

COMMITTEE REPORT

SENATE

FURTHER:

5/2/84

Date _____

Mr. President

The Committee on FINANCE considered SB 439

amending the Alaska Securities Act.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Bob Mulcahy

Chairman

Chairman recommendation

Carroll
1/24/84

Revision Date: _____

REQUEST
 Bill/Resolution No.: 432
 Title: "An Act amending the Alaska Securities Act."
 Sponsor: Sen. Rules/by req. of Gov.
 Requestor: Governor's Office - OMB
 Date of Request: _____

FISCAL DETAIL
 Agency Affected: Department of Law
 Program Category Affected: General Government
 BRU, Program or Subprogram(s) Affected: Legal Services Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL		8.0	8.5	9.0	9.5	10.1
300 CONTRACTUAL		39.2	41.6	44.0	46.6	49.4
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	47.2	50.1	53.0	56.1	59.5
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND	-0-	47.2	50.1	53.0	56.1	59.5
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not specified by sponsor.

ANALYSIS: Attach a separate page for analysis

Prepared By: Richard I. Pegues Director Phone: 465-3672
 Division: Administrative Services Date: 1-24-84
 Approved by Richard I. Pegues/for Commissioner: Norman C. Gorsuch Date: 1-24-84
 Agency: Department of Law

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

This bill amends the state's existing securities laws to strengthen the state's law enforcement jurisdiction over securities offerings made in other states, where the underlying "value" of the security is a (non-competitive) oil, gas or mineral lease on Alaska land. Sales of speculative investments in such leases are already regulated "security" transactions, but Alaska's current law does not allow the state to require registration, or to take enforcement action against sellers who set up offices outside Alaska but who market Alaskan leases as securities, usually only to non-Alaskans.

These sales are often fraught with misrepresentations about the value of the Alaskan oil or gas lease, or the true cost of exploring and developing production on the lease land. Investors in other states pay up to \$1,000 an acre for state and federal lease lands available over-the-counter in Alaska for \$1.00 an acre, in hopes of striking it rich, in line with the promoters' glowing promises.

These sales, and the subsequent losses of \$6,000, \$10,000, even \$20,000 to each of thousands of out-of-state investors, are very damaging to Alaska's commercial and investment image. Moreover, the subdividing into smaller parcels of these 640 acre leases may well defeat the underlying purpose of the state and federal exploratory (non-competitive) leasing program.

Enactment of this bill will require the attorney general to provide additional legal support for research, advice and enforcement action in the courts, as requested by the Division; of Banking and Securities. As most of the offending companies are located outside Alaska, lawsuits to obtain injunctions against them will require substantial out-of-state travel funds to take depositions and interview witnesses, as well as funds to conduct those depositions and interviews.

It is expected that, at a minimum, five trips outside Alaska will be necessary to enforce registration of sales Alaskan oil, gas or mineral leases outside Alaska. It will also be necessary to hire court reporters in order to take depositions and to hire outside counsel to file actions in jurisdictions outside the state.

Out-of-state Travel

5 trips X \$800 air fare =	\$4,000
5 X 10 days X \$80 per day =	<u>\$4,000</u>
Total travel & per diem =	\$8,000

Contractual

Court reporter services

6 hrs. X \$80 X 40 days = \$19,200

Outside counsel 4 occurrences
X \$5,000 \$20,000

Total \$39,200

TOTAL COSTS \$47,200

Costs beyond FY 84 include a 6% annual inflation factor.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

*Came in
Bill*

Revision Date: January 18, 1984

REQUEST

Bill/Resolution No.: SB 432
Title: An act amending the Alaska Securities Act.
Sponsor: Rules Committee
Requestor: Governor Sheffield
Date of Request: 1/18/84

FISCAL DETAIL

Agency Affected: Commerce and Economic Development
Program Category Affected: Consumer Protection
BRU, Program or Subprogram(s) Affected: Banking, Securities and Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	54.1	56.8	59.6	62.6	65.7	69.0
200 TRAVEL	3.0	3.2	3.4	3.6	3.8	4.0
300 CONTRACTUAL	3.0	3.2	3.4	3.6	3.8	4.0
400 SUPPLIES	1.0	1.1	1.2	1.3	1.4	1.5
500 EQUIPMENT	5.0					
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	66.1	64.3	67.6	71.1	74.7	78.5
CAPITAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
REVENUE	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND	66.1	64.3	67.6	71.1	74.7	78.5
FEDERAL FUNDS						
OTHER						
TOTAL	66.1	64.3	67.6	71.1	74.7	78.5

