

LEG. FINANCE - BILLS 1983 - 1984 1907

SSHB 470 cont. - HB 478 HB 516 1907

'Seward's Folly'. The natives called it 'Denali'--the Great Land. A land so vast that if Ketchikan (turns and points) were at Jacksonville, Florida, Attu--one of the Near Islands--would be at San Diego, and the oil fields at Prudhoe Bay would be in North Dakota and Minnesota.

"The Near Islands? Near to what? _____ miles to Soviet Komandorskiye Islands, _____ miles from the Kamchatka Peninsula in Asia.

"Further north, Soviet Big Diomed Island is 5 miles from American Little Diomed. Until recently the Eskimos on these islands visited back and forth, but no more... The inhabitants of Russia's Big Diomed have been evacuated.

"But this is not a history of Alaska, which was governed as a Military District under the Department of California until it attained Territorial status in 1912, or until it became our 49th state in 1958.

"Rather, we present to you the story of World War II in Alaska as experienced by veterans of that war. Too often it is called 'The Forgotten War' or 'The Thousand Mile War'. A war that few Americans knew much about even while it was taking place; and fewer know now that during that war American territory was seized by the Japanese armed forces and occupied for 15 months before we were able to again bring it under the American flag.

"This is a story told by men who took part in that war and by natives who suffered because of it. It is a story the American people ought to know, to see for themselves pictures made at the time the action took place. They should see for themselves the tremendous effort required to build the bases from which our airmen, our soldiers and our navy operated in the defense of Alaska. They should see what those bases look like more than 40 years after the action took place.

"It is important that we do this. History not only tells us what has already happened, but if we are attentive, it will indicate what could occur in the future."

#

Here continue with a brief statement of the situation in Alaska just before we entered the war, including an account of Captain Streit's visit, General Arnold's photographic mission, an account of the passage of the Around the World Flyers in 1924, the statement of Billy Mitchell regarding the strategic importance of Alaska, etc.

This situation is partially covered in my talk at the EAFB on 17 September. Data covering the other items mentioned are readily available.

For the production, we must review the motion pictures and selected stills made by the three services, and by the Japanese as may be appropriate, and as can be obtained.

The foregoing material should be assembled at the EAFB for review by carefully selected personnel of the three services, and from these select what is needed for the documentary. At the same time we should determine what additional photographic coverage is needed both of the bases on the mainland and in the Aleutians. When this is done, we are well on our way to having the documentary we want.

Hopefully, we can assemble these data before the end of the year. As a starter, I spoke to the Chief of Engineers about the Corps film at the National Archives, and of our plans for this documentary. His reaction was expressed in a few words: "What can I do to help?" Action is being taken to get this film.

National Archives, Record Group 18, acc. no.

III-NAV-

Rescue Party Trek Through Deep Snows in Hunt for Two Missing Planes, 11th Air Force, Aleutian Islands, November 27, 1943, 448 feet.

307.

Miscellaneous Stock Photo Shots from Attu Island, November 30, 1943, 202 feet.

Christmas (Preparations), 11th Air Force, Aleutian Islands, November 30, 1943, 876 feet.

Christmas (Preparations), 11th Air Force, Aleutian Islands, December 1, 1943, 631 feet.

Tools and Parts Built in the Field, Mainly from Salvage by Members of 404th Bombardment Squadron Machine Shop, 11th Air Force, Aleutian Islands, December 6, 1943, 796 feet.

Staff Section, 11th Air Force, at Xmas Dinner, and Winter Scenes, Adak Air Field, Aleutian Islands, December 25, 1943, 746 feet.

Christmas Activities in the Aleutians, 11th Air Force, December 25, 1943, 2,103 feet.

Replacement Crews Landing at Alexai Point Air Base in B-25s, 11th Air Force, Aleutian Islands, December 31, 1943, 438 feet.

Air Transport Command and General Shots, 11th Air Force, Aleutian Islands, January 1, 1944, 555 feet.

Adak Snow Storm, January 10, 1944, 776 feet.

General Scenes, Adak Island, January 10, 1944, 301 feet.

Plane Takeoffs in Snow, etc., 11th Air Force, Aleutian Islands, Including Views of General Buckner, January 10, 1944, 334 feet.

Aerial Views Over Adak Island, Aleutian Islands, February 22, 1944, 1,036 feet.

National Archives Record Group 208, Accession 3276:

First Pictures: Alaska-Russia Sky Route. United News Film, 1945, 10 minutes.

