

LEG. FINANCE - BILLS 1983 - 1984 1868

SSH B 270 cont. - HB 276

1868

1.	POSITION TITLE Legal Secretary I			RANGE/STEP 10B	BARG. UNIT GGU	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION	STAFF MONTHS 10	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT 8	LEG.	
3.	CONTINUATION LEVEL			ADDITION	JUSTIFICATION				
4.	TYPE OF EXPENDITURE			AMOUNT	<p>This position is required to provide support for the two new attorney positions. This secretary will be responsible for the preparation of a large volume of court documents generated by the appeal of cases dealing with the constitutionality of Alaska's statutes on child pornography. The allocation of a single secretary to serve two full time attorneys is the minimum amount of support needed to meet the workload anticipated and is within the normal ratio of attorneys to secretaries for the Department of Law.</p>				
	1	2	3						
	PERSONAL SERVICES								
5.	Salary	1,726/month	17,260						
6.	Benefits		2,660						
7.	Supplemental Benefits		1,058						
8.	Fixed Benefits		2,400						
9.	TOTAL PERSONAL SERVICES		01	23,400					
10.	Travel		02	-0-					
11.	Contractual		03	2,000					
12.	Commodities		04	3,000					
13.	Equipment		05	14,500					
14.	Other								
15.	TOTAL COST			42,900					
	RECEIPT CODE	FUNDING SOURCE							
16.		Federal Receipts 1002							
17.		G.F. Match 1003							
18.		General Funds 1004		42,900					
19.		I-A Receipts 1005							
20.		Program Receipts 1028							
21.		Other							
FOR B&M USE ONLY									
4A KEY NUMBER _____									

AGENCY Department of Law

PROGRAM Due Process

BRU Prosecution

COMPONENT Third Judicial District

FY 84

13 REQUEST FOR
NEW POSITION

Page _____ of _____

Revised Date _____

POSITION PAPER

CS Sponsor Substitute for House Bill No. 270 (HESS)

"An Act relating to child pornography."

House Bill No. 270 raises the penalty for exploitation of a minor from a Class C felony to a Class B felony in AS 11.41.455. House Bill No. 270 also adds a new section, Sec. 11.61.125, to Alaska State Statutes which makes distribution of child pornography a Class C felony. The Department estimates that one additional medium security bed will be necessary to house offenders convicted of unlawful exploitation of a minor and/or distribution of child pornography.

Recommended by: Roger V. Endell
for Roger V. Endell, Director
Division of Adult Corrections

Date: April 1, 1983

Approved by: Robert London Smith
Robert London Smith, Ph.D.
Commissioner

Date: 4/7/83

STATE OF ALASKA
FISCAL NOTE

Revision Date , 1983

I. REQUEST

Bill/Resolution No.: SS for H.B. #270
 Title: "An Act relating to child porno."
 Sponsor: Representative Liska
 Requestor: HESS Committee

II. FISCAL DETAIL

Agency Affected: Health & Social Services
 Program Category Affected: Justice
 BRU, Program of Subprogram(s) Affected: Adult Confinement

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		2.4	5.1	5.4	5.7	6.1
400 COMMODITIES		2.5	5.3	5.6	6.0	6.3
500 EQUIPMENT						
600 LAND & STRUCTURES			-	-	-	-
700 GRANTS, CLAIMS, ETC		.2	.2	.3	.3	.4
TOTAL OPERATING		5.1	10.6	11.3	12.0	12.8
CAPITAL	-0-	146.0	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	151.1	10.6	11.3	12.0	12.8
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

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

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

The source of funds to offset the fiscal impact of this bill has not been identified by the sponsor.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Roger C. Lange Phone: 465-3376
 Division: Adult Corrections Date: March 31, 1983
 Approved by Commissioner: Robert London Smith Date: 4/7/83
 Department: Health & Social Services

Distribution:

Original to Legislative Finance
 Copy to Office of Management and Budget (for Legislature introduced bills)
 Copy to Department (for Governor introduced bills)
 Copy to Sponsor
 Copy to Requestor (if different from Sponsor)

3/8/83

FISCAL NOTE

SS for House Bill No. 270

Page 2

IV. ANALYSIS

A. Assumptions

Based on conversations with Department of Law staff, it is assumed that there will be one additional Class B felony conviction and four Class C felony convictions per year. It is assumed all will be first time offenders. Therefore it is estimated that 50% of the Class B and 20% of the Class C felony offenders will receive terms of confinement. This will result in approximately 1.5 person years per year of jail time will be served.

It is further assumed that the distributors of child pornography will remove these materials from their visible stock and convictions for distribution of child pornography will decrease from the original estimate of four per year.

Therefore, it is estimated that one additional medium security bed will be required if this proposed legislation is enacted.

B. Program Summary

1. Positions - An average of one position is required for every 2½ beds. Since only one bed is requested in the fiscal note, no positions are identified as being needed.
2. Other expenditures
 - a. Contractual Services
Medical care and counseling services \$2400
 - b. Commodities
Food and clothing \$2500
 - c. Grants
Inmate gratuities for kitchen, janitorial or other assigned tasks \$200.

C. Impact

There will be no significant economic or local government as a result of passage of this bill.

I. REQUEST
 Bill/Resolution No.: CS HB 270 (H&SS)
 Title: Child Pornography
 Sponsor: Liska
 Requestor: _____

II. FISCAL DETAIL
 Agency Affected: H&SS
 Program Category Affected: Social Services
 BRU, Program of Subprogram(s) Affected: None

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Enactment of this Bill would have no fiscal impact on the Division of Family and Youth Services as child pornography is already included in reporting of abuse.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Michael L. Price, Director *Michael L. Price* Phone: 465-3170
 Division: Family and Youth Services Date: 3/22/83

Approved by Commissioner: Robert London Smith *Robert London Smith* Date: 4/9/83
 Department: H&SS

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

The following individuals are expected to testify on SS HB 270:

Representative John Liska, prime sponsor

Gail Huretsky, Office of the Chief Prosecutor, Department of Law

MAR 29 1983

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: SS HB 270
Title: "Child Pornography"
Sponsor: Liska
Requestor: House HESS

II. FISCAL DETAIL

Agency Affected: Law
Program Category Affected: Admin. of Justice
BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES		130.1	165.5	175.4	185.9	197.1
200 TRAVEL		10.1	12.8	13.6	14.4	15.3
300 CONTRACTUAL		18.0	20.7	21.9	23.2	24.6
400 COMMODITIES		10.0	5.7	6.0	6.4	6.8
500 EQUIPMENT		17.5				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		185.6	204.7	217.0	230.0	243.8

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		185.6	204.7	217.0	230.0	243.8
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME		3	3	3	3	3
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not specified by sponsor

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Richard I. Peques Phone: 465-3672

Division: Administrative Services Date: March 29, 1983

Approved by Commissioner: Norman C. Gorsuch, Attorney General Date: March 29, 1983

Department: Department of Law

Distribution:

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- Copy to Department (for Governor introduced bills)
- Copy to Sponsor

Section 1 of this bill adds a new subsection to the current Unlawful Exploitation of a Minor statute, making it a class B felony for a parent or guardian to knowingly allow his child to participate in sexual activities which will be used to produce a pornographic film, TV show, photograph, etc. Since in most cases a parent who would knowingly allow his child to engage in such activity would also be involved in "inducing or employing" the child to perform these acts (conduct which is already covered under existing law), it is expected that there would be only a few additional prosecutions under this portion of the bill. These few new cases could probably be handled by the present prosecution staff.

Section 2 of the bill makes it a class C felony for a person to knowingly sell or distribute pornographic material which visually depicts children engaged in sexual behavior. The bill could result in a large number of additional criminal prosecutions, as the sale or distribution of pornographic material of any sort is not now a criminal offense in this state. It is anticipated that enforcement of the new law would require the addition of two new prosecutors and one new secretary statewide. This estimate is based on the number of establishments in this state which are known to sell pornographic material, the complexity of legal issues that are involved in these types of cases, and the knowledge that con-

victions under similar statutes in other states are almost always appealed on constitutional grounds to the highest appellate court in the state, and frequently to the United States Supreme Court.

Fiscal Analysis - SSHB 270

The impact of HB 270 is expected to result in the addition of two Attorney IV positions (SR 24) and one Legal Secretary position (SR 10).

The first year of this analysis will cover 10 months of FY 84, allowing 2 months for these three positions to be established. The costs beyond FY 84 have been projected on a 12 month basis and include a 6% annual inflation factor.

1st Year (10 months)

	<u>AIV(PFT)</u>	<u>AIV(PFT)</u>	<u>L/SI(PFT)</u>	<u>TOTAL</u>
Personal Services	53.7	53.7	23.4	130.1
Travel	5.0	5.0	-0-	10.0
Contractual	8.0	8.0	2.0	18.0
Commodities - ongoing	1.5	1.5	1.5	4.5
Commod. - single time	2.0	2.0	1.5	5.5
Equipment - single time	1.5	1.5	14.5	17.5
				<hr/>
				185.6

2nd Year (12 months + 6% annual inflation)

Personal Services	68.3	68.3	28.9	165.5
Travel	6.4	6.4	-0-	12.8
Contractual	9.1	9.1	2.5	20.7
Commodities	1.9	1.9	1.9	5.7
				<hr/>
				204.7

1.	POSITION TITLE Attorney IV				RANGE/STEP 24A	BARG. UNIT X	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 10	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT 8	LEC.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT	<p>To accommodate the addition of new felony statutes for the prosecution of those who knowingly sell or distribute pornographic material which visually depicts children engaged in sexual behavior, the Department of Law is requesting two new attorney positions and a new secretary position. This is the second of two attorney positions which will be responsible for the enforcement of the new felony statutes statewide, including the pursuit of the many cases which will undoubtedly be appealed on constitutional grounds to the state's highest court and to the U.S. Supreme Court. These cases will involve complex legal issues which have been previously unaddressed by Alaska's criminal code.</p>					
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	4,251/month	42,510							
6.	Benefits		6,555							
7.	Supplemental Benefits		2,240							
8.	Fixed Benefits		2,400							
9.	TOTAL PERSONAL SERVICES		01	53,705						
10.	Travel		02	5,000						
11.	Contractual		03	8,000						
12.	Commodities		04	3,500						
13.	Equipment		05	1,500						
14.	Other									
15.	TOTAL COST			71,705						
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts	1002							
17.		G.F. Match	1003							
18.		General Funds	1004	71,705						
19.		I-A Receipts	1005							
20.		Program Receipts	1028							
21.		Other								
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4A KEY NUMBER _____										

13 REQUEST FOR
NEW POSITION

AGENCY Department of Law

PROGRAM Due Process

BRU Prosecution

COMPONENT Third Judicial District

FY 84

Page of

Revised Date

1.	POSITION TITLE Legal Secretary I			RANGE/STEP 10B	BARG. UNIT GCU	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAP.
2.	TYPE OF POSITION	STAFF MONTHS 10	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT 8	LEG.	
3.	CONTINUATION LEVEL	ADDITION			JUSTIFICATION				
4.	TYPE OF EXPENDITURE			AMOUNT					
	1	2	3						
	PERSONAL SERVICES								
5.	Salary	1,726/month	17,260						
6.	Benefits		2,660						
7.	Supplemental Benefits		1,058						
8.	Fixed Benefits		2,400						
9.	TOTAL PERSONAL SERVICES		01	23,400					
10.	Travel		02	-0-					
11.	Contractual		03	2,000					
12.	Commodities		04	3,000					
13.	Equipment		05	14,500					
14.	Other								
15.	TOTAL COST			42,900					
	RECEIPT CODE	FUNDING SOURCE							
16.		Federal Receipts 1002							
17.		G.F. Match 1003							
18.		General Funds 1004		42,900					
19.		I-A Receipts 1005							
20.		Program Receipts 1028							
21.		Other							
FOR B&M USE ONLY									
4A KEY NUMBER _____									

This position is required to provide support for the two new attorney positions. This secretary will be responsible for the preparation of a large volume of court documents generated by the appeal of cases dealing with the constitutionality of Alaska's statutes on child pornography. The allocation of a single secretary to serve two full time attorneys is the minimum amount of support needed to meet the workload anticipated and is within the normal ratio of attorneys to secretaries for the Department of Law.

AGENCY Department of Law

PROGRAM Due Process

BRU Prosecution

COMPONENT Third Judicial District

FY 84

13 REQUEST FOR
NEW POSITION

Page _____ of _____

Revised Date _____

POSITION PAPER

CS Sponsor Substitute for House Bill No. 270 (HESS)

"An Act relating to child pornography."

House Bill No. 270 raises the penalty for exploitation of a minor from a Class C felony to a Class B felony in AS 11.41.455. House Bill No. 270 also adds a new section, Sec. 11.61.125, to Alaska State Statutes which makes distribution of child pornography a Class C felony. The Department estimates that one additional medium security bed will be necessary to house offenders convicted of unlawful exploitation of a minor and/or distribution of child pornography.

Recommended by: Roger C. Lunge
for Roger V. Endell, Director
Division of Adult Corrections

Date: April 1, 1983

Approved by: Robert London Smith
Robert London Smith, Ph.D.
Commissioner

Date: 4/7/83

POSITION PAPER

CS for SS for House Bill No. 270

"An Act relating to child pornography."

CS for SS for House Bill No. 270 raises the penalty for exploitation of a minor from a Class C felony to a Class B felony in AS 11.41.455. House Bill No. 270 also adds a new section, Sec. 11.61.125, to Alaska State Statutes which makes distribution of child pornography a Class C felony. The Department estimates that one additional medium security bed will be necessary to house offenders convicted of unlawful exploitation of a minor and/or distribution of child pornography.

Recommended by:

for Roger V. Endell
Roger V. Endell, Director
Division of Adult Corrections

Date:

4-12-83

Approved by:

Robert London Smith
Robert London Smith, Ph.D.
Commissioner

Date:

4/14/83

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No. CS for SS H.B. #270
Title: "An Act relating to child porno."
Sponsor: HESS Committee
Requestor: Judiciary Committee

II. FISCAL DETAIL

Agency Affected: Health & Social Services
Program Category Affected: Justice
BRU, Program of Subprogram(s) Affected:
Adult Confinement

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		2.4	5.1	5.4	5.7	6.1
400 COMMODITIES		2.5	5.3	5.6	6.0	6.3
500 EQUIPMENT						
600 LAND & STRUCTURES			-	-	-	-
700 GRANTS, CLAIMS, ETC		.2	.2	.3	.3	.4
TOTAL OPERATING		5.1	10.6	11.3	12.0	12.8
CAPITAL	-0-	146.0	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
GENERAL FUND	-0-	151.1	10.6	11.3	12.0	12.8
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

The source of funds to offset the fiscal impact of this bill has not been identified by the sponsor.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Roger C. Lange *Roger C. Lange* Phone: 465-3376
Division: Adult Corrections Date: April 11, 1983
Approved by Commissioner: *Robert London Smith, M.D.* Date: 4/14/83
Department: Health & Social Services

Distribution:

Original to Legislative Finance
Copy to Office of Management and Budget (for Legislature introduced bills)
Copy to Department (for Governor introduced bills)
Copy to Sponsor
Copy to Requestor (if different from Sponsor)

3/8/83

FISCAL NOTE

CS for SS for House Bill No. 270

Page 2

IV. ANALYSIS

A. Assumptions

Based on conversations with Department of Law staff, it is assumed that there will be one additional Class B felony conviction and four Class C felony convictions per year. It is assumed all will be first time offenders. Therefore it is estimated that 50% of the Class B and 20% of the Class C felony offenders will receive terms of confinement. This will result in approximately 1.5 person years per year of jail time will be served.