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME	2.0	2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Willis F. Kirkpatrick, Director
Division: Banking, Securities, Small Loans and Corporations

Phone: 465-2521

Date: 1/18/84

Approved by Commissioner: Richard A. Lyon

Date: 1/20/84

Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

F.Y. Note #1

1.	POSITION TITLE Business Registration Examiner				RANGE/STEP 12A	BARG. UNIT GGU	FORM 12	PAGE/LINE	GOV.	APPRDV.	DISAPP.
2.	TYPE OF POSITION	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT		LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION						
4.	TYPE OF EXPENDITURE										
	1	2	3								
	PERSONAL SERVICES										
5.	Salary	23.7									
6.	Benefits	3.9									
7.	Supplemental Benefits	1.5									
8.	Fixed Benefits	0.3									
9.	TOTAL PERSONAL SERVICES	01	29.4								
10.	Travel	02	-0-								
11.	Contractual	03	-0-								
12.	Commodities	04	0.5								
13.	Equipment	05	2.5								
14.	Other		-0-								
15.	TOTAL COST		32.4								
<p>Position will be necessary if legislation passes requiring the Securities Section to undertake securities registration of oil and gas lease sales programs. The current substantially increased workload has stretched the examining/enforcement staff to the limit with a considerable percentage of the securities examiners' time devoted to nonprofessional clerical functions. The additional clerical support will free up the professional staff time to cope with the expanded registration and enforcement duties imposed by the proposed legislation.</p> <p>The equipment expense of \$2.5 will be used for purchase of a desk, positions, typewriter, chair and desk calculator.</p>											
	RECEIPT CODE	FUNDING SOURCE									
16.		Federal Receipts 1002									
17.		G.F. Match 1003									
18.		General Funds 1004									
19.		I-A Receipts 1005									
20.		Program Receipts 1028									
21.		Other									
<p>FOR BSM USE ONLY</p> <p>4A KEY NUMBER _____</p>											

13 REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development
 PROGRAM Consumer Protection
 BRU Banking, Securities & Corporations
 COMPONENT Financial Institutions

Page 1 of 1
 Revised Date _____

FY 85

1.	POSITION TITLE Clerk IV				RANGE/STEP 9A	BARG. UNIT GGU	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE				AMOUNT					
	1		2		3					
	PERSONAL SERVICES									
5.	Salary		19.8							
6.	Benefits		3.3							
7.	Supplemental Benefits		1.3							
8.	Fixed Benefits		0.3							
9.	TOTAL PERSONAL SERVICES		01		24.7					
10.	Travel		02		-0-					
11.	Contractual		03		-0-					
12.	Commodities		04		0.5					
13.	Equipment		05		2.5					
14.	Other									
15.	TOTAL COST				27.7					
16.	RECEIPT CODE	FUNDING SOURCE								
17.		Federal Receipts 1002								
18.		G.F. Hatch 1003								
19.		General Funds 1004		27.7						
20.		I-A Receipts 1005								
21.		Program Receipts 1028								
		Other								
FOR BSM USE ONLY										
4A KEY NUMBER										

Position will be necessary if legislation passes requiring the Securities Section to undertake securities registration of oil and gas lease sales programs. These registrations will result in increased filings as well as substantial efforts in compliance and enforcement activities. The current substantially increased workload has stretched the examining/enforcement staff to the limit with a considerable percentage of the securities examiners' time devoted to nonprofessional clerical functions. The additional clerical support will free up the professional staff time to cope with the expanded registration and enforcement duties imposed by the proposed legislation.

The equipment expense of \$2.5 will be used to purchase a desk, positions, typewriter, chair and desk calculator.

13 REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development
PROGRAM Consumer Protection
BRU Banking, Securities & Corporations
COMPONENT Financial Institutions

FY 85

Page 1 of 7

Revised Date

Introduced: 2/9/84
Referred: Labor and Commerce
and Judiciary

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 432

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act amending the Alaska Securities Act."