National Archives Record Group 111, Accession 2355:

Electronics at Work, 1945 Signal Corps Film, Explaining Basic Principles of Radar, 22 minutes.

Alaska, Signal Corps Educational Film No. 193, 1945, 11 minutes.

Citizen in Arms, Signal Corps Orientation Film No. 48, 1948, Showing Military Bases in Alaska, Hawaii, and Puerto Rico, 9 minutes.

National Archives Record Group 111, Accession III-NAV-210:

General Butler makes awards, Adak Island, February 20, 1943, 794 feet.

Activities at Longview Field, Adak, March 1, 1943, 1,636 feet.

Mission over Kiska and activities at Longview Field, Adak, March 8, 1943, 1,066 feet.

General Activity around Adak, March 27, 1943, 2693 feet.

Activities at Kiska and Adak, April 15, 1943, 800 feet.

Operations at Amchitka -- Attacks on Attu, May 22 (?), 1943, 2700 feet.

C-47 Operations in Alaska, August 3, 1943, 550 feet.

General Scenes of Activity on Attu Island, September 1943, 1872 feet.

Aerial Activity Over Attu by the 77th Bomber Group, B-25s and P-38s, September 20 to October 1, 1943, 1557 feet.

Decoration of Col. Matheny by General Nathan Twining, October 8, 1943, 49 feet.

Adak Activities, October 11, 1943, 1,011 feet.

Kiska Island in the Aleutians, Air Base Headquarters, October 12, 1943, 210 feet.

Building Quonsets, Alaska, October 18, 1943, 103 feet.

Captain Eddie Rickenbacker Visits Adak in the Aleutians, October 19, 1943, 225 feet.

General Shots -- Aleutian Islands, Alaska, October 22, 1943, 681 feet.

General Shots, Aleutian Islands, October 22, 1943, 218 feet.

P-40s Over Kiska Field, October 25, 1943, 320 feet.

P-40s Zooming Field on Kiska Island, October 25, 1943, 321 feet.

Air Mail Service on Kiska, October 27, 1943, 202 feet.

Control Center, 11th Air Force, Aleutian Islands, November 1, 1943, 1,013 feet.

Aerial Views, Kiska Air Field and Harbor, October 27, 1943, 225 feet.

Attu Activities, November 12, 1943, 1,085 feet.

Selected Scenes from "Summer Movements in the Arctic", Big Delta Region, Alaska, August, 1949, 1,701 feet.

Selected Scenes from "Arctic Indoctrination School", Big Delta, Alaska, November 30, 1949, 2325 feet.

Selected Scenes from "Alaska Communication System", Alaska, 1950, 4248 feet.

National Archives Record Group 200, Accession III-NAV-9:

Paramount News Film, 1952, Including (Part I) B-29s of the 58th Strategic Reconnaissance Squadron are Warmed up at an Alaskan Field, Take Off, and Fly Over the North Pole, 6 minutes.

National Archives Record Group 200, Accession III-NAV-60:

Paramount News Film, November 4, 1953, Volume 13, No. 24, Including (Part I) an F-86C Scorpion intercepter plane fueled and taking off from an Alaskan Base, 7 minutes.

02/15/84

Draft prepared by B. B. Talley
with contribution by
Col. Evan J. Griffith, USAF

BACKGROUND MATERIAL IN SUPPORT OF HB _____
APPROPRIATING FUNDS FOR A COMPREHENSIVE DOCUMENTARY FILM
OF WWII IN ALASKA

There exist several books and papers, some official, which purport to document the history of WWII in Alaska. In addition, the military services have extensive motion pictures of their operations in Alaska. In recent years there has been a rebirth of interest on the part of individuals and organizations, particularly veterans organizations, in this part of Alaska's history. These individuals and groups have many important visual records which can be obtained for a comprehensive documentary film of WWII in Alaska.

In 1980, on the 40th anniversary of its arrival in Alaska, the veterans of the 11th USAF held a reunion in Alaska. It included a visit to the Aleutians as far out as Shemya. Weather prohibited their going to Attu. Extensive motion pictures and video tapes were made of this celebration, including interviews and oral history from many of the veterans present.