It is further assumed that the distributors of child pornography will remove these materials from their visible stock and convictions for distribution of child pornography will decrease from the original estimate of four per year.

Therefore, it is estimated that one additional medium security bed will be required if this proposed legislation is enacted.

B. Program Summary

1. Positions - An average of one position is required for every 2½ beds. Since only one bed is requested in the fiscal note, no positions are identified as being needed.
2. Other expenditures
 - a. Contractual Services
Medical care and counseling services \$2400
 - b. Commodities
Food and clothing \$2500
 - c. Grants
Inmate gratuities for kitchen, janitorial or other assigned tasks \$200.

C. Impact

There will be no significant economic or local government as a result of passage of this bill.

POSITION PAPER

CS Sponsor Substitute for House Bill No. 270 (HESS)

"An Act relating to child pornography."

House Bill No. 270 raises the penalty for exploitation of a minor from a Class C felony to a Class B felony in AS 11.41.455. House Bill No. 270 also adds a new section, Sec. 11.61.125, to Alaska State Statutes which makes distribution of child pornography a Class C felony. The Department estimates that one additional medium security bed will be necessary to house offenders convicted of unlawful exploitation of a minor and/or distribution of child pornography.

Recommended by:

Roger V. Endell
for Roger V. Endell, Director
Division of Adult Corrections

Date:

April 1, 1983

Approved by:

Robert London Smith
Robert London Smith, Ph.D.
Commissioner

Date:

4/7/83

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

CS
Bill/Resolution No.: SS for H.B. #270
Title: "An Act relating to child porno."
Sponsor: Representative Liska
Requestor: HESS Committee

II. FISCAL DETAIL

Agency Affected: Health & Social Services
Program Category Affected: Justice
BRU, Program of Subprogram(s) Affected:
Adult Confinement

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		2.4	5.1	5.4	5.7	6.1
400 COMMODITIES		2.5	5.3	5.6	6.0	6.3
500 EQUIPMENT						
600 LAND & STRUCTURES			-	-	-	-
700 GRANTS, CLAIMS, ETC		.2	.2	.3	.3	.4
TOTAL OPERATING		5.1	10.6	11.3	12.0	12.8
CAPITAL	-0-	146.0	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	151.1	10.6	11.3	12.0	12.8
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

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

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

The source of funds to offset the fiscal impact of this bill has not been identified by the sponsor.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Roger C. Lange *Roger C. Lange* Phone: 465-3376
Division: Adult Corrections Date: March 31, 1983
Approved by Commissioner: *Robert London Smith* Date: 4/7/83
Department: Health & Social Services

Distribution:

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3/8/83

IV. ANALYSIS

A. Assumptions

Based on conversations with Department of Law staff, it is assumed that there will be one additional Class B felony conviction and four Class C felony convictions per year. It is assumed all will be first time offenders. Therefore it is estimated that 50% of the Class B and 20% of the Class C felony offenders will receive terms of confinement. This will result in approximately 1.5 person years per year of jail time will be served.

It is further assumed that the distributors of child pornography will remove these materials from their visible stock and convictions for distribution of child pornography will decrease from the original estimate of four per year.

Therefore, it is estimated that one additional medium security bed will be required if this proposed legislation is enacted.

B. Program Summary

1. Positions - An average of one position is required for every 2½ beds. Since only one bed is requested in the fiscal note, no positions are identified as being needed.
2. Other expenditures
 - a. Contractual Services
Medical care and counseling services \$2400
 - b. Commodities
Food and clothing \$2500
 - c. Grants
Inmate gratuities for kitchen, janitorial or other assigned tasks \$200.

C. Impact

There will be no significant economic or local government as a result of passage of this bill.

I. REQUEST

Bill/Resolution No.: CS HB 270 (H&SS)
 Title: Child Pornography
 Sponsor: Liska
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: H&SS
 Program Category Affected: Social Service
 BRU, Program of Subprogram(s) Affected: None

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Enactment of this Bill would have no fiscal impact on the Division of Family and Youth Services as child pornography is already included in reporting of abuse.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Michael L. Price, Director *Michael L. Price* Phone: 465-3170
 Division: Family and Youth Services Date: 3/22/83
 Approved by Commissioner: Robert London Smith *Robert London Smith* Date: 4/9/83
 Department: H & SS

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- THE MARKETING AND SALE OF CHILDREN IN ANCHORAGE -

Nationally, organized crime has discovered children and youth to be a highly marketable commodity. Anchorage hardcore adult criminals have also found juveniles to be saleable for a variety of criminal activities and sexual abuses limited only by the imagination and resources of the criminals minds involved.

According to law enforcement sources, statistics on local organized crime involving children and youth are just beginning to surface. Interviews with officers representing all levels of law enforcement indicate that recent breaking cases of drugs and sex rings involving youth are, to quote one officer, "just the tip of the iceberg." Further, officers interviewed stated that they believed criminal organizations involving juveniles exist to even a greater degree in our city than on the national level.

They stated that contributing factors to Alaska's problem with the growth of crimes involving use of the young are believed to be caused by the attraction of criminal organizations to the wealth of Alaska. Heavy drug and alcohol abuse, a young, highly mobile population and heavily impacted law enforcement and court systems also contribute to the problem.

There was also a strong indication that geographic location and international access could tie organizational trafficking in juveniles to criminal organizations involved in international operations.

The following information is a synopsis of the mechanics of organized crime operations involving juveniles according to Alaska law enforcement officers.

about their activities. The Senate Committee Report suggested the following characteristics as typical of a sexually exploited boy:

- Between the ages of 8 and 17
- An under achiever in school or at home
- Usually without previous homosexual experience
- Came from a home where the parents were absent either physically or psychologically
- Had no strong moral or religious obligations
- Usually had no record of previous delinquency
- Suffered from poor sociological development²²

Often the parents are unaware of what their children are doing, but there have been cases where parents have sold their own children for sexual purposes.

The effects of sexual exploitation on children are devastating. Many children suffer physical harm as a result of the premature and inappropriate sexual demands placed on them. Perhaps more serious is the disruption of emotional development. Although the psychological problems experienced by children who are sexually exploited have not been extensively studied, there is ample evidence that such involvement is harmful. One recent study suggests that children who are used to produce pornography suffer harmful effects similar to those experienced by incest victims.²³ Such effects may include depression, guilt and psychologically induced somatic disorders.²⁴ Often, these children grow up to lead a life of drugs and prostitution.²⁵ More tragically, children who are sexually abused are more likely to abuse their own children.²⁶

The Need for Effective Child Sexual Exploitation Laws

In the past four years, Congress and the state legislatures have played a crucial role in the fight against the rapidly growing problem of child pornography and child prostitution. Prior to 1977 there were few laws, either federal or state, addressing the sexual exploitation of children. Today, virtually all states and the federal government have enacted laws which specifically deal with the problem.²⁷

The flurry of legislative activity resulted from a belief that the existing laws used to prosecute child exploiters did not adequately protect children from these activities. On the federal level, the general obscenity statutes prohibited the mailing,²⁸ importation²⁹ and interstate transportation³⁰ of obscene materials. While these statutes cover all forms of legally "obscene" pornography, they do not differentiate between material depicting adults and material depicting children. Furthermore, they do not specifically prohibit the production of child pornography. Also, it was generally the practice of the federal authorities to investigate only large manufacturers and distributors. Combined with the fact that much of the business of child pornography was conducted through interstate commerce and the mails, Congress determined that specific legislation was needed.³¹

Several types of state statutes have indirectly addressed child sexual exploitation prior to enactment of the new legislation. These include: 1) sex offense statutes; 2) child abuse laws; 3) contributing to the delinquency of a minor laws; 4) child labor laws; and 5) obscenity statutes. However, even though these laws address the problem in one form or another many state legislators found them to be inadequate for reasons discussed below.

The past five years have seen increased public and professional concern about an insidious form of child abuse - the exploitation of children for sexual stimulation and commercial gain. Media attention to the problem by the Chicago Tribune¹ and Time Magazine² and the CBS television program "60 Minutes,"³ among others, have produced graphic and alarming reports about a situation too disturbing to fully comprehend. Additionally, Congressional hearings on the subject, culminating in new federal legislation, have given the problem national attention.⁴

Children are being sexually exploited throughout the country in a variety of ways. Most commonly, they are used as prostitutes or models for the production of pornographic photographs and films. This is distinguishable from another serious and related problem - sexual abuse of children by parents and guardians. Sexual exploitation usually involves a commercial element: children selling themselves or being sold as prostitutes or models. Sexual abuse, on the other hand, is generally perpetrated by an adult the child knows, most often by a parent, guardian or a person with authority over the child, and generally has no commercial element. While the two problems are interrelated (i.e., parents who sexually abuse their children may also exploit them commercially), this monograph will be concerned only with sexual exploitation.⁵

Child pornography, also known as "kiddie porn," is generally defined as films, photographs, magazines, books and motion pictures which depict children in sexually explicit acts, both heterosexual and homosexual.⁶ Production, distribution and sale of child pornography is a secretive business, making a determination of its full extent extremely difficult. Estimates of the number of children involved range from the thousands to the hundreds of thousands.⁷ The statistics cannot be accurately verified and the facts and figures vary, but one thing is clear: a significant number of children are being sexually exploited throughout the country.

The availability of child pornography is a good indicator of its nature and scope. A relatively obscure and unusual product as late as the 1960's, child pornography has become increasingly popular. In 1977, there were at least 260 different monthly magazines published in the United States with such names as "Torrid Tots," "Night Boys," "Lolita," "Boys Who Love Boys," and "Children Love."⁸

Congress has concluded that child pornography and child prostitution have become highly organized industries that operate on a nationwide scale.⁹ It has been estimated that these enterprises may gross a half-billion to a billion dollars a year.¹⁰ To date, police have uncovered production centers in Los Angeles, New York, Chicago and several other large cities.¹¹ But production is by no means limited to these areas. Police have also discovered child pornography and prostitution operations in suburban and rural communities.¹² Moreover, since such photographs or films can be taken in private homes, discovery of their production is very difficult.

Child pornography is a lucrative business; the costs of sexually exploiting children are minimal and the profits enormous. A magazine that retails for \$7.50 to \$12.50 per copy can be produced for as little as 35 to 50 cents. Similarly, a cheap home movie camera can be used to produce films that sell thousands of copies for \$75 to \$200 each.¹³ These prices are considerably higher than for similar materials featuring adult pornography.

Child Pornography and Child Prostitution

Several authorities have found a close relationship between child pornography and child prostitution.¹⁴ Frequently, a person hiring a child prostitute will also film their activities. These films are then reproduced and sold to distributors.

There have also been cases where child pornography and prostitution operations have been organized into "sex rings."¹⁵ For example, a Tennessee minister who operated a home for wayward boys encouraged the boys to engage in orgies. He then filmed them with hidden cameras and sold the films. Also, he arranged for "sponsors" to come to the home and have sex with the boys.¹⁶

However, child pornography is generally a "cottage industry," with production occurring surreptitiously in private homes and motel rooms. Consequently, combatting the problem and protecting the children can be very difficult.

Profile of People Who Sexually Exploit Children

The rapid growth of child pornography reveals a demand for the material by people who are stimulated by sexual activity with children. They are known as "pedophiles" - people who are predisposed to sexually use children or who turn to them as a result of conflicts or problems in their adult relationships. Some have organized and become vocal about what they believe is their right to sexual fulfillment. For example, the Rene Guyon Society in California purports to have 5,000 members who claim to have each deflowered a child under eight. Their motto: "sex by eight or it is too late."¹⁷ In May, 1977, the first meeting of the International Pedophilic Information Exchange was held in Wales.¹⁸ It advocates a change in the laws to permit sex between adults and "consenting" children, although such permission is a legal impossibility since children are not capable of consenting.

The pedophile's sexual access to children is gained by either pressuring the child into sexual activity through enticement, encouragement, or instruction, or by forcing such activity through threat, intimidation, or physical duress.

The research of Dr. Nicholas Groth, Ann Wolbert Burgess, and their colleagues forms an essential basis for understanding the phenomenon of pedophilia.¹⁹ Reports on their observations and clinical experiences have helped separate myths from realities concerning those adults who sexually victimize children.²⁰ They have found that pedophiles are not "dirty old men" but are rather at the younger end of the age spectrum. Many may commit their first pedophilic offense while in their teens. Generally, they are neither retarded nor psychotic.

Child pornographers have little difficulty recruiting youngsters. Typically, the victims are runaways who come to the city with little or no money. A recent U.S. Senate Committee report estimates that between 700,000 to one million children run away from home each year.²¹ Adult exploiters pick them up at bus stations, hamburger stands and street corners and offer them money, gifts or drugs for sexual favors.

However, not all exploited children are runaways. Many seem to live normal lives with their families. Frequently, they are children who have been abused at home or come from broken homes or live with parents who simply don't care

MISSING: 100,000 Children a Year

The figures are estimates. But the few known facts are appalling: thousands are murdered annually, the number of missing children is rising and *no one* is keeping an accurate count

Condensed from KIWANIS MAGAZINE
GARY TURBAK

ABOUT 8:30 A.M. on January 7, 1980, Katheleen Mancil drove her daughter Marian Batson to school in Inverness, Fla. "See you tonight," Katheleen called

about 25 miles from the school. She had joined the swelling ranks of children simply labeled MISSING.

Sheila and Katherine Lyon, ages 13 and 11, journeyed to a suburban



1. Jason Manuel Tomassi, W. Va., Missing: 10/6/79 Age: 1; 2. David Marcus Tomassi, W. Va., Missing: 10/6/79 Age: 2; 3. Rene Dawn Wild, Pa., Missing: 8/3/78 Age: 8; 4. Matthew Lawrence Lopez, Colo., Missing: 3/17/81 Age: 6; 5. Adrian Van Tilson, R.I., Missing: 3/27/81 Age: 7;

as the petite, blue-eyed 16-year-old stepped from the car.

But she did not see Marian that night. Or the next. Or the next.