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

8 * Section 1. AS 45.55.260(c) is amended to read:

9 (c) For the purpose of this section, an offer to sell or to buy
10 is made in this state, whether or not either party is then present in
11 this state, when the offer (1) originates from this state; [OR] (2) is
12 directed by the offeror to this state and received at the place to
13 which it is directed, or at a post office in this state in the case of
14 a mailed offer; or (3) in the case of an offer to sell or to buy an
15 interest or participation in oil, gas, or mining rights, titles, or
16 leases, or in payments out of production under those rights, titles,
17 or leases, if the oil, gas, or mining right, title, or lease is on
18 land, including submerged land, located in the state, regardless of
19 where the offer to sell or the offer to buy is made.

FEDERAL TRADE COMMISSION
WASHINGTON, D. C. 20580

BUREAU OF
CONSUMER PROTECTION

March 14, 1984

The Honorable Richard I. Eliason
Chairman
Senate Labor and Commerce Committee
State Capitol
Pouch V
Juneau, Alaska 99811

Dear Chairman Eliason:

The Federal Trade Commission's Bureaus of Competition, Consumer Protection, and Economics,¹ at the request of Governor Sheffield, submit comments on Senate Bill No. 432. We wish to thank you and Governor Sheffield for the opportunity to share our views on S. 432. We think that expanding the jurisdiction of the Alaska Securities Act of 1959 to cover all oil and gas leases to land located in Alaska would complement our efforts and those of other federal and state agencies to control what appear to be serious abuses in the rapidly growing, nation-wide marketing of Alaska oil and gas leases. The Commission staff favors passage of S. 432.

The Commission, in fulfilling its Congressionally-mandated mission to protect consumers from unfair and deceptive practices in the nation's commerce, has been investigating suspected fraud by sellers of oil and gas leases and related services. In the course of these investigation the Commission staff has identified from the public records of the federal Bureau of Land Management ("BLM") and the Alaska Department of Natural Resources a number of companies that have acquired oil and gas leases to millions of acres of land in Alaska. These companies acquired most of their leases for \$1 per acre under the BLM noncompetitive oil and gas leasing program.² Most of these acquisition have occurred in the Minchumina, Denali, and Tiekel block areas of Alaska.³

¹ This statement reflects the views of the Bureaus of Competition, Consumer Protection and Economics of the Federal Trade Commission, but does not necessarily reflect the views of the Commission or of any individual Commissioner. The Federal Trade Commission has voted, however, to authorize the Bureaus to submit these comments.

² 43 C.F.R. § 3110 et seq.

³ Public Land Orders Nos. 6098, 46 Fed. Reg. 61472 (December 17, 1981), and 6329, 47 Fed. Reg. 39495 (September 8, 1982).

SB 432

FEDERAL TRADE COMMISSION
WASHINGTON, D. C. 20580

BUREAU OF
CONSUMER PROTECTION

March 14, 1984

The Honorable
Chairman

Eliason
Committee

SB 432

n's Bureaus of Competition,
s,¹ at the request of Governor
te Bill No. 432. We wish to
for the opportunity to share our
at expanding the jurisdiction of the
1959 to cover all oil and gas leases to
land would complement our efforts and those of
other state agencies to control what appear to be
serious in the rapidly growing, nation-wide marketing of
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¹ This statement reflects the views of the Bureaus of Competition, Consumer Protection and Economics of the Federal Trade Commission, but does not necessarily reflect the views of the Commission or of any individual Commissioner. The Federal Trade Commission has voted, however, to authorize the Bureaus to submit these comments.

² 43 C.F.R. § 3110 et seq.

³ Public Land Orders Nos. 6098, 46 Fed. Reg. 61472 (December 17, 1981), and 6329, 47 Fed. Reg. 39495 (September 8, 1982).

According to public records kept at the Alaska Oil and Gas Conservation Commission, no oil or gas wells have ever been drilled in any of these areas. Also, the Alaska Department of Geological and Geophysical Survey's 1983 map of potential oil and gas basins in Alaska⁴ indicates that virtually all of the approximately 3 million acres released in these land openings are not within such basins.

BLM records indicate that these companies are assigning these leases in small units, usually 40 acres, to thousands of consumers throughout the lower 48 states and Hawaii. Concerns have been raised that many small investors are being induced to pay far in excess of the fair market value for these leases, and have no idea of the extremely speculative nature of these leases. The action brought by the State of Alaska against several of these companies for misrepresenting the value of leases⁵ indicates that these concern may well be justified.