In 1982 extensive motion pictures and video tapes were made by individuals, organizations and by TV stations of the ceremony in dedication of a memorial on Unalaska Island to all those who lost their lives in the Aleutians during WWII. This included the Armed Forces of the United States and Canada, the Aleuts, and the Japanese Armed Forces. The two Japanese officers, now retired, who led the first and second waves of bombers in the attack on Dutch Harbor on 4 June 1942 participated in this dedication. The dedication was preceded by a flight from Unalaska Island to the Umnak Air Base, and to the position of the Japanese carrier from which the attack was launched, thence following the course of the planes to the rendezvous point and returning to Dutch Harbor. The plane was piloted by the Japanese officer who led the attack, flying

in reverse the course flown in the attack. From the rendezvous point, the plane flew the course at the same altitude flown in the actual attack. In the plane were Admiral James S. Russell, USN-Ret. who commanded the US Navy Catalinas in Alaska during WWII, BG B. B. Talley, Corps of Engineers, retired, who was responsible for building the secret air base on Unak Island from which the US AF P-40s broke up the Japanese aerial attack on Dutch Harbor, and Admiral Hiroichi Samejima, JMSDF (Ret.) who led the first wave of Japanese bombers, and Colonel Zenji Abe, JMSDF (Ret.) who led the second wave which consisted of dive bombers. (Then Lieutenant Commander Abe later transferred to the army, as the reconstituted Naval defense force did not have dive bombers.) Also in the plane were Mr. Ted Spencer who arranged the dedication ceremony and the aerial flight here described. There was also a motion picture camera crew aboard who recorded the flight on film.

In view of the advancing age of the still living participants in WWII in Alaska, delay in the production of this visual history might preclude their participation in this important chapter in Alaska's history.

Inasmuch as the State of Alaska would be the primary beneficiary, the State should be the primary sponsor of the project. Such a project is within the purview of the Alaska Historical Commission of the Department of Education.

The project would include, but not necessarily be limited to, bringing together into a single compilation the best of the existing film; editing it into a single comprehensive historical document. There should be included in this compilation such additional footage as may be appropriate, with commentary by selected veterans who took part in the action.

Upon being instructed to carry out this project and being provided with the necessary funds for its accomplishment, the Alaska Historical Commission formed by AS Title 44, Article 3,

would have power to prepare or to authorize and coordinate the preparation and production by others of a documentary film covering this important portion of Alaska's history. Such a history should include but not be limited to the stills and motion pictures already in existence, but should include additional visual components as may be appropriate. Such a project should be completed by June 30, 1986.

A conceptual organization structure for executing this project is shown in Figure 1.

