

LEG. FINANCE - BILLS 1979 - 1980 1086

HB 281 cont., thru HB 291 1086

1 total return while maintaining safety of principal;

2 (3) the corporation should be used as a savings device  
3 managed to allow the maximum use of disposable income from the corpora-  
4 tion as needed for purposes designated by law.

5 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to  
6 provide a mechanism for the management and investment of those permanent  
7 fund assets allocated to the Alaska Permanent Fund Corporation in a  
8 manner consistent with the findings established in AS 37.13.020.

9 Sec. 37.13.040. ALASKA PERMANENT FUND CORPORATION. There is  
10 established the Alaska Permanent Fund Corporation. The corporation is a  
11 public corporation and government instrumentality in the Department of  
12 Revenue managed by a board of trustees but has a legal existence inde-  
13 pendent of and separate from the state. The purpose of the board is to  
14 manage and invest the assets of the corporation in accordance with this  
15 chapter.

16 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The Board  
17 of Trustees of the Alaska Permanent Fund Corporation consists of three  
18 members appointed by the governor and confirmed by a majority of the  
19 members of the legislature in joint session.

20 (b) The board shall annually elect a chairman from among its  
21 members.

22 Sec. 37.13.060. TERM OF OFFICE. The members of the board shall be  
23 appointed for terms of four years, and they may be reappointed. Terms  
24 shall be staggered. Initial terms shall be one member serving for two  
25 years, one member serving for three years, and one member serving for  
26 four years.

27 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may  
28 remove a member of the board from office by and with the consent of a  
29 majority of the members of the legislature in joint session. A removal

1 by the governor shall be in writing and state the reason for removal.  
2 If the legislature is not in session, the governor may suspend a member  
3 of the board. Upon suspension, a vacancy is not created but the board  
4 member may not participate in board business and may not be counted for  
5 purposes of establishing a quorum. The joint session shall be held  
6 within 30 days from the date of removal if the removal occurs while the  
7 legislature is in session or within 30 days of convening of the legis-  
8 lature if the legislature is not in session. If the legislature refuses  
9 to consent to his removal, the board member shall be reinstated to his  
10 position.

11 (b) A vacancy on the board shall be promptly filled by appointment  
12 by the governor and confirmation by a majority of the members of the  
13 legislature in joint session, and an appointee to fill a vacancy shall  
14 hold office for the balance of the term for which his predecessor on the  
15 board was appointed. If a vacancy arises on the board while the legis-  
16 lature is not in session, the governor may appoint an interim board  
17 member who shall exercise all powers of a permanent board member until  
18 such time as the legislature in joint session fails to confirm the  
19 appointment of the interim board member.

20 (c) A vacancy on the board does not impair the authority of a  
21 quorum of the board to exercise all the powers and perform all the  
22 duties of the board.

23 Sec. 37.13.080. QUALIFICATIONS OF BOARD OF TRUSTEES. (a) No  
24 individual may be appointed to the board who has not been a resident of  
25 the state for at least three years.

26 (b) No member of the board may hold any other state or federal  
27 office, position or employment, either elective or appointive, except as  
28 a member of the armed forces of the United States or of this state.

29 (c) At least one member of the board shall have recognized compe-

1 tence and wide experience in finance, investments, or other business  
2 management-related field. No two members may be appointed to the board  
3 who share substantially similar professional or occupational back-  
4 grounds.

5 Sec. 37.13.090. QUORUM. Two members of the board constitute a  
6 quorum for the transaction of business and the exercise of the powers  
7 and duties of the board.

8 Sec. 37.13.100. COMPENSATION OF TRUSTEES. Members of the board  
9 receive an honorarium of \$250 for each meeting day if they attend the  
10 meeting and are entitled to per diem and travel allowances as provided  
11 by law for members of state boards and commissions.

12 Sec. 37.13.110. EMPLOYMENT OF PERSONNEL. The board may employ and  
13 determine the salary of an executive director. The executive director  
14 may, with the approval of the board, select and employ additional staff  
15 as necessary. No employee of the corporation, including the executive  
16 director, may be a member of the board. The executive director and all  
17 other employees of the board are in the exempt service under AS 39.25.

18 Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Members of the board  
19 are subject to the provisions of AS 39.50.

20 (b) If a member or employee acquires, owns or controls an in-  
21 terest, direct or indirect, in an entity or project in which corporation  
22 assets are invested, he shall immediately disclose the interest to the  
23 board. The disclosure is a matter of public record and shall be in-  
24 cluded in the minutes of the board meeting next following the disclo-  
25 sure.

26 Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent-man rule is  
27 applicable to the board in the management and investment of permanent  
28 fund assets. The prudent-man rule as applied to investments of the  
29 corporation means that in making investments the board shall exercise

1 the judgment and care under the circumstances then prevailing which an  
2 institutional investor of ordinary prudence, discretion, and intel-  
3 ligence exercises in the management of large investments entrusted to it  
4 not in regard to speculation but in regard to the permanent disposition  
5 of funds, considering the probable income from them as well as probable  
6 safety of capital.

7 (b) The corporation assets may only be used for income-producing  
8 investments.

9 (c) The board shall seek to maintain a reasonable diversification  
10 among corporation investments unless under the circumstances it is  
11 clearly prudent not to do so.

12 (d) The board shall submit long-range and quarterly investment  
13 reports to the Investment Oversight Committee.

14 (e) The corporation may not borrow funds or guarantee from princi-  
15 pal of the fund the obligations of others.

16 (f) The board may enter into and enforce all contracts necessary,  
17 convenient or desirable for purposes of the corporation except it may  
18 not contract with agencies or departments of the state to recommend or  
19 select investments.

20 (g) Subject to (a) and (b) of this section, the board may invest  
21 corporation assets in obligations of, or obligations insured or guaran-  
22 teed by, the United States or agencies or instrumentalities of the  
23 United States; loans secured by first liens on unencumbered realty or  
24 leaseholds; corporate securities which under the Securities Act of 1933  
25 are freely marketable; and short-term investments which meet the  
26 requirements of (a) and (b) of this section except for the term of the  
27 investments.

28 (1) No portion of the assets of the fund may be used in the  
29 purchase of stock of a corporation which is not paying dividends on that

1 stock in cash at the time of purchase; nor in the purchase of bonds of  
2 any corporation, upon which any regular interest payment has been de-  
3 faulted within five years before purchase, except bonds never in default  
4 but which have been outstanding for less than five years.

5 (2) No portion of the assets of the corporation may be used  
6 for the purchase of stock if immediately following the purchase the  
7 proportionate market value of all stocks held by the corporation would  
8 exceed 30 per cent of the assets of the corporation.

9 (h) The board shall establish and from time to time as necessary  
10 modify guidelines for the investment of the assets of the corporation.  
11 Before adoption of any guidelines the guidelines shall be reported to  
12 the Investment Oversight Committee for review and comment.

13 (i) Nothing in this section may be interpreted to preclude in-  
14 state investments that have a risk level and expected yield comparable  
15 to alternative investment opportunities.

16 Sec. 37.13.140. GAINS AND LOSSES. At the end of each fiscal year,  
17 the total amount of losses on the sales of securities, not offset by  
18 gains on the sales of securities during that year, shall be computed,  
19 with a portion of these losses to be deducted each fiscal year from the  
20 interest and dividend income and the resulting amount of interest and  
21 dividend income added to the principal of the fund. Losses taken on the  
22 sales of bonds shall be accumulated over a period equal to the average  
23 remaining life of the bonds sold, and losses taken on the sales of  
24 stocks shall be accumulated within a period of five years, unless these  
25 losses are offset by gains on future sales of securities. In any fiscal  
26 year in which the gains on the sales of securities exceed the losses on  
27 the sales of securities, the excess shall be added to the principal of  
28 the fund.

29 Sec. 37.13.150. INCOME. The interest and dividends received in a

1 year are the income of the corporation for that year. The income avail-  
2 able for disbursement shall be determined on an averaging basis. For  
3 the first five years, income will be the simple averaging of the annual  
4 current return at cost. Subsequently, there will be a moving average  
5 current return, in which the latest fiscal year will replace the oldest  
6 year. The income available for disbursement will be the lesser of the  
7 latest fiscal year's income, or the average annual current income for  
8 the past five fiscal years of the fund at cost, and after adjustment for  
9 capital losses charged to that fiscal year.

10 Sec. 37.13.155. MORTGAGE LOSS RESERVE ACCOUNT. The board may  
11 establish a mortgage loss reserve account for the purpose of protecting  
12 the financial integrity of the fund.

13 Sec. 37.13.160. BOARD BUDGET. The board's operating budget is  
14 from the general fund and is subject to the Executive Budget Act (AS  
15 37.07).

16 Sec. 37.13.170. AUDITS. The Investment Oversight Committee shall  
17 provide for an annual post audit and annual operational and performance  
18 evaluations of the corporation's investments and investment programs.

19 Sec. 37.13.180. REPORTS AND PUBLICATIONS. No later than Septem-  
20 ber 30 of each year, the board shall publish a report of the corporation  
21 for distribution to the governor, legislature, and the public. The  
22 report shall be written in easily understandable language. The report  
23 must include financial statements audited by independent outside audi-  
24 tors, a statement of the amount of money received by the permanent fund  
25 from each investment during the period covered, a statement of corpora-  
26 tion investments including an appraisal at market value, a description  
27 of corporation investment activity during the period covered by the  
28 report, a comparison of the corporation performance with the intended  
29 goals contained in AS 37.13.020, an examination of the impact of the

1 investment criteria of this chapter on the corporation portfolio with  
2 recommendations of any needed changes and any other information the  
3 board believes would be of interest to the governor, the legislature,  
4 and the public. The annual income statement and balance sheet of the  
5 corporation shall be published in at least one newspaper in each judi-  
6 cial district. The income statement and balance sheet for the two  
7 fiscal years preceding the publication of the election pamphlet under  
8 AS 15.57 shall be included in that pamphlet. The board may also publish  
9 other reports it considers desirable to carry out its purpose.

10 Sec. 37.13.190. TAX EXEMPTION. The corporation is exempt from all  
11 taxes and assessments in the state. All security instruments issued by  
12 the corporation, their transfer, and their income are exempt from all  
13 taxes and assessments in the state.

14 Sec. 37.13.200. POLITICAL ACTIVITIES. The members of the board  
15 and employees of the corporation may not engage in partisan political  
16 activities. The resources of the corporation may not be used to finance  
17 any partisan political activities.