No one remembers seeing Marian after she left her mother's car. The day after her disappearance, her purse was found in a trash can

shopping center on March 25, 1975, and were never seen again. In early October 1980, two-year-old Brandy Barlow vanished from her front yard. The list goes on.

Probably the most publicized missing-child case of late has been that of six-year-old Etan Patz. On

May 25, 1979, Etan walked alone for the first time to his Manhattan school-bus stop and has not been seen since. Methodical searches with bloodhounds, helicopters, psychics, and phalanxes of police have failed to turn up any clues.

These are not isolated cases. Everyone close to the missing-child problem agrees that it is a large one—and growing. Statistics, however, are tough to come by. Boundaries between runaways, parental kidnap victims and children stolen by strangers tend to blur.

The best estimates are that about a million American youngsters leave home each year, with 90 percent returning in two weeks. Approximately 100,000 children are thus unaccounted for. Add another

Yet no single U.S. agency concerns itself exclusively with missing children on a national scale. Automobiles, handguns and silverware can be registered, traced and recovered more easily than children.

"Our priorities are mixed up," says Ken Wooden, director of the National Coalition for Children's Justice. "If someone steals a car, he can be traced and caught because we have a computer system for tracing stolen cars. But children apparently aren't that important to us."

Each missing-child case has its own poignant drama and irony. In July 1976, 12-year-old Dee Scofield disappeared while running an errand at a Florida shopping center. Two days later, a classmate reportedly saw Dee looking out a van



6. Tamara Farrow Buck, Minn., Missing: 2/4/81 Age: 5; 7. Jamie Marie Dake, Mo., Missing: 2/22/81 Age: 5; 8. Ryan Nicole Burton, Texas, Missing: 9/6/81 Age: 3; 9. Kristie Michelle Morris, Ala., Missing: 5/15/81 Age: 5; 10. Rebecca Ruit, Chippis, N.J., Missing: 9/11/78 Age: 4;

25,000 to 100,000 stolen by divorced or separated parents, and the total becomes significant. "Kids who just disappear present a big problem that people had better start opening their eyes to," says Det. Sgt. Dick Ruffino of the Bergen County, New Jersey, Sheriff's Office.

window, desperately forming the word "help" over and over with her lips. Dee Scofield has never been found.

On October 18, 1981, Jimmy Rogers, 14, left his Hanson, Mass., home for a friend's house. He may have hitched a ride. He has not

been seen or heard from since. "Child snatching, kidnapping and the ugly things that happen to these kids are so horrendous that people refuse to deal with them," explains Stan Patz, father of missing Etan. "Trying to handle cases like ours on a local level is a tremendous impediment. We need a centralized, national clearinghouse with information about which children are missing and how they can be identified."

But most cases fall to local police, against whom some parents of missing children raise a litany of complaints. Because so many children do run away from home, police label most missing kids runaways. And unless the child is very young or evidence of foul play exists, police

course, occurs when the child is not a runaway and could possibly have been helped if immediate action had been taken.

On the morning after Christmas, 1974, 13-year-old Janna Hanson went to a friend's house. A short time later, Doreen Hanson drove by to pick up her daughter; Janna wasn't there. Doreen immediately went to the police, but they wouldn't search for 24 hours.

When police did finally begin an investigation, it was too late. Janna's body was found after several months, and evidence indicated she had been murdered on December 26.

Parents also complain bitterly about the FBI's refusal to help find missing children. The FBI becomes involved in a missing-child case



11. Shannon E. Zelber, N.Y., Missing: 1/11/82 Age: 11; 12. Michelle Lee Oglesby, Calif., Missing: 10/22/81 Age: 10; 13. Tamela Lynn Hall, W.Va., Missing: 11/12/80 Age: 9; 14. Taj Narbonne, Mass., Missing: 3/31/81 Age: 9; 15. Etan Patz, N.Y., Missing: 5/25/79 Age: 6;

commonly will not act on a missing-child report for 24 hours. The reason: sheer work volume. A surfeit of violent crimes—most with injured victims and plenty of evidence—takes priority over the "maybe" crime of a missing youngster.

The heart-rending tragedy, of

only when there's proof of a kidnapping—such as a ransom note—or evidence that the child was taken across state lines.

"The first-time disappearance of a minor should be prima facie evidence that a kidnapping has taken place," says John Clinkscales, whose

son Kyle disappeared six years ago. "The FBI could then become immediately involved, and there might be a chance of finding some of these children. We need help."

And answers. Parents always ask the inevitable: *Why? Why would someone steal a child? Why my child?* There are many answers, yet no answers.

A million couples a year divorce in the United States, and many of these cases result in child snatchings. For love, hate, spite or revenge, one parent steals a child from the other.

In December 1974, Gloria Yerkovich said good-bye to her four-year-old Joanna as the girl left to spend the weekend with her father. She didn't want to go, but

school, grow up and lead a more or less normal life.

When a stranger steals a child, anything can happen. Parents of missing children hope that their child will end up in a loving, caring family, perhaps through black-market adoption. The cruel truth is that a missing child stands a fair chance of being murdered. Each year an estimated 2500 children in the United States disappear and later are found murdered.

While the abduction and murder of a child is a senseless, psychotic act, many children are used for much more calculated reasons. Says Ken Wooden, "Kids are constantly being sought for the lucrative child-prostitution business. Most police departments and public officials



16. Sabrina Raynell Drake, Okla., Missing: 8/15/80 Age: 6; 17. Tommy (Landau) Perlstein, N.Y., Missing: 12/26/81 Age: 9; 18. Marian Wavie Batson, Fla., Missing: 1/7/80 Age: 16; 19. James W. Rogers, Mass., Missing: 10/18/81 Age: 14.

a court order had said she must.

Joanna never returned. The separation that was to last a weekend has stretched to 7½ years.

Despicable as parental kidnapping is, these children may be more fortunate than others. At least there's a chance they will go to

aren't doing anything about it."

If fear about what may be happening to a missing child is the parents' primary emotion, frustration is the second. Often,

little more is done once local police exhaust all leads. Teleprinted missing-child reports from one city do not carry a high priority in another. Verbal descriptions alone are often useless.

Out of desperation, parents turn to posting fliers and driving by

READER'S DIGEST

parks and other areas frequented by children. "It's a totally helpless feeling," says Stan Patz. "There's just nothing more we can do."

In the past few years, however, various groups have been formed—usually by parents or relatives of missing children—to advise and comfort distraught parents. One such organization is Child Find, Inc., Box 277, New Paltz, N.Y. 12561. It maintains a toll-free number (800-431-5005) to be used by children searching for their parents or parents trying to identify missing children. Another organization is SEARCH, which publishes *The National Runaway/Missing Persons Report*, a magazine containing photos, descriptions and personal data that can help identify the missing. The report is distributed about every three months to 22,000 agencies and individuals in law enforcement, security, medicine and social service. SEARCH's address is 560 Sylvan Ave., Englewood Cliffs, N. J. 07632. (All correspondence should include a stamped, self-addressed envelope.) Phone: 201-567-4040.

But such efforts are not likely to solve the problem overnight. At present, hope is a parent's most sustaining weapon.

For some families, that hope does not cease even after a child's body is found. Says Doreen Hanson: "After our daughter's remains were discovered, we still kept searching, at least in our minds. For weeks after, I would see a girl on the street who resembled my daughter and I would hope in my heart that it was Janna.

"No one on the outside can understand the trauma taking place in a family that has a child missing. The frustration, the not knowing, the agony are beyond explanation."

If you have information regarding children Nos. 1-17, contact Child Find, Inc. (800-431-5005); No. 18, contact Dee Scofield Awareness Program, Inc. (813-839-5025 or 813-681-4357); No. 19, Hanson, Mass., Police Dept. (617-294-8081).

✦ For information on reprints of this article, see page 199 ✦



The following organizations are also interested in the missing-child problem:

Find Me Inc., P.O. Box 1612, LaGrange, Ga. 30241; National Coalition for Children's Justice, 1214 Evergreen Rd., Yardley, Pa. 19067; Dee Scofield Awareness Program, Inc., 4418 Bay Court Ave., Tampa, Fla. 33611; Family and Friends of Missing Persons and Violent Crime Victims, P.O. Box 21444, Seattle, Wash. 98111

Locally-sold porn publication leads FBI to missing juvenile

by Jeff Berlner
Times Writer

A homosexual magazine for sale in Anchorage has led to the discovery that a juvenile depicted in the publication is a boy missing from his Costa Mesa, Calif., home for nearly four years.

The youth, James Wilfrid Trotter, now 17, was featured in a November 1982 Reader's Digest article on missing children. His whereabouts had been unknown since April 19, 1979.

Information uncovered by Anchorage police led to Trotter's discovery in San Francisco where he was allegedly working for a company employing underage youths in pornography.

Although an Anchorage ordinance prohibits the sale of pornography featuring minors, police chief Brian Porter said, "We defer to higher police authority: we turned everything over to the FBI."

Anchorage FBI agent John Darst acknowledged that he has the case but said he has not begun an investigation.

The FBI's inaction has angered U.S. Senate investigator Jay Howell who said he has complained to FBI headquarters in Washington D.C. Howell, under the direction of Sen. Paula Hawkins, R-Fla., has been working on the national problem of missing and exploited children.

"Our concern is that cases should be investigated," Howell said, "then what you need is enforcement."

Anyone involved in production, interstate distribution or sale of sexually explicit material employing juveniles is guilty of a felony under federal laws governing the sexual exploitation of children.

This would include the Anchorage booksellers. The Anchorage adult book store owner denied he sold material depicting juveniles.

Trotter was 15 in some of the magazines for sale in Anchorage adult bookstores, according to a private investigator who — using information from the Anchorage police — found Trotter in San Francisco and verified that he was the "missing" youth featured in Reader's Digest four months ago.

Virginia private investigator Robert Levesque, who specializes in finding missing children, confirmed that he found Trotter and spoke with him.

Levesque gave this account of Trotter's life since his disappearance:

Running away just before his 15th birthday, Jamie, as he is called, made his way to Los Angeles where — after three months on the street — "he was kidnaped by a well-known pimp."

From that point on, Jamie supported himself by selling his body. He has appeared in

films, in 35 pornographic magazines and has worked for a studio which Levesque said specializes in pornography depicting underage youths.

"Jamie is considered a hustler and open for hire," the investigator said.

An unrelated investigation by Anchorage police investigator Frank Feichtinger, who works on child sexual abuse cases, turned up the evidence leading to Jamie's discovery, Chief Porter said.

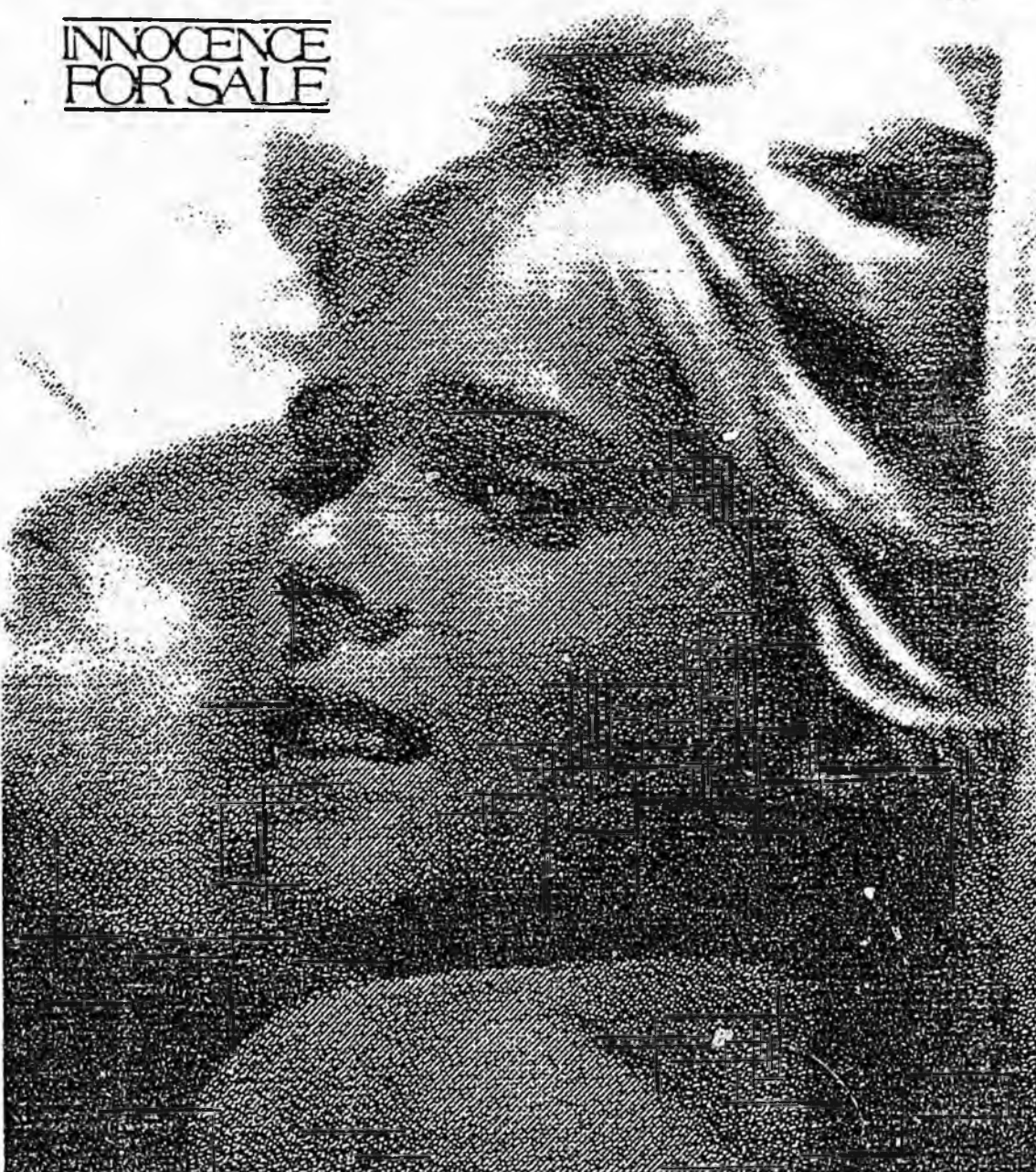
"The publications are probably illegal," Porter said of the magazines sold in Anchorage featuring Jamie.

To determine whether they really do violate laws against child pornography, Jamie's age must be determined, Porter said. But since more serious federal laws govern child pornography, the chief said Anchorage police did not act to enforce the municipality's misdemeanor law against selling child pornography, but rather turned all its material over to the FBI to use as evidence.

"It's a zero case," said FBI agent Darst. "It's so nebulous that we don't know what we've got. We don't know how old he is in the magazines. Our San Francisco office will investigate it and present it to the U.S. attorney there to decide."

Darst said he has not given the material to the San Francisco FBI yet.

