

LEG. FINANCE - BILLS 1979 - 1980 1364

CSSB 438 cont., thru CSSB 439 • • • B64

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HCS CSSB 438
 Title An Act relating to energy conservation
 Requested by HOUSE FINANCE Date April 29, 1980

II. FISCAL DETAIL

Agency Affected Department of Commerce and Economic Development
 Program Category Affected Development
 BRU, Program, or Subprogram(s) Affected Division of Energy and Power Development
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		349.0				
200 TRAVEL		31.3				
300 CONTRACTUAL		1617.3				
400 COMMODITIES		6.3				
500 EQUIPMENT		10.9				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		2650.0				
TOTAL		4664.8				

FUNDING (Thousands of Dollars)

GENERAL FUND	4664.8				
FEDERAL FUNDS					
OTHER (Specify Fund Source)					

POSITIONS

FULL TIME					
PART TIME					
TEMPORARY					

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

see attached

IV. DATE April 29, 1980 PREPARED BY David Creekman
 AGENCY Dept. of Commerce & Economic Development
 I..ONE 465-2504
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Energy Audit, Development, Training and Administration:

100.	93.2	
200.	5.4	
300.	106.0	209.9
400.	2.4	
500.	2.9	

Thermal and Lighting Standards:

100.	56.3	
200.	4.0	
300.	21.7	84.0
400.	.6	
500.	1.4	

Public Education Program:

100	25.7	
200	3.6	
300	23.7	56.8
400	1.6	
500	2.2	

State Assisted Residential Energy Audits:

100		
200		
300	1285.0	1285.0
400		
500		

Long Term Energy Plans:

100	90.8	
200	9.3	
300	168.5	270.4
400	.7	
500	1.1	

Conservation Grants Administration

100	83.0	
200	9.0	
300	12.4	108.7
400	1.0	
500	3.3	

	<u>2014.8</u>
GRANTS	<u>2650.0</u>
	4664.8

Long Term Energy Plans, the most substantial deviation from the earlier fiscal note, is broken down as follows:

100.	1 Energy Spec. II	Range 18A	
	1 Admin. Asst. II	Range 14A	
	1 Clerk Typist II	Range 7A	
	15% Acct. Tech. II	Range 14A	
200.	10 trips to Juneau @ \$250.00 each		= \$2500.00
	Hearings with 12 trips @ \$200.00 each		= 3600.00
	40 days per diem @ \$80.00 per day		= 3200.00
			<u>\$9300.00</u>
300.	Professional services contracts		= \$150,500.00
	Includes development of ongoing energy supply and demand analysis system; energy development plan and emergency contingency plan preparations; transportation and fuels production and supply systems assessments.		
	Computer and programming time		= \$4000.00
	Telephone, postage, printing, advertising, copying, space and equipment rental		= \$14,000.00
			<u>\$168,500.00</u>
400.	various commodities		= \$700.00
500.	1 desk @ \$388.00		= \$388.00
	1 chair @ \$155.00		= \$155.00
	2 bookcases @ \$90.00 each		= \$180.00
	1 calculator @ \$240.00		= \$240.00
	1 table @ \$145.00		= \$145.00
			<u>\$1108.00</u>

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

REVISED
FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 438

Title An act relating to energy: to the conservation of energy, the development and use

Requested by _____ Date _____

of alternative energy systems, and modifying state and local taxes to encourage energy conservation.

II. FISCAL DETAIL

Agency Affected Department of Commerce and Economic Development

Program Category Affected Development

BRU, Program, or Subprogram(s) Affected Division of Business Loans

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

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		218.4				
200 TRAVEL		16.0				
300 CONTRACTUAL		30.0				
400 COMMODITIES		2.0				
500 EQUIPMENT		14.9				
600 LAND & STRUCTURES		-0-				
700 GRANTS, CLAIMS, ETC.		-0-				
<u>LOANS</u>		2,000.0				
TOTAL		2,281.3				

FUNDING (Thousands of Dollars)

<u>GENERAL FUND</u>		2,281.3				
<u>FEDERAL FUNDS</u>						
<u>OTHER (Specify Fund Source)</u>						

POSITIONS

<u>FULL TIME</u>		8				
<u>PART TIME</u>						
<u>TEMPORARY</u>						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The above figures apply only to energy conservation loans.

Sharon R. Traylor

IV. DATE amended 4-29-80 PREPARED BY Sharon R. Traylor, Director
 AGENCY Div. of Business Loans, Dept. of Com. & Eco. Dev.
 PHONE 465-2510
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Fiscal Note Detail, SB 438

		<u>12 Months</u>
100.	3 Loan Examiners I/II's (flex) @ \$2,289/mo.	\$ 82.4
	1 Clerk Typist III @ \$1,277/mo.	15.3
	1 Loan Closer I @ \$1,440/mo.	17.3
	1 Documents Processing Clerk III @ \$1,440/mo.	17.3
	1 Accounting Clerk III @ \$1,440/mo.	17.3
	1 Accountant I @ \$1,628/mo.	<u>19.5</u>
	TOTAL WAGES	\$169.1
	Standard Benefits (Wages X .1529)	25.9
	Supplemental Benefits (Wages X .0665)	11.2
	Health Insurance Cost (Man months X \$127)	<u>12.2</u>
	TOTAL PERSONAL SERVICES	\$218.4
200.	Travel to close loans	16.0
300.	Telephone, postage, printing of applications, cost of additional office space	30.0
400.	Office Supplies	<u>2.0</u>
	TOTAL OPERATING COST	\$266.4
500. Equipment:		
	8 Desks @ \$340	2.7
	3 Typist's extensions @ \$410	1.2
	5 Credenzas @ \$390	2.0
	5 Secretarial chairs @ \$140	.7
	3 Executive chairs @ \$180.	.5
	10 Side chairs @ \$125	1.3
	8 File cabinets @ \$125	1.0
	8 Calculators @ \$230	1.8
	4 Typewriters @ \$865	3.5
	2 Coat racks @ \$70	.1
	8 Wastebaskets, desk organizers	<u>.1</u>
	TOTAL COST	14.9
		<u>\$281.3</u>

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HCS SB 438
 Title An Act relating to energy conservation
 Requested by House Resources Committee Date 4/22/80

II. FISCAL DETAIL
 Agency Affected Department of Commerce & Economic Development
 Program Category Affected DEVELOPMENT
 BRU, Program, or Subprogram(s) Affected Div. of Energy and Power Development
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		344.5				
200 TRAVEL		38.2				
300 CONTRACTUAL		1,561.3				
400 COMMODITIES		6.3				
500 EQUIPMENT		18.7				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		2,650.0				
LOANS		2,000.0				
TOTAL		6619.0				

FUNDING (Thousands of Dollars)

GENERAL FUND		6,619.0				
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		10.5				
PART TIME		1.0				
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

	<u>Thermal Standards</u>	<u>Conserv. Loans</u>	<u>Energy Plan</u>	<u>Public Educa.</u>	<u>Audit Admin.</u>	<u>Audit Contr.</u>	<u>Conservation Grants</u>
PERSONAL SVCS.	52.5	80.5	4.2	35.8	76.3	Ø	95.2
TRAVEL	4.0	11.0	3.3	3.5	5.4	Ø	11.0
CONTRACTUAL	25.5	12.4	102.5	13.5	109.6	1285.4	12.4
COMMODITIES	.6	.5	.5	1.8	2.4	Ø	.5
EQUIPMENT	1.4	5.8	.6	2.2	2.9	Ø	5.8

IV. DATE 4/23/80 PREPARED BY Milt Barker
 AGENCY Legislative Finance Div.
 PHONE 465-3795
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HCS SB 438

Title An Act Relating to Energy Conservation

Requested by House Resources

Date 4/22/80

II. FISCAL DETAIL

Agency Affected University of Alaska

Program Category Affected _____

BRU, Program, or Subprogram(s) Affected _____

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

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL			30.0			
300 CONTRACTUAL			100.0			
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL			130.0			

FUNDING (Thousands of Dollars)

GENERAL FUND			130.0			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME			0			
PART TIME			0			
TEMPORARY			0			

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The university would contract with local architects and engineers for seminars at various campuses. Travel money would enable existing university faculty to participate in the program.