18 Sec. 37.13.210. PUBLIC ACCESS TO INFORMATION. Information in the  
19 possession of the corporation is a public record, except that infor-  
20 mation which discloses the particulars of the business or affairs of a  
21 private enterprise or investor is confidential and is not a public  
22 record. Confidential information may be disclosed only for the purposes  
23 of an official law enforcement investigation or when its production is  
24 required in a court proceeding. These restrictions do not prohibit the  
25 publication of statistics presented in a manner that prevents the iden-  
26 tification of particular reports, items, persons, or enterprises.

27 Sec. 37.13.220. DEFINITIONS. In this chapter,

28 (1) "board" means the Board of Trustees of the Alaska Per-  
29 manent Fund Corporation;

1 (2) "corporation" means the Alaska Permanent Fund Corpora-  
2 tion.

3 \* Sec. 4. AS 39.25.110 is amended by adding a new paragraph to read:

4 (22) members of the board of trustees, the executive director,  
5 and staff of the Alaska Permanent Fund Corporation.

6 \* Sec. 5. AS 39.50.200(9) is amended by adding a new subparagraph to  
7 read:

8 (QQ) Board of Trustees of the Alaska Permanent Fund  
9 Corporation.

10 \* Sec. 6. TRANSITION. The commissioner of revenue shall transfer all  
11 funds of the Alaska permanent fund to the Alaska Permanent Fund Corporation  
12 established by this Act after request for transfer is made by the board of  
13 trustees of the corporation.

14 \* Sec. 7. AS 37.10.065(c) is repealed.

15 \* Sec. 8. AS 37.10.065(a) and (b) are repealed.

16 \* Sec. 9. Section 8 of this Act takes effect upon transfer of the funds  
17 of the Alaska permanent fund to the Alaska Permanent Fund Corporation as  
18 provided in sec. 6 of this Act. The remainder of this Act takes effect  
19 immediately in accordance with AS 01.10.070(c).



# RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith  
Signature of Camera Operator

3/20/90  
Date

(11)

# COMMITTEE REPORT

## HOUSE

3/14/79

FURTHER:

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

Mr. Speaker:

The Committee on FINANCE has had HB 285

"An Act making special appropriations to the Department of Transportation and Public Facilities; and providing for an effective date."

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

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

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
CHAIRMAN

# COMMITTEE REPORT

## HOUSE

FURTHER: FINANCE

February 23, 1979

Date: 3-14-79

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 285

"An Act making special appropriations to the Department of Transportation and Public Facilities; and providing for an effective date."

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

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

**MEMBERS SIGNING  
DO PASS**

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**MEMBERS HAVING  
OTHER RECOMMENDATIONS:**

[Signature]

[Signature]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[Signature]

CHAIRMAN

6615  
Rosenstein

Introduced: 2/23/79  
Referred: State Affairs and  
Finance

Funding Information	
General Fund	\$405,000
Other Funds	-0-
	<hr/>
	\$405,000

1 IN THE HOUSE

BY ZHAROFF

2 HOUSE BILL NO. 285

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making special appropriations to the Department  
7 of Transportation and Public Facilities; and providing  
8 for an effective date."

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

10 \* Section 1. The sum of \$340,000 is appropriated from the general fund to  
11 the Department of Transportation and Public Facilities for the design of a  
12 bridge from Kodiak Island to Near Island.

13 \* Sec. 2. The sum of \$65,000 is appropriated from the general fund to the  
14 Department of Transportation and Public Facilities for the design of a road  
15 from the Near Island bridge to Dog Bay Harbor.

16 \* Sec. 3. The appropriations made by this Act are for capital projects  
17 and are subject to AS 37.25.020.

18 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-  
19 070(c).

ALASKA STATE LEGISLATURE

ELEVENTH Legislature FIRST Session

HOUSE BILL NO. 285...

By ZHAROFF

"An Act making special appropriations to the Department of Transportation and Public Facilities; and providing for an effective date."

Special approp. to the Dept. of Transp. & Public Facilities

Introduced in the House 2-23, 1979

HISTORY IN THE HOUSE

19 79	Read first time and referred to Committee on																												
Feb. 23	State Affairs and Finance Reported back with recommendation that																												
	Read second time and																												
	Read third time and																												
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td colspan="2">Reconsideration</td> </tr> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td colspan="2">Reported correctly engrossed</td> </tr> <tr> <td colspan="2">Signed by Speaker</td> </tr> <tr> <td colspan="2">Sent to Senate</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused	Reported correctly engrossed		Signed by Speaker		Sent to Senate	
PASS	Effective Date																												
Yeas	Yeas																												
Nays	Nays																												
Absent	Absent																												
Excused	Excused																												
Reconsideration																													
PASS	Effective Date																												
Yeas	Yeas																												
Nays	Nays																												
Absent	Absent																												
Excused	Excused																												
Reported correctly engrossed																													
Signed by Speaker																													
Sent to Senate																													
CHIEF CLERK OF THE HOUSE																													

HISTORY IN THE SENATE

19	Read first time and referred to Committee on																												
	Reported back with recommendation that																												
	Read second time and																												
	Read third time and																												
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td colspan="2">Reconsideration</td> </tr> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td colspan="2">Reported correctly engrossed</td> </tr> <tr> <td colspan="2">Signed by President</td> </tr> <tr> <td colspan="2">Returned to House</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused	Reported correctly engrossed		Signed by President		Returned to House	
PASS	Effective Date																												
Yeas	Yeas																												
Nays	Nays																												
Absent	Absent																												
Excused	Excused																												
Reconsideration																													
PASS	Effective Date																												
Yeas	Yeas																												
Nays	Nays																												
Absent	Absent																												
Excused	Excused																												
Reported correctly engrossed																													
Signed by President																													
Returned to House																													
SECRETARY OF THE SENATE																													

HISTORY IN THE HOUSE

19	Received from Senate
	Concurred in Senate amendment thus adopting: VOTE
	Failed to concur in Senate amendment; asked Senate to recede VOTE
	Senate receded from amendment VOTE
	Senate failed to recede from amendment VOTE
	CC appointed by House
	CC appointed by Senate
	CC adopted by House VOTE
	CC adopted by Senate VOTE
	To enrolling Reported correctly enrolled Sent to Governor ..... by Governor
	Filed with Lt. Governor
	Chapter No. ....



# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

*James O Smith*  
Signature of Camera Operator

*3/20/90*  
Date

Funding Information  
General Fund \$10,000  
Other Funds -0-  
\$10,000

Introduced: 2/23/79  
Referred: Health, Education &  
Social Services and Finance

1 IN THE HOUSE

BY COTTEN

2 HOUSE BILL NO. 289

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Alaska  
7 State Council on the Arts; and providing for an effective  
8 date."

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

10 \* Section 1. The sum of \$10,000 is appropriated from the general fund to  
11 the Alaska State Council on the Arts for a grant to the Alaska Fine Arts  
12 Camp, Inc.

13 \* Sec. 2. The unexpended and unobligated portion of this appropriation  
14 lapses into the general fund on August 31, 1979.

15 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-  
16 070(c).

17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

# COMMITTEE REPORT

## HOUSE

FURTHER:

March 14, 1979

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

Mr. Speaker:

The Committee on FINANCE has had HB 289

"An Act making a special appropriation to the Alaska State Council on the Arts; eff. date."

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

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

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

---

---

---

---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---

\_\_\_\_\_  
CHAIRMAN

# COMMITTEE REPORT

## HOUSE

FURTHER: FINANCE

February 23, 1979

Date: March 13, 1979

Mr. Speaker:

The Committee on HESS has had HB 289

"An Act making a special appropriation to the Alaska State Council on the Arts; eff. date."

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

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

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

T Buchholz

Joyce Munn

John Hilder

Clat Chatterton

James G. James

---

---

---

---

---

---

---

---

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

T Buchholz  
CHAIRMAN

6588  
Rosenthal

Introduced: 2/23/79  
Referred: Health, Education &  
Social Service: Finance

Funding Information  
General Fund \$10,000  
Other Funds -0-  
\$10,000

1 IN THE HOUSE

BY COTTEN

2 HOUSE BILL NO. 289

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Alaska  
7 State Council on the Arts; and providing for an effective  
8 date."

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

10 \* Section 1. The sum of \$10,000 is appropriated from the general fund to  
11 the Alaska State Council on the Arts for a grant to the Alaska Fine Arts  
12 Camp, Inc.

13 \* Sec. 2. The unexpended and unobligated portion of this appropriation  
14 lapses into the general fund on August 31, 1979.

15 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-  
16 070(c).

ALASKA STATE LEGISLATURE

ELEVENTH Legislature FIRST Session

HOUSE BILL NO. 289

By COTTEN

"An Act making a special appropriation to the Alaska State Council on the Arts; and providing for an effective date."

Alaska State Council on the Arts

Introduced in the House 2-23, 1979

HISTORY IN THE HOUSE

19 79

Feb. 23

Read first time and referred to Committee on

HESS and Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused

Reconsideration  
PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused  
Reported correctly engrossed  
Signed by Speaker  
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused

Reconsideration  
PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused  
Reported correctly engrossed  
Signed by President  
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Concurred in Senate amendment thus adopting:  
VOTE

Failed to concur in Senate amendment; asked Senate to recede  
VOTE

Senate receded from amendment  
VOTE

Senate failed to recede from amendment  
VOTE

CC appointed by House

CC appointed by Senate

CC adopted by House  
VOTE

CC adopted by Senate  
VOTE

To enrolling  
Reported correctly enrolled  
Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No. ....



# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

*James O. Smith*  
Signature of Camera Operator

*3/20/90*  
Date

HB 291

February 23, 1979

The Honorable Terry Gardiner  
Speaker of the House  
Alaska State Legislature  
Juneau, Alaska 99811

Dear Mr. Speaker:

By telephone Governor Hammond has asked me to transmit to you under the authority of art. III, sec. 18 of the Alaska Constitution, a bill making supplemental appropriations to the Department of Law and the Office of Telecommunications.

During the first half of FY 79, responsibility for legal consulting services for telecommunications was transferred to the Department of Law; sec. 1 appropriates \$135,500 to that department for payment of those services.

Section 2 appropriates \$140,100 to the Office of Telecommunications for regulatory telecommunications related consulting fees.

Sincerely,

Jay S. Hammond  
Governor

*SJKD*

by: V. Kent Dawson  
Executive Assistant  
to the Governor

STATE  
of ALASKA

## MEMORANDUM

189

TO: Ron Lind, Director  
Division of Budget & Management  
Office of the Governor

DATE:

February 7, 1979

FILE NO:

TELEPHONE NO:

FROM:

RBS  
Robert Shelley, Budget Analyst  
Division of Budget & Management  
Office of the Governor

SUBJECT:

Supplemental Appropriation to  
Department of Law and the Office  
on Telecommunications

Although this supplemental is being submitted as a single request, \$135,500 is to be appropriated to the Department of Law while \$140,100 is to be appropriated to the Governor's Office on Telecommunications.