INNOCENCE FOR SALE



Who are these children? The Indianapolis, Indiana, Police Department has asked the Journal to publish the pictures of these youngsters, all victims of child pornography.



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The names of these children and their families are being withheld to protect their identities.

T

he first time Sunny appeared in a pornographic magazine, she was about 6, a tow-headed youngster with a toothless grin and wide, innocent blue eyes. Detectives in the Indianapolis Police Department's child porn unit nicknamed her "Sunny," because she was such an obvious contrast to the other children whose pictures crossed their desks. Sgt. Tom Rodgers, head of the unit, remembers, "This kid's smile was real."

Her strikingly childlike expression in an unchildlike pose alerted police that this little girl's victimization had probably just begun. If she were lucky, she'd be identified before the assault on her young mind and body twisted her grin—and her life.

But Sunny wasn't found. In the next few years, she appeared in more pornographic magazines and films, and her smile changed to a half-smirk, a look that might have been a comic parody of seduction were it not worn by a youngster photographed in a sexual encounter with an adult male. By the time she was about 14 and beginning to develop into a young woman, she was the filmed object of increasingly savage sado-masochism.

Police officers report they haven't come across any pictures of Sunny in more than a year. That's not surprising since she's reached the age when models are routinely discarded for younger children. If her life parallels statistics, Sunny, not yet 16, is (continued on page 127)

The names of the child victims and their families have been changed to protect their privacy.



INNOCENCE

continued from page 81

walking the streets as a prostitute.

Julie Rich was a chatty 3-year-old with an expanding vocabulary. Her latest acquisition was "butt," a word that puzzled Julie's mother since it wasn't one she or her husband were likely to use. Then one day, while talking about James Meacham, the owner of Isabel's Nursery School in Los Angeles, where she spent the mornings, Julie announced: "James took pictures of my butt today."

Diane Rich wanted desperately to believe her child was confused. But when she questioned Julie further, the little girl demonstrated positions she was forced to take for the photographs—and Rich's worst fears were confirmed.

Around the same time, parents of other children who attended Isabel's heard similar stories from their youngsters, and the police were notified. When Meacham, a middle-aged man with a doctoral degree, was finally arrested, police confiscated more than two thousand pictures of boys and girls between the ages of two and five, including nude pornographic shots of giggly little Julie Rich.

Johnny Atwood was a troubled kid. The 13-year-old couldn't get along with his real father (his parents were divorced), and he was having difficulty adjusting to his stepfather. So when Johnny was hired by Donald Glaser, a United Church of Christ minister, to help with home repairs, his mother was delighted. Perhaps the Reverend would have a positive influence on the boy.

But young Johnny's troubles had only just begun. Two months after he accepted the job, his parents became suspicious of gifts and money he had received. They questioned him, and the boy eventually broke down and told the truth. He had been the willing prey of the charismatic clergyman who convinced him that posing in homosexual acts was no more than an easy way to earn big money fast.

When the police arrested the minister, they found a diary and a photo album chronicling thirteen years of encounters with young boys.

Unfortunately, these aren't isolated cases. Two teenage girls in rural New Jersey narrowly escaped death last year when a man, jailed for soliciting their participation in child pornography, tried to have them killed so they couldn't testify against him. Law enforcement officials estimate that as many as one million youngsters—ranging in age from 16 to under a year—are sexually molested and then filmed or photographed, either for the abuser's

own pleasure or for a profit. Many of the young victims, like Sunny, are never identified and are subjected to every form of sadism and bestiality. One magazine, *Baby Sex*, shows six-month old infants in sexual acts with adults. Some audio tapes, complete with descriptive narrative, record the screams of a little girl being raped.

"This sickness exists," says Father Bruce Ritter, founder of New York's Covenant House, a nonprofit youth shelter, "because a small segment of society wants it, another segment profits by it, and the rest aren't doing anything about it. Maybe we don't know enough—or care enough."

Who are the child pornographers? Often they are people who profit from the sickness of others. There are disturbed, immature people called pedophiles who cannot relate to other adults sexually, but can only receive sexual satisfaction by having relations with children. Pedophiles are excited by seeing children in stimulating poses. Child pornographers realize that a great deal of money can be earned by catering to these perverted tastes. Dana E. Caro of the criminal investigation division of the Federal Bureau of Investigation has testified that most child pornography material available in this country was originally produced for self-gratification by individual or groups of pedophiles. Commercial photographers and distributors of child porn pose as pedophiles in order to obtain these sexually explicit photographs of children free of charge. The commercial

pornographers then sell the photographs, which are published in child porn magazines.

Children become ensnared in child pornography in many ways. Commercial operators may pick up youngsters who have run away from home. According to police, the pornographer's favorite subject is the attractive, well-scrubbed, smiling child, the more innocent-looking the better. Pedophiles may kidnap and molest a child, then take photographs for their own use or to pass along to friends. Other children may actually be exploited by their own parents. Every child is a potential victim.

Even children from happy homes may be lured into the vile business by someone familiar, someone they're supposed to respect. The toddlers who kissed their mothers good-bye at the entrance of Isabel's Nursery School had been taught to be "good little boys and girls" and obey the teacher. Jacqueline Connor, head of the sexual crimes program in the Los Angeles county district attorney's office, says she gets at least one complaint a week that youth leaders, camp counselors, baby sitters or other people in positions of authority are involved in some form of child molestation, including pornography.

Since the predator is often someone parents trust, they easily miss signals that something is wrong. "When Jenny complained that she didn't like her gym coach," recalls one mother, "I snapped that if she did what she was told she'd get along with her" (continued)

LHJ EXCLUSIVE DESIGN LACE BLOUSE & SKIRT KITS

Blouses seen on Page 76

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P.O. Box 506 Dept. 303
Chappaqua, N.Y. 10514

Batista/lace
Colum Dot
Skirt



Quantity	Style	Price
_____	#334 Victorian Classic Batista blouse kit, \$17.98 plus \$2.00 postage & handling <input type="checkbox"/> small <input type="checkbox"/> medium <input type="checkbox"/> large	\$ _____
_____	#335 Point d'Esprit Blouse Kit, \$19.98 plus \$2.00 postage & handling <input type="checkbox"/> small <input type="checkbox"/> medium <input type="checkbox"/> large	\$ _____
_____	#426 Batista/lace Colum Dot Skirt, \$23.98 plus \$2.00 postage & handling <input type="checkbox"/> small <input type="checkbox"/> medium <input type="checkbox"/> large	\$ _____
	Canadian orders—U.S. funds only plus \$1.00	\$ _____
	Total Enclosed: <input type="checkbox"/> Check/money-order <input type="checkbox"/> Mastercard/Visa	\$ _____

Card No. _____ Exp. Date _____

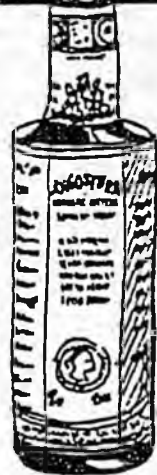
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INNOCENCE
continued

teachers." Jenny, however, stuck to her opinion of the coach and stayed away from him. He was later fired for asking children to pose nude.

Pornographers get children to pose through insidious methods, including blackmail. When two young girls in Chicago accepted a job modeling jeans, one of their mothers went to the first session to be sure everything was legitimate. But after several weeks, the girls were coaxed into modeling bathing suits with the bribe, "We won't tell your mom. This will be extra money you can pocket." Next came nude photos, and by the time they were asked to pose for hard-core pornography, their photographer had them cornered. "He told us that if he showed our parents the nude photos, they'd believe we had done the rest anyway," one of the girls reports. "I was really ashamed to let my folks see those pictures."

The seducer is also quick to prey on a child's vulnerabilities. For instance, Ellen Crandon, 14, had recently been diagnosed as diabetic and was coping with the anxieties the disease produces in addition to the usual traumas of adolescence. She began to confide her per-

sonal feelings to a family friend, Senne Brookshire, 53, who was always a kind, patient listener. He had to be. It took more than a year of kindness and grandfatherly attention before he had so ingratiated himself that he caught Ellen sufficiently off guard to molest her and take pictures.

Brookshire then swore Ellen to secrecy, convincing her that she was at fault, that her parents would never forgive her and that her father would probably wind up in prison for trying to kill him as revenge. For months, Ellen kept her awful secret to herself. However, when she found out that Brookshire had also molested her 12-year-old sister, she told her parents about their trusted friend.

Psychological damage

But telling the truth is not always easy. Ellen has been in therapy for several years trying to deal with the after-effects of sexual abuse.

The psychological damage to children can be serious—and longterm. Johnny Atwood was so shaken by his encounters with the Reverend Glaser that he had to be placed in a resident adolescent psychiatric facility. Two years later, he still needs counseling. Several years after the incident at Isabel's Nursery School, one little boy still cries out in the night, "He's going to kill me! If I tell, he'll cut me up!"

According to Ann Burgess, at Boston City Hospital, who has studied children involved in pornographic exploitation, many of the youngsters withdraw, avoiding all social contact. She believes that the secrecy demanded by the pornographers leaves children feeling that they are society's outsiders and increases the chances they'll turn to anti-social behavior such as truancy, alcohol and drug abuse.

Still worse, "Some of these youngsters never get back into the mainstream," says Frank Osanka, a social psychologist in Naperville, Illinois, and a leading specialist in the prevention of sexual exploitation of children. "By the time they are fourteen and no longer young and 'attractive' enough to pose, they have accepted the pornographer's brainwashing—that they are no good—and so they go on to a deviant lifestyle."

Also, there is a tendency in some police departments and even among some parents to think of youngsters as participants rather than victims in pornography. Particularly if the child is older, people are judgmental. In turn, the child hears an adult definition of pornography as crime, and begins to think of himself as a criminal. The terrifying reality is that relatively few child pornography victims are iden-

tified. So there may be hundreds of thousands of youngsters, alone, coping with their own interpretations of whether they are "good guys" or "bad guys" in society.

In many cases, a youngster's pornographic experience will color future attitudes about sex. According to Dr. Osanka, the child tends to blame himself, not the adult, and thinks "There must be something wrong with me." "That conviction," says the psychologist, "can lead to promiscuity, or it can cause some youngsters to grow up believing sex is bad." Psychiatrists note that, as victims get older, some have difficulty synchronizing the physical, emotional and psychological dimensions of marriage. "Sex may become the victim's only form of expression," says Dr. Burgess, "or it may become separate from feeling."

Sex may also become a bartering tool. "Pornographers teach children to be manipulative," Dr. Burgess warns. "Even a five-year-old can be programmed to use sex to acquire recognition and attention." The child learns that sex is something to be given in exchange for favors—anything from ice cream to a ten-speed bicycle. Kathy Johnson, one of the Isabel Nursery School parents, reports that after her 3-year-old son left the school, he tried to get his way at home by giving his mother a "French kiss."

In addition to the trauma of being sexually molested, a child who's been photographed or filmed must cope with another fear: Will the obscene pictures or movies show up again? A youngster may know that the material still exists and that he or she has no control over its future use. The child's own imagination, plus any suggestion of blackmail the pornographer may have made, becomes a constant threat to the youngster's happiness. "One photograph," says Dr. Osanka, "can haunt a child for a lifetime."

For instance, Margie, a shy 9-year-old, was lured into a pornographic session by a Little League coach who used provocative pictures of Brooke Shields as a child to entice her. Although the coach has been convicted, not all the photos of Margie were found. Recently, she refused to go to her school's open house because she dreamed her teacher had the missing photographs displayed for everyone to see. "No one in her school has any idea what went on," her mother says, "but she has nightmares just the same."

While children like Margie suffer, pornographers make huge profits. A magazine of obscene pictures of children can be produced for fifty cents and sold for as much as \$12.50. Overall, the kiddie porn industry (continued)

INNOCENCE

continued

is estimated at half a billion to a billion dollars annually.

The pornographers work in back rooms, garages and motels in every size community across the country. In 1981, an FBI investigation of a film developer in Syracuse, New York, uncovered truckloads of child smut for customers in such diverse places as Chicago and Swansboro (North Carolina), New York and Gardner (Montana).

Even those who deal in adult pornography are incensed at the proliferation of material using children. "This is a monstrous crime," charges Joe Steinman, chairman of the Essex Group, an "adult film" conglomerate. "It bears no similarity to adult media, which features consenting people of legal age. Children don't have a choice—they're exploited." Steinman, who is vice president of the Adult Film Association of America reports that the national organization voted unanimously to oust any member involved in child porn.

Pornographers' allies

Nevertheless, those engaged in the sexual exploitation of children have some powerful allies. In Los Angeles, the Rene Guyon Society, which claims 5,000 members, is made up of doctors, lawyers and other men and women in respected, influential positions who believe that young children should experience sex. The group, whose slogan is "Sex by age eight, or it's too late," uses child porn to stimulate youngsters.

The North American Man-Boy Love Association (NAMBLA), a homosexual group, has chapters around the country, an emergency defense fund for members arrested for molestation, a prisoner support committee and a lending library of what they call "boy love literature." Last December, police officials raided a cottage in Massachusetts that they believed was used by members of NAMBLA, and found photographs, some of which they say showed young boys in sex acts with men. In the past, NAMBLA has taken positions on a variety of issues, including the military draft, and consequently received support from some student groups and gay organizations. In recent years, there have been moves to crack down on child pornography. In 1978, the Protection of Children Against Sexual Exploitation Act was signed to halt the production and dissemination of pornographic material involving youngsters. Since then, the FBI reports 428 investigations under the provisions of the Act, leading to thirty-three indictments and twenty-three convictions. Last year, the U.S.

Supreme Court held that the dissemination of pornography using children is illegal regardless of whether the material is judged legally obscene. The ruling upholds laws in twenty states and paves the way for other states to enact stronger legislation. Also, the Missing Children's Act, sponsored by Senator Paula Hawkins (Rep., Fla.), was made law last year, allowing a national computer to be used to help trace children reported missing.

But despite these moves, law-enforcement efforts are too often fragmented. Civil, criminal, local and federal codes differ, and three federal bureaus—postal, customs and FBI—have jurisdiction over child porn. Local police, who are usually ill-equipped to track down the offenders, frequently claim that the FBI doesn't do enough, while the FBI says it needs expanded authority. "Right now," says Sean McWeeney, chief of the organized crime section, criminal investigative division of the FBI, "we get involved when there's evidence of a large operation. But it's the small-town operator who contributes to the massive business in child pornography."

Part of the enforcement problem is that many children are too frightened to come forward, and many parents are unwilling to press charges. Sometimes, they refuse to face up to the full implications of what has happened. When a Boy Scout leader in Louisiana was arrested on child porn charges, parents wouldn't testify, reasoning: "He was the best Scout leader we ever had." Some people regard an abused youngster as suddenly "sexual." For instance, last year one judge dismissed a charge of sexual molestation, calling the 5-year-old girl involved "provocative."