These concerns have been heightened because the sale of Alaska oil and gas leases is expanding. In August 1982 we were aware of only one company selling Alaska leases. By December 1983, BLM records indicated that at least 40 companies, with holdings of millions of acres of Alaska oil and gas leases, were operating. With the possible release of an additional 21 million acres of federal lands for oil and gas leasing⁶ and plans by the State of Alaska for the release of its own acreage, this growth may continue. We believe that a concerted state and federal effort is necessary to insure that those interested in investing in the development of Alaska's resources have available reliable information on which to make reasoned decisions.

Senate Bill No. 432 should provide a relatively simple means to inhibit misrepresentations of fact made in connection with the sale of Alaska oil and gas leases. The Alaska Securities Act already covers oil and gas leases when either the buyer or seller resides or is located in Alaska. The proposal would expand coverage of the Act to include all sales of oil and gas leases

⁴ DGGS Special Report No. 32 (1983).

⁵ State v. Alaska Land Leasing, Inc., Case No. 3AN-83-8867 (3rd Dist. Oct. 26, 1983).

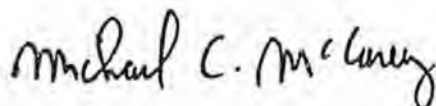
⁶ Secretary of the Interior, Oil and Gas Leasing Program for Non North Slope Federal Lands in Alaska, Annual Report to Congress, 7, Table 3 (1983).

for lands located in Alaska. This revision would empower the Alaska Division of Securities to require these companies to register their leases as securities and to provide prospective purchasers with meaningful disclosures of the speculative nature of these investments.

Senate Bill No. 432 should not materially hinder the development of Alaska's resources. The Alaska Securities Act already includes an exemption for sales of leases to bona fide oil and gas exploration companies. Thus, the expansion of the securities law's jurisdiction should not materially change the effect of the statute on those firms actually exploring and developing Alaska's resources.

The Commission staff strongly supports passage of S. 432. With the new authority granted by this bill, state officials could effectively join the Commission and other federal law enforcement agencies in our efforts to protect consumers and to stop the possible misuse of Alaska's name and its resources.

Very truly yours,



Michael C. McCarey
Associate Director

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF LAW

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

OFFICE OF THE ATTORNEY GENERAL

March 23, 1984

The Honorable Fritz Pettyjohn
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Re: SB 432, "an Act amending
the Alaska Security's Act"

Dear Senator Pettyjohn:

At the Senate Labor and Commerce Committee hearing on February 15, 1984, you requested our opinion with respect to the effect on the jurisdictional scope of SB 432. This legislation would clarify the existing Alaska Security's Act to better reach fraudulent or high pressure out-of-state sales of oil and gas lease hold interests on state or federal lands in Alaska.

The Administration believes that Alaska is well served by having an ability to regulate sales of land or lease hold interests located in Alaska, even where the transactions take place outside the state between non-residents of the state. The state may protect the legitimate concerns of its citizens by exercising the right to sue according to the doctrine of parens patriae. This doctrine is recognized in Alaska. State v. First National Bank of Anchorage, 660 P.2d 406, 420-21 (Alaska 1982); Public Defender Agency v. Superior Court, 534 P.2d 947 (Alaska 1975).

Because we believe there is a substantial state interest in preventing fraudulent sales of oil and gas leases located within the state's border, we believe a constitutional challenge against Alaska's assertion of jurisdiction provided by the proposed legislation would fail. A claim that the jurisdiction afforded by the proposed legislation violates an out-of-state citizen's rights under the Due Process Clause, Full Faith and Credit Clause or Commerce clause of the U.S. Constitution would, in all likelihood, be dismissed. See generally, Aldens, Inc., v. Packel, 524 F.2d 38 (3rd Cir. 1975). The Aldens case is instructive because it involved a challenge to Pennsylvania's right to enforce state credit sales laws as applied to an


Illinois corporation operating a mail order business in all fifty states and where all orders were accepted in Chicago. In that case, the court performed a thorough and comprehensive analysis of a variety of constitutional issues and concluded that none of the constitutional provisions were violated by enforcement of Pennsylvania's laws.

The currently accepted approach to Due Process Clause limitation challenges is one of interest analysis where the court focuses on whether a state has sufficient interest "to justify any exercise of it's sovereignty in connection with the transaction and dispute." Id. at 42-43, (citing McGee v. International Company, 355 U.S. 220 (1957)) emphasis in original. The court further noted in Alden that a relatively low threshold of state interest is needed to justify jurisdiction. Id. at 43.