During the first half of FY 79 the responsibility for the legal consulting contract with Hamel, Park, McCabe and Saunders was transferred from the Office of Telecommunications to the Department of Law thereby requiring funding for that part of this supplemental within the Department of Law. Although the attached Supplemental Request Analysis form pertaining to the Department of Law shows a total supplemental need of \$239.6, only \$135.5 of this amount from the contractual line item pertains to this supplemental. The other ~~\$104.1~~ <sup>104.1</sup> deficit is being dealt with in the supplemental request found in House Bill 91 pertaining to primary election costs, court costs on Amgaiak vs. Beirne, and two right of way settlements. Details as to the uses of these consulting services can be found in the Department of Law memo dated 14 December 1978, attached.

The general division of consulting services still utilized by the Office of Telecommunications is generally as follows:

ConsultantsType of Use of ConsultantB. Richard Edwards  
Graeper, Van Noy, Wagner

Alaska Public Utilities Commission

William H. Melody

Joint Board Proceeding  
RCA Alascom SaleB. Richard Edwards  
William H. Melody

Intrastate Rate Case

Richard Gable

Cost separations as relate to tariffs

More detailed explanation of the Office of Telecommunications use of these consultants can be found in their attached memo regarding the supplemental. The contracts pertaining to all of these consultants are attached hereto for reference.

February 7, 1979

The main justification for this supplemental request is that because of efforts of the Office of Telecommunications, made possible by the use of these consultants and others, a claimed savings of as much as \$276.5 million has been enjoyed by the people of Alaska related to telecommunications.

A memo from Dick Dowling is attached explaining these claimed savings. Even if it were assumed that O.T. was exaggerating this amount 100 times, it would appear upon a cursory observation that money like that requested in this memo has been well spent historically. The question to answer however is, what is the lowest level of spending on consulting contracts which would have produced at least equal results? This is even more difficult to answer than it is for O.T. to predict what their consulting needs will be over an upcoming fiscal year. Such "technical", ambiguous and often distant consulting services as those included in this supplemental request are nearly impossible to precisely audit or evaluate. These consultants are so highly specialized in their fields both technically and politically that competition in the award of these contracts is not really a viable method of operations. If you want results in this field you must get the most influential consultants available. This is what O.T. feels it has done and it holds these savings up to justify the expense. It is difficult to find grounds to question the level of dollars spent or requested for these services. Unless there should be a policy to not allow a full request in order to stress that agencies don't always get everything they ask for, then this request is as well justified as it possibly can be. Therefore, I recommend approval of the amounts requested.

# MEMORANDUM

TO:  Ron Lind, Director  
Division of Budget & Management  
Office of the Governor

DATE: February 7, 1979

FILE NO:

TELEPHONE NO:

FROM: *RSS*  
Robert Shelley, Budget Analyst  
Division of Budget & Management  
Office of the Governor

SUBJECT:

Supplemental Appropriation to  
Department of Law and the Office  
on Telecommunications

Although this supplemental is being submitted as a single request, \$135,500 is to be appropriated to the Department of Law while \$140,100 is to be appropriated to the Governor's Office on Telecommunications.

During the first half of FY 79 the responsibility for the legal consulting contract with Hamel, Park, McCabe and Saunders was transferred from the Office of Telecommunications to the Department of Law thereby requiring funding for that part of this supplemental within the Department of Law. Although the attached Supplemental Request Analysis form pertaining to the Department of Law shows a total supplemental need of \$239.6, only \$135.5 of this amount from the contractual line item pertains to this supplemental. The other \$104.1 deficit is being dealt with in the supplemental request found in House Bill 91 pertaining to primary election costs, court costs on Amgaiak vs. Beirne, and two right of way settlements. Details as to the uses of these consulting services can be found in the Department of Law memo dated 14 December 1978, attached.

The general division of consulting services still utilized by the Office of Telecommunications is generally as follows:

Consultants

Type of Use of Consultant

B. Richard Edwards  
Graeper, Van Noy, Wagner

Alaska Public Utilities Commission

William H. Melody

Joint Board Proceeding  
RCA Alascom Sale

B. Richard Edwards  
William H. Melody

Intrastate Rate Case

Richard Gable

Cost separations as relate to tariffs

More detailed explanation of the Office of Telecommunications use of these consultants can be found in their attached memo regarding the supplemental. The contracts pertaining to all of these consultants are attached hereto for reference.

Ron Lind, Director

-2-

February 7, 1979

The main justification for this supplemental request is that because of efforts of the Office of Telecommunications, made possible by the use of these consultants and others, a claimed savings of as much as \$276.5 million has been enjoyed by the people of Alaska related to telecommunications.

A memo from Dick Dowling is attached explaining these claimed savings. Even if it were assumed that O.T. was exaggerating this amount 100 times, it would appear upon a cursory observation that money like that requested in this memo has been well spent historically. The question to answer however is, what is the lowest level of spending on consulting contracts which would have produced at least equal results? This is even more difficult to answer than it is for O.T. to predict what their consulting needs will be over an upcoming fiscal year. Such "technical", ambiguous and often distant consulting services as those included in this supplemental request are nearly impossible to precisely audit or evaluate. These consultants are so highly specialized in their fields both technically and politically that competition in the award of these contracts is not really a viable method of operations. If you want results in this field you must get the most influential consultants available. This is what O.T. feels it has done and it holds these savings up to justify the expense. It is difficult to find grounds to question the level of dollars spent or requested for these services. Unless there should be a policy to not allow a full request in order to stress that agencies don't always get everything they ask for, then this request is as well justified as it possibly can be. Therefore, I recommend approval of the amounts requested.

# MEMORANDUM

State of Alaska

TO: Ron Lind, Director  
Division of Budget and Management

DATE: 22 December 1978

FILE NO:

TELEPHONE NO:

FROM: Bob Walp, Director *BW*  
Office of Telecommunications

SUBJECT: FY79 Supplemental Request  
Information

Attached is the FY79 Supplemental Request Analysis form.

## 1. Need for Supplemental

Because a supplemental appropriation for FY79 has already been approved by Governor Hammond, much documentation has already been developed; some summary documents are attached. Unfortunately, the request was rejected during Free Conference Committee negotiations at the close of the eleventh legislative session.

The need still stands, however. Because the Department of Law has assumed responsibility for telecommunications' legal activity, part of the original (\$270,000) supplemental has been assumed by Law. This is analyzed in Section 3 below. A preliminary memorandum by Law, dated December 14, 1978, which describes their estimated requirements is attached.

## 2. Effect of not approving Supplemental

In assessing the effects of anticipated efforts to guide developments in the regulated utility field, the outcome can only be based upon previous experience which, in our case, has been highly productive. Activity by the Office of Telecommunications has so far helped telephone users save approximately \$60 million since its inception, despite a court-ordered interim intrastate increase. This has saved the state government several million dollars, many times the costs involved.

If we are successful in only one of the three most immediate proceedings, the intrastate rate case, the Joint Board or the RCA Alascom sale, we will save rate payers from \$8 to \$40 million per year; success in all three might ultimately save as much as \$70 million each year. Best bet is of the order of \$20 million. The state government's share is between five and 10 percent of the total, depending upon the particular

There is no question of the value of these efforts; note the attached evaluation by Law, mentioned above.

Ron Lind, Director  
Division of Budget and Management -2-

22 December 1978

### 3. Financial History and Background

The requested supplemental funds will be used for contractual services. FY78 and FY79 figures are as follows (\$1,000's):

	<u>FY78</u>		<u>FY79</u>
Authorized	523.2	Authorized	235.4
Actual	488.1	Governor's Supplemental	270.0
Remainder	35.1	Total	505.4

Note that the FY79 total is halfway between the FY78 authorized and FY78 actual.

Since Law is assuming some of the responsibility, OT's needs are significantly reduced. The combined supplementals are as follows:

Department of Law	135.5 *
OT Requirement	<u>140.1</u>
Combined requests	275.6

\* Average of minimum and maximum estimates from attached memorandum.

To compare the combined Law and OT requests with the original 270 requested by OT, the following adjustments are made:

Combined requests	275.6	
Alascom sale (Law)	(46.5)	not anticipated at time of original 270 request
Phone (OT)	(12.0)	based on 87% increase
Rent (OT)	<u>( 9.9)</u>	due to eviction from SOB
Equivalent supplemental	207.2	

Some of the 62.8 difference has resulted from hiring a temporary full-time economist which greatly improved internal effectiveness and allowed curtailment of substantial assistance through contractual means. The remainder probably reflects reduced uncertainty due to the shortened estimating period.

*Handwritten notes:*  
The whole thing is...  
Services to...  
L. Lind

Ron Lind, Director  
Division of Budget and Management -3-

22 December 1978

It is very difficult to estimate expenditures for a number of efforts that are primarily reactive to other agencies' actions. If events could be predicted with confidence, it would be possible to make plans compatible with the budgeting process and hire personnel at a fraction of the cost of contractors. Regardless, the effectiveness of the activity we have pursued has resulted in savings far greater than expenditures. It can only be assumed that this will continue.

Attachments

FY 79 SUPPLEMENTAL REQUEST ANALYSIS

	FY 77 ACTUAL	FY 78 FINAL AUTH.	FY 78 ACTUAL	FY 79 GOV. BUDGET	FY 79 INITIAL AUTH.	FY 79 CURRENT AUTH.	EXPENDITURES + ENCUMBRANCES 7/1/-11/30	OTHER OBLIGATION 7/1/-11/30	PROJECTED EXPENDI- TURES + ENCUMBRANCES 12/1-6/30	FY 79 (DEFICIT) OR EXCESS	FY 80 CONTINUAT.
PERSONAL SERVICES	291.4	326.4	303.2	299.0	296.0	312.0	119.9		229.2	(37.1)	321.9
TRAVEL	44.0	50.2	42.9	45.0	45.0	45.0	13.4	.1	31.5	-	47.8
CONTRACTUAL SERVICES	179.3	523.2	488.1	235.4	235.4	235.4	233.1	7.2	98.8	(103.7)	256.9
COMMODITIES	2.1	6.1	5.2	4.3	4.3	4.3	1.3	3	2.1	6	4.6
EQUIPMENT	2.1	7.5	5.3	1.0	1.0	1.0	.9	-	-	.1	-
LANDS, BLDG. ...	4.7										
GRANTS, CLAIMS											
MISCELLANEOUS											
TOTAL	523.8	913.4	844.7	584.7	581.7	597.7	368.6	7.6	361.6	(140.1)	661.2
FEDERAL RECEIPTS											
REQUIRED GF MATCHING											
OTHER GENERAL FUND	523.8	913.4	844.7	584.7	581.7	597.7	368.6	7.6	361.6	(140.1)	661.2
INTER-AGENCY RECEIPTS											

AGENCY: Office of the Governor BRU: Office of Telecommunications COMPONENT: Administration REVISED: \_\_\_\_\_

(11)

# COMMITTEE REPORT HOUSE

FURTHER:

March 1, 1979

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

Mr. Speaker: (Commerce Committee waived 2/23/79)

The Committee on FINANCE has had HB 291

"An Act making supplemental appropriations for telecommunications; eff. date."