In addition to overcoming bias and getting cooperation from parents and victims, a strong legal case also requires concerted efforts by law-enforcement officials. In Los Angeles, according to Connor of the D.A.'s sexual crimes program, her office and the police department's sexually exploited child unit worked hand in hand for more than a year in preparing the case against James Meacham, the owner of Isabel's Nursery School. Meacham was eventually tried on eleven counts of molestation and received a 26-year, 8-month sentence, just short of the 28-year maximum.

In most cases, however, the courts tend to be lenient. For example:

- Donald Glaser, the minister who seduced Johnny Atwood, was put on probation and sent back to an unwary community to do two hundred hours of community service. Johnny's mother, who was reluctant to testify for fear of exposure, but did so to keep the minis-

HOW TO PROTECT YOUR CHILD

Could your youngster be a victim of child pornography? Like other forms of sexual molestation, there are signs to watch for—and ways to protect a child:

- Give youngsters clear-cut, specific warnings. Tell them that no one, even people in authority, should touch them where they don't want to be touched.
- Know to whose care you entrust your children. Demand that schools, youth groups, camps and other organizations do thorough background checks on employees and volunteers working with children.
- Set up a pattern of open communication with your child. Be sure the youngster knows the difference between doing something bad and being a victim of wrongdoing.
- If your child has negative feelings about a teacher or some other authority figure, explore why he feels the way he does.
- Know the signs that a child may have been assaulted, such as unexplained or continual physical disturbances, loss of appetite, disturbed sleep, mood change and sudden sexually focused behavior, such as talking more about parts of the body or adding genitalia to drawings.
- Believe your children if they say they've been assaulted. Experts agree children seldom lie about molestation.
- If you feel your child needs psychological counseling, be sure the therapist is skilled in dealing with sexually exploited children. Professionals say special expertise is needed to help youngsters overcome the trauma.

ter off the streets, now wonders, "I risked my son's reputation, his peace of mind, and for what?"

- Senne Brookshire was out on probation for child abuse when he molested the Crandon sisters. After his arrest, he was released on bail and soon molested two other children. Police estimate he'll probably have to serve only four and a half years of his current seven-year sentence.

Judges who hand out easy sentences are often swayed by a defendant's willingness to seek psychiatric counseling. They assume psychiatry is equipped to help a molester reverse his sexual deviation. Most psychiatrists, however, claim there's no satisfactory treatment.

Overall, child pornography tends to be a low priority with (continued)



Vent hood optional.

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continued

police and politicians. A few years ago, Dr. Judianne Densen-Gerber, a noted child advocate, tried to get White House involvement by approaching then President Carter for help in curbing sexual abuse of children. "He told me I represented a special interest group," she charges.

The persistent child advocate hasn't given up. She's collecting one million signatures appealing to President Reagan to declare children the nation's first priority.

Dr. Densen-Gerber believes that the laws already on the books aren't being implemented. She says, "I've heard district attorneys say they can't concern themselves with naughty pictures when they have murders to deal with."

Such an attitude, however, indicates ignorance. These sexually lewd pictures harm society as a whole. All children become more susceptible to violence. "There's a ripple effect," says Kristin Cole Brown, information director of Child Find, a non-profit agency devoted to locating missing youngsters. "Kiddie porn readers may be incited to abduct and rape a child." To stop these

crimes against children and put this double-x-rated industry out of business will take the combined efforts of concerned community leaders, law enforcement officials—and parents.

Senator Arlen Specter of Pennsylvania, who chairs the subcommittee on juvenile justice, agrees that tougher sentences are needed, and says law enforcement should initiate an intensive program to acquaint parents with the dangers of child porn. "We've got to make it expensive for these criminals to do business," he argues. "If we accept the findings that abused children often become child abusers, we have to see that ignoring this issue is setting up a pattern for future violence against yet another generation." **End**

I'm sure that you, like the editors of *Ladies' Home Journal*, were shocked and horrified by this report on child pornography. But we all know that outrage is not enough. We must put a stop to this vile business and better protect all our children.

Recently Senator Arlen Specter (Rep., Pa.) introduced a new bill in the Senate relating to child pornography. The bill's objectives are to strengthen existing laws and toughen the punishment for those trafficking in child porn.

The bill makes three major changes in existing legislation:

Part one will increase penalties. Fines would be raised from \$10,000 to \$75,000 for a first offense, and from \$15,000 to \$150,000 for subsequent offenses.

Federal law currently prohibits interstate distribution of child pornography or distribution through the mails for sale or commercial use. The second part of Senator Specter's bill would make any interstate distribution or distribution through the mails (even non-commercial) a Federal crime.

Part three would change the wording of existing laws. It would eliminate the word "obscene" from many laws to take away the burden of proving obscenity. This bill would simply make unlawful the distribution of any photographs which sexually exploit children under age 18. (The bill makes an exception only for certain nude photographs which are judged to have "serious literary, artistic, scientific, social or educational value.")

Fill out the forms on page 150. Send one to your senator and another to us at the *Journal*. Senator Specter's bill will pass much more quickly if you help. And I know you will.

Myrna Blyth

Myrna Blyth
Editor-in-Chief



TONY KNOWLES
MAYOR

ANCHORAGE POLICE DEPARTMENT

625 C STREET • ANCHORAGE, ALASKA 99501-3599
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BRIAN S. PORTER
CHIEF

April 1, 1983

Representative John Liska
House of Representatives
Juneau, Alaska 99811

Dear Representative Liska,

We wish first to express our appreciation of your efforts on behalf of the problem of sexually exploited children in this State and particularly in the Municipality of Anchorage. This problem is of great concern to the Anchorage Police Department and we would like to assist you in any way possible in your efforts to deal with the problem legislatively. In response to your letter of March 22, 1983 to Officer Frank Feichtinger, we would like to provide you with the following input and information which can be taken as representative of my views as well as the position of the Anchorage Police Department. We would like first to comment on several of the proposed pieces of legislation that deal with this matter and then to provide you with what specific information we can in response to your questions outlined in the letter.

In reference to House Bill No. 270, "An Act relating to child pornography", we are in support of Section 1 as it stands with the following exceptions:

1. We feel that the ages of the children addressed should be changed from under the age of 16 to under the age of 18. The reasoning for this is three fold: First, that since under existing law a person under the age of 18 is treated generally as subject to the juvenile system of justice as opposed to the adult system when that person is accused of a crime, it is only logical that that same maturity standard should be applied when that same person is being addressed as a victim under the law; Second, that since in most cases where this law would be applicable, the potential victims are usually delinquent or pre-delinquent children whose levels of maturity are lower and

Representative Liska

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susceptibility higher than that of the levels of the general population, there is good argument to raise the applicable age; Third, that in enforcing this law it will be necessary to prove to the court that the persons so featured in pornographic material are in fact, under a certain age, the physical appearance of the victim is a primary issue if the victim cannot be positively identified. It is difficult to prove, beyond the standard of reasonable doubt, that a child who has reached the puberty stage of development is under the age of 16 from physical appearance alone. It would be much easier to prove this if the age were "under 18", particularly when we are dealing with victims who are of the actual ages of between 13 and 16 that have reached puberty. This age bracket of 13 to 18 appears to be the age bracket that we are most frequently dealing with in the juvenile pornography we have so far encountered.

2. We further feel that this offense should be upgraded to a Class A Felony as our experience with youngsters who have been victims of pornographic abuse are seriously psychologically damaged not only because of the sexual acts involved but also because of the continuing threat of having those acts publically and graphically exposed. We feel that this kind of damage is heavily causational to the child's subsequent hard delinquency in many cases that we have so far dealt with. → S mm'

We also wish to express our support for Section 2 of House Bill No. 270 as it stands and for Section 3 of the same Bill. In reference to Section 3, we would again like to state that we feel that the age of the children featured should be raised from "under 16" to "under 18" for the same reasons as stated in the comments regarding Section 1 above. Additionally, it is unclear from the wording of Section 3 who is responsible, in the case of a bookstore, theatre or video distribution outlet, etc. that might be the vehicle for distribution of such material, would be subject to the penalties in the statute. Often in criminal enterprises actual owners and/or managers are not those that might be listed on public documents as being owners or shareholders of a particular business or corporation. Perhaps there is a need to specify exactly who and under what standard a person is determined to be criminally responsible for such sale, distribution or possession. For example, if a magazine is found for sale in a local bookstore that features actors under the specified ages, it appears from the present wording that the clerk who actually makes a sale of the magazine is generally criminally responsible, but we are confused as to whether the actual owner and/or manager of the establishment is also responsible and if so, what legal standard is to be used to determine who the owner/manager is?

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In reference to House Bill No. 117, "An Act relating to sexual abuse of a minor", We support the proposed changes in Section 1 and the addition of Section 2 but again feel that the applicable age should be raised in both sections from "under 16" to "under 18", for essentially the same reasons that were previously given in reference to House Bill No. 270. Additionally, as touched on previously, it has been the experience of our Department that the youngsters targeted for this kind of abuse are usually delinquent or pre-delinquent youngsters whose level of emotional development is generally considerably below that of their peer group in the general population. It is because of this often lower level of development and the fact that these youngster's basic needs are not being met in a normal and positive way through family, school and/or social interactions that they are particularly vulnerable to this kind of sexual abuse. It has been our experience that when such a youngster becomes the victim of this kind of sexual abuse, their already existing potential for hard delinquent behavior is substantially increased. Offenders are usually very good at being able to target those youngsters that are vulnerable by virtue of their emotional development and it has been our experience so far that those targeted are in fact those who already have serious problems in their emotional and social development. This section of the juvenile population is precisely the section that must be protected if prevention of delinquent behavior is to be effective.

In reference to House Bill No. 109, "An act relating to criminal prosecution of minors", we in support of Section 1 as it stands and in support of Section 2 with the following exception: We do not feel that Section (a) (1) should include Class A Felony offenses as a blanket rule. We do feel that the present unclassified felonies (murder, kidnapping and rape) should be included in this section but some Class A Felonies we do not necessarily feel should automatically subject the 16 and 17 year old to the adult system. An example being the 16 year old that drives a get-away car in an armed robbery of a Qwik Stop or similar establishment where the weapon used was not a firearm and there is no physical injury involved and the defendant is perhaps a first-time offender. We feel that it should be easier to waive a 16 year old to the adult system in certain Class A Felony offenses than it presently is but feel that by making such a waiver a blanket rule the potential for rehabilitation of some offenders is greatly reduced.

In reference to House Bill No. 128, "An Act raising the penalties for promoting child prostitution", we are in favor of the bill as it stands with the exception that we again feel that the applicable age should be raised from "under 16" to "under 18" for the reasons previously given. Again, the severe psychological and emotional damage incurred by the victims as a result of this kind of abuse and their subsequently higher potential for delinquent behavior and habitual criminal actions is our reasoning.

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Page Four

Referencing House Bill No. 127, "An Act to increase the punishment for sexual assault in the First Degree", we are in favor of this bill as it stands.

In reference to House Bill No. 58 (Sponsor Substitute), "An Act requiring certain prisoners to serve a full sentence", we are in favor of the bill as it stands. It is logical that if a prisoner is not amenable to rehabilitative efforts, the prisoner is a high risk for parole, probation, release or furlough prior to the completion of his full sentence.

We would like to suggest that you consider introducing or supporting legislation that would authorize the fingerprinting and photographing of juveniles arrested, charged or incarcerated for felony offenses. Under present law, this can be done only by order of the court and probable cause for such actions must be established in and probable cause for such actions must be established in reference to a specific case. As such, even habitual offenders' fingerprints and photographs are not available to law enforcement authorities for investigation of possible subsequent offenses. This has greatly impaired the efforts of law enforcement authorities in the investigation of such crimes as burglary, robbery and sexual assault because fingerprint comparisons and photographic lineups cannot be used as an investigative tool if suspects happen to be juveniles. As you are well aware, juveniles account for a substantial portion of these offenses (particularly burglary and theft). We are aware that other states have taken measures to reduce the age of persons subjected to fingerprinting and photographing as a result of being charged with felony offenses and that these fingerprints and photographs are made available, as they are in the adult system, to law enforcement agencies. In addition we feel that all juveniles subjected to juvenile probation should be fingerprinted and photographed with these fingerprints and photographs being available to law enforcement agencies. This department has investigated cases in which offenders have stated that even though they have previously been arrested for similar offenses while subject to the juvenile system they were aware that their fingerprints and photographs were not on file and that because of this they thought they could escape detection for their present offenses.

In response to your questions of Officer Feichtinger, we would like to provide you with the following information:

At this time we do not know for sure the extent of the business and market in child pornography in Anchorage. We do know that there are seven (7) "adult bookstores and theatres" in the Anchorage area and we do believe that they are all profit making ventures. We do presently have under investigation two of these establishments in reference to the sales of juvenile pornography. We have information that there is a large underground market for child pornography, some of which is locally produced and distributed but much of which is imported

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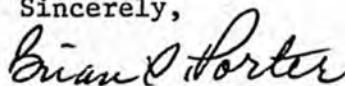
point would seem to indicate that of those juveniles in the Anchorage area that have been involved in felony class crimes, 50% or greater of the boys and an equal if not higher number of the girls, have been victims of sexual abuse by persons not connected with their family relationships during their late pre-teen to middle teenage years. As stated previously, we do feel that this kind of abuse is causational in subsequent delinquent/criminal behavior. We feel that a percentage of these same youngsters have also been victims of pornographers but we could not give a fair estimate of that percentage at this point.

Other sources of information on this subject whom you may wish to contact, that we know of, are as follows:

1. A book entitled Children in Chains by Clifford Linedecker.
2. A book entitled For Money or For Love by Robin Lloyd.
3. The Los Angeles Police Department's Sexually Exploited Children Unit.
4. Transcripts of the U. S. Senate's numerous hearings on sexually exploited children and child pornography.
5. An organization called S.L.A.M. - Society's League Against Molestation based out of California that has been instrumental in developing model legislation concerning these problems.
6. Mr. Jeff Berliner - reporter - Anchorage Times.
7. Ms. Penelope Douglas - Channel 2 television - Anchorage
8. Sergeant Rollie Port - Alaska State Troopers - Palmer
9. Child Find Inc. - An organization with a local chapter just started based out of New York City and dealing with the locating of missing children.
10. Louisville, Kentucky Police Department - Exploited Children Unit.
11. Paul Olson and Betsy Sheele of the Anchorage Office - District Attorney's Office.
12. Federal Bureau of Investigation - Washington, D. C. - who should have information about organized criminal activity as it relates to Child Pornography.
13. George Buhite - Program Director, McLaughlin Youth Center.

Thank you for your attention to these problems addressed and we appreciate your support of legislation dealing with these matters. We hope this information will be useful in promoting this legislation and if this Department can assist further we will be happy to do so.

Sincerely,



Brian S. Porter
Chief of Police

BSP:vka

HSS STAFF REPORT

SS HB 270 RELATING TO CHILD PORNOGRAPHY

MARCH 30, 1983

Dave Palmer

Section 1.