In conclusion, because Alaska has a substantial interest in transactions involving land or interest of land within its borders, we believe a court would find that the exercise of jurisdiction through the proposed legislation does not interfere with an out-of-state defendant's due process or other constitutional rights.

Please feel free to call if we can be of additional assistance.

Sincerely,


Norman C. Gorsuch
Attorney General

NCG:eer

cc: Senator Richard I. Elaison ✓
Chairman, Senate Labor and
Commerce Committee

Senator Bob Mulcahy
Vice-Chairman, Senate Labor
and Commerce Committee

Senator Patrick Rodey
Senate Labor and Commerce
Committee

Senator John C. Sackett
Senate Labor and Commerce
Committee

The Honorable Fritz Pettyjohn
Senate Bill 432

March 23, 1984
Page #3

Connie Sipe
Assistant Attorney General
Consumer Protection

Jeff Bush Ø
Assistant Attorney General
Commercial

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 2/15/84

REQUEST

Bill/Resolution No.: SB 432
Title: An act amending the Alaska Securities Act.
Sponsor: Rules Committee
Requestor: Governor Sheffield
Date of Request: 1/18/84

FISCAL DETAIL

Agency Affected: Commerce and Economic Dev.
Program Category Affected: Consumer Protection
BRU, Program or Subprogram(s) Affected: Banking, Securities and Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		54.1	56.8	59.6	62.6	65.7
200 TRAVEL		3.0	3.2	3.4	3.6	3.8
300 CONTRACTUAL		3.0	3.2	3.4	3.6	3.8
400 SUPPLIES		1.0	1.1	1.2	1.3	1.4
500 EQUIPMENT		5.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	- 0 -	66.1	64.3	67.6	71.1	74.7
CAPITAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
REVENUE	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

GENERAL FUND	- 0 -	66.1	64.3	67.6	71.1	74.7
FEDERAL FUNDS						
OTHER						
TOTAL	- 0 -	66.1	64.3	67.6	71.1	74.7

POSITIONS:

FULL-TIME	- 0 -	2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Please see attached fiscal note analysis.

ANALYSIS: Attach a separate page for analysis

Prepared By: Willis F. Kirkpatrick, Director
Division: Banking, Securities and Corporations

Phone: 465-2521
Date: 2/15/84

Approved by Commissioner: Richard A. Lyon
Agency: Commerce and Economic Development

Date: 2/15/84

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

FISCAL NOTE ANALYSIS

SB 432, if enacted, will require that the Securites Section of the Division undertake securities registration for the sale of oil and gas leases located in Alaska and will undoubtedly result in increased filings as well as substantial efforts in compliance and enforcement activities including hearings. A Clerk IV and a Business Registration Examiner position will be necessary to support these registrations. The current substantially increased workload has stretched the examining/enforcement staff to the limit with a considerable percentage of the securities examiners' time devoted to nonprofessional clerical functions. The additional clerical support will free up the professional staff time to cope with the expanded registration and enforcement duties imposed by the proposed legislation.

Travel of 3.0 will be required for investigation of wrongdoers in the field. Contractual funds of 3.0 are needed for hearing officer purposes in administrative proceedings. Additionally, a one time expense of 5.0 is included to cover costs of typewriters, desks and chairs for the new positions.

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

432

February 9, 1984

The Honorable Jalmar Kerttula
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Kerttula:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which amends the Alaska Securities Act (AS 45.55) by extending its scope to include offers to buy or sell interests in oil, gas, or mining rights on land in the state, regardless of where the offer or sale occurs.

The bill was jointly prepared by the division of banking, securities and corporations of the Department of Commerce and Economic Development and the consumer protection section of the Department of Law in response to numerous complaints of fraudulent oil and gas lease schemes. These schemes typically involve solicitations by firms located outside Alaska who acquire an interest in oil or gas leases through bid offerings of the Department of Natural Resources or the Federal Bureau of Land Management.

The lease tracts these firms acquire are often the least likely to contain valuable oil, gas, or mineral resources. However, these firms conduct massive high pressure telephone sales and media advertising aimed at would-be investors in the lower 48 states, promising them high returns if they "invest" in a portion of one of these Alaskan oil or gas leases. The offering firms often falsely represent that they have expertise in oil, gas or mineral exploration or development. What is particularly offensive to our state is that these slick operators often use names such as "Alaska Oil and Gas Exploration" or "Alaska Petroleum Investments," and set up empty "shell" corporations with Alaska addresses.