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

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

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

---

---

---

---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---

\_\_\_\_\_  
CHAIRMAN

*Letter memo*

Introduced: 2/23/79  
Referred: (Commerce) and  
Financed *waived*  
2/28/79

Funding Information:  
General Fund: \$ 275,600  
Other Funds: -0-  
\$ 275,600

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

HOUSE BILL NO. 291

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - FIRST SESSION

A BILL

6 For an Act entitled: "An Act making supplemental appropriations for tele-  
7 communications; and providing for an effective date."

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

9 \* Section 1. The sum of \$135,500 is appropriated from the general fund  
10 to the Department of Law for payment of legal consulting services for  
11 telecommunications.

12 \* Sec. 2. The sum of \$140,100 is appropriated from the general fund to  
13 the Office of the Governor, Office of Telecommunications, for payment of  
14 consulting services.

15 \* Sec. 3. The unexpended and unobligated portions of the appropriations  
16 made in secs. 1 and 2 of this Act lapse June 30, 1979.

17 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.-  
18 10.070(c).

19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

HB 291

February 23, 1979

The Honorable Terry Gardiner  
Speaker of the House  
Alaska State Legislature  
Juneau, Alaska 99811

Dear Mr. Speaker:

By telephone Governor Hammond has asked me to transmit to you under the authority of art. III, sec. 18 of the Alaska Constitution, a bill making supplemental appropriations to the Department of Law and the Office of Telecommunications.

During the first half of FY 79, responsibility for legal consulting services for telecommunications was transferred to the Department of Law; sec. 1 appropriates \$135,500 to that department for payment of those services.

Section 2 appropriates \$140,100 to the Office of Telecommunications for regulatory telecommunications related consulting fees.

Sincerely,

Jay S. Hammond  
Governor

*SJKD*

by: V. Kent Dawson  
Executive Assistant  
to the Governor

STATE  
of ALASKA

# MEMORANDUM

189

TO:  Ron Lind, Director  
Division of Budget & Management  
Office of the Governor

DATE: February 7, 1979

FILE NO:

TELEPHONE NO:

FROM: *RS*  
Robert Shelley, Budget Analyst  
Division of Budget & Management  
Office of the Governor

SUBJECT: Supplemental Appropriation to  
Department of Law and the Office  
on Telecommunications

Although this supplemental is being submitted as a single request, \$135,500 is to be appropriated to the Department of Law while \$140,100 is to be appropriated to the Governor's Office on Telecommunications.

During the first half of FY 79 the responsibility for the legal consulting contract with Hamel, Park, McCabe and Saunders was transferred from the Office of Telecommunications to the Department of Law thereby requiring funding for that part of this supplemental within the Department of Law. Although the attached Supplemental Request Analysis form pertaining to the Department of Law shows a total supplemental need of \$239.6, only \$135.5 of this amount from the contractual line item pertains to this supplemental. The other ~~\$104.1~~ <sup>104.1</sup> deficit is being dealt with in the supplemental request found in House Bill 91 pertaining to primary election costs, court costs on Amgaiak vs. Beirne, and two right of way settlements. Details as to the uses of these consulting services can be found in the Department of Law memo dated 14 December 1978, attached.

The general division of consulting services still utilized by the Office of Telecommunications is generally as follows:

<u>Consultants</u>	<u>Type of Use of Consultant</u>
B. Richard Edwards Graeper, Van Noy, Wagner	Alaska Public Utilities Commission
William H. Melody	Joint Board Proceeding RCA Alascom Sale
B. Richard Edwards William H. Melody	Intrastate Rate Case
Richard Gable	Cost separations as relate to tariffs

More detailed explanation of the Office of Telecommunications use of these consultants can be found in their attached memo regarding the supplemental. The contracts pertaining to all of these consultants are attached hereto for reference.

February 7, 1979

The main justification for this supplemental request is that because of efforts of the Office of Telecommunications, made possible by the use of these consultants and others, a claimed savings of as much as \$276.5 million has been enjoyed by the people of Alaska related to telecommunications.

A memo from Dick Dowling is attached explaining these claimed savings. Even if it were assumed that O.T. was exaggerating this amount 100 times, it would appear upon a cursory observation that money like that requested in this memo has been well spent historically. The question to answer however is, what is the lowest level of spending on consulting contracts which would have produced at least equal results? This is even more difficult to answer than it is for O.T. to predict what their consulting needs will be over an upcoming fiscal year. Such "technical", ambiguous and often distant consulting services as those included in this supplemental request are nearly impossible to precisely audit or evaluate. These consultants are so highly specialized in their fields both technically and politically that competition in the award of these contracts is not really a viable method of operations. If you want results in this field you must get the most influential consultants available. This is what O.T. feels it has done and it holds these savings up to justify the expense. It is difficult to find grounds to question the level of dollars spent or requested for these services. Unless there should be a policy to not allow a full request in order to stress that agencies don't always get everything they ask for, then this request is as well justified as it possibly can be. Therefore, I recommend approval of the amounts requested.

MEMORANDUM

TO:  Art Peterson  
Assistant Attorney General  
Department of Law

FROM: *RPJ*  
Ron And, Director  
Division of Budget & Management  
Office of the Governor

DATE: February 7, 1979

FILE NO:

TELEPHONE NO:

SUBJECT: Supplemental Appropriation

Please prepare a bill for the Governor's introduction making a supplemental appropriation in the amount of \$140,100 to the Office of Telecommunications, and \$135,500 to the Department of Law. These amounts will be used to pay for increased amounts of legal and regulatory telecommunications related consulting fees which were not foreseen during the initial budget process.

This total amount of \$275,600 should be appropriated from the general fund.

This act should take effect immediately and include a lapse date of June 30, 1979.

TO: Ron Lind, Director  
Division of Budget & Management  
Office of the Governor

DATE:

February 7, 1979

FILE NO:

TELEPHONE NO:

FROM:

*RBS*  
Robert Shelley, Budget Analyst  
Division of Budget & Management  
Office of the Governor

SUBJECT:

Supplemental Appropriation to  
Department of Law and the Office  
on Telecommunications

Although this supplemental is being submitted as a single request, \$135,500 is to be appropriated to the Department of Law while \$140,100 is to be appropriated to the Governor's Office on Telecommunications.

During the first half of FY 79 the responsibility for the legal consulting contract with Hamel, Park, McCabe and Saunders was transferred from the Office of Telecommunications to the Department of Law thereby requiring funding for that part of this supplemental within the Department of Law. Although the attached Supplemental Request Analysis form pertaining to the Department of Law shows a total supplemental need of \$239.6, only \$135.5 of this amount from the contractual line item pertains to this supplemental. The other \$104.1 deficit is being dealt with in the supplemental request found in House Bill 91 pertaining to primary election costs, court costs on Amgaiak vs. Beirne, and two right of way settlements. Details as to the uses of these consulting services can be found in the Department of Law memo dated 14 December 1978, attached.

The general division of consulting services still utilized by the Office of Telecommunications is generally as follows:

ConsultantsType of Use of ConsultantB. Richard Edwards  
Graeper, Van Noy, Wagner

Alaska Public Utilities Commission

William H. Melody

Joint Board Proceeding  
RCA Alascom SaleB. Richard Edwards  
William H. Melody

Intrastate Rate Case

Richard Gable

Cost separations as relate to tariffs

More detailed explanation of the Office of Telecommunications use of these consultants can be found in their attached memo regarding the supplemental. The contracts pertaining to all of these consultants are attached hereto for reference.

The main justification for this supplemental request is that because of efforts of the Office of Telecommunications, made possible by the use of these consultants and others, a claimed savings of as much as \$276.5 million has been enjoyed by the people of Alaska related to telecommunications.

A memo from Dick Dowling is attached explaining these claimed savings. Even if it were assumed that O.T. was exaggerating this amount 100 times, it would appear upon a cursory observation that money like that requested in this memo has been well spent historically. The question to answer however is, what is the lowest level of spending on consulting contracts which would have produced at least equal results? This is even more difficult to answer than it is for O.T. to predict what their consulting needs will be over an upcoming fiscal year. Such "technical", ambiguous and often distant consulting services as those included in this supplemental request are nearly impossible to precisely audit or evaluate. These consultants are so highly specialized in their fields both technically and politically that competition in the award of these contracts is not really a viable method of operations. If you want results in this field you must get the most influential consultants available. This is what O.T. feels it has done and it holds these savings up to justify the expense. It is difficult to find grounds to question the level of dollars spent or requested for these services. Unless there should be a policy to not allow a full request in order to stress that agencies don't always get everything they ask for, then this request is as well justified as it possibly can be. Therefore, I recommend approval of the amounts requested.

# MEMORANDUM

# State of Alaska

TO: Ron Lind, Director  
Division of Budget and Management

DATE: 22 December 1978

FILE NO:

TELEPHONE NO.

FROM: Bob Walp, Director *BW*  
Office of Telecommunications

SUBJECT: FY79 Supplemental Request  
Information

Attached is the FY79 Supplemental Request Analysis form.

## 1. Need for Supplemental

Because a supplemental appropriation for FY79 has already been approved by Governor Hammond, much documentation has already been developed; some summary documents are attached. Unfortunately, the request was rejected during Free Conference Committee negotiations at the close of the eleventh legislative session.

The need still stands, however. Because the Department of Law has assumed responsibility for telecommunications' legal activity, part of the original (\$270,000) supplemental has been assumed by Law. This is analyzed in Section 3 below. A preliminary memorandum by Law, dated December 14, 1978, which describes their estimated requirements is attached.

## 2. Effect of not approving Supplemental

In assessing the effects of anticipated efforts to guide developments in the regulated utility field, the outcome can only be based upon previous experience which, in our case, has been highly productive. Activity by the Office of Telecommunications has so far helped telephone users save approximately \$60 million since its inception, despite a court-ordered interim intrastate increase. This has saved the state government several million dollars, many times the costs involved.