11.41.455 (a) Unlawful exploitation of a minor--defines the crime. This is the existing statute. No change.

(b) This new subsection provides that those adults who have custody of a minor who knowingly permit the exploitation in (a) are guilty of exploitation.

(c) Both offenses are a class B felony.

11.61.125 (a) This new section makes distribution or intent to distribute child pornography a crime.

(b) certain exemptions are allowed for employees of a theater.

(c) Distribution of child pornography is a class C felony.

The SSHB 270 deletes the definition of "obscene". A memo from legal services cites a US Supreme Court case that allows penalization for the production of child pornography and the distribution of material depicting children engaged in sexual conduct without requiring that the material be legally obscene.

Additional amendments are proposed by the sponsor. He requests they be incorporated into the bill as a committee substitute. The proposed changes are attached to this report

Two fiscal notes are attached. a zero note from the Department of Public Safety, and a \$185.6 fiscal note from the Department of Law.

incorporated into CS

ADDITIONAL AMMENDMENTS
FOR HOUSE BILL 270

1. Raising age covered from 16 to 18:

Sec. 11.41.455 (a) (Line 14 and 15, Page 1)
(b) (Line 26, Page 1)

Rationale:

- a. Enforcement of this law is predicated on proving to the court that the persons featured in these pornographic materials is under a certain age. When a victim cannot be positively identified (as in cases where materials are imported from outside Alaska and the child is not physically present) it is very difficult to prove beyond the standard reasonable doubt that a child who has reached the puberty stage of development is under 16 from physical appearance alone. Using 18, it would be much easier to prove when dealing with victims are actually between 13 and 16. This is the age bracket most encountered in the experience of the Anchorage Police Department according to Police Chief Porter.
- b. Under existing law a person under the age of 18 is treated generally as subject to the juvenile system of justice as opposed to the adult system. It is only logical that we apply the same maturity standard when that same person is the victim under the law.
- c. January 26, 1983 Senator Specter introduced similar legislation in Washington, D.C. and the Bill being reviewed by Judiciary uses the age of 18 as its criteria. Should this Bill pass, Alaska State Statutes would conform to the Federal standard.

2. Addition to include "Simulated" sexual acts:

Amend to read in Sec. 11.41.455, Line 16 page 1:

"in the following actual or simulated conduct:"

Rationale:

The deplorable intent is the same whether the sexual acts involved in the exploitation of these children are actual or simulated. We also want to avoid the technicality of having to prove whether the acts were actually performed or only simulated.

3. Change this exploitation of a minor from a Class B Felony to a Class A Felony, and distribution of the materials from a Class C Felony to a Class B Felony.

Rationale:

- a. Experience of experts shows that the "damage" to these victims is of major proportions. These are not minor crimes. Aside from the actual physical injury caused to many of these victims, the psychological damage is often extensive. There is also the continuing threat of having those acts depicted in these pornographic materials publically and graphically exposed throughout the victim's lifetime. There also seems to be a heavy causal effect to the child's subsequent hard delinquency. In addition there seems to be a likelihood that these victims can continue the abuse on their own children.

Introduced: 3/25/83
Referred: Health, Education & Social
Services and Judiciary

BY LISKA, ADAMS, BUSSELL, FLOOD, FRITZ,
GRUSSENDORF, HURLBERT, LINDAUER,
MALONE, MARTIN, PHILLIPS, SHULTZ,
SZYMANSKI, TISCHER, WARD, CLOCKSIN,
PESTINGER, UEHLING AND MCBRIDE

1 IN THE HOUSE

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 270

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to child pornography."

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

8 * Section 1. AS 11.41.455 is repealed and reenacted to read:

9 Sec. 11.41.455. UNLAWFUL EXPLOITATION OF A MINOR. (a) A person
10 commits the crime of unlawful exploitation of a minor if, in this
11 state and with the intent of producing a live performance, film,
12 photograph, negative, slide, book, newspaper, or magazine that
13 visually depicts the conduct listed below, the person knowingly
14 induces or employs a child under 16 years of age to engage in, or
15 photographs, films, or televises a child under 16 years of age engaged
16 in the following conduct:

17 (1) sexual penetration;

18 (2) the lewd touching of another person's genitals, anus,
19 or female breast;

20 (3) the lewd touching by another person of the child's
21 genitals, anus, or female breast;

22 (4) masturbation;

23 (5) bestiality; or

24 (6) the lewd exhibition of the child's genitals.

25 (b) A parent, legal guardian, or person having custody or con-
26 trol of a child under 16 years of age commits the crime of unlawful
27 exploitation of a minor if, in this state, the person permits the
28 child to engage in conduct described in (a) of this section knowing
29 that the conduct is intended to be used in producing a live

1 performance, film, photograph, negative, slide, book, newspaper, or
2 magazine that visually depicts such conduct.

3 (c) Unlawful exploitation of a minor is a class B felony.

4 * Sec. 2. AS 11.61 is amended by adding a new section to read:

5 Sec. 11.61.125. DISTRIBUTION OF CHILD PORNOGRAPHY. (a) A
6 person commits the crime of distribution of child pornography if the
7 person sends or causes to be sent, or brings or causes to be brought,
8 into this state for sale or distribution, or in this state possesses,
9 prepares, publishes, or prints with intent to distribute, sell, or
10 exhibit to others for commercial consideration, any matter which
11 visually depicts conduct described under AS 11.41.455(a), knowing that
12 the production of the matter involves the use of a minor or a person
13 who reasonably appears to be a minor engaged in such conduct.

14 (b) This section does not apply to acts that are an integral
15 part of the exhibition or performance of a motion picture when the
16 acts are done within the scope of employment by a motion picture
17 operator or projectionist employed by the owner or manager of a thea-
18 ter or other place for the showing of motion pictures, unless the
19 motion picture operator or projectionist

20 (1) has a financial interest in the theater or place in
21 which employed; or

22 (2) caused the performance or motion picture to be per-
23 formed or exhibited without the consent of the manager or owner of the
24 theater or other place of showing.

25 (c) Distribution of child pornography is a class C felony.

Offered: 4/6/83
Referred: Judiciary

Original sponsors: Liska, Adams,
Bussell, et al

1 IN THE HOUSE BY THE HEALTH, EDUCATION AND
2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 270 (HESS) SOCIAL SERVICES COMMITTEE
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 THIRTEENTH LEGISLATURE - FIRST SESSION
5 A BILL

6 For an Act entitled: "An Act relating to child pornography."

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

8 * Section 1. AS 11.41.455 is repealed and reenacted to read:

9 Sec. 11.41.455. UNLAWFUL EXPLOITATION OF A MINOR. (a) A person
10 commits the crime of unlawful exploitation of a minor if, in this
11 state and with the intent of producing a live performance, film,
12 photograph, negative, slide, book, newspaper, or magazine that vis-
13 ually depicts the conduct listed below, the person knowingly induces
14 or employs a child under 18 years of age to engage in, or photographs,
15 films, or televises a child under 18 years of age engaged in the
16 following actual or simulated conduct:

17 (1) sexual penetration;

18 (2) the lewd touching of another person's genitals, anus,
19 or female breast;

20 (3) the lewd touching by another person of the child's
21 genitals, anus, or female breast;

22 (4) masturbation;

23 (5) bestiality; or

24 (6) the lewd exhibition of the child's genitals.

25 (b) A parent, legal guardian, or person having custody or con-
26 trol of a child under 18 years of age commits the crime of unlawful
27 exploitation of a minor if, in this state, the person permits the
28 child to engage in conduct described in (a) of this section knowing
29 that the conduct is intended to be used in producing a live

1 performance, film, photograph, negative, slide, book, newspaper, or
2 magazine that visually depicts such conduct.

3 (c) Unlawful exploitation of a minor is a class B felony.

4 * Sec. 2. AS 11.61 is amended by adding a new section to read:

5 Sec. 11.61.125. DISTRIBUTION OF CHILD PORNOGRAPHY. (a) A
6 person commits the crime of distribution of child pornography if the
7 person brings or causes to be brought into this state for sale or
8 distribution, or in this state possesses, prepares, publishes, or
9 prints with intent to distribute, sell, or exhibit to others for
10 commercial consideration, any matter which visually depicts conduct
11 described under AS 11.41.455(a), knowing that the production of the
12 matter involves the use of a child under 18 years of age engaged in
13 such conduct.

14 (b) This section does not apply to acts that are an integral
15 part of the exhibition or performance of a motion picture when the
16 acts are done within the scope of employment by a motion picture
17 operator or projectionist employed by the owner or manager of a thea-
18 ter or other place for the showing of motion pictures, unless the
19 motion picture operator or projectionist

20 (1) has a financial interest in the theater or place in
21 which employed; or

22 (2) caused the performance or motion picture to be per-
23 formed or exhibited without the consent of the manager or owner of the
24 theater or other place of showing.

25 (c) Distribution of child pornography is a class C felony.

COMMITTEE REPORT
HOUSE

FURTHER:

(11)

Date: 4/27/83

^{4/26/83}
Mr. Speaker:

The Committee on FINANCE has had HB 271

"An Act making a special appropriation to the Alaska grain reserve revolving loan fund; and providing for an effective date."

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 271 (FINANCE) same title new title
- and recommends individual recommendations
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature] Put in 309

[Signature] No Rec.

[Signature]

[Signature]

[Signature]

[Signature]

CHAIRMAN

Original sponsor: Shultz

Funding Information

General Fund	\$	-0-
Other Funds		-0-
		<u>-0-</u>

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 271 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act repealing an appropriation made to the agri-
7 cultural action council; making special appropria-
8 tions to, and for the operation of, the Alaska grain
9 reserve loan fund; and providing for an effective
10 date."

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

12 * Section 1. Section 30, ch. 82, SLA 1981, page 157, line 7 is re-
13 pealed.

14 * Sec. 2. The sum of \$1,582,400 is appropriated from the general fund
15 to the Alaska grain reserve loan fund in the Department of Natural Re-
16 sources.

17 * Sec. 3. The sum of \$67,600 is appropriated from the general fund to
18 the Department of Natural Resources for operational expenses of the Alaska
19 grain reserve loan fund.

20 * Sec. 4. The appropriation made by sec. 2 of this Act is for capitali-
21 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

22 * Sec. 5. This Act takes effect on the effective date of an Act estab-
23 lishing the Alaska grain reserve loan fund.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: 465-2400

April 27, 1983

The Honorable Al Adams
Chairman
House Finance Committee
Pouch V
Juneau, AK 99811

Dear Representative Adams:

The Department of Natural Resources proposes the following amendments to CSHB 271 (Loans):

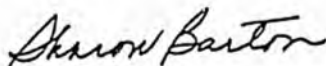
Section 3 would read: "The sum of \$1,582,400 is allocated for capitalization of the Alaska grain reserve loan fund and does not lapse in accordance with AS 37.25.010."

Section 4 would be renumbered to 5.

A new Section 4 would read: "The sum of \$67,600 is allocated for operation of the Alaska grain reserve loan fund."

We would appreciate your consideration of these amendments.

Sincerely,



Sharon Barton
Special Assistant

Offered: 4/26/83
Referred: Finance

Original sponsor: Shultz

Funding Information

General Fund	\$	-0-
Other Funds		-0-
		<u>-0-</u>

BY THE SPECIAL COMMITTEE
ON STATE LOANS

1 IN THE HOUSE

2

CS FOR HOUSE BILL NO. 271 (Loans)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act repealing an appropriation made to the agricultural action council; making a special appropriation to the Alaska grain reserve loan fund; and providing for an effective date."

7

8

9

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

11 * Section 1. Section 30, ch. 82, SLA 1981, page 157, line 7 is re-
12 pealed.

13 * Sec. 2. The sum of \$1,650,000 is appropriated from the general fund
14 to the Alaska grain reserve loan fund in the Department of Natural Re-
15 sources.

16 * Sec. 3. The ^{sum of \$1,582,400} ~~appropriation made by this Act~~ ^{allocated} is for capitalization of ^{the} Alaska ^{grain} ^{reserve}
17 loan fund and does not lapse in accordance with AS 37.25.010.

18 * Sec. 5. This Act takes effect on the effective date of an Act estab-
19 lishing the Alaska grain reserve loan fund.

* Sec. 4. The sum of \$67,600 is allocated for operation of the Alaska grain reserve loan fund.

CS HB 156 (Loans) analysis:

Equipment costs are explained in the attached sheet. Personal services costs cover inspection requirements and program administration costs. As the official grain inspection agency in Alaska, the Division of Agriculture would be required to furnish personnel and facilities on a statewide basis throughout the year as grain moves to and from the reserve.

MEMORANDUM

State of Alaska

DEPARTMENT OF NATURAL RESOURCES - DIVISION OF AGRICULTURE

TO: Sharon Barton
Special Assistant

DATE: February 10, 1983

FILE NO:

TELEPHONE NO:

FROM: Ed Kern *EJK*
Development Specialist

SUBJECT: Grain Grading
Station Equipment

Carter Day Dockage Tester (FOB Minneapolis, Minn)	\$ 3,744.00
Barley riddle and sieves	216.00
Wheat riddle and sieves	152.00
Burrows (FOB Illinois)	
Boerner divider	595.00
Extension kit	119.00
Barley sieve kit	90.50
Filling hopper and stand	198.00
Boerner weight per bu apparatus (print-out)	1,750.00
Shadow graph scales	928.00
Armstrong scales	610.00
Gram scales	111.50
Laboratory torsion balance scale	470.00
Weight set	137.00
Sieve shaker	795.00
Motomco moisture meter	640.00
Barley pearler	350.00
Miscellaneous (piks, lights, pewter dishers, magnifying glass, etc.)	750.00
	<hr/>
Equipment costs	\$11,656.00
Set-up & freight estimate	3,344.00
	<hr/>
Total	\$15,000.00

Introduced: 3/16/83
Referred: House Special Committee
on Loans and Finance

Funding Information
General Fund \$4,000,000
Other Funds -0-
\$4,000,000

1 IN THE HOUSE

BY SHULTZ

2

HOUSE BILL NO. 271

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation to the Alaska grain reserve revolving loan fund; and providing for an effective date."

7

8

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

10 * Section 1. The sum of \$4,000,000 is appropriated from the general
11 fund to the Alaska grain reserve revolving loan fund.

12 * Sec. 2. The appropriation made by this Act is for capitalization of a
13 loan fund and does not lapse in accordance with AS 37.25.010.

14 * Sec. 3. This Act takes effect on the effective date of an Act estab-
15 lishing the Alaska grain reserve revolving loan fund.

Offered: 4/26/83
Referred: Finance

Original sponsor: Shultz

Funding Information

General Fund	\$	-0-
Other Funds		-0-
		<hr/> -0-

BY THE SPECIAL COMMITTEE
ON STATE LOANS

1 IN THE HOUSE

2

CS FOR HOUSE BILL NO. 271 (Loans)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act repealing an appropriation made to the agricultural action council; making a special appropriation to the Alaska grain reserve loan fund; and providing for an effective date."