IV. DATE 4/22/80

PREPARED BY Representative Brian Rogers *BR*

AGENCY _____

Original: Legislative Finance

PHONE _____

cc: Budget and Management

Prime Sponsor (First Legislator Named)

HCS SB 438

THERMAL AND LIGHTING ENERGY STANDARDS

100 Personal Services \$52,462

1 - Construction Engineer I (20A)
2845/mo x 12 mon plus 25.5% payroll burden = 42,846

½ - Clerk Typist III (08A)
½(1277/mo x 12 mo plus 25.5% payroll burden) = 9616

200 Travel 4,050

10 trips @ 300 = 3000
15 days per diem @ 70 = 1050

300 Contractual 25,500

Professional services
Training and education package development = 10000

Other
Telephone, postage, printing, copying, equipment rental,
advertising, space rental = 15,500

400 Commodities 600

500 Equipment 1,408

1 - Desk 2 388 = 388
1 - Chair @ 155 = 155
1 - Table @ 145 = 145
1 - File cabinet @ 200 = 200
1 - Calculator @ 250 = 250
1 - Bookcase @ 90 = 90
1 - Lanier hand dictating machine @ 180 = 180

CONSERVATION LOAN ADMINISTRATION

FISCAL NOTE DETAIL

HCS SB 438 - Energy Conservation

		<u>12 months</u>
100.	1 Loan Examiner I/II @2,289/mo.	\$ 27.5
	1 Clerk Typist III @1,277/mo.	15.3
	1 Loan Closer II @1,628/mo.	<u>19.5</u>
	TOTAL WAGES	\$ 62.3
	Standard Benefits (Wages x .1529)	9.5
	Supplemental Benefits (Wages x .0665)	4.1
	Health Insurance (man months x \$127)	<u>4.6</u>
		80.5
200.	Travel to close loans:	
	20 trips @430	\$ 8.6
	40 days per diem @ 60	<u>2.4</u>
		11.0
300.	Telephone, postage, printing	\$10.0
	Additional office space @200/mo.	<u>2.4</u>
		12.4
400.	Office supplies	<u>.5</u>
	12-month Operating Cost	\$104.4
500.	3 Desks @333	\$ 1.0
	1 Credenza	.4
	2 Typist extensions	.8
	1 Executive chair	.2
	2 Secretarial chairs	.3
	2 Side chairs @125	.3
	3 File cabinets @247	.7
	2 Typewriters @810	1.6
	2 Calculators @225	<u>.5</u>
	TOTAL	<u>5.8</u>
		\$110.2

*10% Inflation for succeeding years.

ENERGY DEVELOPMENT PLAN

100 Personal Services

\$4,179

Accounting Technician II (14A) - 15%
15%(1850/mo x 12 mo plus 25.5% payroll burden) = 4179

200 Travel

3,310

Juneau - 6 trips @ 225 = 1350
Hearings - 4 trips @ 300 = 1200
18 days per diem @ 70 = 1260

300 Contractual

102,500

Professional service contracts = 90,000
More in-depth energy supply and demand analysis
including impacts of conservation and alternative
energy

Transportation systems evaluation

Computer and programming time = 4000

Telephone, postage, printing, advertising, copying, space rental,
and equipment rental = 8,500.

400 Commodities

500

500 Equipment

585

1 - File @ 210 = 210
1 - Bookcase @ 90 = 90
1 - Calculator @ 240 = 240
1 - Table @ 145 = 145

HCS SB 438 Section 27 Fiscal Analysis

This section specifies that DEPD will conduct an education program on HCS SB 438 and other energy conservation programs. This will require an additional position to gather, compile and make information from various sources available to the public. This position will enable the energy conservation section to conduct an information clearinghouse service to the general public and specific audiences. This position will assist in providing general use materials from technical documents and insure that the material is appropriate for urban and rural audiences.

	FY 81	FY 82*	FY 83*
100 <u>Personal Services</u>			
Energy Assistant R16A	35.8	38.3	41.0
200 <u>Travel</u>			
In State travel	3.2	3.4	3.6
7 trips @ \$300/trip= 2.1			
14 days @ \$75 /day = 1.1			
300 <u>Contractual</u>	13.5	14.4	15.5
Office			
phone 12 mos @ \$200/mo= \$2.4			
supplies 12 mos @ \$150/mo= \$1.8			
space rent 12 mos @ \$150/mo= \$1.8			
Printing			
production 60 hrs @ \$50/hr = \$3.0			
purchase advertising \$4.5			
400 <u>Commodities</u>	1.8	1.9	2.0
Office misc. 12 mos @ \$150/mo= \$1.8			
500 <u>Supplies</u>	2.2	0	0
1 desk \$400			
1 bookshelf 100			
1 chair 150			
1 table 145			
1 file cabinet 175			
1 12 digit calculator \$250			
1 Lanier portable dictaphone : 00			
3 office partitions @ \$300= \$900			

* computed with 7% inflation

Fiscal Note for HCS CSSB 483, Sec. 44.33.040 (16), 46.11.030

The following material supports the proposed legislation to provide the foundation for a comprehensive commercial, industrial and residential energy audit program. The commercial and industrial training aspects will be accomplished by providing do-it-yourself energy audit manuals and workshops for local organizations and local businesses.

This Division will develop a program to provide training for residential and commercial/institutional energy auditors. As proposed here, DEPD would train auditors, purchase a basic energy audit program model, revise for Alaskan conditions, prepare standards, printed materials and documentation, and provide funds for contracts with local organizations to conduct residential audit programs.

The hiring of an energy management professional will provide this division with needed ongoing technical expertise for this and other divisional programs.

Estimates as to cost considerations relating to the State-assisted energy audit performance are explained under Contractual on a separate fiscal note.

PROGRAM DEVELOPMENT, TRAINING AND ADMINISTRATION

	FY 81	FY 82	FY 83
100 - Personnel	76.3	81.6	87.4

1 Architect/Planner (R20A) 47.6
 1 Clerk Typist III (R8A) 21.8
 1/4 Accounting Technician (R12A) 6.9

200 - Travel	5.4	5.8	6.2
--------------	-----	-----	-----

To set up and monitor programs
 7 localities x 4 days each x \$75/day=
 \$2,100
 7 localities x 2 trips each=\$3,260

300 - Contractual Office	109.6	91.2	39.3
-----------------------------	-------	------	------

Telephone 150/month x 12= 1.8
 Photocopies 100/month x 12=1.2
 Space rent 300/month x 12=3.6
 Equipment lease
 MagA 270/month x 12=3.24

Develop, Print and Distribute Audit Materials

5,000 Do-It-Yourself (2,500 for each of two years) @4.00=22.5
 Audit Analysis Materials@2.50
 (FY 81-14,000=35,000,
 FY 82-16,000=40,000,
 FY 83-9,000=22,500)
 3,000 Do-It-Yourself Commercial/Industrial Manuals (1,000 per year, @ \$5.50 =5,500 per year.

Workshops

To conduct 7 workshops for residential and commercial energy auditors in each of first two years of program. (FY 81-23,000, FY 82-12,000)

Energy Audit Model Program

To purchase residential energy audit program and adapt for Alaskan conditions for use by auditors. 20,000

Upgrade program. 2,000 in FY 82

Audit Program Evaluation

To provide funds for an outside evaluation of effectiveness of overall energy audit program. FY 81 - 5,000, FY 82- 10,000.

PROGRAM DEVELOPMENT, TRAINING AND ADMINISTRATION

	FY 81	FY 82	FY 83
400-Commodities	2.4	2.6	2.8
Office misc.			
500 -Equipment	2.9	0	0

- 1 Desk-388.00
- 1 Chair-155.00
- 1 Bookcase-90.00
- 1 Programmable Calculator
- w/print head-50.00
- 5 Dividers @300-1500.00
- 1 Lanier Dictaphone-50.00

State-assisted Energy Audit Performance

These program estimated costs have been prepared in support of a State-assisted energy audit program, with local governments, local agencies, utilities, and other contractors providing energy audits for the residential sector with the State sharing the cost burden.

These calculations assume that in-house management of program contracts will be covered as outlined on the Fiscal Note for Energy Audit Administration for HCS SB 438.

Assumptions:

1. Total 1980 Statewide occupied households (from HUD estimates): 112,750. Owned households (only) are 60%, or 67,650. For three years of program, assume Statewide household levels to be constant.
2. In 1979 the participation rate for the Fuel Conservation Tax Credit was 8%. Estimate the FY 81 Energy Audit Program response rate to be 150 % of that, or 12%. FY 82 participation rate will increase to 14%. FY 83 response rate will decrease to 8% (increased owner share of costs.)
3. Cost of audit= \$120. Three hour residential audit at \$40/hour. State share for first two years is \$95, with owners paying \$25; while costs for third year are \$0 for owner and State per audit.
4. Option 1, below is for total households participating; with option 2 showing costs for "owned" only costs which are 40% reduction in program.

	FY 81	FY 82	FY83
Option 1			
Households	112,750	112,750	112,750
Participation	.12	.14	.08
Participants	13,530	15,785	9,020
Audit Costs	1,623,600	1,894,200	1,082,400
Owner Costs	338,250	394,625	541,200
<u>State Share</u>	<u>1,285,350</u>	<u>1,499,575</u>	<u>541,200</u>
Option 2			
<u>State Share</u>	<u>771,210</u>	<u>899,745</u>	<u>324,720</u>

GRANTS ADMINISTRATION - HCS SB 438

100	1 Grants Coordinator	2652/mo.	31.8
	1 Grants Administrator	2289/mo.	27.5
	1 Clerk Typist III	1277/mo.	15.3
			<u>74.6</u>
	Standard Benefits		11.4
	Supplemental Benefits		4.6
	Health Insurance		4.6
			<u>95.2</u>
200	Travel for Grants Administration:		
	20 trips	\$430	8.6
	40 days per diem		2.4
			11.0
300	Telephone, postage, printing	10.0	
	Office space	2.4	12.4
400	Office supplies		.5
			<u>119.1</u>
500	Equipment		
	3 desks	333.00	
	1 credenza		
	2 typist extensions		
	1 executive chair		
	2 secretarial chairs		
	2 side chairs		
	3 file cabinets		
	2 typewriters		
	2 calculators		
			5.8
			<u>124.9</u>

HCS SB 438 - Grants & Loans detail

GRANTS

7,500 single-family homes at \$300	2,250,000
2,000 housing units at \$200	400,000
	<u>2,650,000</u>

LOANS

400 loans at \$5,000	2,000,000
----------------------	-----------



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

3/23/90
Date

Introduced: 2/12/80
Referred: Community & Regional
Affairs and Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 437

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act changing the definitions of allowable construc-
7 tion costs which qualify for state financial partici-
8 pation; and providing for an effective date."

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

10 * Section 1. AS 02.15.155 is repealed and re-enacted to read:

11 Sec. 02.15.155. DEFINITIONS. For the purposes of AS 02.15.120--
12 02.15.155, "project costs" means those reasonable costs necessary for
13 construction of the project, including (1) indemnity and surety bonds,
14 and premiums on insurance, which are directly related to project con-
15 struction; (2) salaries and reasonable expenses of employees exclusive-
16 ly hired for and solely engaged in administration of project construc-
17 tion; and (3) fees and expenses of attorneys, trustees, depositaries
18 and financial advisors which would not be incurred but for construc-
19 tion of the project. The term does not include costs of interest or
20 financing, or land or right-of-way acquisition costs.

21 * Sec. 2. AS 03.20.080 is repealed and re-enacted to read:

22 Sec. 03.20.080. DEFINITIONS. For the purposes of this chapter,
23 "project costs for capital improvements" means those reasonable costs
24 necessary for construction of the project, including (1) indemnity and
25 surety bonds, and premiums on insurance, which are directly related to
26 project construction; (2) salaries and reasonable expenses of employees
27 exclusively hired for and solely engaged in administration of project
28 construction; and (3) fees and expenses of attorneys, trustees, deposi-
29 taries and financial advisors which would not be incurred but for con-

LEGISLATIVE COPY

1 construction of the project. The term does not include costs of interest
2 or financing, or land or right-of-way acquisition costs.

3 * Sec. 3. AS 18.55.934(c) is repealed and re-enacted to read:

4 (c) For the purposes of this section, "cost of the project"
5 means those reasonable costs necessary for construction of the project,
6 including (1) indemnity and surety bonds, and premiums on insurance,
7 which are directly related to project construction; (2) salaries and
8 reasonable expenses of employees exclusively hired for and solely en-
9 gaged in administration of project construction; and (3) fees and ex-
10 penses of attorneys, trustees, depositaries and financial advisors
11 which would not be incurred but for construction of the project. The
12 term does not include costs of interest or financing, or land or
13 right-of-way acquisition costs.

14 * Sec. 4. AS 19.30.030(d) is repealed and re-enacted to read:

15 (d) For the purposes of (c) of this section, "cost of construc-
16 tion" means those reasonable costs necessary for construction of the
17 project, including (1) indemnity and surety bonds, and premiums on
18 insurance, which are directly related to project construction; (2)
19 salaries and reasonable expenses of employees exclusively hired for
20 and solely engaged in administration of project construction; and (3)
21 fees and expenses of attorneys, trustees, depositaries and financial
22 advisors which would not be incurred but for construction of the
23 project. The term does not include costs of interest or financing, or
24 land or right-of-way acquisition costs.

25 * Sec. 5. AS 43.18.010(1) is repealed and re-enacted to read:

26 (1) For the purposes of (j) of this section, "total project
27 cost" means those reasonable costs necessary for construction of the
28 project, including (1) indemnity and surety bonds, and premiums on
29 insurance, which are directly related to project construction; (2)

1 salaries and reasonable expenses of employees exclusively hired for
2 and solely engaged in administration of project construction; and (3)
3 fees and expenses of attorneys, trustees, depositaries and financial
4 advisors which would not be incurred but for construction of the proj-
5 ect. The term does not include costs of interest or financing, or
6 land or right-of-way acquisition costs.

7 * Sec. 6. AS 43.18.100(g)(2) is repealed and re-enacted to read:

8 (2) "costs of school construction" means those reasonable
9 costs necessary for construction of the project, including (1) indem-
10 nity and surety bonds, and premiums on insurance, which are directly
11 related to project construction; (2) salaries and reasonable expenses
12 of employees exclusively hired for and solely engaged in administra-
13 tion of project construction; and (3) fees and expenses of attorneys,
14 trustees, depositaries and financial advisors which would not be in-
15 curred but for construction of the project. The term does not include
16 costs of interest or financing, or land or right-of-way acquisition
17 costs.

18 * Sec. 7. AS 43.18.300(h)(3) is repealed and re-enacted to read:

19 (3) "costs of construction" means those reasonable costs
20 necessary for construction of the project, including (1) indemnity and
21 surety bonds, and premiums on insurance, which are directly related to
22 project construction; (2) salaries and reasonable expenses of employees
23 exclusively hired for and solely engaged in administration of project
24 construction; and (3) fees and expenses of attorneys, trustees, deposi-
25 taries and financial advisors which would not be incurred but for con-
26 struction of the project. The term does not include costs of interest
27 or financing, or land or right-of-way acquisition costs.

28 * Sec. 8. AS 43.18.460(2) is repealed and re-enacted to read:

29 (2) "cost of construction" means those reasonable costs

1 necessary for construction of the project, including (1) indemnity and
2 surety bonds, and premiums on insurance, which are directly related to
3 project construction; (2) salaries and reasonable expenses of employees
4 exclusively hired for and solely engaged in administration of project
5 construction; and (3) fees and expenses of attorneys, trustees, deposi-
6 taries and financial advisors which would not be incurred but for con-
7 struction of the project. The term does not include costs of interest
8 or financing, or land or right-of-way acquisition costs.

9 * Sec 9. AS 44.33.150(b) is repealed and re-enacted to read:

10 (b) For the purposes of (a) of this section, "cost of construc-
11 tion" means those reasonable costs necessary for construction of the
12 project, including (1) indemnity and surety bonds, and premiums on in-
13 surance, which are directly related to project construction; (2) sal-
14 aries and reasonable expenses of employees exclusively hired for and
15 solely engaged in administration of project construction; and (3) fees
16 and expenses of attorneys, trustees, depositaries and financial advi-
17 sors which would not be incurred but for construction of the project.
18 The term does not include costs of interest or financing, or land or
19 right-of-way acquisition costs.

20 * Sec. 10. AS 46.03.030(d) is repealed and re-enacted to read:

21 (d) When not otherwise defined by a federal agency for the pur-
22 poses of (b) of this section, "eligible costs" means those reasonable
23 costs necessary for construction of the project, including (1) indem-
24 nity and surety bonds, and premiums on insurance, which are directly
25 related to project construction; (2) salaries and reasonable expenses
26 of employees exclusively hired for and solely engaged in administra-
27 tion of project construction; and (3) fees and expenses of attorneys,
28 trustees, depositaries and financial advisors which would not be in-
29 curred but for construction of the project. The term does not include

1 costs of interest or financing, or land or right-of-way acquisition
2 costs.

3 * Sec. 11. AS 47.30.500(5) is repealed and re-enacted to read:

4 (5) "costs of improvement, renovation or new construction
5 of facilities" means those reasonable costs necessary for construction
6 of the project, including (1) indemnity and surety bonds, and premiums
7 on insurance, which are directly related to project construction; (2)
8 salaries and reasonable expenses of employees exclusively hired for
9 and solely engaged in administration of project construction; and (3)
10 fees and expenses of attorneys, trustees, depositaries and financial
11 advisors which would not be incurred but for construction of the proj-
12 ect. The term does not include costs of interest or financing, or
13 land or right-of-way acquisition costs.

14 * Sec. 12. This Act takes effect immediately in accordance with AS 01.-
15 10.070(c).

February 12, 1980

The Honorable Clem Tillion
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18 of the Alaska Constitution, I am transmitting a bill relating to allowable construction costs for state financial participation (AS 02.15, 03.20, 18.55, 19.30, 43.18, 44.33, 46.03, and 47.30). This bill would redefine construction costs that are eligible for state funding.

During the 1978 session, the legislature amended several statutes relating to state financial assistance for various public or quasi-public facilities, including airports, agricultural and industrial fairs, disaster assistance, access roads to mineral resources, hospital construction, school construction, convention and recreation facilities, sports facilities, tourist attractions, municipal water and sewer systems, village safe water systems, and alcoholism facilities. The principle effect of the amendments is apparently to allow any and all conceivable costs, without limitation as to their reasonableness, to be eligible for state funds.

One danger the amendments create is that developers will overcharge for their own goods and services which they place into a project, thereby inflating their claimed entitlement to state funds. The definition of "costs" in the 1978 amendments at the very least encourages wastefulness, and it is not clear that the state agencies involved in administering grants for state funds are themselves funded and equipped to give every state-funded project the careful scrutiny necessary to prevent that.

In addition, the 1978 amendments allow the inclusion of certain costs which are inappropriate for state funding. For example, those amendments would appear to require

the state to bear both its financing costs and those incurred by the local government in financing its portion of the project.

This bill corrects those problems and provides for more responsible use of state money in these revenue sharing programs.

Sincerely,

S/JS4

Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 437
 Title Allowable costs for State Grant Programs
 Requested by Governor's Office Date _____

II. FISCAL DETAIL

Agency Affected Department of Environmental Conservation
 Program Category Affected Facility Construction & Operation
 BRU, Program, or Subprogram(s) Affected Division Environmental Quality Operations
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 COMMODITIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME	0	0	0	0	0	0
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Passage of this bill will not create a fiscal impact. Failure to pass the bill, changing the definition of eligible project costs, will result in a great impact on future bond fund requirements. If land and finance costs are grant eligible the cost to the State will be approximately \$10-12 million a year more for the water and sewerage construction grant program.

IV. DATE February 11, 1980 PREPARED BY Keith Kelton
 AGENCY ADEC
 Original: Legislative Finance PHONE 465-2610
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

ALASKA STATE LEGISLATURE

ELEVENTH Legislature SECOND Session

SENATE BILL NO. 437

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act changing the definitions of allowable construction costs which qualify for state financial participation; and providing for an effective date."

Introduced in the Senate 2/12/80, 19....

HISTORY IN THE SENATE

19	80	Read first time and referred to Committee on										
2	12	Community & Regional Affairs and Finance <i>CSRA</i>										
<i>2</i>	<i>19</i>	Reported back with <i>referred House</i> recommendation that <i>To Finance</i>										
		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> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date											
Yeas	Yeas											
Nays	Nays											
Absent	Absent											
Excused	Excused											
		Reconsideration										
		<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> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date											
Yeas	Yeas											
Nays	Nays											
Absent	Absent											
Excused	Excused											
		Reported correctly engrossed										
		Signed by President										
		Sent to House										
SECRETARY OF THE SENATE												

HISTORY IN THE HOUSE

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> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date											
Yeas	Yeas											
Nays	Nays											
Absent	Absent											
Excused	Excused											
		Reconsideration										
		<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> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date											
Yeas	Yeas											
Nays	Nays											
Absent	Absent											
Excused	Excused											
		Reported correctly engrossed										
		Signed by Speaker										
		Returned to Senate										
CHIEF CLERK OF THE HOUSE												

HISTORY IN THE SENATE

19		Received from House
		To enrolling
		Reported correctly enrolled
		Sent to Governor
	 by Governor
		Filed with Lt. Governor
		Chapter No.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SB 437 An Act changing the definition of allowable construction
 Title costs which qualify for state financial participation.
 Requested by Jay Hogan Date 3/4/80

II. FISCAL DETAIL
 Agency Affected DOT/PF, DNR, Commerce & Econ. Divp., Education, H&SS
 Program Category Affected Various
 Budget Request Unit(s) Affected Various

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						
	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS

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

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This bill affects the following departments: Department of Transportation and Public Facilities, Natural Resources, Environmental Conservation, Commerce and Economic Development, Education, and Health & Social Services. Each department has indicated that passage of this bill will not cause an adverse fiscal impact.

IV. DATE 3/4/80 PREPARED BY *James S. May*
 AGENCY Budget & Management
 PHONE 465-2212
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. _____ SB 437
 Title Allowable costs for State Grant Programs
 Requested by Governor's Office Date _____

II. FISCAL DETAIL
 Agency Affected Department of Environmental Conservation
 Program Category Affected Facility Construction & Operation
 BRU, Program, or Subprogram(s) Affected Division Environmental Quality Operations
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 COMMODITIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER (Specify Fund Source)						

POSITIONS

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
FULL TIME	0	0	0	0	0	0
PART TIME		0	0	0	0	0
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Passage of this bill will not create a fiscal impact. Failure to pass the bill, changing the definition of eligible project costs, will result in a great impact on future bond fund requirements. If land and finance costs are grant eligible the cost to the State will be approximately \$10-12 million a year more for the water and sewerage construction grant program.

IV. DATE February 11, 1980 PREPARED BY Keith Kelton
 AGENCY ADEC
 PHONE 465-2610
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

SFC

FISCAL NOTE

I. REQUEST
Bill/Resolution No. SB 437 state financial participation.
Title An Act changing the definitions of allowable construction costs which qualify for
Requested by _____ Date _____

II. FISCAL DETAIL
Agency Affected Department of Community & Regional Affairs
Program Category Affected Community Development
BRU, Program, or Subprogram(s) Affected Local Government Assistance - Grants
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.			(3,200.0)			
TOTAL			(3,200.0)			

FUNDING (Thousands of Dollars)

GENERAL FUND			(3,200.0)			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)
The Municipal Services Revenue Sharing Program (AS 43.18.010) reimburses hospitals and health facilities for a portion of their project costs for facility construction. Under existing law, costs allowed for reimbursement include financing and land. This bill would exclude these two project related expenses from reimbursement.

It is assumed that this bill would take effect by July 1, 1980 and that construction aid payments made under the FY 81 revenue sharing program would not include financing and/or land as an allowable cost. As the Governor's request for revenue sharing grant funds presently includes reimbursement for financing (land costs have not been submitted by the facilities affected), the total grant funds needed for the FY 81 program would decrease by \$3.2 million if this bill were to become law.

IV. DATE February 27, 1980 PREPARED BY Mary Foster
AGENCY Community & Regional Affairs
PHONE 465-4734
Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

CATEGORY: DEVELOPMENT

AGENCY: COMMUNITY & REGIONAL AFFAIRS

PROGRAM: COMMUNITY DEVELOPMENT

BRU (s): LOCAL GOVERNMENT ASSISTANCE - GRANTS

The Local Government Assistance - Grants BRU include the following component: Municipal Revenue Sharing, National Forest Receipts, Agriculture Land Exemption, Rural Development Assistance, and Organizational Grants.

Municipal Revenue Sharing provides local governments with financial resources, distributed from current state tax revenues, to help complement and deliver basic municipal service without substantially increasing local taxes. For FY 81, the amount requested for Municipal Revenue Sharing grants is \$26,565.0. This will allow an estimated 100% of community entitlements.

National Forest Receipts are distributed to organized boroughs and unified municipalities which have National Forest land within their boundaries. A borough's share of income from a National Forest is proportional to the area of the National Forest located within the community's boundaries. This income, according to law, must be expended for public schools or community roads. The total National Forest income received by the State in a given fiscal year is 25% of the total annual collection fees received by the U.S. Forest Service during the previous year. During FY 80, total National Forest income received by the State will be \$2,907,500 of which \$916,486 will be distributed to municipalities in the Tongass Chugach National Forests.

Agricultural Lands Exemptions provides owners of agricultural land who derive at least 10% of their annual gross income from use of the land, a deferral taxation. Municipalities establish and maintain records of assessment at full value and at farm use value, provide verification of qualification data, in some cases verify income requirements, compute the tax deferred and submit the applications as a reimbursement request to the State Assessor's office. Funding for this program for FY 81 will be \$189,600 or \$60,000 less than the current fiscal year.

Rural Development Assistance grants are designed to provide financial aid assistance to rural communities so that they may build a more diversified community and economic base. The RDA program was appropriated \$841,900 in grant funds in the FY 80 budget. The FY81 request for RDA grant funding was increased to \$900,800. In FY 80, this program was part of the Community & Rural Development BRU.

The Organizational Grant component is designed to provide funding to assist newly incorporated municipalities transitioning to a functioning local government unit. Funding for this program was \$25,000 in FY 80 and a request of that amount is made for FY 81.