If we are successful in only one of the three most immediate proceedings, the intrastate rate case, the Joint Board or the RCA Alascom sale, we will save rate payers from \$8 to \$40 million per year; success in all three might ultimately save as much as \$70 million each year. Best bet is of the order of \$20 million. The state government's share is between five and 10 percent of the total, depending upon the particular

There is no question of the value of these efforts; note the attached evaluation by Law, mentioned above.

22 December 1978

3. Financial History and Background

The requested supplemental funds will be used for contractual services. FY78 and FY79 figures are as follows (\$1,000's):

	<u>FY78</u>		<u>FY79</u>
Authorized	523.2	Authorized	235.4
Actual	488.1	Governor's Supplemental	<u>270.0</u>
Remainder	<u>35.1</u>	Total	505.4

Note that the FY79 total is halfway between the FY78 authorized and FY78 actual.

Since Law is assuming some of the responsibility, OT's needs are significantly reduced. The combined supplementals are as follows:

Department of Law	135.5 *
OT Requirement	<u>140.1</u>
Combined requests	275.6

\* Average of minimum and maximum estimates from attached memorandum.

To compare the combined Law and OT requests with the original 270 requested by OT, the following adjustments are made:

Combined requests	275.6	
Alascom sale (Law)	(46.5)	not anticipated at time of original 270 request
Phone (OT)	(12.0)	based on 87% increase
Rent (OT)	<u>(9.9)</u>	due to eviction from SOB
Equivalent supplemental	207.2	

Some of the 62.8 difference has resulted from hiring a temporary full-time economist which greatly improved internal effectiveness and allowed curtailment of substantial assistance through contractual means. The remainder probably reflects reduced uncertainty due to the shortened estimating period.

*Handwritten notes:*  
The...  
↓  
Since the...  
LWL  
[Signature]

Ron Lind, Director  
Division of Budget and Management -3-

22 December 1978

It is very difficult to estimate expenditures for a number of efforts that are primarily reactive to other agencies' actions. If events could be predicted with confidence, it would be possible to make plans compatible with the budgeting process and hire personnel at a fraction of the cost of contractors. Regardless, the effectiveness of the activity we have pursued has resulted in savings far greater than expenditures. It can only be assumed that this will continue.

Attachments

FY 79 SUPPLEMENTAL REQUEST ANALYSIS

	FY 77 ACTUAL	FY 78 FINAL AUTH.	FY 78 ACTUAL	FY 79 GOV. BUDGET	FY 79 INITIAL AUTH.	FY 79 CURRENT AUTH.	EXPENDITURES + ENCUMBRANCES 7/1/-11/30	OTHER OBLIGATIONS 7/1/-11/30	PROJECTED EXPENDI- TURES + ENCUMBRANCES 12/1-6/30	FY 79 (DEFICIT) OR EXCESS	FY 80 CONTINUAL
PERSONAL SERVICES	291.4	326.4	303.2	299.0	296.0	312.0	119.9		229.2	(37.1)	321.9
TRAVEL	44.0	50.2	42.9	45.0	45.0	45.0	13.4	.1	31.5	-	47.8
CONTRACTUAL SERVICES	179.3	523.2	488.1	235.4	235.4	235.4	233.1	7.2	98.8	(103.7)	266.9
COMMODITIES	2.1	6.1	5.2	4.3	4.3	4.3	1.3	.3	2.1	.6	4.6
EQUIPMENT	2.3	7.5	5.3	1.0	1.0	1.0	.9	-	-	.1	-
LANDS, BLDG. ...	4.7										
GRANTS, CLAIMS											
MISCELLANEOUS											
TOTAL	523.8	913.4	844.7	584.7	581.7	597.7	368.6	7.6	361.6	(140.1)	661.2
FEDERAL RECEIPTS											
REQUIRED GF MATCHING											
OTHER GENERAL FUND	523.8	913.4	844.7	584.7	581.7	597.7	368.6	7.6	361.6	(140.1)	661.2
INTER-AGENCY RECEIPTS											

AGENCY: Office of the Governor BRU: Office of Telecommunications COMPONENT: Administration REVISED: \_\_\_\_\_

MEMORANDUM

December 14, 1978

SUBJECT: Telecommunications Legal Work -  
Supplemental Appropriation

Following are estimates of the supplemental monies needed for contract work by Hamel, Park, McCabe & Saunders (HPM&S) through June of 1979. As you are aware, the Department of Law has assumed the responsibility of primary control over telecommunications legal activity (formerly with the Governor's Office of Telecommunications). Unfortunately, the Department of Law has no expertise in this area, and will be relying extensively on Washington counsel for advice, consultation, and other legal work until the department is able to develop its own expertise. And, unfortunately again, many crucial matters will be upcoming in the next six months, including the transfer of control of RCA Alascom to Pacific Power and Light, rate integration, and earth station ownership.

State involvement is essential in all areas; the extent of state involvement, however, is a policy decision. Following is a range of requisite expenditures for the next six months, from minimum to maximum; depending upon the policy decision as to the extent of the desired effort, the amount ranges from approximately \$107,500 to approximately \$163,500.

Earth Station Ownership

Minimum--\$5,000, Maximum--\$17,000.

Expenditure period: January-February, 1979

As you are aware, the question of the state's policy regarding earth station ownership is a central concern, and will arise in the next six months in many forms (including legislation, TV demonstration project, rate integration, and the Pacific Power and Light transfer). The position the state takes must be based on a well-defined policy and a full understanding of the available options. The development of a position in January, 1979, is absolutely crucial, not only because of the pending legislative session and the Pacific Power and Light transfer, but also because many individual crises continually arise in this area.

Neither the Department of Law, nor Washington counsel, can file pleadings, negotiate, give advice, or advocate any individual position without a clearly understood state approved policy. Therefore, the Department wishes to develop a policy option paper for review and decision by the Governor's Office February 10, 1979 at the latest. This policy option paper will include the past history, past problems, and expected future problems in the area of earth station ownership. It will include a list of the options open to the state and their advantages,

disadvantages, consequences, and expected reactions of interested parties. These options range from complete release of the earth station ownerships to the long lines carrier, through the creation of a vehicle for wide control such as public corporation, to the other extreme of complete state ownership. The interrelationships between earth station ownership and all other telecommunications activities will also be explored.

The maximum expenditure figure is based on primary involvement of Washington counsel in preparing and researching all questions concerning the earth station ownership issue. The relationship of the earth station question with many other problems, both legal and otherwise, requires that this initial draft involve extensive preparation effort. January's expenditures are estimated at around \$10,000, and February's expenditure estimate, including consultation and review by decision makers, is approximately \$7,000.

The minimum expenditure figure of \$5,000 is based on almost no primary responsibility being placed upon Washington counsel for any draft or review of the policy paper. Their involvement is absolutely essential for many aspects of the paper and detailed consultation would be required by whomever prepared the initial draft. If Washington counsel is not involved in the preparation of

the initial draft, a member of the Department of Law will be primarily responsible for such a draft. The problems involved in this option include the lack of expertise of any member of the Attorney General's office in this area. For this reason, the project would effectively consume most of the legal time of a member of the Department of Law for the month of January and the month of February.

Other Earth Station Ownership Problems

Minimum--\$1,500, Maximum--\$3,000  
Expenditure period: January-June, 1979

This amount is based upon an expenditure of approximately \$1,500 for efforts regarding the Shishmaref earth station problem and \$1,500 for the development of a rental charge to be paid by RCA Alascom for the use of the earth stations, which are owned in part by the State of Alaska. The Shishmaref question will probably occur somewhere in January and February of 1979, while the rental charged to RCA Alascom for the use of the earth stations over the past three years will have to be negotiated. These discussions could occur at any point over the next six months. The negotiation and attempt to gain some revenues from RCA Alascom for the use of the earth stations should be begun soon, certainly before the development of a final position concerning the TV demonstration project.

Transfer of Licenses from RCA to Pacific Power and Light

Minimum --\$46,500, No maximum  
Expenditure period: January-May, 1979

The amount set forth above does not include any monies which may be needed for consultation with Washington counsel respecting possible APUC hearings. The amount expended is solely concerned with problems which will certainly arise before the Federal Communications Commission when the transfer of licenses is considered. At least \$7,500 will be expended regardless of the actions taken, merely for the review and analysis of the documents filed concerning license transfer. The question of earth station ownership and the joint ownership agreements are also expected to arise during this period of time and could involve extensive hearings and/or negotiations with the new owners and will involve the expenditure of approximately \$22,000 between March and June of 1979. It is not anticipated that this cost will be on-going past the end of the fiscal year. As can be expected, there are a wide range of other issues, such as commitment to bush service, satellite procurement, and, in fact, the whole range of telecommunications operations in Alaska. These additional problems are expected to involve approximately \$15,000 worth of expense over a six-month period. The reason no maximum is given for this expenditure is that the sale of RCA Alascom to Pacific Power and Light is an event of major importance to the state, comparable to the initial transfer of the Alaska Communications System to RCA.

There are numerous issues beyond those already mentioned now outstanding before the FCC relating to RCA Alascom (e.g., pricing of Americom services to Alascom, outstanding accounting orders and pass through requirements, the Eagle River facilities question, bush earth station construction at Shishmaref and expansion in the OTZ operating areas and others). While some issues may be largely mooted by the sale, others will not. If the FCC chooses to resolve all or most remaining issues in connection with the sale where the FCC will have the greatest leverage, rather than in later proceedings, substantially greater effort will be required.

Television Demonstration Project

Minimum--\$3,000, Maximum--\$30,000  
Expenditure period: January-June, 1979

The Television Demonstration Project will be a source of continuing concern throughout this legislative session. In addition, the state will have to decide whether or not to pick up the option on the tariff filed by RCA Alascom by June of 1979. At the very minimum, the state must file a complaint relating to the reasonableness of the charges and other provisions in RCA's filed tariff. During the period of negotiation with RCA Alascom for the continuation

of the Television Demonstration Project, RCA Alascom would not discuss the costs underlying their tariff filing. It was expressly understood when we agreed to procure service for the next year from RCA Alascom that we would have the opportunity to discuss and/or object to the particular sources of costs which they have included in their tariff. It is absolutely essential that we at least file a complaint as soon as possible, since the period of reimbursement of cost, if our complaint is successful, will relate back to the date of the filing of the complaint. The filing of a minimum complaint will cost around \$3,000, and this figure would only provide for a rudimentary complaint to preserve the state's rights to possible reimbursement from the date of filing. The filing of an amended complaint and related pleadings and efforts should occur somewhere around March or April of 1979, and additional amounts needed for this effort are approximately \$10,000 to \$11,000. In addition, many issues are expected to arise during the procurement of the Television Demonstration Project program in June of 1979, and an additional \$10,000 to \$12,000 will be required for this effort. Since the FCC is the primary, and only, controlling authority over the Television Demonstration Project, most of the issues arising will require consultation with and actual legal effort by

Washington counsel. The minimum expenditure amount provides solely for the filing of a complaint in January, with the expenditure of additional monies (up to the maximum amount dependent upon the degree of effort determined advisable in the Television Demonstration Project area.