7

8

9

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

11

* Section 1. Section 30, ch. 82, SLA 1981, page 157, line 7 is repealed.

12

13

* Sec. 2. The sum of \$1,650,000 is appropriated from the general fund to the Alaska grain reserve loan fund in the Department of Natural Resources.

14

15

16

* Sec. 3. The appropriation made by this Act is for capitalization of a loan fund and does not lapse in accordance with AS 37.25.010.

17

18

* Sec. 4. This Act takes effect on the effective date of an Act establishing the Alaska grain reserve loan fund.

19

Offered: 4/11/83
Referred: Finance

Original sponsors: Shults, Lacher,
Larson and Koponen

1 IN THE HOUSE BY THE RESOURCES COMMITTEE
2 CS FOR HOUSE BILL NO. 276 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 THIRTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act amending the Alaska Agricultural Loan Act;
7 and providing for an effective date."
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
9 * Section 1. AS 03.10.030(a)(1) is amended to read:
10 (1) may not exceed a term of 30 years, except that a
11 chattel loan may not exceed a term of seven years;
12 * Sec. 2. AS 03.10.030(c) is amended to read:
13 (c) A short term loan, to be amortized within one year, not to
14 exceed \$300,000 [\$200,000] to any one borrower may be made for operat-
15 ing purposes.
16 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: HB 276
 Title: An act amending the ag loan act
 Sponsor: Schultz and others
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: DNR
 Program Category Affected: ARLF
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		-0-	-0-	-0-		
CAPITAL		-0-	-0-	-0-		
REVENUE		-0-	-0-	-0-		

FUNDING: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Sharon Barton Phone: 465-2400
 Division: Commissioner's Office Date: 4-7-83
 Approved by Commissioner: _____ Date: 4-7-83
 Department: Natural Resources

Distribution:

Original to Legislative Finance
 Copy to Office of Management and Budget (for Legislature introduced bills)
 Copy to Department (for Governor introduced bills)
 Copy to Sponsor
 Copy to Requestor (if different from Sponsor)

The following individuals are expected to testify on CS HB 276
(Resources):

Representative Dick Shultz, prime sponsor

Sharon Barton, Special Assistant to the Commissioner, Department
of Natural Resources will be available to answer questions

- (2) designate agents and delegate its powers to them as necessary;
- (3) adopt rules and regulations necessary to carry out its functions;
- (4) establish amortization plans for repayment of loans, which may include delayed payments of principal and interest for not to exceed five years;
- (5) enter into agreements with private lending institutions, other state agencies or agencies of the federal government, to carry out the purposes of this chapter. (§ 4 ch 122 SLA 1953; am § 1 ch 156 SLA 1955; am § 1 ch 41 SLA 1961; am § 1 ch 113 SLA 1982)

Effect of amendments. — The 1982 amendment, effective June 25, 1982, inserted "clearing land for agricultural purposes" in paragraph (1).

Sec. 03.10.030. Limitations on loans. (a) A farm development, chattel, or irrigation loan made under this chapter

- (1) may not exceed a term of 30 years;
- (2) may not, when added to the outstanding balance of other loans made under this chapter, exceed a total outstanding balance of \$1,000,000;
- (3) shall be secured by a real estate or chattel mortgage of any priority, except that the portion of a loan that exceeds \$500,000, when added to prior indebtedness that is secured by the same property, must be secured by a first mortgage;
- (4) shall bear interest at a rate that may not be less than eight percent or more than the commercial rate, unless the commercial rate is eight percent or less; in this paragraph "commercial rate" means the prevailing rate of interest at private lending institutions in the state for loans similar to those referred to in this subsection.
- (b) Repealed by § 72 ch 113 SLA 1982.
- (c) A short term loan, to be amortized within one year, not to exceed \$200,000 to any one borrower may be made for operating purposes.
- (d) Repealed by § 72 ch 113 SLA 1982.
- (e) An installment payment is delinquent unless it is mailed by the borrower on or before the 30th day after the date specified for payment in the loan agreement or unless it is received by the department on or before the 30th day after the date specified for payment in the loan agreement. If an installment payment is delinquent, the director may assess a delinquency penalty. The delinquency penalty shall be an amount equal to seven percent of the delinquent payment, but the combined delinquency penalty and loan interest may not exceed 15 percent.
- (f) A farm product processing loan may not exceed \$250,000. A mortgage which secures a farm product processing loan may be of any priority if the total indebtedness on the real estate, including the secured farm product processing loan, does not exceed \$250,000. A farm product processing loan which, if made, would raise the existing

APPENDIX A

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
TYPE OF LOANS AND TERMS
For the Fiscal Year Ended June 30, 1982

Loan Types and Terms

As specified by AS 03.10.030, the following six types of loans are made:

<u>Type</u>	<u>Limit</u>	<u>Current Interest Rate</u>	<u>Terms</u>	<u>Purpose</u>
Short-term	\$200,000	Not addressed	1 year	Operation of farm
Chattel	Total outstanding balance may not exceed \$1,000,000 when added to other loans	(Note 1)	30 years	Animals, equipment
Farm Development			30 years	Land, improvements, buildings
Irrigation			30 years	Irrigation equipment
Farm Product Processing	\$250,000	Not less than 8%	30 years	Processing of agricultural products
Land Clearing	\$250,000	Not less than 8%	20 years	Clear land for planting

Note 1: Chapter 113, SLA 1982, effective June 25, 1982, amended the statutory interest rate to not less than eight percent or more than commercial rate, unless the commercial rate is eight percent or less. The Commissioner may establish interest rates for loans within these statutory guidelines.

BACKGROUND OF HB 276

This bill was introduced at the request of farmer constituents in the Delta area who found inadequacies in Statute AS 03.10.030. In 1981 there was a crop failure - this happens in one of every five years. That year there was a heavy early snow fall that ruined the crop. Also that same year funding of loans for planting was delayed. These incidents prevented many of the farmers from paying back their revolving loans and since the credit limit for loans under this statute was \$200,000 they could not refinance enough to get a crop planted the next year. Some lost as much as \$150,000 due to this bad season. At that time it was impossible for the farmers to get crop insurance. The barley farming was so new that the insurance companies did not have any experience factor to use and so it was unavailable. By increasing the line of credit to \$300,000, the farmers will be able to refinance in the event of an emergency and continue the operation of planting and harvesting. Also this increase in borrowing capacity will enable those farmers who have increased their tillage since 1981 to adequately meet their planting needs.

ANALYSIS OF HB 276

1. The amendment under Section 1, AS 03.10.030 adds except that a chattel loan may not exceed a term of seven years.

This addition makes the statute more consistent with other loaning programs. Chattel mortgages are usually secured by farm equipment and the average life of most equipment is seven years.

2. The amendment under Section 2, AS 03.10.030(c) increases the borrowing capacity of the farmer from \$200,000 to \$3~~5~~0,000.

TELEGRAM
~~Alascom Telegraph Office~~
~~TELEGRAM~~
Alascom Telegraph Office

29 MAR 83 11:17

TEL NR 474-7188
FONED TO 0050
DISP WPU
CLERK & TIME 10:05/89
LWWC 91254/13/29

02004 NL TDA JUNEAU AK 154 03-28 752 AST
PMS JAMES DREW 4793947 474-7188
4848 PALO VERDE
FAIRBANKS AK 99701 02283

Same as CS 4B 276 (Resources)

I AM IN RECEIPT OF YOUR LETTER CONVEYING RECOMMENDATIONS MADE BY THE AGRICULTURE TASK FORCE AT THEIR FIRST MEETING. AS YOU KNOW I HAVE ALREADY EXPRESSED SUPPORT OF THE RAISING OF THE LOAN LIMIT AS PROPOSED BY CSSB 124. WITH REGARD TO YOUR URGING SUPPORT OF THE GRAIN RESERVE LEGISLATION, I AM INCREASINGLY PURSUADED THAT SOME MARKET CERTAINTY IS IMPORTANT FOR THE UPCOMING PLANTING SEASONS AND THAT ACTION BE TAKEN PROMPTLY. I WOULD BE WILLING, THEREFORE, TO CONSIDER A ONE YEAR PROGRAM THAT WOULD PROVIDE THE ASSURANCE NEEDED FOR THIS YEARS PLANTING BUT WOULD TERMINATE AFTER ONE YEAR. THIS WILL ALLOW TIME FOR THE TASK FORCE AND THIS ADMINISTRATION TO FORMULATE A LONG TERM AGRICULTURAL POLICY FOR ALASKA. I HAVE INSTRUCTED THE APPROPRIATE COMMISSIGNERS AND STATE OFFICIALS TO WORK TOGETHER TO DEVELOP A PROGRAM AND ADVISE ME THIS WEEK WHAT REASONAELE STEPS MIGHT BE TAKEN TO SOLVE THE IMMEDIATE NEEDS OF THE FARMERS.

BILL SHEFFIELD, GOVERNOR

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

POUCH M
JUNEAU, ALASKA 99811
PHONE: (907) 465-2400

March 31, 1983

The Honorable Richard Shultz
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Shultz:

In preparation for the House Resources Committee hearing on HB 276, I would like to offer the following comments on behalf of the Department of Natural Resources:

1. The proposed legislation reduces the term for chattel loans from thirty to ten years. While the Department supported the reduction of term to seven years in SB 124, we believe that fifteen years will exceed the expected useful life of most chattel. Therefore, we would prefer a term of seven years.

2. We support raising the maximum to \$300,000 (as proposed in SB 124) or \$350,000 for operating loans, since that would allow the Board the flexibility to offer larger loans if an operation is large enough to warrant that amount. It should be noted, however, that the \$200,000 maximum represents more than the maximum recommended debt burden for short term monies at the expected level of production on any one farm unit at Delta this year.

If the objective of HB 276 is to offer relief in the current situation at Delta, we would further recommend a disaster provision authorizing the Department to waive or extend the operating limit in times of a declared disaster. The Department is already authorized to waive payments of principal and interest for up to five years.

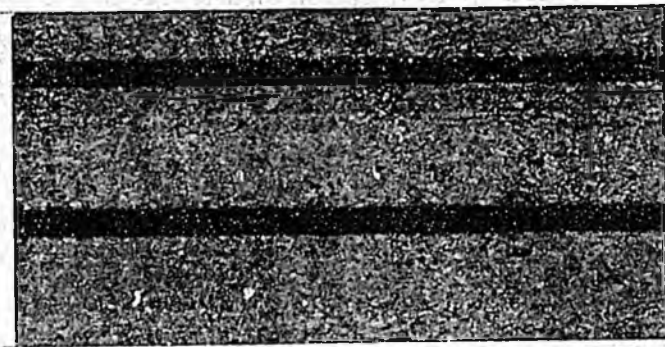
We will be available to testify on this bill as needed.

Sincerely,



Sharon L. Barton
Special Assistant
to the Commissioner

STATE OF ALASKA



DIVISION OF LEGISLATIVE AUDIT
Juneau, Alaska

A REVIEW OF THE
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING
LOAN FUND

For the Fiscal Year Ended June 30, 1982

Audit Control Number

10-1089-83-R

Commissioner, Department of
Natural Resources

Esther Wunnicke

Deputy Commissioners, Department
of Natural Resources:

Juneau
Anchorage

Bob Arnold
Jim Barnett

Agricultural Revolving Loan Fund Board of Directors

Chairman
Member
Member
Member
Member

John P. Messenger
Robert J. Gillas
Stephen K. Hamilton
Don Breedon
Dennis D. Green

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PURPOSE OF THE REVIEW

In accordance with the provisions of Title 24 of the Alaska Statutes, a review of the Department of Natural Resources, Division of Agriculture, Agricultural Revolving Loan Fund (ARLF) was conducted to:

1. Determine if the financial statements appearing in the State's Annual Financial Report for the 1982 Fiscal Year are fairly presented.
2. Determine the compliance by the ARLF with the applicable State statutes and regulations governing fiscal activities of the Fund.

ORGANIZATION AND FUNCTION

ARLF, operating under the authority of AS 03.10.010-060 since 1953, promotes the development of agriculture by providing low interest and generally long-term financing to persons engaged in agricultural activities in Alaska. ARLF has been capitalized since inception by direct appropriations from the General Fund currently totalling \$52,500,000. Additional cash for lending has been obtained, from time to time, by sale of assigned notes to the Alaska Department of Revenue. These sales are subject to recourse and totalled \$1,203,415 at June 30, 1982. However, the authority to sell or transfer notes was repealed by Chapter 122, SLA 1980.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

ARLF should establish procedures to ensure that loans are issued to Alaskan residents.

ARLF may have issued loans, totalling \$2,053,750 as of June 30, 1982, to non-Alaskan residents. The loans were issued to two individuals and two partnerships. We question the residency of these individuals and entities due to the following:

1. Out-of-state addresses were given by the applicants.
2. Out-of-state telephone numbers were given by the applicants.
3. Out-of-state banks were listed by the applicants for their checking and savings accounts.
4. Correspondence between ARLF and the borrowers is to and from out-of-state addresses.
5. ARLF staff stated these borrowers own large farm operations out-of-state and commute between their home state and Alaska.

Alaska Statute 03.10.020 states that loans may be made to individual resident farmers, homesteaders, partnerships or corporations. Under AAC 39.030 ARLF may require proof that the loan applicant is a resident of Alaska and meets the requirements of AS 03.10.020.

The borrowers in question were not required to indicate whether they were Alaskan residents on their loan applications. ARLF has since revised the loan application form to include a statement on Alaskan residency which the applicant certifies is true and correct. However, procedures have not been established to specify the documentation necessary for proof of Alaskan residency.

In addition to the non-residency question, we noted the statutory loan limits were exceeded by a non-resident borrower. Prior to June 25, 1982, Alaska Statutes limited farm development loans to \$500,000. On July 1, 1981, ARLF issued a \$236,500 farm development loan to one of the non-resident partnerships mentioned above. However, one of its partners already had a \$500,000 farm development loan outstanding in his own name. The loans issued under the partnership's name and the individual's name, for all types of loans totalled \$1,124,559 as of June 30, 1982, and were utilized for the same farm unit.

We noted a similar case in our Fiscal Year 1981 audit report in which loans were issued in the name of a borrower's son in order to circumvent the statutory loan limits. We recommended ARLF obtain an opinion from the Attorney General to clarify whether loan limitations should be on a per farm unit basis. In a memorandum dated January 19, 1982, the Attorney General stated the loan limitations should be applied on a per farm unit basis. This prevents one individual through multiple loans from exhausting the loan fund to the detriment of other potential borrowers.

We recommend ARLF promulgate regulations which define and clarify the per farm unit loan limitations. ARLF should also establish specific written procedures for verification of Alaskan residency. These procedures should include, but not be limited to, requesting documentation of Alaskan driver's license, voter's registration, and vehicle registration.