COMPONENT DESCRIPTION	79 AUTH	79 FINAL	79 ACT	80 AUTH	80 SUPL	80 RP	GOVERNOR
MUNICIPAL REVENUE SHARING	18688.0	18795.6	18772.4	20236.0			26565.0
AGRICULTURAL LAND EXEMPTION	215.2	215.2	139.1	249.6			189.6
NATIONAL FOREST RECEIPTS	900.0	929.7	929.7	1200.0			1200.0
RURAL DEVELOP GRANTS	842.1	842.1	842.0	841.9			900.8
ORGANIZATIONAL GRANTS	100.0	100.0	87.1	25.0			25.0
COMMUNITY LEGAL ASST GRANTS	20.0	97.6	11.5				
** TOTAL	20765.3	20980.2	20781.8	22552.5			28880.4
** CHANGE VERSUS 80 AUTH							28.0%
OBJECT DESCRIPTION							
TRAVEL		15.0	9.3				
CONTRACTUAL		60.0	52.8				
GRANTS, CLMS	20765.3	20905.2	20719.7	22552.5			28880.4
FUNDING SOURCE							
FED. RECEIPT		929.7	929.7	1200.0			1200.0
GENERAL FUND	20765.3	20050.5	19852.1	21352.5			27680.4
** GENERAL FUND CHANGE VS. 80 AUTH							29.6%

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 437 "An Act changing the definitions of allowable
Title construction costs which qualify for state financial participation, of
Requested by _____ Date 2-25-80 dat

II. FISCAL DETAIL

Agency Affected Department of Commerce and Economic Development
Program Category Affected Development
BRU, Program, or Subprogram(s) Affected Division of Tourism
(Note: If more than one budget component is affected, separate line-item amounts and funding for each
component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 COMMODITIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS, ETC.	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER (Specify Fund Source)	0	0	0	0	0	0


POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The section of this bill which impacts the Department of Commerce and Economic Development is Section 9. There is no fiscal impact on the department associated with passage of this bill.

IV. DATE 2-25-80


PREPARED BY Lois J. Cook, Director
AGENCY Division of Administrative Services
PHONE 465-2505

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

APR 28 1980

April 25, 1980

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

Dear Senator Kerttula:

Re: SB 437 "An Act changing the definitions
of allowable construction costs
which qualify for state financial
participation; and providing for
an effective date."

Governor Hammond would appreciate your assistance in achieving consideration of SB 437 by the Senate Finance Committee. The comments provided below pertain to all sections of the bill, enactment of the amendments is deemed necessary especially in light of the large number of capital projects being considered for this year.

Sincerely,

Keith W. Specking
Legislative Assistant
to the Governor

* * *

SECTIONAL ANALYSIS

Section 1.	AS 02.15.155	Aeronautics - Airport Assistance
Section 2.	AS 03.20.080	Agriculture and animals - Agriculture and industrial fairs
Section 3.	AS 18.55.934(c)	Health & Safety - Slum clearance and redevelopment act

April 25, 1980

- Section 4. AS 19.30.030(d) Highways & Ferries - Access Roads - Roads to areas rich in mineral resources
- Section 5. AS 43.18.010(1) Revenue & taxation - State Aid to Local Governments - Aid for miscellaneous municipal purposes
- Section 6. AS 43.18.100(g) (2) Same as above
- Section 7. AS 43.18.300(h) (3) Same as above - Community facilities grants
- Section 8. AS 43.18.460(2) Same as above - Sports facilities grants
- Section 9. AS 44.33.150(b) State Government - Department of Commerce & Economic Development - Alaska Division of Tourism
- Section 10. AS 46.03.030(d) Water, Air & Environmental Conservation - Environmental Conservation - Department of Environmental Conservation
- Section 11. AS 47.30.500(5) Welfare, Social Services & Institutions - Mentally ill and insane persons - Alcoholics

The following comments pertain to all sections:

The legislature adopted FCCSCSHB 222 in 1978 (Ch. 168 SLA 1978) relating to the planning and funding of capital projects. While much of the enactment was needed, there are portions relating to allowable construction costs that need revision. All of the sections referred to here, while relating to various agencies, have the same general flaws. The amendments requested have been agreed on by the Commissioners of Environmental Conservation, Transportation and Public Facilities, Community and Regional Affairs, Health and Social Services and Education.

Under the terms of the 1978 act, the definition of "allowable costs" allows costs without limitation as to reasonableness to be eligible for state funds. The 1978 act creates the danger that developers will overcharge for their own goods and services which they place into a project, thereby inflating their claimed

April 25, 1980

entitlement to state funds. Additionally, the 1978 action creates the need for two sets of eligibility requirements one for old grants and one for new awards funded after October 15, 1978. All agencies have agreed that land and right-of-way acquisition costs and the cost of interest and financing should not be allowable.

The 1978 act without these amendments has the overall effect of greatly reducing the number of projects that can be accommodated within the limits of the funding provided.

cc: The Honorable John Sackett

KWS:kms

April 25, 1980

The Honorable Don Bennett
Alaska State Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Bennett:

Re: SB 437 "An Act changing the definitions of allowable construction costs which qualify for state financial participation; and providing for an effective date."

Governor Hammond would appreciate your assistance in achieving consideration of SB 437 by the Senate Finance Committee. The comments provided below pertain to all sections of the bill, enactment of the amendments is deemed necessary especially in light of the large number of capital projects being considered for this year.

Sincerely,

Keith W. Specking
Legislative Assistant
to the Governor

* * *

SECTIONAL ANALYSIS

Section 1.	AS 02.15.155	Aeronautics - Airport Assistance
Section 2.	AS 03.20.080	Agriculture and animals - Agriculture and industrial fairs
Section 3.	AS 18.55.934(c)	Health & Safety - Slum clearance and redevelopment act

- Section 4. AS 19.30.030(d) Highways & Ferries - Access Roads - Roads to areas rich in mineral resources
- Section 5. AS 43.18.010(1) Revenue & taxation - State Aid to Local Governments - Aid for miscellaneous municipal purposes
- Section 6. AS 43.18.100(g) (2) Same as above
- Section 7. AS 43.16.300(h) (3) Same as above - Community facilities grants
- Section 8. AS 43.18.460(2) Same as above - Sports facilities grants
- Section 9. AS 44.33.150(b) State Government - Department of Commerce & Economic Development - Alaska Division of Tourism.
- Section 10. AS 46.03.030(d) Water, Air & Environmental Conservation - Environmental Conservation - Department of Environmental Conservation
- Section 11. AS 47.30.500(5) Welfare, Social Services & Institutions - Mentally ill and insane persons - Alcoholics

The following comments pertain to all sections:

The legislature adopted FCCSSCSHB 222 in 1978 (Ch. 168 SLA 1978) relating to the planning and funding of capital projects. While much of the enactment was needed, there are portions relating to allowable construction costs that need revision. All of the sections referred to here, while relating to various agencies, have the same general flaws. The amendments requested have been agreed on by the Commissioners of Environmental Conservation, Transportation and Public Facilities, Community and Regional Affairs, Health and Social Services and Education.

Under the terms of the 1978 act, the definition of "allowable costs" allows costs without limitation as to reasonableness to be eligible for state funds. The 1978 act creates the danger that developers will overcharge for their own goods and services which they place into a project, thereby inflating their claimed

April 25, 1980

entitlement to state funds. Additionally, the 1978 action creates the need for two sets of eligibility requirements one for old grants and one for new awards funded after October 15, 1978. All agencies have agreed that land and right-of-way acquisition costs and the cost of interest and financing should not be allowable.

The 1978 act without these amendments has the overall effect of greatly reducing the number of projects that can be accommodated within the limits of the funding provided.

cc: The Honorable John Sackett

KWS:kms

February 12, 1980

The Honorable Clem Tillion
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18 of the Alaska Constitution, I am transmitting a bill relating to allowable construction costs for state financial participation (AS 02.15, 03.20, 18.55, 19.30, 43.18, 44.33, 46.03, and 47.30). This bill would redefine construction costs that are eligible for state funding.

During the 1978 session, the legislature amended several statutes relating to state financial assistance for various public or quasi-public facilities, including airports, agricultural and industrial fairs, disaster assistance, access roads to mineral resources, hospital construction, school construction, convention and recreation facilities, sports facilities, tourist attractions, municipal water and sewer systems, village safe water systems, and alcoholism facilities. The principle effect of the amendments is apparently to allow any and all conceivable costs, without limitation as to their reasonableness, to be eligible for state funds.

One danger the amendments create is that developers will overcharge for their own goods and services which they place into a project, thereby inflating their claimed entitlement to state funds. The definition of "costs" in the 1978 amendments at the very least encourages wastefulness, and it is not clear that the state agencies involved in administering grants for state funds are themselves funded and equipped to give every state-funded project the careful scrutiny necessary to prevent that.

In addition, the 1978 amendments allow the inclusion of certain costs which are inappropriate for state funding. For example, those amendments would appear to require

the state to bear both its financing costs and those incurred by the local government in financing its portion of the project.

This bill corrects those problems and provides for more responsible use of state money in these revenue sharing programs.

Sincerely,

S/JS#

Jay S. Hammond
Governor

April 4, 1980

NOTES ON SENATE BILL NO. 437 (An Act changing the definitions of allowable construction costs which qualify for state financial participation)

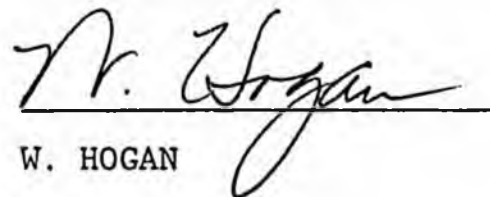
Chapter 168, SLA 1978 included amendments to the definitions of allowable construction costs in the following statutes:

02.15.155	State airports
03.20.010	Agricultural and Industrial Fairs
18.55.934	Urban redevelopment
19.30.030	Roads to areas rich in mineral resources
43.18.010	Miscellaneous municipal purposes
43.18.100	Aid to school construction
43.18.300	Civic, Convention & Community recreation centers
43.18.460	Sports facilities grants
44.33.150	Tourist attraction development
46.03.030	Water supply and sewage systems
46.07.040	Village safe water (not amended in SB 437)
47.30.500	Mental health facilities

The definition was as follows: "cost of construction" includes, in addition to costs directly related to the project, the sum total of all costs of financing and carrying out the project...acquisition of real property...

SB 437 redefines the cost of construction in more general terms. "...means those reasonable costs necessary for construction..." It excludes "...costs of interest or financing and land or right-of-way acquisitions..." It also limits allocation of charges for grantee administration and overhead.

All definitions of allowable costs per Chapter 168 SLA 1978 would be amended by SB 437 except 46.07.040 Village Safe Water.


W. HOGAN

DEFINITIONS - Examples

Chapter 168, SLA 1978:

"cost of construction" includes, in addition to costs directly related to the project, the sum total of all costs of financing and carrying out the project; these include, but are not limited to, the costs of all necessary studies, surveys, plans and specifications, architectural, engineering or other special services, acquisition of real property, site preparation and development, purchase, construction, reconstruction and improvement of real property and the acquisition of machinery and equipment as may be necessary in connection with the project; an allocable portion of the administrative and operating expenses of the grantee; the cost of financing the project, including interest bonds issued to finance the project; and the cost of other items, including any indemnity and surety bonds and premiums on insurance, legal fees, fees and expenses of trustees, depositaries, financial advisors, and paying agents for the bonds issued as the issuer considers necessary; it does not include the cost of promotion, travel, or feasibility studies;

SENATE BILL NO. 437:

"project costs" means those reasonable costs necessary for construction of the project, including (1) indemnity and surety bonds, and premiums on insurance, which are directly related to project construction; (2) salaries and reasonable expenses of employees exclusively hired for and solely engaged in administration of project construction; and (3) fees and expenses of attorneys, trustees, depositaries and financial advisors which would not be incurred but for construction of the project. The term does not include costs of interest or financing, or land or right-of-way acquisition costs.

POSITION PAPER

SENATE BILL 437

by

Ernst W. Mueller

before the

SENATE FINANCE COMMITTEE

Senate Bill 437 defines allowable construction costs for grant eligibility under the Department's water and sewer construction grants program. As modified during the 1978 Legislative session, AS 46.03.030 required the Department to include such items as, financing costs, comprehensive planning and land acquisition as grant eligible. These items were not previously grant eligible and to date no projects have been awarded grants including these items as eligible costs.

It is our opinion that financing costs should be borne by the municipality. The State is presently paying interest on the bonds, which can finance up to 50 percent of eligible costs for a municipality's project. The State's cost per project could increase as much as two to seven times, depending upon the interest rate and bond terms if the State were required to participate in local project financing costs. The bond funds presently approved for the grant program would be depleted rapidly and could not benefit as many communities. Future bond issues would have to be proportionately larger to meet the needs of the same number of communities. In addition, AS 46.03.030 does not specify how the State would establish a schedule for payment of the grantee's financing costs. It is conceivable that the projects could remain on the State's books for 30 to 40 years.

The modified statute also allows land acquisition and planning costs to be grant eligible. These costs were excluded from eligibility in the past since it was our understanding that the original intent of AS 46.03.030 was to finance "construction" costs only. If planning costs are determined eligible it has been our experience that consultants will use these funds to develop "plans" that have little possibility of being implemented.

The inclusion of land acquisition as an eligible costs creates a conflict with many of the federal agencies also providing grants for water and sewerage projects. Most of these agencies do not allow land acquisition as an eligible cost. However, AS 46.03.030 states that federal agencies' grant eligibility requirements shall apply when both the State and the Federal government grant funds to the same project. Thus, we would have a conflict with our statute on the one hand allowing land costs and on the other tying us to federal requirements, which would not allow land costs as grant eligible. The primary reason for not allowing land is the difficulty of establishing an equitable value for the land. It is felt that the grantee can provide land at a lower cost if it is not grant eligible.

In summary we support S.B. 437 and respectfully request that AS 46.03.030 be amended to define eligible costs consistent with the intent of the original statute.

WATER & SEWER CONSTRUCTION GRANTS PROGRAM

Present obligation rate - \$13.2 million/year - State 50% Grant

<u>Loan Amount</u>	<u>Present Worth (Millions)</u>		
	<u>10 Year</u>	<u>20 Year</u>	<u>40 Year</u>
@ 7%	1.9672	3.8697	14.9745
\$13.2 Million	\$25.9	\$51.1	\$197.7
 Increase In State 50% Grant	 \$13.0	 \$25.5	 \$98.8

February 12, 1980

The Honorable Clem Tillion
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18 of the Alaska Constitution, I am transmitting a bill relating to allowable construction costs for state financial participation (AS 02.15, 03.20, 18.55, 19.30, 43.18, 44.33, 46.03, and 47.30). This bill would redefine construction costs that are eligible for state funding.

During the 1978 session, the legislature amended several statutes relating to state financial assistance for various public or quasi-public facilities, including airports, agricultural and industrial fairs, disaster assistance, access roads to mineral resources, hospital construction, school construction, convention and recreation facilities, sports facilities, tourist attractions, municipal water and sewer systems, village safe water systems, and alcoholism facilities. The principle effect of the amendments is apparently to allow any and all conceivable costs, without limitation as to their reasonableness, to be eligible for state funds.

One danger the amendments create is that developers will overcharge for their own goods and services which they place into a project, thereby inflating their claimed entitlement to state funds. The definition of "costs" in the 1978 amendments at the very least encourages wastefulness, and it is not clear that the state agencies involved in administering grants for state funds are themselves funded and equipped to give every state-funded project the careful scrutiny necessary to prevent that.

In addition, the 1978 amendments allow the inclusion of certain costs which are inappropriate for state funding. For example, those amendments would appear to require the state to bear both its financing costs and those incurred by the local government in financing its portion of the project.

This bill corrects those problems and provides for more responsible use of state money in these revenue sharing programs.

Sincerely,

Jay S. Hammond
Governor

April 25, 1980

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

Dear Senator Kerttula:

Re: SB 437 "An Act changing the definitions of allowable construction costs which qualify for state financial participation; and providing for an effective date."

Governor Hammond would appreciate your assistance in achieving consideration of SB 437 by the Senate Finance Committee. The comments provided below pertain to all sections of the bill, enactment of the amendments is deemed necessary especially in light of the large number of capital projects being considered for this year.

Sincerely,

Keith W. Specking
Legislative Assistant
to the Governor

* * *

SECTIONAL ANALYSIS

Section 1.	AS 02.15.155	Aeronautics - Airport Assistance
Section 2.	AS 03.20.080	Agriculture and animals - Agriculture and industrial fairs
Section 3.	AS 18.55.934(c)	Health & Safety - Slum clearance and redevelopment act

- Section 4. AS 19.30.030(d) Highways & Ferries - Access Roads - Roads to areas rich in mineral resources
- Section 5. AS 43.18.010(1) Revenue & taxation - State Aid to Local Governments - Aid for miscellaneous municipal purposes
- Section 6. AS 43.18.100(g) (2) Same as above
- Section 7. AS 43.18.300(h) (3) Same as above - Community facilities grants
- Section 8. AS 43.18.460(2) Same as above - Sports facilities grants
- Section 9. AS 44.33.150(b) State Government - Department of Commerce & Economic Development - Alaska Division of Tourism
- Section 10. AS 46.03.030(d) Water, Air & Environmental Conservation - Environmental Conservation - Department of Environmental Conservation
- Section 11. AS 47.30.500(5) Welfare, Social Services & Institutions - Mentally ill and insane persons - Alcoholics

The following comments pertain to all sections:

The legislature adopted FCCSSCSHB 222 in 1978 (Ch. 168 SLA 1978) relating to the planning and funding of capital projects. While much of the enactment was needed, there are portions relating to allowable construction costs that need revision. All of the sections referred to here, while relating to various agencies, have the same general flaws. The amendments requested have been agreed on by the Commissioners of Environmental Conservation, Transportation and Public Facilities, Community and Regional Affairs, Health and Social Services and Education.

Under the terms of the 1978 act, the definition of "allowable costs" allows costs without limitation as to reasonableness to be eligible for state funds. The 1978 act creates the danger that developers will overcharge for their own goods and services which they place into a project, thereby inflating their claimed

April 25, 1980

entitlement to state funds. Additionally, the 1978 action creates the need for two sets of eligibility requirements one for old grants and one for new awards funded after October 15, 1978. All agencies have agreed that land and right-of-way acquisition costs and the cost of interest and financing should not be allowable.

The 1978 act without these amendments has the overall effect of greatly reducing the number of projects that can be accommodated within the limits of the funding provided.

cc: The Honorable John Sackett

KWS:kms

MEMORANDUM

State of Alaska

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS

TO: Don Argetsinger
Administrative Assistant
Office of the Governor

DATE: February 4, 1980

FILE NO:

Through: Lee McAnerney
Commissioner

TELEPHONE NO:

FROM:

Palmer McCarter, Director
Local Government Assistance *PM*

SUBJECT:

State Revenue Sharing
Program - Construction Aid

Attached are estimates on the amounts that facilities currently entitled to construction aid under AS 43.18.010 would receive considering various interpretations of the law. When initial entitlement notices for the FY 1980 State Revenue Sharing Program were prepared, we were under the assumption that possibility number 3 was the correct interpretation and the facilities' entitlements were computed accordingly. However, the Municipality of Anchorage has appealed this determination, stating that interest is not a fixed cost until it is paid. The appeal has been turned over to the Attorney General, and we are awaiting his decision. It is likely that he will rule in favor of Anchorage, and we will revise FY 1980 entitlements in accordance with possibility number 2.

It should be noted that full funding was assumed when these figures were prepared. If FY 1980 entitlements are prorated (as they almost certainly will be), the FY 1981 figures for Providence, Norton Sound and Point Woronzof will increase. Assuming the Attorney General does rule in Anchorage's favor, the FY 1980 proration factor is estimated at 87.8%. If we were to finally compute entitlements according to possibility number 3 (which includes anticipated interest payments), the proration factor would drop to approximately 75%.

Please advise if further information regarding construction aid is required.

PMc:MF:jh

Attachments

cc: Allan Korhonan, Deputy Commissioner
Department of Health & Social Services

Keith Specking, Legislative Assistant
Office of the Governor

Ron Lehr, Director
Division of Budget & Management

Dona Lehr, Division of Policy Development
& Planning

P. S. Attached also is a copy of Attorney General's Opinion
No. J-66-419-80 just received in this office.

A second Attorney General's Opinion (copy attached), also just received by this office, questions the eligibility of Alaska Hospital to receive State shared revenue for construction in view of substantial federal funding to be received by the facility. The attached estimates were prepared prior to this opinion, numbered J-66-345-80.

State Revenue Sharing Program

Construction Aid

Possibility #1 - Only Hill-Burton eligible construction costs

	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>
<u>Anchorage</u>			
Providence	\$ 1,119,523	\$ 129,107	-0-
Point Woronzof	11,342	-0-	-0-
Alaska Hospital Medical Center	1,486,633	1,486,633	\$ 1,486,633
<u>Fairbanks</u>			
Memorial	\$ 690,003	\$ 690,003	\$ 690,003
<u>Akiachak</u>			
Health Clinic	\$ 2,406	2,406	\$ 2,406
<u>Nome</u>			
Norton Sound	\$ 18,621	-0-	-0-
<u>Juneau</u>			
Southeast Detox	\$ 37,500	\$ 37,500	\$ 37,500
<u>Napaskiak</u>			
Health Center	\$ 1,300	\$ 1,300	\$ 1,300
TOTAL	\$ 3,367,328	\$2,346,949	\$ 2,217,842

Full funding is assumed for all three entitlement years.

The above estimates are based on project costs submitted by the facilities.

Prior to '78 law

State Revenue Sharing Program

Construction Aid

Possibility #2 - All project related costs, except financing costs to be paid by the facility after the first day of the entitlement year (July 1)

	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>
<u>Anchorage</u>			
Providence	\$1,119,523	\$ 129,107	-0-
Point Woronzof	\$ 11,342	-0-	-0-
AK. Hosp. Med. Center	\$1,613,843	\$1,788,843	\$1,963,843
<u>Fairbanks Memorial</u>	\$ 735,190	\$ 792,690	\$ 850,190
<u>Akiachak Health Clinic</u>	\$ 2,406	2,406	2,406
<u>Nome</u>			
Horton Sound	\$ 18,621	\$ -0-	-0-
<u>Juneau</u>			
S. E. Detox	\$ 38,763	\$ 38,763	\$ 38,763
<u>Hapaskiak Health Center</u>	\$ 1,300	\$ 1,300	\$ 1,300
Total	\$3,540,988	\$2,753,109	\$2,856,502

Full funding is assumed for all three entitlements years.

The above estimates are based on project costs submitted by the facilities.

Harris bill

State Revenue Sharing Program
Construction Aid

Possibility #3 - All project related costs, including anticipated interest payments

	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>
<u>Anchorage</u>			
Providence	\$1,119,523	\$ 129,107	-0-
Point Woronzof	\$ 11,342	-0-	-0-
AK. Hosp. Med. Center	\$4,771,830	\$4,771,830	\$4,771,830
<u>Fairbanks Memorial</u>	\$1,534,324	\$1,534,324	\$1,534,324
<u>Akiachak Health Clinic</u>	\$ 2,406	\$ 2,406	\$ 2,406
<u>Nome</u>			
Norton Sound	\$ 18,621	\$ -0-	-0-
<u>Juneau</u>			
S. E. Detox	\$ 38,763	\$ 38,763	\$ 38,763
<u>Hapaskiak Health Center</u>	\$ 1,300	\$ 1,300	\$ 1,300
Total	\$7,498,109	\$6,477,730	\$6,348,623

Full funding is assumed for all three entitlement years

The above estimates are based on project costs submitted by the facilities.

178 law (current law)

TO: Keith Specking
Legislative Assistant
Office of the Governor

DATE: November 21, 1979

FILE NO.

TELEPHONE NO.

FROM: Lowell Swartz, Coordinator
Health Facility Development
Department of Health & Social Services

SUBJECT: Allowable Costs for State
Financial Participation in
Capital Construction Projects

I have reviewed the proposed amendments of total project cost under AS 43.10.010(1) and have the following comments.

1. Cost of bid bonds should be allowed.
2. Advertising costs incurred in obtaining competitive bids should be allowed.
3. Insurance coverage directly related to the project should be allowed.
4. The cost of relocating utilities and services including acquiring rights-of-way, easements or other interest in land at either the new or old locations of the utilities should not be allowed.
5. The cost of off-site improvements such as roads, sidewalks, and utilities including sewer lines extending beyond the public streets immediately adjacent to the project should not be allowed.
6. Consultant fees which involves service performed in developing operational procedures, staffing the facility, or other functions not related to the construction and equipping of the facility should not be allowed.
7. The value of donated land, material, equipment or services including donated labor should not be allowable.
8. Expenses incurred as damages arising out of the construction or equipping of the project, whether established by judicial determination, arbitrations, negotiation, or otherwise should not be allowable.

We recommend that the eight items listed above be incorporated in or deleted from the definition of total project cost as applicable.

We also recommend that the definition of total project costs be made part of AS 18.20 and AS 18.25.

LS/klp

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL
JUNEAU 99811

July 12, 1978

The Honorable Jay S. Hammond
Governor
State of Alaska
Pouch A
Juneau, Alaska 99811

Re: FCCS SCS HB 222 (e. date failed)
(planning and funding of capital
construction projects)
Our File: J-88-164-78

Dear Governor Hammond:

We have as you requested reviewed the subject bill. It presents several problems. The first is with its title.

The constitution requires that every bill be confined to one subject and that the subject be expressed in the title. Alaska Const., art. II, sec. 13. While a stringent application of the first part of this rule has been obviated by the Alaska Supreme Court in Gellert v. State, 522 P.2d 1120 (Alaska 1974), it may yet retain some vitality.

The bill at hand is an amalgam of three bills: HB 222 (Malone and Gardiner), the subject of which was "public scrutiny of the budget formulation process"; SB 510 (Senate Special Permanent Fund Committee), the subject of which was "the state budget and state bonding"; and SB 539 (Senate Special Permanent Fund Committee), the subject of which was the "eligible costs for state grants for capital improvement projects."

As it now stands, the bill is in possible violation of both the single-subject and descriptive-title rule.

On the one hand, the bill is not confined to one subject but rather pertains to at least two and possibly three distinct subjects. Nevertheless, the bill's subjects are sufficiently related to meet the rather loose standards set in Gellert.

The Honorable Jay S. Hammond
Governor

July 12, 1978

~~The basic danger the amendments create is that local developers will overcharge for their own goods and services which they place into a project, claiming an offsetting amount from the state. This can be avoided, at least in part, by grant conditions (or agency regulations) which delimit the amount of those kinds of charges by making them conform to the rates and amounts charged for the same or similar goods and services on similar projects. All in all, however, the legislature's definition of "costs" is an invitation, if not to steal, at least to be wasteful. We are not at all sure that the state agencies involved are equipped to prevent either result.~~

~~More than most, this bill has its share of good and bad points. From a legal standpoint, i.e., from how it can and probably will affect the state's legal relationships and problems, we would prefer another version and would just as soon that this one were vetoed. For us, it simply has too many uncertainties and unknowns which, if answered wrong, will work against the public interest. We admit, however, that if they are answered correctly, no harm will occur and --- with respect to operational and capital budgeting --- a more rational approach may be developed.~~

~~Please note, however, that you have authority as the state's budget officer to effect almost all, if not all, those budgeting and procurement changes on your own with respect to the state government's budgeting and capital planning. Hence, this is not an all-or-nothing proposition.~~

Sincerely yours,

Avrum M. Gross
Attorney General

by Arthur H. Peterson

AMG:pjg:RWP



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 A. Smith
Signature of Camera Operator

3/23/90
Date

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB-120
 Title Workmen's Compensation
 Requested by Senator Stinson Date 4/22/80

II. FISCAL DETAIL

Agency Affected Division of Insurance
 Program Category Affected _____
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		17.5	19.3	21.2	23.3	25.6
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND		17.5	19.3	21.2	23.3	25.6
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Estimated impact based upon 700 high school students working one quarter time for nine months = 700 students x .25 FTE = 175 full-time workers x .75 year = 131.25 full-time, full year, equivalent workers, x \$133.33 per worker insurance cost = \$17.5.

IV. DATE 4/22/80

PREPARED BY [Signature]
 AGENCY Department of Education
 PHONE 465-2800

Original: Legislative Finance

Original sponsors: Stimson, Rodey,
Sturgulewski and Kelly

Offered: 5/6/80
Referred: Finance

1 IN THE SENATE

BY THE LABOR AND
MANAGEMENT COMMITTEE

2 CS FOR SENATE BILL NO. 439

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to workmen's compensation for high
7 school students enrolled in work-study courses; and
8 providing for an effective date."

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

10 * Section 1. AS 23.30 is amended by adding a new section to read:

11 Sec. 23.30.237. HIGH SCHOOL STUDENTS IN WORK-STUDY PROGRAMS. An
12 individual who is enrolled for credit at a public high school in a
13 course which combines academic instruction with work experience outside
14 the school for a public or private nonprofit employer is an employee of
15 the state for the purposes of this chapter while he is performing the
16 work experience. Weekly compensation for disability or death under this
17 section may not be less than the initial payment of compensation under
18 AS 23.30.175.

19 * Sec. 2. This Act takes effect July 1, 1980.
20
21
22
23
24
25
26
27
28
29

Introduced: 2/14/80
Referred: Labor & Management
and Finance

1 IN THE SENATE

BY STIMSON, RODEY, STURGULEWSKI
AND KELLY

2 SENATE BILL NO. 439

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to workmen's compensation for high
school students enrolled in work-study courses; and
8 providing for an effective date."

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

10 * Section 1. AS 23.30 is amended by adding a new section to read:

11 Sec. 23.30.237. HIGH SCHOOL STUDENTS IN WORK-STUDY PROGRAMS. An
12 individual who is enrolled for credit at a public high school in a
13 course which combines academic instruction with work experience outside
14 the school is an employee of the state for the purposes of this chapter
15 while he is performing the work experience. Weekly compensation for
16 disability or death under this section may not be less than the initial
17 payment of compensation under AS 23.30.175.

18 * Sec. 2. This Act takes effect July 1, 1980.
19
20
21
22
23
24
25
26
27
28
29

Original sponsors: Stimson, Rodey,
Sturgulewski and Kelly

Offered: 5/6/80
Referred: Finance

1 IN THE SENATE

BY THE LABOR AND
MANAGEMENT COMMITTEE

2 CS FOR SENATE BILL NO. 439

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to workmen's compensation for high
7 school students enrolled in work-study courses; and
8 providing for an effective date."

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

10 * Section 1. AS 23.30 is amended by adding a new section to read:

11 Sec. 23.30.237. HIGH SCHOOL STUDENTS IN WORK-STUDY PROGRAMS. An
12 individual who is enrolled for credit at a public high school in a
13 course which combines academic instruction with work experience outside
14 the school for a public or private nonprofit employer is an employee of
15 the state for the purposes of this chapter while he is performing the
16 work experience. Weekly compensation for disability or death under this
17 section may not be less than the initial payment of compensation under
18 AS 23.30.175.

19 * Sec. 2. This Act takes effect July 1, 1980.

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CR-120
 Title Workmen's Compensation
 Requested by Senator Stimson Date 4/22/80

II. FISCAL DETAIL

Agency Affected Division of Insurance

Program Category Affected _____

BRU, Program, or Subprogram(s) Affected _____

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

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		17.5	19.3	21.2	23.3	25.6

TOTAL

FUNDING (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
GENERAL FUND		17.5	19.3	21.2	23.3	25.6
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Estimated impact based upon 700 high school students working one quarter time for nine months = 700 students x .25 FTE = 175 full-time workers x .75 year = 131.25 full-time, full year, equivalent workers, x \$133.33 per worker insurance cost = \$17.5.

IV. DATE 4/22/80

PREPARED BY [Signature]
 AGENCY Department of Education
 PHONE 465-2500

Original: Legislative Finance

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 439
 Title "An Act relating to workmen's compensation for high school students enrolled in work-study courses"
 Requested by Senator Stimson Date 3/14/80

II. FISCAL DETAIL

Agency Affected Department of Administration
 Program Category Affected Administrative Services to State Agencies
 BRU, Program, or Subprogram(s) Affected Division of Risk Management
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.			160.0	172.8	186.6	201.6
TOTAL			160.0	172.8	186.6	201.6

FUNDING (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
I.A.			160.0	172.8	186.6	201.6

POSITIONS

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
FULL TIME			0	0	0	0
PART TIME			0	0	0	0
TEMPORARY			0	0	0	0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This bill would amend the state Workmen's Compensation Act by extending full workers' compensation benefits to any high school student in a work-study capacity on the basis that he or she is an employee of the state. There are approximately 24,000 high school students in the state, and a significant number could qualify for workers' compensation benefits as long as they are taking a course or two while working on a full- or part-time basis. The state presently pays worker's compensation benefits of approximately \$2,000,000 per year to 10,000 state employees. If ten per cent of the state's high school students qualify for work study status, the state would be increasing its potential payout considerably. If ten percent, or 2,400 students work fifty percent of the time and study fifty percent of the time, the state has an exposure equivalent to adding 1,200 full-time employees to its staff. This would be a twelve percent increase in covered employees. Even assuming a reduced pay scale for these students this increase produces a potential liability of \$160,000, since full medical benefits would be paid in addition to lost wages. It appears that this is a obligation which the state should not assume, considering the potential costs. (Continued)

IV. DATE 3/14/80 PREPARED BY [Signature]
 AGENCY John Harwood, Director, Risk Management
 PHONE 465-2180
 Original: Legislative Finance
 Budget and Management
 Prime Sponsor (First Legislator Named) Senator Stimson

III. ANALYSIS, Continued.

'It is unclear why students who are working either full- or part-time for wages would not be covered under the employer's mandatory workers' compensation coverage. If the employer were relieved of the requirement to provide benefits for on-the-job injuries, students could be placed in hazardous jobs without adequate training or supervision.

If the students are employees of the State for the purpose of workers' compensation benefits, do they receive other benefits from the employer, such as FICA, unemployment insurance, group life and health insurance, sick leave, paid holidays and vacations, overtime and bonus pay? Would older students with spouses and children, who may go back to school for their degree after working full-time for several years, qualify under this program? How would correspondence students be treated, and those eligible for CETA employment? This bill appears to be a subsidy to the employers who must already receive the benefits of the student's work at reduced wages.

From a Risk Management standpoint, the State would be picking up a large financial liability without control over the work environment.