Rate Integration

Minimum--\$27,000, Maximum--\$33,000  
Expenditure period: January-June, 1979

Extensive effort will be necessary during February, March and April of 1979, since in February the initial report of the Joint Board Proceeding will be issued and comments thereon will be required. The Joint Board Proceeding concerns separations methodology. Participation is absolutely essential as all telephone rates and rate structures, both intra and interstate, will be affected by the decisions of the Joint Board. The expenditure of approximately \$9,000 per month for three months will be required for a minimum effort in this area. In addition, some additional involvement of approximately \$1,500 per month may be required in May and June. Moreover, Hawaii has appealed on rate integration matters and we are presently intervenors. If we wish to participate even minimally in this case, approximately \$1,500 for January and \$1,500 for February will be required.

Communications Act Rewrite

Minimum--\$10,000, Maximum--\$12,000  
Expenditure period: February-June, 1979

The Communications Act of 1934 is expected to go through its first major revision in this upcoming Congressional session. This act completely controls the majority of Alaska telecommunications law, since the Federal Communications Commission acts under the authority of the Communications Act, and its control over the decisions to be made for Alaska telecommunications is preeminent. At the minimum, the state should file a statement probably in February, and provide witnesses and testimony at the hearings which are expected to occur in April and May of the coming year. It will cost approximately \$5,000 to put forward a statement on the act, and another \$5,000 to participate in the hearing before Congress. In addition, the state through its Washington counsel could be involved in the drafting of some sections of the Communications Act to protect Alaska's interests. An additional \$2,000 to \$3,000 will be required for this activity. The filing of a statement and the provision of testimony make up the minimum amount, with drafting work making up the difference between the minimum and the maximum expenditure figures listed above.

F-3, Satellite Launch

\$2,500

Expenditure period: March-May, 1979

In the next few months it is anticipated that RCA Americom, the only provider of satellite service at this moment to Alaska, will send up another satellite. It is expected that RCA will attempt to charge some of the costs of this satellite to the users of the present satellite, including Alaska. It will be a fairly simple matter to file a position paper or complaint before the FCC on this matter, which will cost approximately \$2,500.

Consultation

\$12,000

Expenditure period: January-June, 1979

As the Department of Law has not yet developed an expertise in this area, it is expected that many problems will arise that do not directly affect legal activity before the Federal Communications Commission on which the Department of Law will have to draw upon the expertise and consultation with Washington counsel. Consultation and activity has averaged approximately \$2,000 to \$3,000 per month. It is expected that as the Department of Law gains experience and expertise, these charges should decrease to an average of somewhat less than \$2,000 per month, for a total of \$12,000.

Intrastate Rate Increase Case

\$0

The Department of Law does not plan to involve Washington counsel at all in this proceeding.

Reconfiguration of State Government's Telecommunications Network from Intrastate to Interstate

Minimum--\$0, Maximum--\$7,500

The state is presently losing a substantial sum of money because of the recent RCA intrastate rate increase and interstate rate decrease. Since the state government communications system involves extensive interstate transmissions, many of the tolls could be done under a tariff of interstate rather than intrastate. This should save the state a substantial sum of money. The expenditure in legal fees for this activity would involve approximately \$7,500. This particular activity can be postponed, with the only loss to the state being the extra monies it will be paying before this issue is resolved.

Funding Information:  
General Funds: \$104,100  
Other Funds: -0-  
\$104,100

*Alaska*

Introduced: 1/29/79  
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 91

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a supplemental appropriation to the  
7 Department of Law; and providing for an effective  
8 date."

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

10 \* Section 1. The sum of \$104,100 is appropriated from the general fund  
11 to the Department of Law, Legal Services, to be allocated as follows:

12 Expenses incurred due to contested	
13 1978 primary election	\$ 61,000
14 Court costs and attorney fees in	
15 Angaiak v. Beirne	24,000
16 Right-of-way settlement for access	
17 route to Juneau International	
18 Airport	14,100
19 Right-of-way settlement for Knik	
20 River Road	5,000

21 \* Sec. 2. The unexpended and unobligated portion of the appropriation  
22 made in sec. 1 of this Act lapses June 30, 1978.

23 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
24 10.070(c).

25  
26  
27  
28  
29

FY 79 SUPPLEMENTAL REQUEST ANALYSIS

RECEIVED

JAN 30 1979

	FY 77 ACTUAL	FY 78 FINAL AUTH.	FY 79 ACTUAL	FY 79 GOV. BUDGET	FY 79 INITIAL AUTH.	FY 79 CURRENT AUTH.	EXPENDITURES + ENCUMBRANCES 7/1/-11/30	OTHER OBLIGATIONS 7/1/-11/30	PROJECTED EXPENDI- TURES + ENCUMBRANCES 12/1-6/30	Budget And Management FY 79 (DEFICIT) OR EXCESS	FY 80 CONTINUATION
PERSONAL SERVICES	2773.6	3273.2	3201.0	3500.5	3243.6	3556.0	1344.8		2211.2		3451.6
TRAVEL	112.1	109.5	120.6	172.1	137.7	162.2	82.6		97.1	(17.5)	146.0
CONTRACTUAL SERVICES	987.1	598.6	503.4	603.3	524.7	552.5	317.6	74.5	339.4	(179.0)	629.8
COMMODITIES	44.3	40.4	45.8	44.3	42.3	42.6	16.9		25.7		44.9
EQUIPMENT	7.5	6.5	5.7	24.1	22.0	30.3	10.5	12.4	7.4		7.0
LANDS, BLDG. ...	8.6	8.6	9.9	9.6	9.6	9.6	9.6				9.6
GRANTS, CLAIMS	294.6	15.0	17.0	15.0	15.0	15.0	11.3	43.1	3.7	(43.1)	15.0
MISCELLANEOUS											
TOTAL	4227.8	4051.0	3903.4	4368.9	3994.9	4368.1	1793.3	130.0	2684.5	(239.6)	4303.8
FEDERAL RECEIPTS				263.0							
REQUIRED GF MATCHING											
OTHER GENERAL FUND	3105.9	2506.3	2475.9	2678.5	2647.5	2785.8	1169.8	85.6	1770.0	(239.6)	2912.5
INTER-AGENCY RECEIPTS	1121.9	1545.5	1427.5	1427.4	1347.4	1582.4	623.5	44.4	914.5		1391.3

AGENCY: LAW BRU: Legal Services COMPONENT: Legal Services REVISED: 1/30/79

## MEMORANDUM

State of Alaska

TO: Robert Shelly  
Budget Analyst  
Division of Budget &  
Management

DATE: 1 February 1979

FILE NO:

TELEPHONE NO: 465-3550

FROM: Richard Bowling  
Deputy Director  
Office of Telecommunications

SUBJECT: Savings in areas of  
OT involvement

Attached is a paper which documents savings which have been made in the past few years where OT has had a direct involvement. The full credit for these savings is, of course, not entirely due OT. However, OT has taken a leadership role in all cases cited and in some instances, such as the satellite facilities case, has been the public interest's only advocate. Our objective has been, and is, that communications services be widely available to the citizens of Alaska at affordable rates. We believe that this is an objective which can be met while simultaneously providing fair profits to the industry.

RPD/bt  
Attachment

## Rate Integration

In 1972 the FCC ordered that Alaska's interstate toll rates be reduced from the then existing international rates to that of the uniform interstate rate structure of the lower 48. This was possible because the introduction of satellite technology drastically reduced costs. Three years later no rate reduction had been put into effect and the carriers were deadlocked over the separations issue. OT and others succeeded in working out a solution which brought about Phase 1 of a planned three-step reduction in rates in March of 1976. The savings in 1976 was \$23 million.

Phase 2, scheduled for July of 1977, might have slipped substantially had OT not spearheaded an effort which resulted in an on-schedule rate reduction which at the same time brought RCA Alascom more revenues than they had received in the previous year due to improved settlements with AT&T for which OT was largely responsible. The savings in 1977 (over pre-Phase 1 rates) amounted to \$59 million and in 1978 to \$80 million.

Phase 3 was scheduled for January 1979. However, again the carriers were unable to agree to a separations plan and only a fraction (about 1/3) of the remaining rate disparity was implemented. Nonetheless, the savings in 1979 will amount to \$91 million, for a total savings from inception to the end of 1979 of \$253 million compared to pre-rate integration rates.

## Transponder Costs

In 1975 RCA Alascom was a wholly owned subsidiary of RCA Globcom which was also to be the owner of RCA's domestic satellite system. At that time it was Globcom's intention that Americom would purchase 16 transponders in the about-to-be-launched RCA satellites at about \$1.2 million each per year. OT objected on the grounds that Alascom was only partially using six transponders in the Western Union satellite at that time and that this was clearly an effort on the part of Globcom to cross subsidize their emerging competitive market domestic satellite system by over-assigning capacity to Alascom's monopoly market. We further asked that Alascom be required to procure their satellite facilities competitively. The FCC issued an order which provided that Alascom could only initially lease six transponders (at an annual rate of \$720,000) in Globcom's system and that they must account for all the transponders used with a provision for repayment to Alascom - and flow-through to the customers - of any overassignment which may be found to take place. The net savings have amounted to approximately \$5 million since 1976.

A related issue occurred in 1977 when RCA Americom (the successor to Globcom) filed a tariff increase for transponders leased to Alascom. OT maintained before the FCC that the increase was discriminatory since it resulted in charges to Alascom which were significantly higher than those for equivalent services to other users. The FCC stayed the tariff for the maximum statutory period of eight months at a savings of \$1.1 million. The FCC failed to act on the issue, which remains open, and the tariff increase went into effect in June of 1978.

### Interim Intrastate Rate Increase

In June 1977 RCA Alascom applied to the APUC for an interim rate increase on intrastate services of 87% across the board. This came at a time when Alascom was one of the most profitable utilities in the country with a test year (1976) total company return on investment of 12.2% (compared to AT&T's allowed ROR of 9.5-10%). OT and others intervened stating that no increase was required even though Alascom claimed to be losing money on intrastate service. As a total company they were vigorously healthy. At issue was interpretation of the law governing interim (normally emergency) rate increases. The APUC staff interpreted the law to say that the rate increase should be granted and argued this before the Commission. Ultimately the APUC agreed with OT and rejected the interim increase. There followed a series of court cases which ultimately resulted in the increase being applied in June of 1978. However, the state Supreme Court has agreed to re-hear the case and final resolution has not been determined. During the nine months that the increase was stayed, the ratepayers of the state saved \$16.5 million while the state government saved an estimated \$850,000. Had the Supreme Court ruled on 1 January 1979 that the increase should be refunded, \$11.5 million would have been returned.

### Television Demonstration Project

RCA's original quotation for the TVDP was \$1.9 million for less service than we are now receiving. After negotiation, this was reduced to \$1 million for a savings during the 18 months of the project of \$1.35 million. Further price reductions were seen during the last legislative session, probably in response to potential competition from the private sector. Further cost reductions can be expected in the future if competitive alternatives are utilized.

### Joint Board Proceeding

In 1971, when the Ozark method of toll revenue separations was implemented, the fact that this methodology was not properly applicable to Alaska was expressly recognized in the document. To arrive at a proper separations methodology, a Joint Board of FCC and state regulatory commissioners was established in 1977. So far that body has leaned toward adoption of the Ozark plan which the state (and RCA) feels is inappropriate. OT has participated in filings before the Joint Board and has advocated a methodology which, if adopted, would save the Alaska ratepayer between \$28 and \$46 million per year by bringing that additional amount into RCA from the Continental U.S. rate pool, thus reducing the intrastate rates by a like amount. The state government share is estimated at 14.5% of these amounts.

### Other Issues

There are other activities which OT has engaged in which have a less measurable cost-benefit, such as the small earth station program and advocacy of improved technology. These activities, however, have significant potential for furthering the economic development of the state by providing modern, widely accessible communications services at minimum cost to the consumer.

STANDARD AGREEMENT FORM  
FOR SERVICE CONTRACT

This contract, effective as of the 1st day of July 1978, between the State of Alaska, Office of the Governor, Office of Telecommunications, (hereinafter called the "State"), and B. Richard Edwards, (hereinafter called the "Contractor"),

WITNESSETH that:

Whereas, the State is entering into this contract by direct negotiation and not by competitive bids because this is a contract for personal services;

Whereas, the Contractor is willing to undertake the performance of this contract under the terms of this contract;

Whereas, the Office of Telecommunications has the authority to enter into this contract by AS 44.19.010;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I. SERVICES TO BE PERFORMED

The Contractor shall provide legal advice, research and representation pertaining to regulatory matters before the FCC, the APUC and the appellate courts, especially within the State.

ARTICLE II. PERIOD FOR PERFORMANCE

The period of performance under this contract shall commence on 1 July 1978 and expire on 30 June 1979. The Contracting Officer, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State shall be liable only for payment in accordance with the payment provisions of this contract for services rendered prior to the effective date

of the termination.

ARTICLE III. CONSIDERATION

In full consideration of the Contractor's performance hereunder the State shall pay the Contractor an amount not to exceed \$30,000 payable at the rate of \$80 per hour plus expenses.

ARTICLE IV. ADDITIONAL GENERAL PROVISIONS

Appendix A, attached hereto and made a part hereof sets forth additional general provisions of this contract.

ARTICLE V. CHANGES

Appendix B, attached hereto and made a part hereof, sets forth any changes or additions that were made in this contract prior to its execution. (If Appendix B is not attached hereto, there have been no such changes or additions.)

IN WITNESS WHEREOF, the parties have executed this contract.

CONTRACTOR

B. Richard Edwards

By: B. Richard Edwards

Date: 7/11/78

STATE OF ALASKA

Office of Telecommunications

By: Robert M. Walp  
Robert M. Walp, Director

Date: 12 July 1978

APPROVED:

William W. Lawrence  
(Department of Administration)

Date: 7-1-78

STANDARD AGREEMENT FORM  
FOR SERVICE CONTRACT

This contract, effective as of the 1st day of July 1978, between the State of Alaska, Office of the Governor, Office of Telecommunications, (hereinafter called the "State"), and Richard Gabel, (hereinafter called the "Contractor"),

WITNESSETH that:

Whereas, the State is entering into this contract by direct negotiation and not by competitive bids because this is a contract for personal services;

Whereas, the Contractor is willing to undertake the performance of this contract under the terms of this contract;

Whereas, the Office of Telecommunications has the authority to enter into this contract by AS 44.19.010;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I. SERVICES TO BE PERFORMED

The Contractor shall provide economic consulting services pertaining to regulatory proceedings and the development of economic policy in the telecommunications field.

ARTICLE II. PERIOD FOR PERFORMANCE

The period of performance under this contract shall commence on 1 July 1978 and expire on 30 June 1979.

The Contracting Officer, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State shall be liable only for payment in

accordance with the payment provisions of this contract for services rendered prior to the effective date of the termination.

ARTICLE III. CONSIDERATION

In full consideration of the Contractor's performance hereunder the State shall pay the Contractor an amount not to exceed \$5,000.

ARTICLE IV. ADDITIONAL GENERAL PROVISIONS

Appendix A, attached hereto and made a part hereof sets forth additional general provisions of this contract.

ARTICLE V. CHANGES

Appendix B, attached hereto and made a part hereof, sets forth any changes or additions that were made in this contract prior to its execution. (If Appendix B is not attached hereto, there have been no such changes or additions.)

IN WITNESS WHEREOF, the parties have executed this contract.

CONTRACTOR

Richard Gabel

By: Richard Gabel

Date: July 10, 1978

STATE OF ALASKA

Office of Telecommunications

By: Robert M. Walp

Robert M. Walp, Director

Date: 5 July 1978

APPROVED:

William W. Williams  
(Department of Administration)

Date: 7-16-78

STATE OF ALASKA  
AMENDMENT TO CONTRACT

THIS INDENTURE, to be known as Amendment No. 1 to the existing contract between

William H. Melody

(Contractor)

and the State of Alaska, Office of Telecommunications on this 18th day of December 1978 covering a change in contract dates and/or amount.

THIS AMENDMENT SHALL:

1. Be effective immediately
2. Change the total amount to be not more than \$ 5,000
3. All other items and conditions of the contract remain the same.

Contractor:

\_\_\_\_\_

Date \_\_\_\_\_

State of Alaska  
Office of Telecommunications

Robert M. Walp

Robert M. Walp, Director

Date 18 December 1978

Department of Administration

Date

STANDARD AGREEMENT FORM  
FOR SERVICE CONTRACT

JUL 22 1978  
REC'D

This contract, effective as of the 1st day of July 1978, between the State of Alaska, Office of the Governor, Office of Telecommunications, (hereinafter called the "State"), and William H. Melody, (hereinafter called the "Contractor"),

WITNESSETH that:

Whereas, the State is entering into this contract by direct negotiation and not by competitive bids because this is a contract for personal services;

Whereas, the Contractor is willing to undertake the performance of this contract under the terms of this contract;

Whereas, the Office of Telecommunications has the authority to enter into this contract by AS 44.19.010;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I. SERVICES TO BE PERFORMED

The Contractor shall provide economic consulting services pertaining to regulatory proceedings and the development of economic policy in the telecommunications field.

ARTICLE II. PERIOD FOR PERFORMANCE

The period of performance under this contract shall commence on 1 July 1978 and expire on 30 June 1979.

The Contracting Officer, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State shall be liable only for payment in

accordance with the payment provisions of this contract for services rendered prior to the effective date of the termination.

ARTICLE III. CONSIDERATION

In full consideration of the Contractor's performance hereunder the State shall pay the Contractor an amount not to exceed \$20,000.

ARTICLE IV. ADDITIONAL GENERAL PROVISIONS

Appendix A, attached hereto and made a part hereof sets forth additional general provisions of this contract.

ARTICLE V. CHANGES

Appendix B, attached hereto and made a part hereof, sets forth any changes or additions that were made in this contract prior to its execution. (If Appendix B is not attached hereto, there have been no such changes or additions.)

IN WITNESS WHEREOF, the parties have executed this contract.

CONTRACTOR

William H. Melody

By: *William H. Melody*

Date: 10 July 1978

STATE OF ALASKA

Office of Telecommunications

By: *Robert M. Walp*  
Robert M. Walp, Director

Date: 5 July 1978

APPROVED:

*[Signature]*  
(Department of Administration)

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

STATE OF ALASKA  
AMENDMENT TO CONTRACT

THIS INDENTURE, to be known as Amendment No. 1 to the existing contract between

Graeper, Van Noy, Wagner, Inc.  
(Contractor)

and the State of Alaska, Office of Telecommunications on this 18th day of December 1978 covering a change in contract dates and/or amount.

THIS AMENDMENT SHALL:

1. Be effective immediately
2. Change the total amount to be not more than \$ 20,000
3. All other items and conditions of the contract remain the same.

Contractor:

\_\_\_\_\_

Date \_\_\_\_\_

State of Alaska  
Office of Telecommunications

Robert M. Walp

Robert M. Walp, Director

Date 18 December 1978

Department of Administration

Date \_\_\_\_\_

SEP 11 1978

STANDARD AGREEMENT FORM  
FOR SERVICE CONTRACT

This contract, effective as of the 1st day of July 1978, between the State of Alaska, Office of the Governor, Office of Telecommunications, (hereinafter called the "State"), and Graeper, Van Noy, Wagner, Inc., (hereinafter called the "Contractor"),

WITNESSETH that:

Whereas, the State is entering into this contract by direct negotiation and not by competitive bids because this is a contract for personal services;

Whereas, the Contractor is willing to undertake the performance of this contract under the terms of this contract;

Whereas, the Office of Telecommunications has the authority to enter into this contract by AS 44.19.010;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I. SERVICES TO BE PERFORMED

The Contractor shall provide economic analysis, consultation and legal testimony pertaining to regulatory proceedings before the FCC and the APUC.

ARTICLE II. PERIOD FOR PERFORMANCE

The period of performance under this contract shall commence on 1 July 1978 and expire on 30 June 1979.

The Contracting Officer, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State shall be liable only for payment

RECEIVED  
SEP 11 11 35 AM '78  
DEPT. OF  
ADMINISTRATION

RECEIVED  
AUG 28 1978

FISCAL OFFICE

in accordance with the payment provisions of this contract for services rendered prior to the effective date of the termination.

ARTICLE III. CONSIDERATION

In full consideration of the Contractor's performance hereunder the State shall pay the Contractor an amount not to exceed \$30,000.

ARTICLE IV. ADDITIONAL GENERAL PROVISIONS

Appendix A, attached hereto and made a part hereof sets forth additional general provisions of this contract.

ARTICLE V. CHANGES

Appendix B, attached hereto and made a part hereof, sets forth any changes or additions that were made in this contract prior to its execution. (If Appendix B is not attached hereto, there have been no such changes or additions.)