Recommendation No. 2

ARLF should ensure loan notes are properly executed.

We examined 100 percent of the notes held by ARLF as of June 30, 1982, to determine that the notes were signed, notarized, and included all necessary information. We found 23 notes for loans with outstanding balances totalling \$5,076,211 were executed without written repayment terms and maturity dates.

A signed note is proof of the contractual agreement between ARLF and the borrower. If the notes are not complete with the amount of the loan, issue date, interest rate, repayment terms, and maturity date, and a notarized signature of the borrower, the collectibility of the loan may be jeopardized. For example, ARLF presently plans to foreclose on a loan for which the note has no stated repayment terms or maturity date. The borrower has departed from Alaska. ARLF may have difficulties foreclosing on this loan due to the incomplete note.

In addition, we noted five delinquent loans which were not shown as delinquent on the June 30, 1982 loan resume. This was due to the staff being informed that loan extension and/or reamortization agreements were in process. However, no written agreements were ever executed with the borrowers.

ARLF should review the incomplete notes with the Attorney General to determine the proper course of action and ensure future notes are properly completed. The loans for which there may have been verbal extension and/or reamortization agreements should be reviewed. If ARLF determines the terms of the notes need to be modified, approval should be obtained from the Board and written agreements should be executed.

Recommendation No. 3

ARLF should improve its loan processing procedures.

ARLF improved its loan processing procedures during Fiscal Year 1982. A major contribution was the completion of a procedures manual. Our review of loan files concentrated on loans issued during the second half of the fiscal year when the new procedures were to be in effect. Based on our review, we noted the following areas which need additional emphasis for improvement:

A. ARLF should ensure loans are approved in accordance with law and loan board decisions are documented.

We noted a loan for \$40,000 which was denied by the Board was subsequently issued by the ARLF staff despite the denial. Another loan was issued for an amount different from the amount approved by the Board. Additionally, we could find no record of Board or Director approval for two other loans totalling \$43,500.

Alaska Statute 03.10.050(a) requires approval by a majority of the Board for loans in excess of \$25,000. Further, the Alaska Administrative Code, 11 AAC 39.040(e), states that following the Board approval of an application for a loan, the application shall be forwarded for approval to the Commissioner of Natural Resources. The Commissioner will, in his discretion, delegate all or part of his approval authority to the Director of the Division of Agriculture.

The Loan Board Report forms should be completed, signed by the Board Chairman or the Director of the Division of Agriculture depending on the loan amount, and filed in the related loan file.

B. Loan applications should be complete.

ARLF should improve the documentation of the following:

1. Applications or application updates should be submitted with each loan request.
2. Financial statements should be submitted with a borrower's initial application and on an annual basis thereafter in order to receive additional loans.
3. Pro forma financial statements projecting the income and expenses of the following year should be submitted.

4. A statement by the applicant as to the intent of the use of loan proceeds should accompany each loan request.
5. Credit verifications should be performed for all new loan applicants.
6. Real estate appraisals or other reasonable evidence of the loan collateral value should accompany each loan request submitted to the Board.
7. Proof of insurance coverage on loan collateral should be received prior to disbursement of the loan proceeds.

The Alaska Administrative Code 11 AAC 39.030 states all loan requests from the loan fund must be submitted in writing in a form prescribed by the Commissioner. Information that may be required includes: financial statements; pro forma financial statements which show projected income and expense for the following year; a written statement describing how the loan funds will be used; a qualified collateral appraisal; and proof of insurance coverage, naming ARLF as loss payee. The procedures manual adopted by ARLF requires all the aforementioned information and credit verifications to be included in a loan application.

Recommendation No. 4

ARLF should strengthen its guaranteed loan procedures.

When funds are not readily available for an approved loan, ARLF requests interim financing from a local financing institution in an effort to accommodate the needs of its borrowers. To ensure financing, the request includes a guarantee of repayment from ARLF loan proceeds.

Our review of guaranteed loans showed that ARLF does not maintain adequate documentation of its loan guarantee agreements. The following exceptions were noted:

1. ARLF guaranteed loan records are not current.

The ledger cards which list guaranteed loans have not been posted with Fiscal Year 1982 loan information. Additionally, ARLF does not request written confirmation from the lending institution, thus, the borrower's files do not contain documentation to support interim financing approval and repayment.

2. Loan proceeds are made payable to the borrower only.

Since a portion or all of the loan proceeds are guaranteed to the lending institution, ARLF should make checks payable to both the borrower and the lending institution.

This procedure would ensure fulfillment of ARLF's obligation to the lending institution. In our review we noted one case in which a borrower misused interim financing funds. The borrower received \$56,000 in October 1981 of which \$20,000 was to be paid to a lending institution in repayment of a 60-day loan. Due to the borrower's failure to honor his obligation, the loan was not paid until April 1982 by ARLF. Although the funds used by ARLF to pay off the loan were deducted from the borrower's account, the additional controls mentioned above would have prevented the delinquency.

Recommendation No. 5

Loan inspections should be performed by Division of Agriculture personnel.

Loan inspections which include a survey of the farm buildings and equipment are infrequently performed by the ARLF staff. Inspections of ARLF loan collateral should not only be performed before a loan is issued but should also be made on a regular basis to determine the location, continued existence, and condition of loan collateral.

In order to make more efficient use of division personnel, ARLF loan inspections could also be performed by other personnel within the division who make farm visits in conjunction with their regular duties. These staff members could aid ARLF by performing loan inspections during their farm visits. The description of collateral items, including serial numbers, if applicable, could be listed on the ARLF Loan Inspection form. This form then could be given to the staff members for verification of the existence and condition of ARLF collateral.

STATE OF ALASKA

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

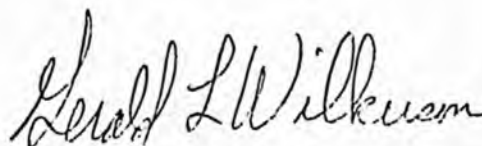
JUNEAU, ALASKA 99811

September 14, 1982

Members of the
Legislative Budget and Audit Committee:

We have examined the Balance Sheets of the Agricultural Revolving Loan Fund as of June 30, 1982 and 1981, and the related statements of Revenues, Expenses, and Changes in Retained Earnings, and Changes in Financial Position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Agricultural Revolving Loan Fund as of June 30, 1982 and 1981, and the results of operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principals applied on a consistent basis.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
COMPARATIVE BALANCE SHEET
June 30, 1982 and 1981

	<u>1982</u>	<u>1981</u> Restated (Note 3)
<u>Assets</u>		
<u>Current Assets</u>		
Cash in Transit	\$ 260,474	\$ 38,150
Cash in Treasury	11,645,781	4,797,713
Accrued Interest Receivable	1,202,925	664,730
Appropriation Receivable	<u>10,000,000</u>	<u>-0-</u>
<u>Total Current Assets</u>	<u>23,109,180</u>	<u>5,500,593</u>
<u>Loans Receivable</u>		
Agricultural Loans Receivable	33,119,263	22,200,444
Irrigation Loans Receivable	<u>344,946</u>	<u>304,381</u>
Subtotal	33,464,209	22,504,825
Less: Loans Sold to State Treasurer	(1,203,415)	(1,296,420)
Allowance for Uncollectible Loans	<u>(1,318,675)</u>	<u>(769,622)</u>
Net ARLF Loans Receivable	30,942,119	20,438,783
Loans in Progress	521,210	3,827,562
Repossessed Property	44,225	44,225
Kodiak Slaughterhouse Loan	134,451	134,451
Alaska Farmers' Cooperative Loan	<u>1,000,000</u>	<u>1,000,000</u>
<u>Total Loans Receivable (Long-Term)</u>	<u>32,642,005</u>	<u>25,445,021</u>
<u>Office Furniture and Equipment</u>		
At Cost	9,635	6,774
Less: Accumulated Depreciation	<u>(2,467)</u>	<u>(1,978)</u>
<u>Total Office Furniture and Equipment</u>	<u>7,168</u>	<u>4,796</u>
<u>Total Assets</u>	<u>\$55,758,353</u>	<u>\$30,950,410</u>
<u>Liabilities and Fund Balance</u>		
<u>Current Liabilities</u>		
Accounts Payable	65,611	9,409
Interest Payable	6,597	5,696
Less: Accrued Interest Receivable on Sold Loans	<u>(6,597)</u>	<u>(5,696)</u>
<u>Total Current Liabilities</u>	<u>65,611</u>	<u>9,409</u>
<u>Other Liabilities</u>		
Due to General Fund	<u>1,134,451</u>	<u>1,134,451</u>
<u>Fund Balance</u>		
Contributions from General Fund	52,500,000	28,500,000
Retained Earnings	<u>2,058,291</u>	<u>1,306,550</u>
<u>Total Fund Balance</u>	<u>54,558,291</u>	<u>29,806,550</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$55,758,353</u>	<u>\$30,950,410</u>

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
For the Fiscal Years Ended June 30, 1982 and 1981

	<u>1982</u>	<u>1981</u> Restated (Note 3)
<u>Revenues</u>		
<u>Interest Income</u>		
Agricultural Loans	\$1,602,725	\$1,034,969
Irrigation Loans	15,809	12,896
Kodiak Slaughterhouse Loan	<u>5,378</u>	<u>5,378</u>
<u>Total Interest Income</u>	1,623,912	1,053,243
<u>Other Income</u>	<u>24,809</u>	<u>1,720</u>
<u>Total Revenues</u>	<u>1,648,721</u>	<u>1,054,963</u>
<u>Expenses</u>		
<u>Administrative Expenses</u>		
Loan Losses	549,054	227,113
Personal Services	277,204	156,782
Travel and Per Diem	30,277	22,167
Contractual Services	35,632	20,513
Commodities	4,324	1,402
Depreciation	<u>489</u>	<u>373</u>
<u>Total Expenses</u>	<u>896,980</u>	<u>428,350</u>
<u>Net Income</u>	<u>751,741</u>	<u>626,613</u>
<u>Retained Earnings, July 1</u>	1,306,550	777,248
Uncollectible Accrued Interest Recorded in Prior Fiscal Years	<u>-0-</u>	<u>(97,311)</u>
<u>Retained Earnings, July 1 as Restated</u>	<u>1,306,550</u>	<u>679,937</u>
<u>Retained Earnings, June 30</u>	<u>\$2,058,291</u>	<u>\$1,306,550</u>

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Fiscal Years Ended June 30, 1982 and 1981

	<u>1982</u>	<u>1981</u> Restated (Note 3)
<u>Sources of Working Capital</u>		
<u>Operations</u>		
Net Income	\$ 751,741	\$ 626,613
Items not Requiring Working Capital		
Depreciation Expense	489	373
Loan Loss Expense	549,054	227,113
<u>Working Capital from Operations</u>	<u>1,301,284</u>	<u>854,099</u>
<u>Prior Period Adjustment</u>	<u>-0-</u>	<u>(97,311)</u>
<u>Contributions from General Fund</u>	<u>24,000,000</u>	<u>14,660,000</u>
<u>Total Sources of Working Capital</u>	<u>25,301,284</u>	<u>15,416,788</u>
<u>Uses of Working Capital</u>		
Increase in Loans to Borrowers	10,959,384	7,929,845
Decrease in Loans Sold to State Treasurer	93,005	1,070,530
Loans in Progress	(3,306,352)	3,331,827
Purchase of Equipment	2,862	2,090
<u>Total Uses of Working Capital</u>	<u>7,748,899</u>	<u>12,334,292</u>
<u>Net Increase in Working Capital</u>	<u>\$17,552,385</u>	<u>\$ 3,082,496</u>
 <u>Elements of Net Increase</u>		
<u>In Working Capital</u>		
<u>Increase (Decrease) in Current Assets</u>		
Cash in Transit	222,324	(7,615)
Cash in Treasury	6,848,068	2,747,218
Accrued Interest Receivable	538,195	341,219
Appropriation Receivable	10,000,000	-0-
<u>Total Increase in Current Assets</u>	<u>17,608,587</u>	<u>3,080,822</u>
<u>(Increase) Decrease in Current Liabilities</u>		
Accounts Payable	(56,202)	1,674
Accrued Interest Payable	(901)	36,202
Less: Accrued Interest Receivable on Sold Loans	901	(36,202)
<u>Total (Increase) Decrease in Current Liabilities</u>	<u>(56,202)</u>	<u>1,674</u>
<u>Net Increase in Working Capital</u>	<u>\$17,552,385</u>	<u>\$ 3,082,496</u>

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AGRICULTURAL REVOLVING LOAN FUND
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 1982 and 1981

Note 1 - Summary of Significant Accounting Policies of the
Agricultural Revolving Loan Fund

Alaska Statute 37.05.150 requires accounting policies to be in accordance with generally accepted principles of governmental accounting. The following is a summary of significant policies applicable to the Agricultural Revolving Loan Fund (ARLF), an Enterprise Fund.

A. Basis of Accounting

The ARLF annual financial statements are prepared on an accrual basis of accounting. Accrual accounting provides that:

1. Revenues are reported when earned.
2. Expenses are reported based upon a direct association with specific revenues or when the obligation to pay is incurred.
3. Furniture and equipment is stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

B. Interest of Loans

The accrual of interest income on loans is discontinued when, in management's opinion, there is doubt as to the collectibility of such income.

Note 2 - Loan Management Policies

ARLF frequently extends, reamortizes, or refinances loans which are or would be delinquent under the original terms of the loans. This policy decreases the amount of delinquent loans, resulting in a lower amount computed for the allowance for uncollectibles.

Note 3

The Balance Sheet at June 30, 1981, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings, and the Statement of Changes in Financial Position for the year then ended are restated to reflect the change in accounting policy stated in Note 1 (B) above.

The effects of the restatement are as follows:

A. <u>Balance Sheet</u>	<u>(Decrease)</u>
Retained Earnings	\$(164,332)
Accrued Interest Receivable	(164,332)
To write off accrued interest as of June 30, 1981 which is unlikely to be collected.	
B. <u>Statement of Revenues, Expenses, and Changes in Retained Earnings</u>	
Interest Income on Agricultural Loans	\$ (62,221)
Interest Income on Irrigation Loans	(4,800)
Retained Earnings, July 1, 1980	(97,311)
Retained Earnings, June 30, 1981	(67,021)
To eliminate accrued interest income earned during Fiscal Year 1981 and prior fiscal years from 1981 income and July 1, 1980 Retained Earnings.	
C. <u>Statement of Changes in Financial position</u>	
Net Income	\$ (67,021)
Prior Period Adjustment	(97,311)
To reflect effect of adjustment in (B) above.	

STATE OF ALASKA

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

JUNEAU, ALASKA 99811

September 14, 1982

Members of the
Legislative Budget and Audit Committee:

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in Appendixes A through C is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements; and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit