approval of Docket Nos. 01-0101-0401 and 01-0101-0402 from the Board of Accountancy.

MOTION

Rep. Rusche moved to **approve** Docket Nos. 01-0101-0401 and 01-0101-0402; **motion carried on voice vote.**

Rep. Rusche reported that the subcommittee recommends approval of the following pending rules from the Division of Building Safety: Docket Nos. 07-0103-0401, 07-0103-0402, 07-0104-0401, 07-0105-0401, 07-0106-0403, 07-0205-0401, 07-0205-0402, 07-0205-0403, 07-0206-0301, 07-0304-0401, 07-0307-0401, 07-0309-0401, 07-0310-0401, 07-0402-0401, 07-0501-0401, 07-0601-0301, 07-0701-0401, and 07-0701-0403. He also reported that the subcommittee recommends approval of the following fee rules from the Division of Building Safety: Docket Nos. 07-0203-0401, 07-0207-0401, 07-0306-0401, 07-0308-0401, 07-0311-0401, and 07-0313-0401.

MOTION

Rep. Henderson moved to **approve** Docket Nos. 07-0103-0401, 07-0103-0402, 07-0104-0401, 07-0105-0401, 07-0106-0403, 07-0205-0401, 07-0205-0402, 07-0205-0403, 07-0206-0301, 07-0304-0401, 07-0307-0401, 07-0309-0401, 07-0310-0401, 07-0402-0401, 07-0501-0401, 07-0601-0301, 07-0701-0401, 07-0701-0403, 07-0203-0401, 07-0207-0401, 07-0306-0401, 07-0308-0401, 07-0311-0401, and 07-0313-0401. **Motion carried on voice vote.**

Rep. Rusche reported that, at the request of the Division of Building Safety, the subcommittee is recommending that the Business Committee reject Docket No. 07-0701-0402. **Dave Munroe**, director of the division, testified that this rule needs more clarification before the division can bring it back next year.

MOTION

Rep. Rusche moved that the committee **reject** Docket No. 07-0701-0402; **motion carried on voice vote.**

Dave Munroe, director of the Division of Building Safety, was asked to explain the division's position with regard to **Docket No. 07-0701-0501**, which proposed a prohibition against installation of vent-free gas heaters in residential construction. Mr. Munroe passed out a document containing two options for handling this docket, labeled Option A and Option B, which were developed with the help of Dennis Stevenson, Administrative Rules Coordinator. He explained that Option A will remove all references in the rule to unvented gas appliances, and will allow the remainder of the rule to go into effect.

Mr. Munroe asked **Jim Bledsoe**, HVAC contractor and member of the board, to explain what the concern was with regard to the unvented heaters. Mr. Bledsoe said that the division had proposed a prohibition on these heaters out of safety concerns, because installers are not always complying with existing restrictions on their use. However, they now have learned that the vent-free products are approved by GAMA (Gas Appliance Manufacturers Association). In communications with GAMA and other associations, Mr. Bledsoe asked whether the manufacturers would be willing to provide training classes for contractors to educate them on proper installation and usage. If such classes could be conducted in various areas of the state, the change in the rules which would prohibit vent-free products will be unnecessary.

In response to committee questions, Mr. Bledsoe said that one way of assuring that contractors receive the necessary education is to establish a method of examination and issuance of a certification card after successful completion of the exam. Classes could be advertised through the normal licensing renewal procedure. He also said that, although some areas of the state do not allow unvented heaters, Intermountain Gas, Boise City, and Ada County, all of whom were previously opposed to vent-free products, all allow them now. Mr. Bledsoe said that, as the division and the contractors had received more current information on the products, they have become more comfortable with allowing their installation in residential settings.

MOTION

Rep. Collins moved to **approve** Docket No. 07-0701-0501, with the exception of the following sections, which are **rejected**: Subsection 005.01.d, Subsection 005.01.i, Subsection 006.01.e, and Subsection 006.01.i.

A discussion followed regarding the varying codes that regulate such areas as electrical, plumbing, and mechanical installations. **Mr. Munroe** explained that the electrical bureau still follows the National Electrical Code (NEC) and does not wish to change. The plumbing bureau adopts the Uniform Plumbing Code every three years in an updated version. The International Building Code was adopted by the legislature last year, but not all bureaus use the international code. He also pointed out that HVAC licensing is a relatively new area for the division, and that they are still trying to formulate proper rules and trying to educate HVAC contractors. There are abundant training opportunities available from various sources, including the Building Contractors Association and the Associated General Contractors.

Bob Corbell, Independent Electrical Contractors of Idaho, stated that the electrical bureau uses the National Electrical Code, and that no one has asked to change to the International Code. The HVAC bureau previously used the Uniform Mechanical Code, but changed last year to the International Mechanical Code. Plumbers are still under the Uniform Plumbing Code. Mr. Corbell said that there are so many codes in effect that it may take some time to sort all of them out and bring some uniformity to the division's code requirements. He also noted that there are now two different national organizations developing separate codes. He mentioned that cities and counties can always make their local codes more restrictive than any state or national requirement, but they cannot make their local codes less restrictive.

Maria Barratt, Division of Financial Management, testified that the division has requested funding to hire a public outreach coordinator, which, if approved, will help in informing the public and the industry about code requirements.

In response to a question regarding plumbing inspectors doing the safety inspections for HVAC installations, **Mr. Corbell** said that plumbing bureau funding was used initially to establish the HVAC bureau. Existing plumbing inspectors were thought to be qualified for HVAC inspections, since they had a background in gas piping. They have been trained to conduct HVAC inspections for the time being, but

eventually the HVAC bureau will have its own inspectors.

A question was posed about why all bureaus had not moved to adopt the International Codes, for consistency purposes. **Mr. Munroe** stated that, while consistency is always desirable, it is up to the individual boards to choose which code to use. He noted that 119 cities in Idaho now allow HVAC state inspections, but that 51 cities have not responded to the division's request to do so. **Jack Rayne**, Building Bureau Chief, noted that neighboring states have, for the most part, adopted the International Codes, although the Uniform Plumbing Code is still used in some states.

VOTE ON MOTION

Chairman Black called for a vote on the motion to **approve** Docket No. 07-0701-0501, with the exception of the following sections, which will be **rejected**: Subsection 005.01.d, Subsection 005.01.i, Subsection 006.01.e, and Subsection 006.01.i. **Motion carried on voice vote.**

**Subcommittee
Report: Nonini**

Rep. Nonini reported that his subcommittee had completed its study of rules from the Board of Professional Engineers and Professional Land Surveyors, and that they recommend approval of Docket No. 10-0102-0401.

MOTION

Rep. Nonini moved for **approval** of Docket No. 10-0102-0401; **motion carried on voice vote.**

Rep. Nonini also reported that the subcommittee had studied rules from the Department of Insurance and recommends approval of Docket No. 18-0150-0401.

MOTION

Rep. Chadderdon moved to **approve** Docket No. 18-0150-0401; **motion carried on voice vote.**

Mark Larson, Department of Insurance, responded to a request for clarification on requirements for fire suppression equipment on three- and four-plex buildings. Mr. Larson said that there is no requirement for such equipment on single family or duplex residences; that the department has exempted three- and four-plex buildings, and that the requirement applies only to buildings with five or more units. He explained further that cities can demand fire suppression equipment on single family residences because municipalities are always free to adopt more restrictive standards than those required by the state.

Shad Priest, Department of Insurance, appeared before the committee to discuss **Docket No. 18-0156-0401**. This rule deals with the types of gifts that title companies can make to entities who are in a position to direct business to the title companies, such as real estate agencies. This docket was developed in response to a request from the Idaho Land Title Association. Since formulating this rule, the department has been in discussion with the title association, and has become aware of some concerns from the real estate industry. At this time, the department is asking the Business Committee to reject Docket No. 18-0156-0401. Mr. Priest explained further that the docket would disallow any donation from a title company to an insurance industry-sponsored event. **Kris Ellis**, representing the Idaho Land Title Association, said

that it is their intention to re-evaluate all provisions of the rule and re-evaluate the need for such a restriction.

MOTION

Rep. Nonini moved to **reject** Docket No. 18-0156-0401; **motion carried on voice vote.**

Chairman Black reminded committee members that, because tomorrow is also an odd-numbered day, February 1, the Business Committee will be meeting at its regular time.

ADJOURN

There being no further business to come before the committee, the meeting was adjourned at 2:45 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: February 1, 2005

TIME: 1:30 P.M.

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** Chairman Black

GUESTS: Mary Hughes, Mike Brassey, D. S. Ekern, Ken McClure, Chuck Winder

Meeting was called to order by Vice Chairman Collins at 1:30 p.m. **Rep. Miller** moved to **approve** the minutes of the January 31 meeting, with one **correction**. Rep. Miller explained that she was present for the meeting but that she was listed as being absent, and asked that the minutes be corrected to reflect her presence. **Motion carried on voice vote.**

GARVEE BOND PRESENTATION

Rep. Collins introduced **Chuck Winder** and **Dave Ekern**, who appeared before the committee to give a brief presentation on the Garvee bonding plan for funding Idaho highway construction. Mr. Winder explained that, due to time constraints, the full presentation would not be given today, but that he and Mr. Ekern were available to answer any questions from committee members. They also distributed copies of "Connecting Idaho," an illustrated explanation of the GARVEE program and the projects it will cover.

Responding to committee questions, Mr. Winder explained that the bonds are expected to last nine years, with a portion being retired each year to allow for annual adjustments. Once the bonds are issued, a request will be made for a portion of them to be a continuing appropriation. He also clarified that, should Idaho stop receiving federal money, which is highly unlikely, the state would not be "on the hook" for repayment of the bonds. The question of insuring the bonds, which would protect bond holders, is currently being studied.

Mr. Winder and Mr. Ekern also stated that funding these new highway constructions projects will not negatively impact current maintenance for Idaho's roads. They said that 70-75% of the state's highway budget is not touched by GARVEE. Basic assumptions in this program include a 5.56% inflation rate, a 3.3% increase in federal revenue, and a 0% increase in state funding for highways. Each of these figures is a very conservative estimate, given historical figures in these categories.

Mr. Ekern was asked whether any priority would be given to Idaho contractors; he explained that because the program works within federal guidelines, the contracts must be open to all bidders. However, the intent

is to keep the scope of the projects small enough so that Idaho companies

can adequately handle them.

Responding to other questions, the gentlemen stated that there is not a set priority for any particular projects, but that there may be a certain sequence in the permitting process. Some projects are already partially through the process, and have been awaiting adequate funding; these might therefore be completed before some of the other projects. They anticipate that the first bond issuance will take place in about one year. It was also noted that the sooner projects can be completed, the greater the cost savings will be, due to lower property acquisition costs as well as the inflation factor.

Discussion continued on the following points: The GARVEE program proposal includes a provision to adjust to market conditions, so that if interest rates fall, the rates can be renegotiated. The average percentage of the total highway budget allotment that is expected to come from federal funds is 16.6%; the 42% figure in the illustration represents a one-year peak, but the percentage declines from that point forward. It was also pointed out that, even in these "peak" years, there will still be adequate highway funds to pay for routine maintenance. Also, no federal funds are used for maintenance.

Rep. Collins thanked Mr. Winder and Mr. Ekern for the GARVEE Bonding discussion, and encouraged committee members to contact them for further explanation or answers to questions.

RS 14452C3

Mary Hughes, Department of Finance, presented **RS14452C3**, the Financial Fraud Protection Act. This RS will give the department authority to address fraud in financial institutions, including banks, credit unions, finance companies, and mortgage brokers and lenders. The department will be granted investigative authority and the ability to assess civil and administrative sanctions. Provision is also made for enhanced penalties if a victim is elderly, if the fraud depletes a retirement account, or if it affects a home mortgage. The legislation is supported by the Idaho Bankers Association, the Idaho Credit Union League, and other financial entities.

Responding to a committee question, Ms. Hughes said that, although the Department of Finance has no authority over federally-chartered banks, they can and will offer their services to help in fraud investigations, should a federally-chartered bank request assistance.

MOTION

Rep. Deal moved to **introduce RS 14452C3; motion carried on voice vote.**

RS 14511

Ken McClure, Idaho Medical Association, presented **RS14511**, which amends a provision of last year's "prompt pay" bill. Mr. McClure said that, after three years of negotiations between the insurance industry and the medical and hospital groups, legislation was passed at the end of last year's session that required insurance companies to pay claims within 30 days unless further information was required to process the claims. If such additional information was needed, an allowance of 30 days was granted to request such information. The allowance should have been specified as 45 days for paper claims, but this provision was inadvertently omitted from the

original bill. This legislation will correct that oversight. All parties are aware

of this legislation and are in agreement with it.

MOTION **Rep. Cannon** moved to **introduce RS 14511; motion carried on voice vote.**

RS 14523 **Mike Brassey**, Idaho Financial Services Association, presented **RS 14523**, which will increase the coverage that can be written under a group credit life insurance policy from \$75,000 to \$150,000. The current limit has been in place since 1983; amounts of current real estate loans and other loans have risen since that time, necessitating this change to provide adequate credit life coverage for today's financial realities.

MOTION **Rep Deal** moved to **introduce RS 14523; motion carried on voice vote.**

ADJOURN There being no further business to come before the committee, the meeting was adjourned at 2:15 p.m.

Representative Gary Collins
Vice Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: February 3, 2005

TIME: 1:30 P.M.

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** Rep. Cannon

GUESTS: Jerry Peterson, Gary Van Hees, Shad Priest, Mike Lemke, Russell Firkins, Bob Corbell, Jack Lyman

Meeting was called to order at 1:30 p.m. by Chairman Black. **Rep. Nonini** moved to **approve** the minutes as written; **motion carried on voice vote.**

RS 14603 **Jack Lyman**, Idaho Manufactured Housing Association, presented **RS 14603**. This legislation exempts a modular building, manufactured in Idaho and exported from the state, from heating, ventilation and air conditioning codes and requirements. Last year's H585 exempted these buildings from plumbing and electrical requirements; this is followup legislation that makes the exemption consistent for HVAC requirements.

MOTION **Rep. Deal** moved to introduce **RS 14603**; **motion carried on voice vote.**

RS 14798 **Suzi Schaefer**, Rocky Mountain Propane Association, presented **RS 14798**, which establishes the Idaho Liquefied Petroleum Gas Public Safety Act. Ms. Schaefer explained that liquefied petroleum is regulated by the Transportation Department when it is moving over highways, and that it is regulated by the HVAC bureau of the Division of Building Safety when it is within a home. But there is no similar regulation for liquefied propane, which is stored in outside tanks. The industry has asked that a board be created to regulate propane, particularly at dealers and facility sites.

MOTION **Rep. Smith** moved to introduce **RS 14798**; **motion carried on voice vote.**

Chairman Black explained that the next ten RS numbers would be presented by **Shad Priest** from the Department of Insurance. Since most of them are housekeeping matters from the department, the Chairman said that he intends to entertain one motion to introduce all ten, unless there is committee objection.

RS 14415C1 Mr. Priest presented **RS 14415C1**, which specifies who is eligible for Idaho's high risk reinsurance pool. The legislation specifies that a federally eligible person qualifies for the high risk pool even if they have access to other coverage, and it removes COBRA eligibility as a bar to eligibility for the high risk pool. Responding to committee questions, Mr. Priest said that the high risk reinsurance pool does not currently offer policies that coordinate with health savings accounts (HSA), but that this has been discussed and is under serious

consideration.

- RS 14416** Mr. Priest presented **RS 14416**, which repeals two obsolete subsections in the Code dealing with reciprocal insurers.
- RS 14421** Mr. Priest explained that **RS 14421** is legislation that will require insurance producers to deposit third party funds into a trust account, rather than being able to commingle those funds with his own funds. The current situation makes investigation difficult, and also makes the commingled third party funds vulnerable to attachment by creditors. The new law will afford greater protection for insureds, insurance companies and producers.
- RS 14423** **RS 14423** requires that an insurance producer who borrows money from a customer must prepare a loan agreement setting forth the terms of the loan. This agreement must be signed by all parties to the loan.
- RS 14424C1** Mr. Priest presented **RS 14424C1**, which contains changes in the fraud investigation provisions to clarify that all Idaho law enforcement agencies and any prosecutor with jurisdiction are authorized entities for insurance fraud reporting purposes. This RS also deletes obsolete language creating a fraud investigation account, and adds language to specify how restitution payments will be handled.
- RS 14425** Mr. Priest then presented **RS 14425**, which eliminates unnecessary filing requirements dealing with countersignature laws. Mr. Priest explained that countersignature laws are being eliminated throughout the country, and this legislation eliminates a requirement to attach a certification of compliance to Idaho's countersignature law.
- RS 14426** **RS 14426** requires that producers who recommend annuity transactions to senior consumers take reasonable steps to determine that the annuity is a suitable investment for the purchaser. Mr. Priest noted that most producers are already doing adequate suitability studies for these products; this legislation will assure that senior consumers are protected from unscrupulous producers.
- RS 14434C2** Mr. Priest stated that **RS 14434C2** is a cleanup bill which more clearly spells out the details relating to administrative hearing procedures. Currently, the insurance code contains a number of references to administrative hearing procedures that were adopted before the current version of the Administrative Procedures Act (APA) was adopted.
- RS 14435** Mr. Priest presented **RS 14435**, which specifically lists in one place all of the director's enforcement powers. The legislation does not create new powers.
- RS 14450** **RS 14450** creates an interstate commission, the Interstate Insurance Product Regulation Compact, to regulate certain types of insurance, including annuity, life, disability income and long-term care products. Mr. Priest explained that insurance is regulated at the state level, but that this compact will develop uniform standards for products and will review and approve proposed products on behalf of all compacting states. It will also allow producers to sell products in any of the states in the multi-state compact. Mr. Priest said that 12 states have already adopted this compact, and that 13 more are planning to do so this year.