IN WITNESS WHEREOF, the parties have executed this contract.

CONTRACTOR

Graeper, Van Noy, Wagner, Inc.

By: Douglas Wagner

Date: Aug 23, 1978

STATE OF ALASKA

Office of Telecommunications

By: Robert M. Walp  
Robert M. Walp, Director

Date: 21 August 1978

APPROVED:

William W. Lewis  
(Department of Administration)

Date: 9-5-78

STANDARD AGREEMENT FORM

FOR SERVICE CONTRACT

This contract, effective as of the 1st day of July 1978, between the State of Alaska, Office of the Governor, Office of Telecommunications, (hereinafter called the "State"), and Hamel, Park, McCabe & Saunders, (hereinafter called the "Contractor"),

WITNESSETH that:

Whereas, the State is entering into this contract by direct negotiation and not by competitive bids because this is a contract for personal services;

Whereas, the Contractor is willing to undertake the performance of this contract under the terms of this contract;

Whereas, the Office of Telecommunications has the authority to enter into this contract by AS 44.19.010;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I. SERVICES TO BE PERFORMED

The Contractor shall provide legal research and representation pertaining to regulatory proceedings before the FCC, the APUC and the appellate courts, especially at the Federal level.

ARTICLE II. PERIOD FOR PERFORMANCE

The period of performance under this contract shall commence on 1 July 1978 and expire on 30 June 1979.

The Contracting Officer, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State shall be liable only for payment in

accordance with the payment provisions of this contract for services rendered prior to the effective date of the termination.

ARTICLE III. CONSIDERATION

In full consideration of the Contractor's performance hereunder the State shall pay the Contractor an amount not to exceed \$60,000.

ARTICLE IV. ADDITIONAL GENERAL PROVISIONS

Appendix A, attached hereto and made a part hereof sets forth additional general provisions of this contract.

ARTICLE V. CHANGES

Appendix B, attached hereto and made a part hereof, sets forth any changes or additions that were made in this contract prior to its execution. (If Appendix B is not attached hereto, there have been no such changes or additions.)

IN WITNESS WHEREOF, the parties have executed this contract.

CONTRACTOR

Hamel, Park, McCabe & Saunders

By: John W. Pettit

Date: July 10, 1978

STATE OF ALASKA

Office of Telecommunications

By: Robert M. Walp  
Robert M. Walp, Director

Date: 5 July 1978

APPROVED:

[Signature]  
(Department of Administration)

Date:

STANDARD AGREEMENT FORM

FOR SERVICE CONTRACT

This contract, effective as of the 1st day of July 1978, between the State of Alaska, Office of the Governor, Office of Telecommunications, (hereinafter called the "State"), and William B. Pohlman, (hereinafter called the "Contractor"),

WITNESSETH that:

Whereas, the State is entering into this contract by direct negotiation and not by competitive bids because this is a contract for personal services;

Whereas, the Contractor is willing to undertake the performance of this contract under the terms of this contract;

Whereas, the Office of Telecommunications has the authority to enter into this contract by AS 44.19.010;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I. SERVICES TO BE PERFORMED

The Contractor shall provide engineering consulting services and technical liaison pertaining to the development of voice, data and video telecommunications sources for Alaska.

ARTICLE II. PERIOD FOR PERFORMANCE

The period of performance under this contract shall commence on 1 July 1978 and expire on 30 June 1979.

The Contracting Officer, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State shall be liable only for payment in

accordance with the payment provisions of this contract for services rendered prior to the effective date of the termination.

ARTICLE III. CONSIDERATION

In full consideration of the Contractor's performance hereunder the State shall pay the Contractor an amount not to exceed \$20,000.

ARTICLE IV. ADDITIONAL GENERAL PROVISIONS

Appendix A, attached hereto and made a part hereof sets forth additional general provisions of this contract.

ARTICLE V. CHANGES

Appendix B, attached hereto and made a part hereof, sets forth any changes or additions that were made in this contract prior to its execution. (If Appendix B is not attached hereto, there have been no such changes or additions.)

IN WITNESS WHEREOF, the parties have executed this contract.

CONTRACTOR

William B. Pohlman  
By: William B. Pohlman

Date: 8 July 1978

STATE OF ALASKA

Office of Telecommunication:  
By: Robert M. Walp  
Robert M. Walp, Director

Date: 5 July 1978

APPROVED:

William B. Pohlman  
(Department of Administration)

Date: 7.8.78

# MEMORANDUM

State of Alaska <sup>EW</sup>

TO: Mike Harper

DATE: 24 April 1978

FILE NO:

TELEPHONE NO:

FROM: Bob Walp

SUBJECT: Office of Telecommunications  
FY 79 Budget

Now that we have received a supplemental appropriation to our FY78 budget, it seems advisable to review our FY79 contractual services requirements in light of the increased activity we are confronted with. I believe we should attempt to obtain a supplement through Free Conference Committee during the current Legislative session, rather than wait until the next Legislature convenes and repeat the agonies we have just endured.

Our broad goal is to help ensure the development of adequate telecommunication services for Alaska. This requires special attention because the state lags behind the rest of the country and has relatively greater need because of its size and other factors. We are trying to guide the industry to install the technological capability to supply telephone, television, data, etc. services as needed, and are working to establish a regulatory environment that will make them available at reasonable prices.

Many interrelated issues are before us. These are described in the attached document, prepared in December 1977. At this time, four months later, the emphasis has changed a bit, and we see some issues more clearly. The more important are as follows:

1. Regulatory Environment. Three concurrent proceedings are before us on local exchange settlements, intrastate toll rates and interstate separations methodology. They can have a disastrous effect on rates and seriously impede development and utilization of telecommunications if we cannot coordinate these basically separate cases. This is a very critical situation, for it offers a once-only opportunity to effect some very positive changes. It will take substantial legal help to handle all three cases, plus creative support in regulatory economics to develop needed plans.
2. Facilities Issues. The Federal Communications Commission has indicated their intent to resolve the satellite ownership issue in the next several months.

We insist that there must not be a permanent assignment, for we all save money if RCAA is free to make the most economical deal. The earth station ownership issue is related to this; further, there is another case in which RCAA is refusing to supply long-distance service to village telephone exchanges unless it has total ownership. This issue is related to the regulatory issues, as significant economic advantages accrue to the owner. This is further complicated by technical aspects regarding system operation, i.e., whether fixed assignment of satellite channels is utilized or demand assignment is adopted.

3. Corporate Relationships. The FCC has ordered a full investigation of tariff revisions proposed by RCA Alascom (the satellite owner), because of failure of the RCA companies to deal at arms length, Alascom has not objected to increased charges by Americom. We are further concerned that Alascom leases more of the satellite than needed.

The above issues require an immense amount of legal assistance, as nearly everything is before either the APUC or the FCC. When dealing with a regulated industry, one finds himself before the regulators. We have the best legal counsel available: Hamel, Park, McCabe & Saunders in Washington, D. C. and B. Richard Edwards in Anchorage. Our lawyers conduct the legal research needed to support our positions, carefully scrutinize the opposition's position, prepare the many required legal documents, represent us in hearings and supply advice on a continuing basis.

We require the assistance of experts in regulatory economics to develop plans for improving the regulatory environment. Two consultants, William Melody and Richard Gabel, give us the best combination of creativity and solidarity that can be obtained. To interpret the massive amount of numerical data pertaining to investments and expenses in the industry, we utilize the talents of the public utility accounting firm of Graeper, Van Noy and Wagner.

There is no doubt that the cost of the efforts described is worthwhile. If we had not participated in the recent interim intrastate rate case, the increase surely would have gone into effect approximately six months ago. Conservative estimates show that the increase would have cost the state government \$1.6 million per year; thus we have saved \$800 thousand so far. Our costs were of the order of \$140 thousand; RCAA spent over \$1 million, however. Note also that the total savings to all ratepayers in the state is at least \$10 million to date. Even if the Supreme Court overturns the APUC decision, we are still ahead by far.

We can show that Alascom would have purchased a \$40 million share of Americom's satellites if we hadn't intervened, and would otherwise be leasing more capacity. This is equivalent to a savings of two million dollars per year to users in the state, at a minimum.

Phase II of rate integration, which lowered interstate rates by well over \$20 million per year, would probably not have come about without our intervention. We have no proof in this case, but we did propose the solution used to break a deadlock in negotiations between RCAA and AT&T.

The economic stakes which lie ahead are equally high, and many are tangible. It seems certain that if we hadn't expended the effort that necessitated the recent \$235 thousand supplemental, the state government's FY78 telephone bill would end up well over \$1 million greater.

I wish we had anticipated the need for greater contractual services in FY79 at the time the budget was prepared. We now have a more clear picture of our needs during the coming fiscal year; I believe we should do all we can at this time to be prepared.

My best estimate is that total contractual professional service requirements for FY79 will be \$450,000. The Governor's budget amount before the Legislature is \$180,000, indicating the need for a \$270,000 increase. (For comparison, the FY78 total, including the supplemental, is \$425,000.)

Please consider this carefully; I will be checking with you in a few days.

cc: - Janet Green

Ron Lind, Director  
Budget & Management

22 August 1978

Bob Walp *RMW*

FY 79 Supplemental

As you know we failed to obtain the requested \$270,000 supplemental during the past Legislative session. The need still exists.

Since we have already gone through the entire approval process, no further action seems necessary. I am attaching copies of documents related to the previous attempt.

RMW:kb

cc: Mike Harper  
Janet Green



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

June 6, 1978

The Honorable John Sackett  
Chairman, Senate Finance Committee  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Supplemental appropriation  
for regulatory  
proceedings

Dear Senator Sackett:

Legislative Resolve 101, of the First Session of the Tenth Legislature, instructed the Office of Telecommunications to participate in intrastate rate hearings and in federal-state Joint Board hearings. Action taken by the Office of Telecommunications in these proceedings has required expenditures of approximately \$200,000 in FY 78; this is a small fraction of that budgeted by the APUC and the utilities involved. This action has, to date, saved the state government approximately \$1 million and saved the public over \$10 million.

In order to continue its efforts to establish an equitable rate structure for telecommunications services in-state and interstate, the Office of Telecommunications will require \$270,000 more than anticipated at the time its FY 79 budget was prepared.

If the Office of Telecommunications budget cannot be augmented by this amount, some of the tasks it would have undertaken will be left undone or assumed by other agencies less well prepared at this time.

It is therefore requested that the Free Conference Committee increase the total appropriation for FY 79 to the Office of Telecommunications by the amount of \$270,000..

Sincerely,

Jay S. Hammond  
Governor

cc: Senator John Rader  
President of the Senate  
Jay Hogan, Legislative Finance