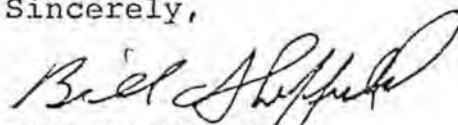
This bill would extend the provisions of the Alaska Securities Act to these business firms even if the "investment" sales are not made in our state or to our citizens.

Essentially, the bill would extend the jurisdiction of our state securities regulators and of our courts over these fraudulent schemes. The state would be able to take legal action against these out-of-state sellers of Alaska mineral rights. By amending the Securities Act, Alaska can require these firms to file securities registrations regarding their sales, and to give prospective purchasers truthful information about the likelihood of realizing a gain on such investments.

This legislation will not affect legitimate companies engaged in oil, gas, or mineral exploration or production as they are already exempted from the Alaska Securities Act by AS 45.55.140(b)(17).

This bill should be supported by consumer groups as well as by the legitimate members of the oil and gas industry. Therefore, I urge your prompt action on this bill to prevent further damage to the commercial image, nationwide, of Alaska.

Sincerely,



Bill Sheffield
Governor

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

3/16/84

Date March 20, 1984

Mr. President

The Committee on JUDICIARY considered SB 432

amending the Alaska Securities Act.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Joe Josephson

MEMBERS HAVING
OTHER RECOMMENDATIONS

3 3 equal - N/R

2 [Signature] do not pass

1 [Signature]

Chairman

Do Pass

Chairman recommendation

COMMITTEE REPORT
SENATE

FURTHER: JUDICIARY
FINANCE

Date 3/15/84

2/23/84

Mr. President

The Committee on LABOR & COMMERCE considered SB 432
amending the Alaska Securities Act.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" [] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Bob Anderson
William
Richard Bowen
John Patrick

MEMBERS HAVING
OTHER RECOMMENDATIONS

do not pass [Signature]

[Signature]
 Chairman
Do Pass
 Chairman recommendation

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 2/15/84

REQUEST

Bill/Resolution No.: SB 432
Title: An act amending the Alaska Securities Act.
Sponsor: Rules Committee
Requestor: Governor Sheffield
Date of Request: 1/18/84

FISCAL DETAIL

Agency Affected: Commerce and Economic Dev.
Program Category Affected: Consumer Protection
BRU, Program or Subprogram(s) Affected: Banking, Securities and Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		54.1	56.8	59.6	62.6	65.7
200 TRAVEL		3.0	3.2	3.4	3.6	3.8
300 CONTRACTUAL		3.0	3.2	3.4	3.6	3.8
400 SUPPLIES		1.0	1.1	1.2	1.3	1.4
500 EQUIPMENT		5.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	- 0 -	66.1	64.3	67.6	71.1	74.7
CAPITAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
REVENUE	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

GENERAL FUND	- 0 -	66.1	64.3	67.6	71.1	74.7
FEDERAL FUNDS						
OTHER						
TOTAL	- 0 -	66.1	64.3	67.6	71.1	74.7

POSITIONS:

FULL-TIME	- 0 -	2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Please see attached fiscal note analysis.

ANALYSIS: Attach a separate page for analysis

Prepared By: Willis F. Kirkpatrick, Director Phone: 465-2521
Division: Banking, Securities and Corporations Date: 2/15/84

Approved by Commissioner: Richard A. Lyon Date: 2/15/84
Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

FISCAL NOTE ANALYSIS

SB 432, if enacted, will require that the Securities Section of the Division undertake securities registration for the sale of oil and gas leases located in Alaska and will undoubtedly result in increased filings as well as substantial efforts in compliance and enforcement activities including hearings. A Clerk IV and a Business Registration Examiner position will be necessary to support these registrations. The current substantially increased workload has stretched the examining/enforcement staff to the limit with a considerable percentage of the securities examiners' time devoted to nonprofessional clerical functions. The additional clerical support will free up the professional staff time to cope with the expanded registration and enforcement duties imposed by the proposed legislation.

Travel of 3.0 will be required for investigation of wrongdoers in the field. Contractual funds of 3.0 are needed for hearing officer purposes in administrative proceedings. Additionally, a one time expense of 5.0 is included to cover costs of typewriters, desks and chairs for the new positions.