MOTION **Rep. Nonini** moved to **introduce RS14415C1, RS14416, RS14421, RS 14423, RS 14424C1, RS14425, RS14426, RS14434C2, RS14435C1, and RS14450;**

Rep. Miller asked, in light of an award presentation honoring Speaker Newcomb scheduled for the afternoon of February 9, whether the Business Committee meeting time might be moved forward in order to allow members to attend the presentation if they so wished. Chairman Black agreed to set the time to accommodate her request.

ADJOURN There being no further business to come before the committee, the meeting was adjourned at 2:17 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: February 7, 2005

TIME: 1:30 P.M.

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** None

GUESTS: Jerry Peterson, Leonard Williams, Rayola Jacobsen, Roger Hales, Jaysen Ronk, Bob Corbell, D. Ferguson

Meeting was called to order at 1:30 p.m. by Chairman Black. The Chairman announced that the committee may have a meeting on Friday, February 11, due to the large number of RS print hearings that remain. No decision will be made on this until Wednesday, when the Chairman can determine whether all remaining RS legislation can be heard at Wednesday's meeting. Chairman Black also announced that the Business Committee will start its meeting at the regular time, 1:30 p.m. on Wednesday, and if we do not adjourn in time for attendance at the award ceremony for Speaker Newcomb, we will send a delegation to the ceremony.

RS 14413 **Rayola Jacobsen**, Bureau Chief of the Bureau of Occupational Licenses, presented **RS 14413**, which was requested by the Board of Architects. This legislation changes the definition for an exemption and states that single and multiple family dwellings designed by unlicensed individuals will be limited to three units, which is a standard set by the International Building Code. Ms. Jacobsen gave an example of a four-plex built in north Idaho by an unlicensed person unaware of the handicapped requirements. This resulted in one of the four housing units being totally redesigned to accommodate handicapped persons.

MOTION **Rep. Collins** moved to introduce **RS 14413**; **motion carried on voice vote.**

RS 14724 Ms. Jacobsen presented **RS 14724**, which changes the compensation schedule for the Board of Architectural Examiners to allow them to participate in PERSI, the Public Employment Retirement System of Idaho. She noted that, of the 18 occupational bureaus she supervises, all but two of them participate in PERSI. She also stated that board members receive a per-diem compensation of \$75 per meeting day, and that they are not compensated for travel days.

MOTION **Rep. Rusche** moved to introduce **RS 14724**; **motion carried on voice vote.**

RS 14558 **Rep. Wendy Jaquet** presented **RS 14558**, which provides proof of mailing of notice of cancellation of fire insurance policy. Rep. Jaquet explained that

this brings the code into alignment with the existing code for automobile insurance. She also stated that the Department of Insurance is aware of the legislation and has no problem with it, and that copies had been circulated to a number of insurance companies.

MOTION

Rep. Deal moved to **introduce RS 14558; motion carried on voice vote.**

RS 14646

Rep. Jaquet also presented **RS 14646**, which provides for special assessments against real property for the enforcement of a validly created and recorded rule, regulation, covenant, condition, or restriction of a homeowner's association. She stated that 20% of residents now live in housing that is regulated by a homeowner's association, and this will clarify that the association has the authority to enforce their regulations, including monetary fines. This legislation mirrors the code dealing with condominium associations.

Responding to committee questions, Rep. Jaquet said that, although regulations of homeowner's associations are included in the sales agreement for a home, it may be the case that the buyers either do not read them or do not remember them. Also, there is a need to specify that the associations have the authority to make special assessments for violations. She explained that if the CCR's of an association are more restrictive than a city's codes, the CCR governs. This is an attempt to maintain property values within a development or subdivision. Rep. Jaquet also testified that officers of associations are elected, after nominations are held at open meetings of the association membership.

Rep. Jaquet was asked to clarify the language on page 1, line 43: "(c) Special assessments shall not be deemed liquidated damages." She said that she would be prepared with an explanation when the bill comes before the committee for a full hearing.

MOTION

Rep. Cannon moved to **introduce RS 14646; motion carried on voice vote.**

RS 14738

Bob Corbell, Management Associates, presented **RS 14738**, which exempts governmental agencies, regulated utilities, telephone companies, property owners, and operating plant maintenance electricians from the National Electrical Code (NEC) as implemented by the Idaho Electrical Board. Mr. Corbell said that in the 2006 session the Electrical Board will bring rules for approval that will regulate communications installation and maintenance. He also testified that this legislation is supported by the Board and the industry.

MOTION

Rep. Collins moved to **introduce RS 14738; motion carried on voice vote.**

RS 14769

Mr. Corbell then presented **RS 14769**, which replaces the requirement for HVAC contractors and specialty contractors to provide a \$2,000 bond. Instead, they will be required to provide proof of liability insurance in the amount of \$300,000 as well as proof of worker's compensation insurance if required. Mr. Corbell said that the annual cost is estimated to be between \$300 and \$500 at most, and perhaps lower depending on the company or the individual.

Responding to questions from the committee, Mr. Corbell said that if a contractor has no insurance in force, the Board does pull the contractor's license. He agreed to bring some documentation on this point to the meeting when this bill is heard. He also said that rural cooperatives would be included in the exceptions section of the bill, since they are considered public service corporations.

MOTION **Rep. Deal** moved to **introduce RS 14769; motion carried on voice vote.**

RS 14810 **Mr. Corbell** presented **RS 14810**, and stated that **Steve Keys**, chairman of the Electrical Board, was present to answer any questions that might arise. Mr. Corbell said that at present, HVAC contractors have specialty electrical licenses, and electrical contractors have specialty HVAC licenses. Plumbing and HVAC require proof of financial protection for consumers. This legislation will make evidence of financial responsibility the same in the Division of Building Safety Bureaus. Mr. Corbell also said that there will be a followup RS which will state that one bond will suffice for all licenses that a contractor is required to hold.

MOTION **Rep. Nonini** moved to **introduce RS 14810; motion carried on voice vote.**

ADJOURN There being no further business to come before the committee, the meeting was adjourned at 2:00 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: February 9, 2005

TIME: 1:30 P.M.

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** None

GUESTS: Todd Lakey, Mike Larsen, Brad Dixon, Woody Richards, Angie Richards, Bill Tonkin, Jim Trent, Roger Seiber, Glen Gier, John Cato, John Eaton, Jayson Ronk, Mayor Clay Larkin

Meeting was called to order at 1:30 p.m. by Chairman Black. The Chairman announced that the committee will have a meeting on Friday, February 11. The House will begin its session at 11:00 a.m. that day, and the Business Committee will meet upon adjournment of the House session.

RS 14451C3 **Mike Larsen**, Department of Finance, presented **RS 14451C3**, the Idaho Escrow Act. Mr. Larsen testified that Idaho is one of only a few states that do not have laws regulating escrow agencies not offering title insurance. The Department is receiving an increasing number of inquiries, some stemming from fraudulent internet escrow services. Mr. Larsen said that the Department has sought input from the industry and has made significant changes to this RS as compared to the first version. He said that the American Escrow Association, after reviewing the proposed legislation, offered unsolicited positive comments. This legislation will repeal the Guaranty, Title and Trust Company Act, which is outdated and provides no public protection.

MOTION **Rep. Collins** moved to introduce **RS 14451C3**; **motion carried on voice vote.**

RS 14645 **Woody Richards**, representing the Idaho Insurance Guaranty Association, presented **RS 14645**. This legislation will extend the deadline until the end of 2006 for county mutual insurers to meet all of the statutory surplus requirements imposed by Idaho law. Mr. Richards stated that there are only three mutual insurers in Idaho, Gem State Insurance in Gooding, United Heritage in Meridian, and Twin Falls Mutual in Twin Falls. Of these, only Twin Falls Mutual has not met the reserve requirements by the current deadline. They were previously granted a five-year extension, to June 2004, and are now seeking one additional extension to December 31, 2006. It is hoped that during this time, the company can arrange for a merger, sell the company, or find an investor or another way to raise the additional \$1 million needed to meet the requirement.

Mr. Richards introduced **John Cato** of Twin Falls Mutual and asked him to

respond to a question about the company's past profitability. Mr. Cato stated that since 1995 his company has been profitable one time. He testified that the company has been growing, that growth is expensive, and that the company is continuing its efforts to achieve profitability. He reported that Twin Falls Mutual has assets of \$62 million. Mr. Cato also stated that the company's surplus at the present time is about \$900,000, of which \$600,000 is in the form of surplus notes.

Mr. Cato said it is improbable that the company will be able to meet its reserve requirements solely by raising its rates. Other options include a merger or a decision to become a stock company rather than a mutual company. In order to continue its efforts to meet the reserve requirements, the company needs the requested extension. Mr. Richards clarified that the Guaranty Association wants an orderly transition to take place, should a transition become necessary, and wants Twin Falls Mutual to be able to make the best deal possible. If the extension is not granted, the company may have to shut down operations. Mr. Richards said it is not the desire of the Guaranty Association to kill the company.

Shad Priest, Department of Insurance, was asked to yield to further questions. Mr. Priest testified that the department had placed the company under administrative supervision, which requires weekly or monthly reporting by Twin Falls Mutual with regard to how they are addressing the problems. The next step would be to place the company in "rehabilitation" status, which would make it more difficult to merge or become a stock company.

Mr. Priest then briefly summarized what the department has done in the past few years with regard to Twin Falls Mutual and its reserve problems. He said that the department granted the company's first request for an extension of time, and that Mr. Cato intended to sell more surplus notes to meet the requirements in a timely manner. Mr. Priest said that the department was not aware that Twin Falls Mutual failed to meet the requirement until July of last year, and that at the present time, Twin Falls Mutual is technically not in compliance.

Responding to further questions, Mr. Priest stated that if the company goes into receivership, the Guaranty Association will be obliged whether this legislation passes or does not pass. The association members will be assessed additional amounts to pay off a possible bankruptcy. Mr. Priest reiterated that, although the reserve requirements apply to all mutual insurance companies, the other two mutual companies in Idaho, United Heritage and Gem State Insurance, have already exceeded the \$2 million reserve amount. He also explained that "surplus notes" are sold to employees, agents, policyholders and other interested parties in order to raise additional funds for the company. The use of surplus notes is not unique to Twin Falls Mutual. Holders of surplus notes understand that they may not receive repayment for these notes if the company needs those funds to pay policyholders. The term "surplus" refers to the fact that these notes are repayable from any money left over after the company's liabilities and expected liabilities are subtracted. Like a stockholder, a holder of surplus notes will be the last to be paid, and thus surplus notes are considered a fairly risky investment.

MOTION

Rep. Block moved to introduce RS 14645.

Rep. Cannon, speaking in support of the motion, said that although the legislation may not be favorably received by the committee, he thinks the RS deserves to be printed and heard as a bill.

**SUBSTITUTE
MOTION**

Rep. Deal offered a substitute motion to **return RS 14645** to the sponsor. Speaking in support of his substitute motion, Rep. Deal pointed out that the company has had since 1995 to reach the new \$2 million reserve requirement, and that at this point they have no workable plan other than to merge or sell the company. He thinks it is time for the company to go into rehabilitation and have the Department of Insurance take over operations and find a solution to the problem.

Responding to a question from a committee member, **Mr. Cato** said that Twin Falls Mutual was not able to sell all the surplus notes it intended to sell because it had set a self-imposed deadline for the sales, and they simply ran out of time. He said that they had underestimated the difficulties of these sales, but that there are still parties interested in purchasing surplus notes.

Mr. Priest further testified that, from the department's point of view, the proposed legislation simply buys the company two additional years, but that it doesn't solve the problem. If the legislation does not pass, the department will need to move more quickly than it would if the extension were to be granted. He said that if the extension is granted, the risk to the general public is fairly minimal; there is, however, a question of fairness involved, since the other two mutual companies were required to meet the minimum and did so by the original deadline.

Rep. Snodgrass spoke in **support** of the substitute motion, noting that the sale of additional surplus notes simply increases the company's risk. **Rep. Collins** noted that if the company continues operation for two more years and then declares bankruptcy, the Guaranty Association will be liable for a greater amount. In the long run, this may affect policyholders who may face higher premiums. Mr. Priest pointed out that H512, passed last year, allows for offsets for future assessments to be taken against premium taxes, and thus these offsets could affect the General Fund in the future. This would negatively impact the people of the state of Idaho.

Rep. Block spoke in **opposition** to the substitute motion, saying that she thinks the bill needs a hearing.

Rep. Nonini spoke in **support** of the substitute motion, noting that the company has had a net loss of almost \$2 million over the past eight to nine years.

**VOTE ON
SUBSTITUTE
MOTION**

Chairman Black called for a committee vote on the **substitute motion**, to return **RS 14645** to the sponsor. **Motion carried on voice vote.**

RS 14500

Angie Richards, representing the Property and Casualty Insurers of America, presented **RS 14500**, which will allow insurers the option to exclude terrorism risk from the Standard Fire Policy statute requirements with regard to commercial insurance policies. Ms. Richards stated that terrorism can threaten a company's solvency, and that it is difficult to judge the risk, frequency and severity of the threat of terrorism. She also said that state law

should be consistent with federal law in allowing consumers the choice to opt out of terrorism coverage. Ms. Richards stated that the Department of Insurance and insurance companies are aware of the proposed legislation, and have had no negative comments.

Responding to questions, Ms. Richards said that federal law requires that companies make terrorism insurance coverage available, but also requires an opt-out provision. Individual insurance companies will provide their own definition of "terrorism" in their policies. She also said that 22 states do not control the content of standard fire policies.

MOTION **Rep. Nonini** moved to introduce **RS 14500**; **motion carried on voice vote.**

RS 14596 Ms. Richards then presented **RS 14596**, which will clarify the refund obligations and options of the Idaho Insurance Guaranty Association. Ms. Richards pointed out that two code sections dealing with this matter are currently inconsistent and need to be brought into harmony. She explained that the Guaranty Association is responsible to pay all claims for an insurance company that becomes insolvent. To do that, the Guaranty Association assesses all property and casualty insurance companies authorized to do business in Idaho, based on their premium levels in Idaho. Then the Guaranty Association files claims with the bankrupt companies to be refunded for part of its expenses. This legislation will allow the Guaranty Association to hold and reuse refunds rather than immediately paying them back to insurance companies and then assessing more money from the companies. It also will specify that future refunds used as offsets against premium tax will be returned to the General Fund. RS 14596 has been reviewed by the Department of Insurance and by insurance companies, and they have no objections.

MOTION **Rep. Snodgrass** moved to introduce **RS 14596**; **motion carried on voice vote.**

RS 14506C1 **Brad Dixon**, representing the Surplus Lines Association of Idaho, presented **RS 14506C1**. This legislation corrects a conflict between two code sections relating to the regulation of surplus line insurance. It enacts a technical correction to Title 41 regarding the revocation of surplus line broker licenses.

MOTION **Rep. Collins** moved to introduce **RS 14506C1**; **motion carried on voice vote.**

RS 14884 **Jeremy Pisca**, representing the Idaho Building Contractors Association, presented **RS 14884**, the Contractor Registration Act. Mr. Pisca explained that Idaho currently has no front-end requirements for building contractors, and if a contractor engages in fraudulent or dishonest practices, there is no way to stop him from continuing to do so. This proposed contractor registration act will require a contractor to register, filing his name, tax identification number or social security number, and proof of compliance with the state's worker's compensation laws. It also requires liability insurance in the amount of \$300,000, and proof that the person has not been suspended or prohibited from practicing construction in Idaho or any other state. The registration fee is capped at \$150, but Mr. Pisca said that he expects that fee to be lower than the cap.

Mr. Pisca pointed out that the legislation includes authority for the Idaho

Contractors Board to investigate claims of fraud or injury against a contractor. It also provides authority to suspend or revoke a registration and to issue a formal reprimand against a registered contractor, and spells out the conditions for such action. Mr. Pisca noted that all states surrounding Idaho, including Washington, Oregon, Nevada, and Montana, have licensing requirements for contractors. Thus, contractors who have been suspended in surrounding states often come into Idaho and continue their business here, since Idaho has no licensing or registration requirements. He said, in response to a question, that this legislation requires registration but no proof of expertise. In other words, it will be relatively easy to become registered as a contractor, but at least the state will have a method of removing those who are found to be incompetent, dishonest, or unprincipled.

MOTION

Rep. Deal moved to introduce **RS 14884**; **motion carried on voice vote.**

ADJOURN

Chairman Black reminded committee members that Friday's meeting will begin upon adjournment of the House floor session, rather than at the usual 1:30 start time.

There being no further business to come before the committee, the meeting was adjourned at 2:45 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: February 11, 2005

TIME: 12:10 P.M.

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** Rep. Cannon, Rep. Henbest, Rep. Rusche

GUESTS: Lyn Darrington, Dave Armstrong, Jim Garske, Bob Corbell, Tim Gibson, Todd Lakey, Jayson Ronk, Julie Taylor, Woody Richards

Meeting was called to order at 12:10 p.m. by Chairman Black. **Rep. Collins** moved to **approve** the minutes of the February 9 meeting as written; **motion carried on voice vote.**

**RS 14933 and
RS 14934** **Rep. Collins** presented **RS 14933** and **RS 14934** to the committee. RS 14933 is a concurrent resolution rejecting certain pending rules of the Department of Insurance relating to rebates and illegal inducements to obtaining title insurance business. RS 14934 is a concurrent resolution rejecting certain pending rules from the Division of Building Safety governing installation of heating, ventilation, and air conditioning systems. Rep. Collins explained that in both cases, the rules dockets were rejected by the committee at the request of the respective departments.

MOTION **Rep. Collins** moved to introduce **RS 14933** and to send it directly to the second reading calendar; **motion carried on voice vote.**

MOTION **Rep. Collins** moved to introduce **RS 14934** and to send it directly to the second reading calendar; **motion carried on voice vote.**

RS 14390 **Rep. Block** presented **RS 14390**, which updates statutory requirements defining the business relations between independent equipment dealers and the manufacturers, wholesalers, and suppliers. Rep. Block explained that the present statutes regulating these relations were passed in 1986 and need to be updated. She noted that in today's environment, the equipment includes much more sophisticated and expensive components, including such things as GPS systems, hydraulic remotes, and expensive software. Rep. Block explained that this legislation was passed in the House last year, but that it was late in the session and there was not sufficient time to gain a hearing in the Senate before the session ended. She also testified that surrounding states, including Oregon, Washington, Utah, Wyoming, and Montana, have recently passed similar legislation. She said that the major farm manufacturers are not opposed to this legislation, and that it is supported by machinery dealers and farmers.

MOTION **Rep. Rydalch** moved to introduce **RS 14390**; **motion carried on voice**

vote.

RS 14753

Rep. Deal presented **RS 14753**, which will require registration by any self-funded health care plans administered by or for any county in the state of Idaho. Rep. Deal explained that the original law dealing with self-funded health plans was passed in 1974, and that it created exemptions for these health plans because it was thought that there would be sufficient oversight from the federal government or the Industrial Commission. Legislation in 2001 expanded the exemption to multi-county self-funded plans. However, the result has been that these plans are unregulated, with no oversight from the Department of Insurance and no fiscal oversight. This proposed legislation will strike the 2001 exemption addition, thus requiring county plans to register and comply with department oversight and to provide a quarterly financial report to the department, as is required of other insurance companies. Rep. Deal stated that the legislation will not take away the counties' status as self-funded plans.

MOTION

Rep. Nonini moved to introduce **RS 14753**.

Chairman Black noted that he had held discussions with Gem Plan as well as with the director of the Department of Insurance. He said that the discussions had proven to be helpful, and that the counties realize the intent and the importance of this legislation and are taking voluntary steps to comply.

**VOTE ON
MOTION**

Chairman Black called for a **vote** on the motion to **introduce RS 14753**; **motion carried on voice vote.**

RS 14543C1

Tim Gibson, owner of Cloverdale and Gibson Funeral Homes in Boise, presented **RS 14543C1**. This legislation will change the requirements applicable to funeral director licenses by removing the requirement for mortuary college classes and replacing it with successful completion of an examination administered by the Idaho State Board of Morticians. Mr. Gibson explained that the demand for qualified morticians is outstripping the supply. Part of the reason, in his view, is the current educational requirements; this legislation is an attempt to alleviate some of the financial burden and the duplication of educational requirements for those who have already attended some college. Mr. Gibson stated that under this legislation the state will write up a study manual containing the necessary educational components, which can be studied during a person's one-year internship. Then, the state will develop and administer the examination necessary for licensing.

RS 14879

Chairman Black invited **Mr. Gibson** to present his second RS, **RS 14879**. Mr. Gibson explained that currently morticians are often referred to as "funeral directors." This legislation will revise the terminology in Idaho code so that the term "funeral director" will be changed to "funeral service practitioner." This change will distinguish between persons educated as morticians, who are embalmers and funeral arrangers, and persons who are trained only to offer funeral arrangements. Mr. Gibson stated that he had spoken with morticians in northern and southeastern Idaho and they seemed to be comfortable with the term "funeral service practitioner." Mr. Gibson also said that those who are trained as practitioners may choose to engage in further education and training by attending mortuary school, and then

could take the examination to eventually become a licensed mortician.

Responding to committee questions, Mr. Gibson said that he had held conversations with Dexter Yates in northern Idaho, and that they had come up with the term "funeral service practitioner." He also said that some parties who are objecting to the legislation have not yet had an opportunity to see the actual RS and may not know that the bill requires the state board to produce a study manual. Much of the concern arises from the mistaken notion that the bill will require no educational component for licensing as a funeral service practitioner, which is not true. Mr. Gibson said that after the bill is printed, it will be sent out to interested parties statewide for their study and input. Mr. Gibson said that, to the best of his knowledge, there are perhaps 50 or 60 funeral homes in the state of Idaho.

In further discussion, with regard to the concern that deletions on page two of RS 14543C1 weaken the profession by removing educational requirements, Mr. Gibson said that if the state of Idaho writes an examination, it can tailor the exam to cover pertinent subject areas. It is his opinion that if the study guide contains these areas, plus the FTC and OSHA requirements, the state testing procedure will be just as effective as the previous requirement for formal classes.

MOTION

Rep. Rydalch moved to **return RS 14543C1** to the sponsor.

**SUBSTITUTE
MOTION**

Rep. Collins offered a substitute motion to **introduce RS 14543C1**. Speaking in favor of the original motion, **Rep. Edmunson** said it was his opinion that the state association needs to agree on any proposed legislation before it is brought to the committee for consideration.

**VOTE ON
SUBSTITUTE
MOTION**

Chairman Black called for a vote on the **substitute** motion, to **introduce RS 14543C1**; **motion failed on voice vote.**

**VOTE ON
ORIGINAL
MOTION**

Chairman Black then called for a vote on the **original** motion, to **return RS 14543C1 to the sponsor**; **motion carried on voice vote.**

In response to a question from the committee, **Mr. Gibson** said that he thought a majority of the state's morticians are in favor of both RS 14543C1 and RS 14879.

MOTION

Rep. Henderson said that, because RS 14543C1 had been returned to sponsor, he didn't think it would be proper to introduce RS 14879, and he moved to **return RS 14879 to the sponsor. Motion carried on voice vote.**

RS 14878

Dave Armstrong, Anytime Bail Bonds, presented **RS 14878** to the committee. Mr. Armstrong stated that this legislation is supported by the state department of insurance, who suggested to him that he bring this to the legislature for their consideration. This legislation will specify that a bail agent who surrenders a defendant early for good cause will still be allowed to seek recovery of any unpaid premium. Mr. Armstrong explained that sometimes a person is not able to pay the full premium and sets up a payment schedule with a bail agent. The current statute seems to be contradictory, since it specifies that a bail agent who surrenders a defendant

early for good cause cannot seek recovery of any unpaid premium. This creates a disincentive for a bail agent to surrender a defendant early, since he will lose any unpaid premium. Mr. Armstrong said that the Department of Insurance had reviewed the proposed legislation and is in agreement with its provisions.

MOTION **Rep. Henderson** moved to **introduce RS 14878; motion carried on voice vote.**

RS 14935 **Bob Corbell**, Management Associates, presented **RS 14935**, which eliminates the requirement for plumbers and specialty contractors to provide a \$2,000.00 bond. In lieu of bonding, they will be required to provide proof of liability insurance in the amount of \$300,000.00, and proof of worker's compensation insurance if required. This legislation will bring the requirements for plumbers into alignment with the parallel requirements for HVAC and electrical contractors.

MOTION **Rep. Miller** moved to **introduce RS 14935; motion carried on voice vote.**

ADJOURN There being no further business to come before the committee, the meeting was adjourned at 1:05 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: February 15, 2005

TIME: 1:30 P.M.

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** Rep. Deal, Rep. Block

GUESTS: Jack Garrett, Gary Van Hees, Cindy McCuistian, Bret Steel, Rick Evans, Alan L. Koyle, Jeff Boyd, Bob Corbell, Ron Anderson, Kevin Keller, Roger Hales, Jerry Peterson, Jayson Ronk, Rayola Jacobsen, Todd Lakey, Don Schweitzer, Jack Lyman, Shad Priest

Meeting was called to order at 1:30 p.m. by Chairman Black. **Rep. Rydalch** moved to approve the minutes of the February 11 meeting as written; motion carried on voice vote.

H 122 **Suzi Schaefer**, representing the Rocky Mountain Propane Association, presented **H 122**, which establishes the Idaho Liquefied Petroleum Gas Public Safety Act. She stated that propane gas is becoming a much sought-after energy source, and with increased usage there is also more need for safety regulations. She explained that liquefied petroleum is regulated by the Transportation Department when it is moving over highways, and that it is regulated by the HVAC bureau of the division of Building Safety when it is within a home. There is, however, no similar regulation for liquefied propane, which is stored in outside tanks. She said that the industry is asking for this licensing to fill that gap.

Ms. Schaefer said that the bill is narrow in focus, licensing bulk plants, bulk storage, and dispensers. The bill will create a five-member board, with two members from the fire department, two from the propane industry, and one member of the general public. Board members will be appointed by the governor and will operate under the Bureau of Occupational Licensing. Ms. Schaefer also stated that she had met with the HVAC Board of the Division of Building Safety, and that if there are overlapping authorities between the HVAC Board and the Petroleum Board, these areas will be worked out in meetings during the summer. The law does not go into effect until July 2006, allowing sufficient time to fine-tune these details. She then briefly reviewed the main points of the bill, including definitions, exemptions, licensing requirements, and powers and duties of the board. She also expressed gratitude for the assistance of Rayola Jacobsen and Roger Hales from the Bureau of Occupational Licenses.

Responding to questions from the committee, Ms. Schaefer noted that one of the areas of potential overlap between the HVAC and Propane boards is the regulation of the valve on a house. She plans to work on this and other

potential overlap areas during the summer. She also noted that, rather than creating an entirely new agency, this bill places the new Propane regulatory board under the Bureau of Occupational Licenses.

Ron Anderson, Idaho Fire Chiefs, was recognized to comment on **H 122**. Mr. Anderson testified that the term “fireman” is obsolete and should be replaced with the term “fire fighter.” He also stated that it was his opinion that the Board representatives should be nominated from the Idaho Fire Chiefs Association. Chairman Black asked Mr. Anderson if he wanted the bill amended at the present time to reflect this terminology change, or whether it would be acceptable to change the terminology next year, possibly in a followup bill to this one. Mr. Anderson said that making the change in a followup bill would be acceptable.

MOTION

Rep. Edmunson moved to send **H 122** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Black** will sponsor the bill on the floor

H 121

Jack Lyman, representing the Idaho Manufactured Housing Association, presented **H 121**. Mr. Lyman stated that H 585, passed by the Legislature last year, exempted a modular building, manufactured in Idaho and exported from the state, from plumbing and electrical codes and requirements. The current proposed legislation, H 121, will extend the same exemption to HVAC codes and requirements. Mr. Lyman pointed out that, as in last year’s bill, H 121 requires modular buildings to meet Idaho codes if they are moved back into Idaho at a later date. At the request of Chairman Black, Mr. Lyman reviewed the underlying reason for the passage of H 585 last year. He stated that there was a growing demand for modular homes, and that some manufacturers were not able to compete with manufacturers from surrounding states because the Idaho manufacturers were required to meet Idaho Code and also to use licensed contractors, even on homes that were built for export outside of the state. This meant that Idaho manufacturers could not sell units into Wyoming or other surrounding states that do not have similar requirements. Mr. Lyman also noted that Idaho does not have any regulations on incoming modular buildings.

In response to committee questions, Mr. Lyman estimated that the number of modular homes sent out of state since the passage of H 585 would be perhaps many dozens of units, but not hundreds. He said that these numbers may not remain the same in the future because he is beginning to see a merger between manufactured homes and modular buildings at the federal level.

Jerry Peterson, Idaho Building Trades, testified **in opposition to H 121**. Although he agrees with some of the bill’s provisions, he is concerned with the lack of requirement for using licensed contractors in the construction of modular buildings. He asked whether all modular manufacturers support this legislation, and asked why the modular building industry exempts itself. He asked that the bill be returned to the sponsor or amended to require HVAC licensed contractors.

MOTION

Rep. Collins moved to send **H 121** to the floor with a **DO PASS**

recommendation; **motion carried on voice vote. Rep. Smith and Rep. Rusche voted no. Rep. Snodgrass** will sponsor the bill on the floor.

H 111

Shad Priest, Department of Insurance, presented **H 111**, which clarifies those who qualify for participation in the high risk pool established by the legislature in 2000. First, the bill clarifies that “federally eligible individuals” will qualify for coverage under high-risk plans even though they may have other coverage options available. Second, the bill specifies that persons eligible for continuation of their coverage under COBRA will still qualify to purchase insurance from the high risk pool. Mr. Priest explained that in many cases, the coverage available under COBRA is more expensive to the insured than a new high risk plan would be.

Responding to questions, Mr. Priest said that coverage in the high risk pool does satisfy the requirement of having ongoing coverage when a person moves to another plan. Mr. Priest said that he does not know the premium costs for the high risk pool plans, but that they are available on the website. He noted that the pool does operate at a loss ratio of about 200%; that is, for every dollar coming in as premiums, about \$2 is paid out. The high risk pool is subsidized by a portion of the premium taxes paid by all insurance companies in the state.

Don Schweitzer testified on **H 111**, passing out a chart listing the campaign contributions given to Business Committee members. Mr. Schweitzer said he is concerned that insurance companies have contributed over \$20,000 to the campaigns of committee members. Responding to questions from the committee, Mr. Schweitzer acknowledged that **H 111** does not appear to disadvantage the public or a purchaser of health insurance.

MOTION

Rep. Chadderdon moved to send **H 111** to the floor with a **DO PASS** recommendation.

Rep. Cannon asked Mr. Priest to explain certain details about the high risk reinsurance pool. Mr. Priest said that the law guarantees access to insurance coverage, but does not insure affordability of that coverage. He also explained that all health insurance coverage normally “tops out” after \$1 million is paid out in medical payments.

Rep. Rusche announced, for the record, that he is employed on a part-time basis by Regence Blue Shield of Idaho.

VOTE ON MOTION

Chairman Black called for a vote on the motion, to send **H 111** to the floor with a **DO PASS** recommendation; **motion carried on voice vote. Rep. Nonini** will sponsor the bill on the floor.

H 112

Mr. Priest then presented **H 112**, which repeals two outdated subsections that refer to “reciprocal insurers.” Mr. Priest said that only ICRMP is affected by this change, and that they support the change.

MOTION

Rep. Snodgrass moved to send **H 112** to the floor with a **DO PASS** recommendation; **motion carried on voice vote. Rep. Snodgrass** will sponsor the bill on the floor.

H 113

Mr. Priest presented **H 113**, which will require an insurance producer to

deposit into a trust account all funds he or she collects that are being held on behalf of a client. Mr. Priest also introduced **Gina McBride**, supervisor of the Consumer Affairs division of the Department of Insurance, and **Don Roberson**, an investigator with the Department.

MOTION **Rep. Nonini** moved to send **H 113** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Nonini** will sponsor the bill on the floor.

H 114 Mr. Priest presented **H 114**, which requires that an insurance producer who borrows money from a client must document the loan arrangement in writing. He stated that this bill is a good follow-up bill to the previous bill, H 113.

MOTION **Rep. Bilbao** moved to send **H 114** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Bilbao** will sponsor the bill on the floor.

H 115 Mr. Priest presented **H 115**, which changes the code provisions relating to reporting and investigation of insurance fraud. The current language could be interpreted to limit the definition of "authorized agencies" to the state police only. H 115 clarifies that any law enforcement agency of the state is an authorized agency. The bill will also delete language referring to the fraud investigation account. This fund has never been funded and is unnecessary because fraud investigation is funded as part of the Department's regular annual appropriation process.

MOTION **Rep. Chadderdon** moved to send **H 115** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Chadderdon** will sponsor the bill on the floor.

H 116 Mr. Priest presented **H 116**, which eliminates an unnecessary filing requirement requiring countersignature requirements.

MOTION **Rep. Edmunson** moved to send **H 116** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Rusche** will sponsor the bill on the floor.

Chairman Black announced that on Thursday the committee is invited to attend a presentation by Karl Tueller of the Office of Science and Technology, to be held at 2:30 at the Department of Commerce.

ADJOURN There being no further business to come before the committee, the meeting was adjourned at 2:55 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: February 17, 2005

TIME: 1:30 P.M.

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** Rep. Deal

GUESTS: Ken McClure, Mike Brassey, Toni Hebden, Amanda Goodwin

Meeting was called to order at 1:33 p.m by Chairman Black. **Rep. Miller** pointed out that, with regard to the minutes of February 15, Rep. Smith had requested that she be recorded as voting "no" on H 121, and this was not noted in the minutes. With this correction, Rep. Miller moved to approve the minutes of the February 15 meeting. Motion carried on voice vote.

H 89 **Ken McClure**, Idaho Medical Association, presented **H 89**, which amends a provision of last year's "prompt pay" bill. Mr. McClure explained that because of an oversight in last year's bill, the 45-day time limit to request additional information on paper claims was inadvertently omitted in one place. This bill corrects that oversight.

MOTION **Rep. Smith** moved to send **H 89** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Rusche** will sponsor the bill on the floor.

H 90 **Mike Brassey**, Idaho Financial Services Association, presented **H 90**, which increases the coverage that can be written under a group credit life insurance policy from \$75,000 to \$150,000. The current limit has been in place since 1983. Mr. Brassey explained that credit life insurance is attractive to people who may be otherwise uninsurable or who cannot obtain sufficient coverage for their mortgage amount. The amounts of current real estate loans and other loans have risen substantially since 1983, and this change is necessary to provide adequate credit life coverage for these larger loans.

MOTION **Rep. Collins** moved to send **H 90** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Bilbao** will sponsor the bill on the floor.

H 117 **Shad Priest**, Department of Insurance, presented **H 117**. This bill requires that insurance producers who recommend annuity products to senior consumers take reasonable steps to determine that the annuity is a suitable investment for the purchaser. Mr. Priest stated that these products require a relatively large up-front investment and have penalties for early surrender, making them an unsuitable product for some senior citizens. Mr. Priest

noted that most producers are already doing adequate suitability studies for these products; this legislation will help to assure that senior consumers are protected from unscrupulous producers. **Chairman Black** stated that all the phone and e-mail messages he has received on this bill have been in favor of the legislation.

Responding to questions from the committee, **Jim Genetti**, Department of Insurance Consumer Affairs Division, stated that the only major problems the department confronts are dealing with annuity products and their suitability for senior clients. **Chairman Black** said that he has found the department to be very helpful in solving problems dealing with the lack of suitability. He said that he personally dealt with a case where the department was able to negotiate a settlement between a client and an insurance company in the case of an unsuitable product being sold to the client.

A question arose as to why the legislation was aimed only at senior citizens 65 years of age and older. Mr. Priest said that H 90 follows model legislation from the National Association of Insurance Commissioners, and that annuity products are complicated and pose more risks for seniors since the payout from the products is often a number of years into the future. Mr. Priest also testified that if a senior citizen refuses to provide the information required in this bill, a producer is not held liable if he sells an unsuitable product to a senior client, since the producer has no way of determining suitability.

MOTION **Rep. Nonini** moved to send **H 117** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Cannon** voted against the motion. **Rep. Nonini** will sponsor the bill on the floor.

H 118 Mr. Priest presented **H 118**, a cleanup bill which more clearly spells out the details relating to administrative hearing procedures. Currently, the insurance code contains a number of references to administrative hearing procedures that were adopted before the current version of the Administrative Procedures Act (APA) was adopted. Therefore, the deadlines and procedures identified in code are often not consistent with the APA requirements. This bill will clear up those inconsistencies.

MOTION **Rep. Rusche** moved to send **H 118** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Snodgrass** will sponsor the bill on the floor.

Chairman Black introduced former representative **Wayne Meyer**, also a former member of the Business Committee, who was visiting the committee meeting. The chairman acknowledged Mr. Meyer's years of service in the legislature and thanked him for his service.

H 119 Mr. Priest presented **H 119**, a companion bill to the previous bill. This legislation sets out the powers of the director of the Department of Insurance, but does not add or create new or additional powers. The bill also changes the time period for notices to reflect seven-day increments instead of the current 20 days.

MOTION **Rep. Snodgrass** moved to send **H 119** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Miller** will sponsor the bill on the floor.

H 120

Mr. Priest then presented **H 120**, which creates an interstate commission called the Interstate Insurance Product Regulation Compact. This compact will regulate certain types of insurance and will streamline the approval process for those products. Mr. Priest explained that this compact will develop uniform standards for products and will review and approve proposed products on behalf of all compacting states. Once a product is approved by the compact, a producer can sell that product in any state belonging to the compact.

Mr. Priest stated that by the end of this year he expects 30 states to have this interstate compact in place. He said that both the National Association of Insurance Commissioners and the insurance industry support this legislation. He also testified that, since the standards used by the interstate compact in evaluating products are higher than those used by Idaho, the state will not have to review new products since those products have already been through the approval process with the compact.

In response to committee questions, Mr. Priest said that this compact removes one of the arguments used in favor of federal legislation that would place control over insurance products in the hands of the federal government. He stated that insurance products for Idaho are best evaluated by those familiar with Idaho, and that nationwide uniformity is not always desirable in the field of insurance.

MOTION

Rep. Collins moved to send **H 120** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Rydalch** voted against the motion. **Rep. Collins** will sponsor the bill on the floor.

Chairman Black acknowledged **Chandi Hall**, who has been assigned to Business Committee for the past six weeks. The chairman thanked Chandi for her help and wished her well in the future.

Chairman Black also reminded committee members that they are invited to a presentation by Karl Tueller at the Department of Commerce which begins at 2:30 p.m. The presentation is on the Office of Science and Technology.

ADJOURN

There being no further business to come before the committee, the meeting was adjourned at 2:15 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: February 21, 2005

TIME: 1:30 P.M.

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** Reps. Block, Chadderdon, Henderson, Nonini, Henbest, Smith

GUESTS: Bob Locke, Ed Lawson, Brad Dixon, Jim Trent, Bob Corbell, Karen Keys, Steve Keys, Jayson Ronk, Woody Richards, Dave Whaley

Meeting was called to order at 1:35 p.m. by Chairman Black. **Rep. Collins** moved to approve the minutes of the February 17 meeting as written; motion carried on voice vote.

Rep. Deal was recognized to make a statement. He stated that since there are several bills dealing with insurance on today's agenda, he is disclosing that he owns an insurance agency. **Rep. Collins** stated that he is also in the insurance business and therefore, according to Rule 38, he is disclosing that fact.

H 136 **Rep. Wendy Jaquet** presented **H 136**, which updates the notice of cancellation required for fire insurance to mirror the cancellation notice required for automobile insurance. She also said that the date of mailing is considered the date of notification. She then introduced **Bob Locke** to further discuss the provisions of the bill. Mr. Locke, Gem State Insurance Agency, stated that the language contained in H 136 is the same as language in other insurance contracts with regard to notice of cancellation. In response to a committee question, Mr. Locke stated that the proof of mailing does not require that the recipient return any document or other proof of receiving it, since this would be, in his view, impractical given the number of notifications mailed throughout the country every day.

MOTION **Rep. Deal** moved to send **H 136** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Jaquet and Rep. Deal** will co-sponsor this bill on the floor.

H 137 **Rep. Jaquet** then presented **H 137**, a bill that will give authority to homeowners' associations to enforce their rules. She pointed out that it is important for associations to be able to enforce the rules; otherwise property values and livability of a subdivision will both decline. Rep. Jaquet then introduced **Ed Lawson**, an attorney, to further testify **in favor of H 137**. Mr. Lawson, representing Sun Valley Elkhorn Association, stated that this bill will

provide the same authority and powers to homeowners' associations as is now provided to condominium associations. At present, homeowners' associations have no recourse except to go to court in order to settle conflicts with homeowners who do not abide by the covenants or restrictions of the association. Mr. Lawson said that this bill will protect buyers, associations, and the general public.

Responding to committee questions, Mr. Lawson said that generally speaking, cities are not bound by agreements between private parties and therefore do not interfere in private contractual agreements such as enforcing a restriction on the number of housing units allowed per acre. He also stated that the legislation will apply to existing associations as well as new associations that will be formed in the future.

Rep. Bilbao spoke in favor of **H 137**, saying that he is president of his homeowners' association and that the association has covenants in place dating back to the 1970s, but there is no effective way to enforce them. This bill will give associations some enforcement powers, he said.

Dave Whaley, president of his small homeowners' association of 34 homes, testified in favor of **H 137**. Mr. Whaley said that currently their association has no way of enforcing their rules, short of going to court in order to force compliance. Those who do not abide by the rules affect the property values of other homeowners in the association. Mr. Whaley said, in response to committee questions, that this bill will allow a 30-day notice to violators, as allowed at present, but then will allow a special assessment if the violators don't correct the situation. He conceded that following the 30-day notice and assessment, they would still have to go to a prosecutor to force compliance. However, they would at least have written evidence of their efforts to enforce the rules.

MOTION

Rep. Snodgrass moved to send **H 137** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Jaquet** and **Rep. Snodgrass** will co-sponsor the bill on the floor.

H 161

Brad Dixon, representing the Surplus Line Association of Idaho, presented **H 161**, which will alleviate a conflict in the code section dealing with regulation of surplus line insurance. Mr. Dixon explained that in section 41-1218, the code states that the director "shall" revoke a license, but in a later section, 41-1224, the code states that the director "may" revoke. Mr. Dixon said that the Department of Insurance determined that section 41-1224 provides the proper language. Thus, the department has recommended this change in the code to delete a portion of section 41-1218. Mr. Dixon added that there is no opposition to this change.

MOTION

Rep. Collins moved to send **H 161** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Snodgrass** will sponsor the bill on the floor.

H 139

Bob Corbell, representing the HVAC and plumbing trades, presented **H 139** to the committee. This legislation exempts governmental agencies,

regulated utilities, telephone companies, property owners, and operating plant maintenance electricians from the National Electrical code. Mr. Corbell said that this bill will put the exemptions into effect, and then agency rules will be presented for approval during the 2006 session of the legislature. Mr. Corbell also presented a **proposed amendment** to H 139, deleting some language and substituting clarifying language to extend the exemption to installation and maintenance of communications facilities.

MOTION

Rep. Deal moved to send **H 139** to **General Orders with committee amendment attached; motion carried on voice vote.** **Rep. Deal** will sponsor the bill on the floor.

Mr. Corbell explained that the next three bills deal with licensing requirements for various building trades, and he stated that all three are supported by the American Insurance Association. The bills will remove a \$2,000 bonding requirement and replace it with a requirement of \$300,000 liability insurance plus worker's compensation coverage if required by law. Mr. Corbell said that the cost of the liability insurance should not be any more than the cost of the bond, but that it is difficult to project exact costs because cost is determined by a number of individual factors. Mr. Corbell also said that this bill does not include any requirements for an insurance company to notify anyone if the required coverage is lapsed. He also said that there is no opposition to any of the three bills, **H 140**, **H 141**, and **H 200**, and that all three bureaus at the Division of Building Safety are in agreement with the legislation.

H 140

Mr. Corbell presented **H 140**, which deletes the \$2,000 bonding requirement for HVAC and specialty contractors and replaces it with the \$300,000 liability insurance plus worker's comp. He pointed out that section 54-5002 was requested by Intermountain Gas and Avista, to allow for emergency repairs.

MOTION

Rep. Edmunson moved to send **H 140** to the floor with a **DO PASS** recommendation; **motion carried on voice vote.** **Rep. Edmunson** will sponsor the bill on the floor.

H 141

Mr. Corbell then presented **H 141**, the same change in licensing requirements for electrical and specialty contractors. He said that the new requirement will be imposed upon licensees as their licenses come up for renewal during the year.

MOTION

Rep. Edmunson moved to send **H 141** to the floor with a **DO PASS** recommendation; **motion carried on voice vote.** **Rep. Bilbao** will sponsor the bill on the floor.

H 200

Mr. Corbell also presented **H 200**, which contains the same change in licensing requirements as applied to the plumbing bureau. Again, as licenses come up for renewal, the plumbers will no longer need to have a \$2,000 bond but instead will be required to carry \$300,000 in liability insurance as well as worker's compensation coverage if required by law.

MOTION

Rep. Deal moved to send **H 200** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Deal** will sponsor the bill on the floor.

ADJOURN

There being no further business to come before the committee, the meeting was adjourned at 2:25 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: February 23, 2005

TIME: 1:30 P.M.

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** None

GUESTS: Henry Kulczyk, Jim Hollingsworth, Dean Isaacson, Delbert Perry, Justin Reynolds, Terry B. Curtis, Jeremy Pisca, Maribeth Connell, Mayor Clay Larkin, Alan Hart, Bob Corbell, Phil Barber, Steve Ahrens, Mike Lemke, Trent Wright, Jayson Ronk, Dar Olberding, Mike Larsen, Clay Larkin, Marilyn Chastain, Dennis Tanikuni, Welton Ward, Mary Hughes, Ed Hendershot, John Eaton, Pat Collins, Mr. J.B., Rod Beck, Nora Carpenter

Meeting was called to order at 1:30 p.m. by Vice Chairman Collins. **Rep. Rydalch** moved to approve the minutes of February 21 as written; motion carried on voice vote.

H 72 **Michael Larsen**, Department of Finance, presented **H 72**, which amends the Residential Practices Act, removing exemption language that is internally incompatible with the loan originator licensing provisions within the Act.

MOTION **Rep. Chadderdon** moved to send **H 72** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Bilbao** will sponsor the bill on the floor.

H 73 **Mr. Larsen** then presented **H 73** to the committee. This bill is a housekeeping measure that amends the definitional section of the Idaho Residential Practices Act to update references to reflect current dates. The bill imposes no new requirements.

MOTION **Rep. Rusche** moved to send **H 73** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Rusche** will sponsor the bill on the floor.

H 74 **Mr. Larsen** presented **H 74**, which amends a section of the Idaho Credit Code to update references to federal provisions. Again, there are no new requirements imposed by this legislation.

MOTION **Rep. Miller** moved to send **H 74** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Miller** will sponsor the bill on the floor.

H 159

Mr. Larsen presented **H 159**, which will repeal the outdated Guaranty, Title and Trust Company Act and replace it with a new chapter entitled the Idaho Escrow Act. Mr. Larsen explained that Idaho is one of only a few states that have no specific law regulating escrow agencies not offering title insurance. He said that, with the growth of internet businesses, his office has seen an increase in fraudulent internet escrow services. This bill will exempt entities that are already regulated; for instance, it won't regulate companies offering title insurance, since they are already regulated. Mr. Larsen said that acting as an escrow company is a fiduciary activity and, as such, it needs to be regulated. He also said that he has had significant feedback on this legislation and that there is overall industry support, as well as support and commendation from the American Escrow Association.

Phil Barber, representing Regional Trustee Services, Inc., testified in **opposition to H 159**. Mr. Barber stated that Regional Trustee Services is a relatively new kind of business which provides trustee services, and that there are only two businesses of this type in the northwest. According to Mr. Barber, this legislation does not cover this type of business.

Mr. Barber presented an amendment to H 159, which would add language on page 10, line 38, inserting in section 45-1504 a new subsection (e). The amendment would read: (e) A corporation organized under the laws of this state, qualified to act as a guaranty title or trust company under Title 30, Chapter 9, as that chapter existed prior to the effective date of this Act, and which was actively engaged in the business of serving as a trustee of a trust deed on that date. With this amendment, Regional Trustee Services would still be able to operate in Idaho and conform to Idaho law.

Responding to Mr. Barber's amendment, Mr. Larsen said that the department had worked closely with the Idaho Land Title Association in formulating this legislation. He asked Roger Seiber and Larry Benton to further address this amendment.

Roger Seiber, representing Northwest Trustee Services, testified in opposition to the amendment, saying that the Department of Finance sought input from all interested parties and involved them in the development of this legislation. He also pointed out that there is no emergency clause and therefore Mr. Barber's client will have some time to come into compliance with this new law by the time it goes into effect in July. In response to a committee question, Mr. Seiber said that the deletion of the 20-day waiting period (page 10, line 44) was an effort to streamline the notification process, and that the waiting period had become obsolete.

Larry Benton, representing Idaho Land Title Association, testified in opposition to the amendment, noting that the department had been thorough in sharing information and that interested parties had ample time to offer suggestions or input. He commented that it seemed late to be offering an amendment to the legislation, and he hoped the committee would consider the bill as written.

MOTION

Rep. Nonini moved to send **H 159** to the floor with a **DO PASS** recommendation.

Mr. Barber was recognized to answer a committee question concerning what will happen to his client, Regional Trustee Services, if his proposed amendment is not approved. Mr. Barber said that his client will be out of business, since they cannot comply with the new law as it is written. He also said that this will limit competition.

Mr. Larsen responded to a committee question by saying that the Idaho Department of Finance does not have regulatory oversight over who can act as the trustee of a deed of trust. He said that in the process of developing this legislation, the department received no indication from escrow companies that they were interested in serving as trustees of a deed of trust, so there was no language included to address this situation. Mr. Larsen said that Idaho does have a Trust Institutions Act, but that Mr. Barber's client does not qualify as a chartered trust institution.

Mr. Barber further responded to committee questions, stating that he did not think the language contained in the new legislation could be stretched far enough to include his client. He explained that a trust company is a wider business and is properly regulated by the new Idaho Escrow Act. His client, Regional Trustee Services, Inc., provides a very narrow service and does not fit under the new law.

Mr. Larsen commented that this situation illustrates the uselessness of the old Guaranty, Title, and Trust Company Act, under which an entity can come into Idaho and register as a "trust company." The new definition of a "trust institution" means a chartered trust company.

Answering additional committee questions, **Mr. Barber** said that businesses such as his client are currently regulated by statutory law, but that there is no regulatory framework to cover them. They are not trust companies, and thus there is no administrative regulatory agency to oversee them. They must act within the statutory framework, which provides penalties for violations. Mr. Barber also said that additional time will not help his client to come into compliance with the new law, and that he is not optimistic about their ability to comply.

SUBSTITUTE MOTION

Rep. Rydalch offered a **substitute motion**, to hold H 159 to a time certain, to Tuesday, March 1, in order to allow the committee to get more information about this matter.

Mr. Barber was asked what type of service his client provides. He responded that his client does not want to present itself as an escrow company, and that it is in the "deed of trust" business only.

VOTE ON SUBSTITUTE MOTION

Chairman Black called for a vote on the **substitute motion**, to hold H 159 to a time certain, until Tuesday, March 1. **Motion failed on a voice vote.**

VOTE ON ORIGINAL MOTION

Chairman Black then called for a vote on the **original motion**, to send H 159 to the floor with a **DO PASS** recommendation; **motion carried on voice vote. Rep. Rydalch voted against the motion. Rep. Nonini** will sponsor the bill on the floor.

H 75

Marilyn Chastain, Department of Finance, presented **H 75**, whose primary

purpose is to strengthen the department's ability to examine and investigate money transmitters. Ms. Chastain said that this bill is similar to the Uniform Securities Act, that it will allow unannounced examinations, and that it will not require any additional record keeping for the department. She also noted that section 26-2917 authorizes the department to suspend or revoke licenses of money transmitters if they are in violation of the law.

MOTION

Rep. Snodgrass moved to send **H 75** to the floor with a **DO PASS** recommendation; **motion carried on voice vote.** **Rep. Snodgrass** will sponsor the bill on the floor.

H 88

Mary Hughes, Department of Finance, presented **H 88**, the Financial Fraud Protection Act. She stated that fraud has become an increasing problem, and that this act will cover all financial institutions. The legislation has the support of the Idaho Bankers Association, the Idaho Credit Union League, and Idaho Community Bankers Association.

MOTION

Rep. Smith (30) moved to send **H 88** to the floor with a **DO PASS** recommendation; **motion carried on voice vote.** **Rep. Smith (30)** will sponsor the bill on the floor.

H 163

Chairman Black noted that one testifier on H 163, Clay Larkin, Mayor of Post Falls, has to catch a plane in a short time, and that he will allow Mr. Larkin to testify before he has to leave the meeting. He then invited the sponsor of the bill to begin his presentation.

Jeremy Pisca, representing the Idaho Building Contractors Association, presented **H 163** to the committee. Mr. Pisca said that Idaho currently has no mechanism to remove unscrupulous or dishonest building contractors. He said that the association receives complaints about contractors on a daily basis, and that construction-related complaints are among the top ten on the attorney general's list of most frequently lodged consumer complaints. Mr. Pisca explained that H 163 creates a registration process for contractors. In order to register with the state, a contractor would need to present a social security or tax identification number, the name and address of every principal in the business, proof that he had not had his license previously revoked, and a certificate of insurance proving that he carries a minimum of \$300,000 liability insurance coverage. Mr. Pisca said that Idaho is an island among the surrounding states of Washington, Oregon, Nevada, Utah, California, and Montana, all of whom have contractor licensing programs. He also said that the vast majority of contractors already carry liability insurance, and most of them have coverage that far exceeds \$300,000.

Mr. Pisca discussed further details of the bill, saying that the application fee is capped at \$150 and could be less than this amount, if the newly-created board decides that a smaller amount is adequate to pay for its operations. The board may also set the interval for renewing registrations at from one year to five years; in other words, if the board decides that registration is necessary only every five years, the \$150 maximum fee could be paid only once every five years, or at whatever other interval the board decides.

Mr. Pisca explained certain portions of H 163, noting that the bill was drawn up specifically to attempt to meet objections and problems in previous versions of this legislation. For instance, the bill contains a definition of

“construction” and also contains an exhaustive list of exemptions. The bill does not require a contractor to register if he performs jobs under \$2,000 in value. Mr. Pisca also pointed out that it is not intended to regulate those involved in agricultural activities, since agricultural buildings are already exempt from building codes. The bill does not require persons to register as contractors if they are acting as their own general contractor or subcontractor.

Chairman Black asked **Clay Larkin**, Mayor of Post Falls and President of the Association of Idaho Cities, to testify at this time, since he needed to leave to catch a flight. Mr. Larkin testified that the association voted to support this bill, without much negative discussion. He said that his own town, Post Falls, is growing at a rate of about 10% per year, and that while most contractors provide good services, there is a small segment of contractors who are problematic. He spoke **in support** of H 163, saying that this legislation will provide some means of accountability for this small segment of contractors who are unscrupulous or incompetent.

Mr. Pisca was recognized to resume his presentation of H 163. He said that membership of the new Idaho Contractors Board would consist of four members who are contractors, as well as one member of the general public who will serve as a disinterested party. This board makeup was modeled after the real estate licensing board. He explained the authority of the board to investigate and discipline contractors by suspending or revoking their registration, and discussed situations in which that authority might be invoked. Mr. Pisca said that the intent of the bill is to stop someone from continuing as a contractor after he has demonstrated irresponsible, dishonest, or unscrupulous behavior. Although there are no standards on the front end, Mr. Pisca said that this would at least provide a mechanism to disallow bad contractors from continuing in business by simply changing their names.

Responding to questions from the committee, Mr. Pisca said that the bill's requirement of \$300,000 in liability insurance mirrors the \$300,000 requirement for electricians, plumbers, and HVAC installers. He explained that real estate agents are exempt from registration if they are performing or arranging for minor improvements in the course of selling a client's house. The agents can't intend to evade the chapter, but can suggest improvements and schedule work to be done without registering as a contractor.

In further question-and-answer discussion, Mr. Pisca said that an emergency clause was included in the bill in order to allow the Idaho Contractors Board to be formed immediately, although the registration requirement does not go into effect until January 6, 2006. He also testified that three local jurisdictions in Idaho, Pocatello, Chubbuck, and Idaho Falls, already have contractor licensing requirements, but that they have put this in place because the state has failed to act. Since their requirements for licensing are much more stringent than those required for registration in this bill, a contractor licensed by one of these municipalities can present that license to the state board, along with a reciprocal registration fee not to exceed \$50, and be registered by the state.

Mr. J.B. testified **in opposition** to H 163, stating that his main objection is

to the relatively low \$2,000 amount at which registration is required. He said that even a fence often costs more than \$2,000, and that this bill will eliminate small contractors from doing business. He stated that the liability insurance requirement would cost him \$1,600 annually, which would be a large proportion of his income. He requested that the \$2,000 limit be raised or that small contractors be allowed to bond jobs in place of the insurance.

Henry Kulczyk, a master carpenter and general contractor, testified **in opposition** to H 163. Mr. Kulczyk challenged the veracity of the Statement of Purpose for H 163, noting that Idaho already has a mechanism in place to deal with unscrupulous contractors: they can be charged, convicted, and put in jail. Mr. Kulczyk then detailed a number of problems that he sees in H 163. He said that the definition of “construction” is too broad and said that the bill does not differentiate between a handyman and a large contractor. He also stated that there is no real difference between registration and licensing and that both of them make it impossible for a contractor to work without a government work permit.

Mr. Kulczyk spoke against the large number of exemptions included in the bill, stating that it appears as if one gets an exemption once one drops any opposition to the bill. He objected to an exemption for government, and stated that the \$2,000 limit is ridiculously low and not realistic. He similarly objected to a number of other exemptions. Mr. Kulczyk stated that his insurance agent quoted a \$1,600 per year premium for the required \$300,000 liability coverage. He said that the premium, plus the registration fee, will drive up the cost of construction in the state.

Chairman Black asked committee members to reserve their questions until all testimony has been heard. He also announced that the remaining testifiers would be allowed three minutes for their testimony, and he asked that they make an attempt to not repeat testimony that has already been heard by the committee.

Jim Hollingsworth, a builder from Kootenai County, testified **in opposition** to H 163, saying that the bill has so many exceptions that it will never be enforced. His main objection is that the bill will restrict homeowners from hiring whomever they want to perform construction work. He also noted that Idaho is known as the freest state in the union, and that this bill will limit the freedom of building contractors and consumers. He said that small contractors who earn between \$50,000 and \$75,000 per year will no longer be able to be legally in business.

Dean Isaacson, Coeur d’Alene, testified **in opposition** to H 163, saying that the liability insurance required would cost him \$1,000 per month. He said that the bill’s intent is to eliminate fraud, but it would not accomplish that goal, since fraud is still a problem even in states that require contractor licensing. He pointed out that the expenses of registration are a greater burden for builders than for electrical or HVAC workers, since the latter charge between \$45 and \$60 per hour for their services and can thus better afford the expenses involved in licensing. Mr. Isaacson said that the only thing this bill will protect consumers from is low prices for construction. He is also concerned about the size of the bureaucracy growing once the bill is passed.

Justin Reynolds, a small contractor, testified **in opposition** to H 163. He said that he thinks this bill is aimed at big business, and that in fact small contractors most often perform better work than large construction firms. He stated that there are lots of small contractors performing good work and making a good living, and some of them are not even aware of this attempt to register contractors. Mr. Reynolds said that he does believe in some kind of licensing, but that this bill misses the mark for small contractors. He is also concerned that small contractors will not be represented on the new Idaho Contractors Board, and said that he would be willing to serve on such a board but is not sure that he would be qualified to do so.

Terry Curtis testified **in support** of H 163, saying that he and his wife have lost over \$100,000 because of an unscrupulous contractor. He said that they are currently pursuing legal action against the contractor, but that the contractor has made a mockery of the civil court system. He also said he learned later that the contractor has defrauded other homeowners as well. Mr. Curtis said his attorney has advised him that he will probably not be successful in this case, and that the legal costs could amount to another \$25,000 over and above the \$100,000 that he has already lost. Mr. Curtis said that no one can understand the devastation of such a loss, and he stated that consumers need some protection in place against such unscrupulous contractors.

Alan Hart testified **in opposition** to H 163, saying that he is a believer in Jesus Christ and believes that this bill interferes with the exercise of God-given free agency. He also drew attention to Title 59 of the Idaho Constitution which requires public officials to swear to uphold the constitution.

Steve Ahrens, Idaho Association of Commerce and Industry, testified **in support** of H 163, stating that this bill is significantly different and much improved from last year's version. Mr. Ahrens said that the heart of the issue is addressing the question of how the state can protect Idahoans from being cheated and defrauded by unscrupulous contractors. He said that the bill does not restrict legitimate, responsible contractors. Mr. Ahrens asked, rhetorically, whether any homeowner or business person would want a construction project performed by someone who is unwilling or unable to pay a small registration fee or someone who is unwilling to carry liability insurance or worker's compensation insurance. Mr. Ahrens also said that fraudulent and misleading activity by a small fraction of contractors continues to be a problem in Idaho, and that this costs the construction industry credibility.

Dar Olberding, Idaho Grain Producers, testified **in opposition** to H 163. Mr. Olberding pointed out that, although the bill exempts work on agricultural buildings, there is no definition of an "agricultural building" in Idaho code and that determination is left up to the local building inspector. He also pointed out the exemption for logging and explained that custom farmers are no different than loggers and therefore need to have a similar exemption.

Dennis Tanikuni, Idaho Farm Bureau Federation, testified **in opposition** to contractor registration or licensing. Mr. Tanikuni did acknowledge the agricultural exemptions in the bill and thanked Mr. Pisca for including them. However, he has concerns about expanded government, a growing

bureaucracy that would result from this legislation, and the infringement on personal choice in hiring a contractor, as well as the added costs for builders.

Rod Beck, a licensed real estate broker, testified **in opposition** to H 163, saying that although this bill is presented as a consumer protection measure, licensing will not prevent “bad actors” in the construction industry. He said there is no consumer protection in the bill, and he encouraged the committee to work toward some degree of consumer protection.

Patrick Collins, representing the Idaho Bankers Association, testified that the IBA fully **supports** H 163. He stated the old adage that “the perfect is the enemy of the good,” and said that since he’s heard this bill is too restrictive and he’s heard it’s not restrictive enough, he thinks perhaps it is just right. Mr. Collins acknowledged that no bill will prevent all problems, but said that H 163 represents a place to start. He also stated that the elimination of lien rights in the bill is a good tool for consumer protection, and he expressed a hope that a website would be developed which would list all registered contractors and which would be easily accessible to the public. Mr. Collins said that, although this bill is not perfect, it is a good beginning and it can be modified in the future as needed.

John Eaton, Government Affairs Director for the Idaho Association of Realtors, testified **in support** of H 163, saying that this legislation will bring some measure of accountability to Idaho’s building contractors. Mr. Eaton said that it will limit fraudulent behavior and will provide a method for consumers to lodge complaints. He said that in his previous job with the Building Contractors Association, he took complaints at least once a day concerning incompetent, fraudulent or unscrupulous contractors. His only recourse was to tell the consumer to contact the Attorney General’s office. Mr. Eaton also pointed out that Farm Bureau and other agricultural interests should not have a problem with this bill, since they were involved in amending the previous bill to meet their concerns at that time.

Nora Carpenter, director of the Better Business Bureau in Boise, testified **in support** of H 163. She stated that her office has received 226 complaints in the last 12 months in the area of home improvement issues. She said that there is no real recourse for consumers at the present time, and that this legislation will provide at least the beginnings of consumer protection in the construction field.

Maribeth Connell, representing AARP and CLIF, testified **in support** of H 163, saying that senior citizens are particularly vulnerable to fraud. She asked the committee to send H 163 to the floor with a “do pass” recommendation, stating that it will afford at least some consumer protection for poor workmanship in construction projects.

Ed Hendershot, Hendershot Construction, testified **in opposition** to H 163, saying that it will do little more than create another layer of bureaucracy in state government. He stated that he has worked as a builder in four states, three of which require contractor licensing, and that there are still problems with builders regardless of whether or not licensing is required. Mr. Hendershot also said that consumers need to do their own research into the reliability and competence of builders before they hire them. He added that

there are remedies in place for consumers who are injured by unscrupulous or fraudulent contractors.

Mr. Kulczyk was recognized to close debate in opposition to H 163, and said simply that it was a bad bill and it should not pass.

Mr. Pisca was recognized to summarize his presentation of H 163. He said, in response to some of the testimony about civil penalties, that the criminal court system is already overloaded with much more important matters than fraudulent building contractors, and that the chance of reaching a satisfactory outcome for a consumer is very slim. He also noted that, even if a contractor is put in jail, he can resume his contracting business as soon as he is out of jail by filing a new DBA and paying the nominal \$35 fee.

Mr. Pisca acknowledged that this legislation will not stop fraud completely, and he admits that there is still no protection for the first consumer who is burned by a bad contractor. But the bill will provide a mechanism to remove the bad contractor and avoid additional damage to other consumers. He noted that the previous bill, presented last year, was opposed by many of the same people who are opposing this bill. Mr. Pisca said that the bill has the support of the National Association of Remodelers, who represent small contractors. He pointed out that there should be no confusion between the requirements of this bill and the requirement for a building permit, noting that the two are entirely separate matters.

In response to committee questions, Mr. Pisca said that he does not think this bill will necessarily hurt small contractors. He said that most contractors already carry liability insurance in excess of the required \$300,000, and that the \$150 registration fee should not be an undue burden even on a small contractor. He stated that he does not think the \$2,000 figure should be raised, because raising it will simply expose more people to possible fraud or damage.

Rep. Cannon disclosed that he is a contractor, although he will not be affected by this legislation since he is a public works contractor and is therefore already exempt. Debating **in opposition** to the bill, Rep. Cannon said that bills should not be passed because they are popular, but because they are for the public good. He said that those testifying in support of the bill seem to support it because they've been exempted. Rep. Cannon said that he is proud of his profession and does not think this bill will protect consumers. In fact, he said that it may harm consumers because they will be given a sense of security about contractors, who may or may not perform to their expectations. He said, in closing, that he is in favor of accountability, but he thinks the legislature can do better than this bill.

Jeremy Pisca answered a further question from the committee concerning the premium cost of the \$300,000 liability insurance, saying that the cost depends upon a number of factors including the type of work being done and the number of employees. The higher the risk, the higher the premium, as with any insurance policy. Rep. Deal stated that this kind of insurance is rated on a payroll basis. He estimated the annual cost of the liability insurance for a builder who builds perhaps four to six homes per year to be approximately \$1,200 to \$1,300.

An **unidentified small contractor**, wearing a shirt bearing the business name of The Painting Pro, offered a comment that he is in favor of this legislation because it will help identify the players in the contracting field.

A concern arose over the requirement of insuring “continuous operation” and products. **Mr. Kulczyk** stated that the coverage for continuous operation would cost him about \$1,000 per month, as estimated by both Hartford Insurance and Farm Bureau Insurance. **Rep. Black** responded by saying that he had sold insurance to hundreds of contractors, and that virtually all policies included coverage for products and for completed operations, at no additional premium cost. In fact, he stated that one cannot buy a policy without these provisions. Therefore, those provisions will not result in any additional premium cost.

In response to a question about who is liable if a contractor does not carry liability insurance, Rep. Black stated that the victim is liable. He gave an example of a relatively minor remodeling project, the hanging of a china closet, which resulted in major injuries when the hanging cabinet pulled loose and landed on the homeowner. The contractor had no insurance, and the woman was responsible for all related medical expenses.

Rep. Henderson testified **in support** of H 163, noting that the North Idaho Building Contractors strongly endorse this registration bill. He also said that he serves on a senior citizen board that is involved in issuing monthly advisories to seniors on how to avoid being scammed on roofing, siding and other construction projects.

MOTION

Rep. Henderson moved to send **H 163** to the floor with a **DO PASS** recommendation.

Speaking **in favor** of the motion, **Rep. Miller** said that this issue has been around since at least the 1980's and has had no satisfactory action taken. She said that although the bill is not perfect, it is a good start toward protecting the public against unscrupulous contractors.

Rep. Block noted that her husband is an engineer and has to be licensed to design bridges or highways in order to give the public a certain level of confidence in his work. She therefore spoke **in favor** of this contractor registration bill.

Rep. Snodgrass spoke **in support** of H 163, saying that as a real estate agent he pays fees in excess of \$150 per month for errors and omissions insurance and other costs. He also pointed out that virtually every other aspect of a home's construction requires licensed individuals, including the design, the sale, the appraisal, the electrical, plumbing and HVAC installations, yet there is no licensing required for the person building the house.

Rep. Chadderdon spoke **in support** of the bill, saying that ordinary consumers don't always know how to check on a contractor's liability insurance coverage or worker's compensation insurance. She said that this bill will help the general public.

**VOTE ON
MOTION**

Chairman Black called for a vote on the motion to send **H 163** to the floor with a **DO PASS** recommendation; **motion carried on voice vote. Rep. Rydalch and Rep. Cannon voted in opposition to the motion. Rep. Black** will sponsor the bill on the floor.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 4:45 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: February 25, 2005

TIME: Upon Adjournment of the House

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** None

GUESTS: Dave Munroe, Jack Rayne, David Bennion, Michael Gifford, Ken Harward, Jerry Mason, Collin —, Bob Corbell, Erin Bennett, Tim Haener, Jerry Eggleston, John Tensen, Glenn Arrington

Meeting was called to order by Chairman Black at 11:38 a.m. Rep. Collins moved to approve the minutes of February 23 as written; motion carried on voice vote.

Chairman Black explained that **H 263** is a slightly amended version of **H 248**, which was introduced last Friday, printed and sent to the Business Committee on Monday. H 248 was rewritten because there was a need to change some of the terminology in the bill, none of which changed anything substantive. Rather than sending H 248 to the amending order, it was decided to start over with a new RS; that RS became H 263, which is before the committee today.

H 263 **David Bennion**, Chairman of the Public Works Contractors Licensing Board, presented **H 263** to the committee. Mr. Bennion distributed a great information sheet (see attached) which contained a list of the individuals and organizations that have been involved in developing this legislation, as well as a summary of its major provisions. He testified that the licensing of public works contractors has been in place since at least 1941, and explained that the licensing board is charged with overseeing licensing for public works contractors, but does not deal with other contractor licensing matters.

Mr. Bennion gave a brief history of the origin of H 263, stating that a meeting was held in February 2004 with Governor Kempthorne and a representative from the Associated General Contractors to discuss the board's operation and the contractor licensing process. This discussion was engendered by a situation in which a contractor was licensed by the board but did not have sufficient experience or qualifications to have earned his AAA highway contractor status. As a result of the February 2004 meeting, the Division of Building Safety, the Contractors' Licensing Board, and the AGC put together a task force made up of parties who had an interest in the construction of public works facilities. Concurrent with this, it was learned that the Idaho Public Works Bureau had formed a similar task force. Simultaneously, a number of local government subdivisions, led by the cities, were working on an alternate procurement process, including prequalification, for public works

contractors.

Since it seemed that there was great interest in working on new processes for procurement and for public works licensing, a new committee was formed that included about 12 different groups with an immediate interest in these matters. In May 2004, the committee met to identify the major issues. Two major issues evolved: first, violations and enforcement of existing law, and second, prequalification of public works contractors.

Mr. Bennion stated that this committee has been meeting at least once a month since the May 2004 meeting, and that a subcommittee has also been meeting twice monthly. During the course of these meetings, a third area of concern has surfaced, namely, the matter of unifying the procurement of public works construction. In June 2004, Rep. Max Black was invited to join forces with the existing committee, since he and several other legislators had been studying the same issues. H 264 is the final product of a multi-member committee, listed on the green handout, whose work focused on prequalification of public works contractors and the procurement process for public works construction.

Michael Gifford, Executive Director of the Idaho Associated General Contractors (AGC), testified in **support of H 263**. Mr. Gifford stated that the AGC has nearly 1,000 members including 80 general contractors and over 500 specialty contractors, and all AGC members support this legislation. He testified that the contractors' main problem is that they may work for years to gain expertise in order to earn a AAA license, and then they see another contractor with virtually no experience apply for and receive a AAA license. This means that Idaho could have a totally unqualified contractor working on major projects like highways or bridges. Mr. Gifford said that this bill will give the license board the resources and the authority to obtain information that will enable them to place contractors in the proper categories for licensing purposes. The bill also gives the public works licensing board investigative authority to deal with complaints.

In response to committee questions, Mr. Gifford said that contractors can perform jobs at a certain level of expertise and as they gain experience, they can then apply to the licensing board for consideration of a higher category license. The licensing process is structured as a stepladder-type process which allows contractors to move up the ladder as they gain more experience.

Mr. Bennion was recognized to answer a further question dealing with who determines "competency" for a contractor. Mr. Bennion said the board is not interested in changing that process at this point, but rather is concerned with establishing clear criteria and having competent people who have a strong understanding of the construction industry. He also noted that the fees for small contractors will be less than those for high-end contractors.

Ken Harward, Association of Idaho Cities, testified in **support of H 263**, stating that all local government entities, including the cities, were involved in putting together this legislation. He explained that one of the reasons the bill is so lengthy is that it unifies all the purchasing requirements for cities, counties, highways, water districts, sewer districts and other entities into one section of the code. Thus, if anyone wants to find specific information on

purchasing requirements for any of these entities, he or she can go directly to this one section of the code. Mr. Harward also said that this bill allows for the prequalification of contractors and puts an appeal process into place whereby appeals can be made to a governing board and then to the public works contractor licensing board.

Jerry Mason, legal counsel for the Association of Idaho Cities, testified in **support of H 263**, stating that he has acted as scrivener for the task force developing this legislation. Mr. Mason specifically commented on a number of points included in the green information sheet (see attached) distributed by Mr. Bennion, pointing out the increased enforcement powers and noting that this will apply both to contractors who fail to live up to the requirements of the law and to public officials who fail to meet the criteria for procurement. He reiterated the importance of gathering all procurement requirements into one section of the code, and commented that the bill will provide a roadmap for public officials and private sector participants. Mr. Mason said that an effort was made to make the procurement process more efficient and more cost-effective and also to provide more accountability by the agencies, who now will have to a written record of the steps taken during the procurement process.

Mr. Mason discussed the two options available for the bidding process, a one-step process for all properly licensed public works contractors, or a two-step process allowing owners to pre-qualify special or prime contractors. In either case, a public agency is required to accept the lowest bid, as has been the case in the past. He expressed the hope that this bill strikes a good balance among the many diverse interests who engaged in the process of developing H 263.

In response to committee question, Mr. Mason said that the factors to be used in establishing qualifications are very similar to the qualifications used for professional design services and that they are based on a demonstrated standard of judgment. He also stated that written objections must be received at least three business days before the date and time on which prequalifications are due. If a contractor is not chosen for a job, he is given an explanation or a reason for his not being chosen.

Responding to a question about the current law which requires the lowest "responsible" bid, Mr. Mason said that this bill focuses on qualifications and that the term "qualified bidder" is used throughout. When a qualified bidder meets other requirements, he submits a "responsive" bid. He also explained the difference between a "political subdivision" such as a school district or a highway district, and the "governing board" of that subdivision, which is the group of elected officials who govern the political subdivision.

Responding to further questions, Mr. Mason said that the 5% bonding requirement on Page 33, line 28 is identical to the current statutes. He also stated that if any prequalification process is used, it takes place before bid opening, and then an appeal process is provided.

David Bennion was asked to summarize and close the presentation on **H 263**. He expressed thanks to all the parties involved in this effort and thanked the Business Committee for its interest and patience. He also noted that the basic goal of the entire effort was to develop a licensing and bidding

system that will provide qualified contractors for the specific type of work they are performing on behalf of political subdivisions in the state.

Bob Corbell, representing HVAC and electrical contractors, testified on **H 263**, stating that he is not opposed to the legislation in general but is opposed to some specific provisions of the bill. One of his concerns is that there doesn't appear to be any way for a small contractor to move up into higher licensing categories. If a contractor hasn't built a school, for instance, he is not going to be allowed to build a school. Mr. Corbell also objects to the parties who will be responsible for determining the qualifications of contractors, stating that qualifications should be decided by bonding companies. In other words, if a contractor can build a \$3 million project and a bonding company will bond it, this should be sufficient evidence of the contractor's qualifications. He said that the prequalification process will shut some people out whether they can do the work or not. He is also concerned about possible construction delays that could result because of some provisions of this legislation.

Mr. Corbell said that since sections of existing code are omitted in this bill, such as on page 21, it is difficult to determine exactly what is going on with respect to the new code versus the existing code. He reiterated that some contractors he has heard from have concerns about determining qualifications from their financial statements. A difficulty could arise, for instance, if a contractor leases equipment instead of buying it, and thus does not have sufficient assets to qualify. Finally, Mr. Corbell expressed concern that H 263 had not been available on the internet until the morning of this hearing, and said that all interested parties may not have had an opportunity to learn about it and come to testify.

Tim Haener, representing the American Council of Engineering Companies of Idaho, testified in **support** of **H 263**. Mr. Haener stated that he strongly supports the idea of allowing agencies to prequalify bidders and likes the idea of the prequalification taking place before the bids are opened. Mr. Haener said this is preferable to bonding because bonding companies have become much more litigious and it is more difficult to enforce a bond.

Jerry Eggleston, a licensed professional engineer representing the Idaho Society of Professional Engineers, testified in **support** of **H 263**, saying that his board voted unanimously to support this legislation for the following two reasons: First, the changes to the licensing statute and the increased licensing fees will enable the licensing board to investigate complaints and issue meaningful licenses. Second, the prequalification provisions are a step toward reducing one of the weak points of the open low-bid public works procurement process. Mr. Eggleston said that without prequalification, a bidder may not have enough experience to know the intricacies or complications of a job, and may not bid a high enough price to cover them. Similarly, a relatively inexperienced bidder can be overly optimistic about a project and then may be faced with the choice of cutting corners, going into bankruptcy, or not paying his subs or suppliers. Mr. Eggleston urged the committee to support H 263 because it will reduce the number of bad outcomes in public works construction projects.

John Tensen, representing the Association of Idaho Cities Public Works

Professionals group, stated that his group is very **supportive** of **H 263**. He stated that this bill provides the following benefits: It strengthens the public works licensing requirements; it provides for sanctions; it assures qualified bidders; and it allows owners to prequalify contractors, a provision which will probably be used only for complex or critical projects but will not affect small contractors trying to enter the field of public works projects. Mr. Tensen said he also supports unifying all the procurement statutes into one section of code, and he thanked Chairman Black for his service as a member of the task force that developed this bill.

Glenn Arrington, a building contractor and a member of Idaho AGC, testified in **support** of **H 263**. Mr. Arrington said that he currently holds a personal construction manager license, and his company holds a public works license. He stated that when his company was first licensed for public works, the license was significantly less than AAA, and there was a limit on what his company could do. But as they gained experience in both private and public sector construction and built their financial reserves, their license progressed to increasingly higher levels. Mr. Arrington said that he has never felt blocked or held down by anyone on any government level.

Mr. Arrington said that prequalification is done in the private sector almost every day. He also said that small companies are not automatically disqualified and shared his recent experience of competing with nine other national and international firms. Despite his smaller size, he was awarded the job and completed it successfully. He stated that AGC members want a public works license to mean something, and he is pleased with the increase in fees if this will allow improvements in licensing criteria and enforcement.

Chairman Black thanked members of the task force, noting that no one would have believed this task was possible one year ago when their work began. He noted the large number of people involved in the bill's development, as listed on the green handout, and said that their work has resulted in a good, unified piece of legislation.

Rep. Henbest said that this bill appears to be moving in the right direction, but she is concerned about the short notice given and the possibility that the bill was not posted on an agenda in the required time frame. **Chairman Black** explained that this bill was posted 24 hours in advance, as required, and that it had a new bill number only because of the decision to bring a new bill rather than trying to amend the previous H 248 to reflect the necessary word changes. He said that nothing substantive was changed, and that anyone with an interest in it has had a copy of the previous bill, H 248, for some time. He stated that the late posting of H 263 was not done in order to evade having someone look at it, and he said again that the previous version has been before the public and has been well scrutinized. Chairman Black asked the committee members if any of them had lingering concerns about the publicity this bill and the previous bill have received, stating that if there is any remaining concern, he would not hesitate to delay the bill for a number of days. No committee members expressed anguish over the late posting of H 263.

MOTION

Rep. Cannon moved to send **H 263** to the floor with a **DO PASS**

recommendation; **motion carried on voice vote.** **Rep. Black** will sponsor the bill on the floor.

ADJOURN

There being no further business to come before the committee, the meeting was adjourned at 12:55 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: March 1, 2005

TIME: Upon Adjournment of the House

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** Chairman Black, Rep. Nonini

GUESTS: Angie Richards, Phil Barber, Ed Schlofman, Ron Moore, Woody Richards, Ty Iverson, Dar Olberding, Ryan Gerult, Allyn Dingel

Meeting was called to order at 2:13 p.m by Vice Chairman Collins. **Rep. Miller** moved to approve the minutes of February 25 as written; motion carried on voice vote.

H 197 **Rep. Block** presented **H 197**, a bill dealing with agricultural equipment dealership agreements. Rep. Block explained that farm machinery dealers throughout Idaho have expressed concerns with the current provisions of many manufacturer/dealer agreements, noting that equipment industry mergers result in dealer cancellations and terminations. This creates instability and hardship both for dealers and for farmers. H 197 addresses this concern by updating existing farm machinery statutes. Rep. Block stated that current buyback statutes and dealer protection statutes were written in 1986. Updating is needed to cover modern farm equipment which comes with expensive software manuals and includes global positioning systems, hydraulic remotes and radar guns. In addition, according to Rep. Block, the warranty statutes also need updating to reflect the complexities of repairing today's computerized engines.

Rep. Block presented an **amendment** to the bill: on page 5, line 25, the word "including" is deleted and the word "means" is inserted. This amendment will limit and clarify the definition of "outdoor power equipment." Rep. Block stated that this amendment was requested by Caterpillar. She also told the committee that the legislation is supported by farmers and farm equipment dealers throughout the state. She asked that H 197 be sent to General Orders with committee amendment attached.

Ron Moore, a representative of the Pacific Northwest Hardware & Implement Association from Salem, Oregon, testified in **support** of **H 197**. He stated that Idaho first passed a bill dealing with buyback provisions in 1975, and that they had been updated once since then. Mr. Moore said that forty-eight states have passed legislation similar to H 197, including Washington in 2002 and Oregon in 2003. Mr. Moore gave a general overview of the bill, stating that farm equipment dealerships operate under an "agreement of adhesion," not a franchise. Because of the market conditions and the relatively low number of manufacturers, the dealers are

in a poor bargaining position with manufacturers. In most cases, the dealers have to accept whatever terms are presented to them by the manufacturers.

Mr. Moore testified that H 197 has two parts, one dealing with buyback provisions and one dealing with dealer protection. In terms of buyback, the bill specifies that upon termination the manufacturers will be required to buy back hardware and software that they have required dealers to put into place. If the manufacturer has required specific signage, the signage will also be included in the buyback. Also included in the buyback provision are special tools, used in the repair of some specialized machinery, which the dealer is expected to buy whether or not he actually carries the corresponding specialized machinery at his dealership. Other items included in buyback provisions are repair manuals, which are expensive, and rental and demo equipment.

Mr. Moore then explained the dealer protection provisions, saying that John Deere is forcing dealers to consolidate, based on geographic proximity to one another. Manufacturers sometimes don't allow mergers; this bill will require manufacturers to put into writing the reasons for denial of mergers or sales. Also, notice of termination must be given in writing, at least one year in advance for performance issues. If manufacturers have concerns about a dealer's market share, they will be required to spend at least one year helping the dealer increase his share; after that, a 180-day notice will be required before termination. Also, if a manufacturer is establishing a new dealership, notice must be given to existing dealers within 75 miles of the new location.

Mr. Moore briefly detailed other provisions of H 197. He said that the bill covers warranty work, stipulating that the manufacturers ought to pay dealers the normal rate for warranty repair work they perform. Also, the supplier needs to approve warranty work within 30 days rather than delaying the approval. The bill also includes protection for manufacturers by stating that the manufacturer can charge the dealer for warranty work that is not done correctly or completely. There is also a section of the bill dealing with arbitration, and a section stating that dealers can sell equipment from other manufacturers.

In response to committee questions, Mr. Moore explained that there are only a handful of "major" manufacturers, including John Deere, Case/New Holland, and Ag-Co. Second-tier manufacturers, which are called "short-line" manufacturers, produce specialized equipment such as choppers or mowers. H 197 will preclude manufacturers from telling dealers that they can't carry items from short-line manufacturers. Mr. Moore also said that there is no particular uniformity in the custom hourly retail labor rate for dealers, but that the rate ranges from \$45 to \$90 per hour.

A comment was made to the effect that it seems odd to be manipulating the marketplace and getting involved in contracts between retailers and wholesalers by manipulating their agreements. Rep. Block explained that in the current climate, the few major farm equipment manufacturers are able to manipulate dealer contracts with few restrictions, and dealers need these protections to remain viable businesses.

MOTION **Rep. Miller** moved to send **H 197** to **General Orders** with committee amendments attached; motion was seconded by **Rep. Rydalch**. **Motion carried on voice vote**. **Rep. Block** will sponsor the bill on the floor.

H 160 **Angie Richards**, representing the Property & Casualty Insurers of America, presented **H 160**, which will allow insurers the option to exclude terrorism risk from the standard fire policy statute requirements with regard to commercial insurance policies. Ms. Richards said that terrorism risk needs to be excluded from insurance contracts because this risk is difficult to forecast. She also said that the U.S. Congress passed the Terrorism Risk Insurance Act in November 2002, and that this act affords some degree of protection for insurance companies from huge losses due to terrorism. She said that the bill allows for, but does not mandate, the terrorism exclusion. She stated that 31 other states either allow commercial terrorism exclusions or do not regulate specific fire insurance policy terms. Ms. Richards said that she is not aware of any opposition to this legislation, and that the Department of Insurance is aware of it and has no objection.

Responding to questions from the committee, Ms. Richards said that the term "terrorism" is not defined in Idaho Code, but it is defined in federal law. The legislation foresees having each individual insurance company define terrorism in its policies. Then, if the definition needs to be changed over time, the company can change it within the policy, rather than requiring legislation to change the definition in the code. Ms. Richards also responded to a question about a fire caused "indirectly" by terrorism, giving an example of a terrorist explosion causing a secondary fire.

Further discussion took place regarding the definition of terrorism. Ms. Richards said that nine other states have passed this kind of legislation, and in those cases it is left to the insurance companies to define terrorism.

MOTION **Rep. Cannon** moved to **HOLD H 160 in committee**. **Rep. Deal** argued in support of the motion, saying that there needs to be a consistent definition of what is considered "terrorism." Otherwise, an insurance producer might be accused of errors and omissions if he sells a policy without the broadest definition of terrorism. **Rep. Cannon** stated that he is not comfortable putting something into law without a specific definition. **Rep. Henderson** spoke in support of the motion, saying that as a public official he knows there is an expectation of certainty with regard to definitions of critical words in insurance policies

SUBSTITUTE MOTION **Rep. Henbest** offered a substitute motion to **HOLD H 160 for time certain**, to Monday, March 7, so the sponsor can bring back a definition of terrorism. She said that the definition would probably not be difficult to develop, and then it would be a matter of getting the insurance companies to agree on the definition. **Motion carried on voice vote**. H 160 will be reconsidered by the Business Committee at its March 7 meeting.

H 162 **Ms. Richards**, representing the Insurance Guaranty Association, presented **H 162**, which will clarify the refund obligations and options of the Idaho Insurance Guaranty Association. Ms. Richards explained that two code sections dealing with this matter are currently inconsistent and need to be brought into harmony. She explained that historically the guaranty association has made refunds, but this legislation will allow them to hold and

reuse refunds rather than immediately paying them back to insurance companies and then assessing more money from the companies if it becomes necessary. She stated that the Department of Insurance has no objection to this legislation.

MOTION

Rep. Cannon moved to send **H 162** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Rusche** will sponsor the bill on the floor.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 3:10 p.m.

Representative Gary Collins
Vice Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: March 3, 2005

TIME: Upon Adjournment of the House

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** Rep. Cannon

GUESTS: Russell Firkins, Rayola Jacobsen, Roger Hales, David Armstrong, Ron Christian, Bob Corbell, Dale Freeman, Woody Richards, John Duvall, Patricia M. Lawley, Jack E. Green, Ken Owens, Ray Coon, Dave Munroe, Shad Priest, Dave Leroy

Meeting was called to order at 3:15 p.m. by Chairman Black. **Rep. Deal** moved to approve the minutes of March 1 as written; motion carried on voice vote.

H 257 **Rep. Doug Jones** presented **H 257**, which addresses a problem that exists with regard to inspection of fittings used in wells. Rep. Jones showed the committee an example of a "pitless adaptor" which includes a rubber O ring, a second rubber gasket, a brass fitting, and a large nut to hold all the parts in place. He also demonstrated how another piece slides into place inside the well casing. He explained that when a domestic well is drilled, the owner gets a permit from the Department of Water Resources and that department inspects the fitting that connects the well pump to the pipe carrying water to the house. From that pipe forward, the rest of the installation is to be inspected by the Plumbing Bureau. The problem arises when a well is drilled but the connection to the pump is not made until some later date. When this occurs, the Department of Water Resources will not see the fittings.

Rep. Jones pointed out that the consumer or homeowner, who has paid for two different permits, has a right to expect clean and safe water. He explained that, in order to assure that result, H 257 will assure that pitless adaptors will be inspected by plumbing bureau inspectors at the same time they inspect the other connections. Rep. Jones said that he had met with the Plumbing Bureau and that they preferred legislation to make it clear that it will be their responsibility to inspect the fittings. He also said that Dave Munroe of the Division of Building Safety agreed on the legislation.

Ray Coon, a member of the state plumbing board, testified in **opposition** to **H 257**, saying that the plumbing board voted not to take responsibility for pitless adaptors, and that he is opposed to the board taking on that area.

Russell Firkins, Chairman of the State Plumbing Board, testified in **opposition** to **H 257**. He said that at the last board meeting the AG's

representative explained that pitless adaptors are not under their jurisdiction and they are not obligated to inspect them. There was, however, no vote taken on this item; rather, it was simply a matter of discussion at the meeting. Mr. Firkins said that it is their opinion that inspection of pitless adaptors is the responsibility of the Department of Water Resources. Mr. Firkins said that putting this matter under the plumbing bureau may cause problems in the future, and that their scope of work has always ended at the pitless adaptor. He stated that water resources is allocated funding to do their job and this is clearly among their job responsibilities, yet they are not performing the inspections. Mr. Firkins urged the sponsor of the bill to work more closely with the plumbing board to reach a memorandum of understanding or an alternative in order to avoid legislation.

In response to committee questions, Mr. Firkins said that he had only recently heard of a "memorandum of understanding" (MOU) and that this idea was not brought before the board. He said that the idea of the plumbing board making the necessary inspections could be a workable solution, but it would necessitate training and additional manpower, thus requiring greater funding. He said that the homeowner would still be required to obtain two permits, one from the Department of Water Resources and one from the Plumbing Bureau. He noted that the well, the pump, and the pitless adaptor are all under the authority of the Department of Water Resources.

Rep. Jones was recognized to answer further questions. He said that Mr. Firkins is correct in saying that the pitless adaptors should be inspected by water resources, and they do inspect the well and the casing at the time the well is drilled. The problem arises when a pump and plumbing installation does not take place until later, perhaps several years later. At that point, the plumbing inspector is required to inspect the rest of the installation and it seems workable to have that inspector also inspect the pitless adaptor at that time. Rep. Jones said that the original memorandum of understanding on this matter was presented to the Plumbing Bureau several years ago, but it was never signed or agreed to. Rep. Jones also stated that about three or four weeks ago, when another discussion took place, it was clear that the director of the Plumbing Bureau did not want to agree to a memorandum of understanding that would place authority in his office.

MOTION

Rep. Deal moved to send **H 257** to the floor with a **DO PASS** recommendation, saying that if the two parties can reach an MOU in the meantime, the bill will not need to go forward.

In further discussion, **Rep. Jones** said that the reason the Department of Water Resources is not inspecting these pitless adaptor installations is because they do not know when they are taking place. They have, in some cases, already inspected the well and signed off on it. Later, the plumber screws pipe into this fitting, and could make the necessary inspection at that time.

Mr. Firkins expressed the opinion that the matter is not as simple as that, since the plumbing inspector would have to perform a pressure check to make sure the pitless adaptor was properly installed. He also stated that the pitless adaptor is typically installed below the frost line, which in this area would be four to five feet underground, and in more mountainous areas, perhaps six to eight feet underground. He said that he would not like the

Plumbing Bureau to be responsible for groundwater or contaminants, since this would clearly be a major change in plumbing bureau responsibilities.

**SUBSTITUTE
MOTION**

Rep. Snodgrass made a substitute motion to **HOLD H 257** until Wednesday, March 9, in order to allow time for the bureau and the department to work out some kind of agreement on this matter. **Motion carried on voice vote.**

H 135

Roger Hales, an attorney representing the Bureau of Occupational Licensing, presented **H 135**, which changes the definition for an exemption relating to multiple family dwellings. Mr. Hales explained that under current law, an unlicensed individual can design single-family or multi-family residences if they don't exceed two units. This bill will allow the same exemption for design of dwellings up to three units. He said that they have received no opposition to this change, and that the board of professional engineers supports this legislation.

MOTION

Rep. Miller moved to send **H 135** to the floor with a **DO PASS** recommendation; **motion carried on voice vote.** **Rep. Miller** will sponsor the bill on the floor.

H 234

Rayola Jacobsen, Chief of the Bureau of Occupational Licensing, presented **H 234**, dealing with barber licensing. Ms. Jacobsen said that in current code, anyone who applied for an Idaho barber license had to be trained by someone licensed in Idaho. However, at the present time there are no barber colleges in the state. This bill will allow the bureau to license people who are trained outside the state of Idaho, as long as they pass competency examinations. There is also provision in the bill to allow consideration of all nominations for appointment to the Board, since the barber association is no longer active. Ms. Jacobsen said that currently people nominate themselves by writing to the governor or coming directly to the Bureau and asking if they can be on the Board.

MOTION

Rep. Henbest moved to send **H 234** to the floor with a **DO PASS** recommendation; **motion carried on voice vote.** **Rep. Bilbao** will sponsor the bill on the floor.

H 199

Vice Chairman Collins assumed the chair. **Dave Armstrong**, president of Anytime Bail Bonds, presented **H 199**, which specifies that bail agents who surrender defendants early for good cause will be allowed to seek recovery of any unpaid premiums. The current law stipulates that they are not allowed to seek such recovery. Mr. Armstrong explained that when a person is not able to pay the full premium, he can set up a payment schedule with a bail agent. If the agent is not allowed to recover any unpaid premiums when the bailee is surrendered early, this creates a disincentive for the agent to surrender early.

Responding to questions, Mr. Armstrong said that the bail contract or application is the document that defines "materially breached" for purposes of surrender. He said that in most cases the contracts are supplied by surety companies and generally contain standard language, although there are occasional differences. He also stated that there needs to be substantial evidence and good reason for early surrender, and that the reasons have to be put into writing.

It was brought to Mr. Armstrong's attention that one of the surety companies for which he writes business, Allegheny Casualty Company, had submitted written testimony in opposition to this legislation. He expressed surprise that the company would be opposing the bill. Mr. Armstrong stated that he had met several times with the Department of Insurance, and it was at their suggestion that he brought legislation forward to try and address this matter.

Dale Freeman, a financial examiner with the Department of Insurance, testified on **H 199**, giving a short history of why the department supported legislation to address the problem. Mr. Freeman explained that the idea of extended payments for bail premiums is a relatively recent development; in the past, a person paid the bail premium up front in its entirety. Recently, bail agents have begun offering payment plans, which has become very controversial. Mr. Freeman said that the department has been aware of the controversy and decided to leave the decision up to bail agents.

Ron Christian, a private attorney in Boise, testified in **support** of **H 199**. Mr. Christian said that his primary concern is not the rights of the bailee, but rather the rights of the person who has paid the bail, which in most cases is not the person who committed the crime. These payers have to be protected at least as much as a bailee, according to Mr. Christian, and there is also a need to protect the public. Mr. Christian stated that current code does not balance the concerns of those three parties, namely, the bailee, the payer of the bail, and the public. He stated that the current law creates a serious conflict of interest for a bail agent, since it is not in his best interest to surrender a defendant early. The bail agent has an incentive to let the bailee stay out of jail so the agent can continue to collect premium payments. Mr. Christian said that this is a simple difference of opinion between some bail agents and the Department of Insurance.

John Duvall, a bail agent in the State of Idaho for 25 years and president of the Professional Bail Agents of Idaho, testified in **opposition** to **H 199**. He said that in 2003 the Department of Insurance came to his organization and asked for help in crafting the current law. Immediately after passage of that law, a competing bail association sued the department, challenging the constitutionality of the law, but they lost the case on every point. Mr. Duvall said that there are three basic differences between a bail agent and an insurance agent: 1) bail is a cash business; 2) bail agents take collateral; and 3) bail agents have the right to arrest someone. Mr. Duvall also said that only some bail agents choose to arrange for payments over time of the bail premium, and he urged the committee to vote against H 199.

Patricia Lawley, with five years of experience in Idaho in the bail bond business, testified in **opposition** to **H 199**. She stated that the current law has worked well for the majority of bail agents in Idaho, and that the majority of bail agents are happy with the law as it stands. She urged the committee to leave the current statute in place.

Jack Green, a retired banker and a member of the board of the Professional Bail Agents of Idaho who is now in the bail business, testified in **opposition** to **H 199**. Mr. Green said that it is the position of his association that any

proposed legislation must be beneficial to all concerned and not be self-serving to any one party. He testified that the proposed legislation would be financially beneficial to bail agents. He said that the new law could result in a defendant being required to pay twice for bail. This, in effect, doubles the amount of the bond set by the judge. Mr. Green's conclusion is that this legislation is good for bail agents, bad for defendants, bad for the courts, and bad for taxpayers.

Ken Owens, a licensed bail agent for 24 years, testified in **opposition to H 199**, saying that he worked with the Department of Insurance a couple of years ago to develop the current law. He thinks the current law is good and should not be changed.

David Leroy, lobbyist for the Professional Bail Agents of Idaho, testified in **opposition to H 199**. Mr. Leroy said that he had served 15 years as a public prosecutor and 15 years as a criminal defendant, so he has seen both sides of the situation. He agreed that the matter at hand reflects a difference in philosophy. Some members of the bail industry have determined that the price a defendant pays for bail assures him of a continuation of his freedom until his court matter is resolved. If he does not enjoy that continuing freedom, he shouldn't have to pay the remaining premium. This is the philosophy that is reflected by the current statute.

MOTION

Rep. Henderson moved to **HOLD H 199 in committee**. He stated, by way of explanation, that he made the motion to introduce this RS when it was first before the committee, and that motion was based on Mr. Armstrong's testimony that the legislation had the approval of the Department of Insurance. It now seems that this is not the case.

In further discussion, **Mr. Duvall** testified that until a few years ago, this problem did not exist because bail bondsmen did not offer installment payments of a bond premium. He stated that because of aggressive competition from a California company that has moved into Idaho, some bail agents have begun offering this option. He also said that the amount of bail being written in the state has increased dramatically in the last 10 or 15 years.

VOTE ON MOTION

Vice Chairman Collins called for a vote on the motion to **HOLD H 199**; **motion carried on voice vote**.

S 1030

Chairman Black re-assumed the chair to preside. **Woody Richards**, representing the Life & Health Guaranty Association, presented **S 1030**. This legislation will limit the rate of interest which the Guaranty Association is obligated to pay and will make Idaho's law consistent with most other states. It will also clarify that the Guaranty Association is not obligated to pay claims outside the express written terms of the contract issued by the insolvent insurer. Mr. Richards said this provision is consistent with most other states. Finally, the legislation combines Class B and Class C assessments and clarifies the Guaranty Association's options with regard to assessments and refunds. Mr. Richards distributed a handout illustrating how the calculation of a maximum interest rate is made (see attached handout). Mr. Richards stated that this legislation will allow the Guaranty Association to retain excess funds rather than returning them to insurance companies, thereby reducing the necessity of additional assessments at a

later date. This is similar to the situation addressed in H 162, brought to the committee earlier this week by the property & casualty insurance association.

MOTION

Rep. Snodgrass moved to send **S 1030** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Nonini** will sponsor the bill on the floor.

ADJOURN

There being no further business to come before the committee, the meeting was adjourned at 5:35 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: March 7, 2005

TIME: Upon Adjournment of the House

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** Rep. Rydalch, Rep. Cannon

GUESTS: Donna Jones, Kim Coster, Angie Richards, Woody Richards, Phil Barber, Jeremy Pisca

Meeting was called to order at 2:40 p.m. by Chairman Black. **Rep. Henderson** moved to approve the minutes of the March 3 meeting as written; **motion carried on voice vote.**

Donna Jones, Executive Director of the Idaho Real Estate Commission, presented three bills from the commission. She noted that all three bills had come out of the Senate with unanimous approval. She also stated that the three bills had been reviewed by the Idaho Association of Realtors and had been posted on the website since October, and she is not aware of any opposition to any of the three.

S 1008 **Ms. Jones** presented **S 1008**, which will ensure that all individuals applying to be a designated broker or a branch office manager in a real estate agency will be required to complete the Business Conduct and Office Operations class. The bill will also require any branch office manager to be licensed as an associate broker. Currently, all branch managers are required to have only a sales license plus two years' experience. Ms. Jones said that this increased level of licensing is necessary because branch office managers are given responsibility for trust accounts and original transaction files, and should therefore be required to have knowledge of these subjects.

MOTION **Rep. Snodgrass** moved to send **S 1008** to the floor with a **DO PASS** recommendation; **motion carried on voice vote.** **Rep. Snodgrass** will sponsor the bill on the floor.

S 1009 **Ms. Jones** then presented **S 1009**, a bill that will increase the maximum premium cap which the Commission can contract for its group errors and omissions policy. Ms. Jones explained that every real estate agent is required to have errors and omissions coverage, and that the real estate commission contracts for a basic E&O insurance so agents can purchase the required insurance through the commission if they wish. Agents are not required to do so, however, and some of them decide to purchase policies with higher coverage. Ms. Jones said that the commission implemented a mandatory E&O insurance program in 1993 and set the cap at \$100 at that time; the cap was subsequently raised to \$140 in 2000. She said that the

premium amount will probably exceed the current \$140 cap when renewal takes place in 2005, so the premium cap needs to be raised.

MOTION

Rep. Edmunson moved to send **S 1009** to the floor with a **DO PASS** recommendation.

Kim Coster, attorney representing the Real Estate Commission, was recognized to answer questions from committee members. Ms. Coster said that the limits of the policy are set forth in the commission's rules, and that currently they are \$100,000 per licensee per incident, up to a maximum of \$300,000 per year. She also stated that the deductible is \$1,000 for loss and zero for defense and investigation costs.

VOTE ON MOTION

Chairman Black called for a vote on the motion to send **S 1009** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Edmunson** will sponsor the bill on the floor.

S 1010

Ms. Jones presented **S 1010**, stating that this is the commission's annual "housekeeping" bill which corrects inconsistencies and moves some rules into statute. S 1010 will also update provisions to conform to current technology, business practices, and recent changes in state law. Ms. Jones stated that the bill has been thoroughly examined by the insurance industry and that there have been no objections voiced.

MOTION

Rep. Miller moved to send **S 1010** to the floor with a **DO PASS** recommendation; **motion carried on voice vote**. **Rep. Miller** will sponsor the bill on the floor.

H 160

Angie Richards, representing the property and casualty insurers, presented an amendment to **H 160**, a bill which was previously considered by the Business Committee last week and held until today's meeting. Ms. Richards said that in order to meet concerns expressed about the need for a definition of "terrorism" in H 160, she has drawn up an amendment that defines terrorism based on the Terrorism Risk Insurance Act of 2002. Unlike TRIA's definition, however, the amendment does not include certification by the secretary of state, the treasurer, and the attorney general. According to Ms. Richards, this language was eliminated because TRIA is set to expire at the end of this year and if it is not extended, such certification will not be available.

Rep. Deal stated that he has no problem with the definition of terrorism as presented in the proposed amendment. A committee member noted that the definition seems to deal only with persons acting on behalf of a foreign person or a foreign interest, and pointed out that the Oklahoma City bombing was not carried out on behalf of a foreign person or interest. He wondered whether the definition ought to be widened to include domestic persons or interests. **Chairman Black** explained that there is already an exclusion in fire insurance policies for civil disobedience, riots, and so forth, and that domestic acts would be covered by these current exclusions.

MOTION

Rep. Henbest moved to send **H 160 to General Orders** with committee amendment attached; **Rep. Smith (30)** seconded the motion. **Motion**

carried on voice vote. Rep. Rusche will sponsor the bill on the floor.

Chairman Black advised the committee that there is one remaining House bill to be considered, **H 257**, which was held for Wednesday, March 9. This bill deals with inspection of pitless adaptors in well installations and is sponsored by **Rep. Doug Jones**. If Rep. Jones is ready to discuss H 257 on Wednesday, the committee will hold a meeting that afternoon; if Rep. Jones prefers to wait, the bill will be considered on Tuesday, March 15. The committee will not meet on Friday, March 11.

ADJOURN

There being no further business to come before the committee, the meeting was adjourned at 3:00 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: March 9, 2005

TIME: Upon Adjournment of the House

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** Rep. Block, Rep. Nonini

GUESTS: Rep. Doug Jones

Meeting was called to order at 2:30 p.m. by Chairman Black. **Rep. Smith** moved to approve the minutes of March 7 as written; **motion carried on voice vote.**

H 257 **Rep. Doug Jones** was recognized to address **H 257**. Rep. Jones thanked the Business Committee for its deliberation last week on H 257, at which time they voted to hold the bill until today. He explained that following that meeting the Director of the Division of Building Safety invited him to further discuss the situation. A meeting was held this morning with Rep. Jones, the director of the department, the plumbing bureau, members of the plumbing board, and Rep. Jones' constituent. Although the parties could not agree on a memorandum of understanding concerning inspection of pitless adaptors, all parties agreed to continue working on a solution.

Rep. Jones reported that he asked for a formal, written acknowledgment of that agreement, and that he had received a letter from the Division of Building Safety confirming the agreement to continue studying the matter (see attached letter). Rep. Jones said that the matter has been placed on the agenda of the Plumbing Board meeting to be held on April 15. The board will take up the matter at that time, and will work in the interim to reach an arrangement agreeable to all interested parties.

MOTION **Rep. Deal** moved to **HOLD H 257** in committee; **motion carried on voice vote.**

Chairman Black said that the committee will not meet on Friday, March 11. He informed the members that he had requested a list of bills already considered by the Senate Commerce & Human Resources Committee which will be assigned to the House Business Committee. That list contains only the four Senate bills which the Business Committee has already considered and referred to the floor. No further legislation is expected to come to the committee this year from the Senate.

Rep. Black told members that he has asked Karl Tueller from the Department of

Commerce to provide a shortened version of his presentation on the Office of Technology; this presentation will be made next week or the following week, although a date has not yet been confirmed.

ADJOURN There being no further business to come before the committee, the meeting was adjourned at 2:37 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: March 15, 2005

TIME: Upon Adjournment of the House

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** Rep. Rydalch

GUESTS: David Bennion, Bob Corbell, John Tensen

Meeting was called to order at 2:50 p.m. by Chairman Black. **Rep. Bilbao** moved to approve the minutes of March 9 as written; **motion carried on voice vote.**

H 337 **David Bennion**, representing the Idaho Public Works Contracting Task Force, presented **H 337**, which is a trailer bill to H 263, passed last week. Mr. Bennion explained that after H 263 was out, it was pointed out to the task force that the bill inappropriately changed the statutes regarding submittal of bids and taxes and inadvertently took away authority from the tax commission. This follow-up legislation, H 337, makes a number of technical corrections to H 263, clarifying reporting requirements to the State Tax Commission and making minor clarifications to language relating to procurement of public works construction. Mr. Bennion testified that the task force supports these additions and changes to H 263.

MOTION **Rep. Cannon** moved to send **H 337** to the floor with a **DO PASS** recommendation; **motion carried on voice vote.** **Rep. Black** will sponsor the bill on the floor.

ADJOURN There being no further business to come before the committee, the meeting was adjourned at 2:55 p.m.

Representative Max Black
Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: March 21, 2005

TIME: Upon Adjournment of the House

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30), Rusche

**ABSENT/
EXCUSED:** Chairman Black, Rep. Deal, Rep. Rusche

GUESTS: Karl Tueller, Jeff Viano, Karen Leis, Julie Howard

Meeting was called to order at 2:40 p.m. by Vice Chairman Collins. **Rep. Cannon** moved to approve the minutes of March 15 as written; **motion carried on voice vote.**

Karl Tueller, Executive Director of the Office of Science & Technology, appeared before the committee to present an overview of his office's operations and accomplishments during the past year. He introduced members of his staff who were also present at the meeting, namely: Julie Howard, Karen Leis, and Jeff Viano. He said that his office is also currently enjoying the help of Rachel Hall, a loaned executive from the Idaho National Laboratory.

Mr. Tueller distributed information packets containing details of his office's programs and projects. He explained that the Office of Science & Technology is a recently created division of the Commerce Department, and stated that this represents Idaho's willingness to place an emphasis on science and technology as the new engine of economic prosperity. Noting that this state's economy was built on the agriculture, mining, and timber industries, Mr. Tueller said that at present 25% of the Idaho state gross product is related to technology. Furthermore, jobs in the science and technology fields enjoy 92% higher wages than the statewide average wage.

Mr. Tueller drew attention to the six strategies to be used in reaching the stated goals of the office, and pointed out the "core competencies" that have been identified, which are 1) Imaging; 2) Power & Energy; 3) AgBio; and an emerging area, 4) Nanosystems & Materials. He also talked about the four regional "Tech Connect" offices set up to serve the needs of different parts of the state. He discussed the "TechLaunch" program held for the first time last year, which invited small companies to come for mentoring and training in how to approach possible sources of funding. TechLaunch will be repeated this June.

Julie Howard addressed the committee about an upcoming event called

“Kickstart” to be held April 4-6, 2005, featuring noted technology speaker Guy Kawasaki. The Office of Science & Technology has also commissioned a short film featuring Idaho as a state which is friendly to entrepreneurs. The film includes information on famous Idaho entrepreneurs, including Philo Farnsworth, J.R. Simplot, and J.A. Albertson, as well as a number of modern-day entrepreneurs. The film will be premiered at the Kickstart program next month.

Mr. Tueller informed the committee that there are now three venture capital firms in Idaho. He also discussed the Boise Angel Alliance (BAA), an organization that brings together small companies and individual investors who may want to fund them. He noted that PERSI, the state pension fund, invests in some venture firms in Idaho, and that the amount of their investment is small but growing. He said that his office publicizes its activities by way of a monthly newsletter, a website, and a recently completed DVD. He also showed an ad which appeared in the February 16, 2005, issue of the Wall Street Journal, touting Idaho as a state friendly to technology companies. He commended the House of Representatives for creating a new Environment, Energy and Technology Committee at the beginning of this session, saying that this new emphasis on technology helps raise awareness on its importance and its impact on the state. Mr. Tueller concluded his presentation by stating that the next steps in his office’s efforts will be to build a research and development base, to develop technology infrastructures, and to market Idaho technology assets to the rest of the country.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 3:20 p.m.

Representative Gary Collins
Vice Chairman

Mary Lou Molitor
Secretary

MINUTES

HOUSE BUSINESS COMMITTEE

DATE: March 29, 2005

TIME: 1:30 pm

PLACE: Room 408

MEMBERS: Chairman Black, Vice Chairman Collins, Representatives Deal, Block, Rydalch, Cannon, Snodgrass, Edmunson, Miller, Bilbao, Chadderdon, Henderson, Nonini, Henbest, Smith (30) Rusche

**ABSENT/
EXCUSED:**

GUESTS:

Meeting was called to order at 3:13 pm by Chairman Black. **Vice Chairman Collins** moved to approve the minutes of March 21 as written; **motion carried on voice vote**. **Rep Edmunson** pointed out "March" was misspelled in the minutes and it will be corrected.

S 1198

Rep Deal presented this legislation which is to add a new benefit plan to the four existing benefit plans offered through the High Risk Pool. Those plans are referred to as: 1) Basic, 2) Standard, 3) Catastrophic A, and 4) Catastrophic B. This bill adds a fifth plan as an HSA compatible benefit plan. HSA's or Health Savings Accounts by federal law require certain benefits for an individual to qualify for the tax deductibility. The High Risk Pool Board felt that individuals should not be prohibited from participating in an HSA just because they only qualify for High Risk Pool products.

The Department worked with the Internal Revenue Service codes in preparing this legislation and this bill will allow this type of health insurance to be provided statutorily.

Rep Henbest stated she felt HSA's were more appealing for people in good health.

Rep Rydalch asked why this policy is now being offered and is there anything out there that would come back or raise rates. **Rep Deal** did not think so. He stated you need a product that fits rules of the IRS. This bill gives the insurance department authority to establish another choice in HSA's that people would have.

Rep Miller asked if unused savings in the account would roll over. **Rep Collins** stated there are two types of medical savings accounts. He does know that HSA plans have become a very desirable plan in the market place. He further stated this plan is strictly medical, not dental.

Rep Miller referred to some provisions in the federal HSA and it was pointed out that the federal HSA requirements are much higher than the state HSA and the deductibles are higher.

There followed a discussion on Health Savings Accounts in general which

did not pertain to this particular legislation. **Chairman Black** volunteered to put together information for the individual committee members on Health Savings Plans.

Rep Rusche thinks this legislation provides a very good option, especially for people that are in the high risk area. He likes the flexibility with this plan.

MOTION: **Rep Cannon** moved that **S 1198 be sent to the floor with a DO PASS recommendation.**

VOTE: **ON A VOICE VOTE THE MOTION CARRIED.**

Chairman Black thanked Rachel, the committee Page for help this year and presented her with a card from the committee. He further stated if there was a need for a further committee meeting, he would notify the members.

ADJOURN: There being no further business, the meeting was adjourned at 3:35 pm.

Representative Max Black
Chairman

Barbara Allumbaugh
Secretary