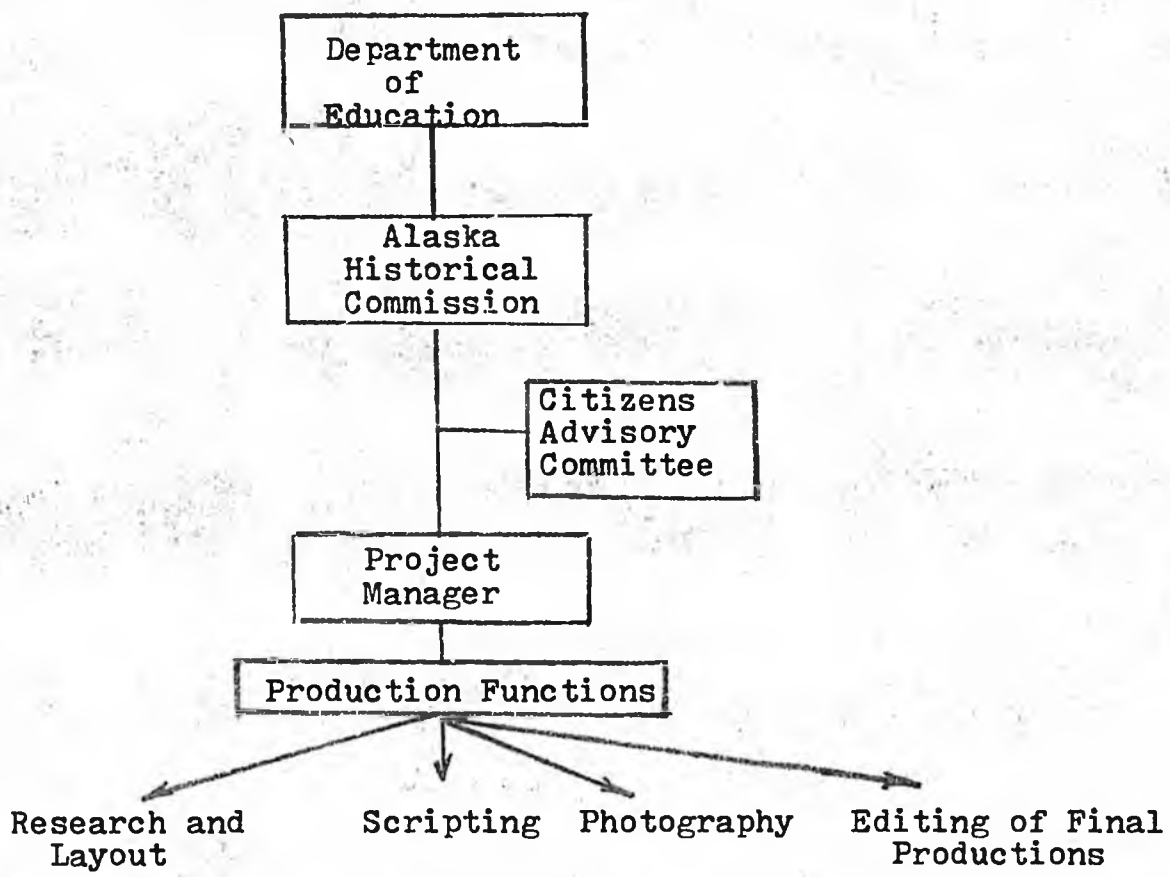


Figure 1. Conceptual Organizational Structure. Production of a Comprehensive Visual History of WWII in Alaska

No 1
Read PTS 1 thru 3 of Preliminary
Proposal "attached and
thumb the remainder.

Star Route Box 600
Anchor Point, AK 99556
23 September 1983

Colonel Joe Griffith
21st Tactical Fighter Wing
Elmendorf AFB, AK 99506

Dear Joe:

With reference to our discussion regarding a visual documentary covering WWII in Alaska, I have prepared a Preliminary Proposal for the preparation of a Comprehensive Visual History of WWII in Alaska which is enclosed.

I am sending this to you in the hope that we may get the show on the road and have it completed by the time of the commemorative ceremony you mentioned for 1984. It is a big order, but it can be done.

I will not go into this proposal here except to request that we have a meeting of key personnel on Tuesday, 3 October, at 1400 hours. See paragraph 3, page 1 of proposal. I suggest a small group of key personnel attend the meeting, say under 10. I suggest that you set up the meeting and invite those who are to attend.

Virginia and I must be in Washington by 10 October, and if the meeting can be held on Tuesday the 4th, we will come to Elmendorf on Monday the 3rd and leave for Washington later in the week, hopefully on Space A.

I talked with John Cloe this morning, and his secretary notified your office that I would telephone you around 0730 Monday 26 September, which will be before you receive this. Should I fail to talk with you, it would be appreciated if you would telephone me (235-7473) when you have read this.

It was a grand party over last weekend - one we shall remember for a long time.

Most sincerely,

B. B. Talley
BG, USA-Ret.

Preliminary Proposal
23 September 1983

WORLD WAR II IN ALASKA
A Comprehensive Visual History
Prepared by
B. B. Talley, BG - USA - Ret.

The following is an outline, preliminary in nature, showing what may be involved in the preparation of a comprehensive documentary film of the principal military operations during World War II in Alaska.

1. Objective: The preparation of a comprehensive visual military history of World War II in Alaska.

There is a wide variety of World War II photographs, motion picture film, etc., prepared by, and in the possession of the military services and other organizations and individuals. It should be readily available.

A consolidation of the best of these would make an invaluable historic document.

2. Participants. It is proposed that the US Army, Navy and Air Force, the State of Alaska, pertinent US civic organizations and individuals, and the Royal Canadian Air Force join together and prepare a comprehensive visual history of World War II in Alaska. The Japanese might be invited to participate in such a production, if deemed to be appropriate.

3. Organizational Structure. Realization of such a project requires the support of the government agencies involved, primarily by permitting the usage of existing records in such a visual history, and possibly by helping finance the final production which should be done by professionals. The work should be carried out under the guidance of an Executive Committee or board comprised of people from all the participating agencies. It is suggested that an Executive Committee or board be established for this purpose, and that the nucleus of such a group meet at Elmendorf Air Force Base at 1400 hours, October 4, 1983, with

Colonel Joe Griffith as Chairman pro tempore.

A small group of individuals invited to attend this meeting may be selected from those listed under "Participating Agencies and Key Personnel" which follows. Aside from the organization of the Executive Committee, the principal immediate duty is the adoption of a schedule leading to the completion of the project.

★ 4. Participating Agencies and Key Personnel.

(a) United States Government

(1) US Army

BG Gerald H. Bethke, CG 172d Infantry Brigade,
Ft. Richardson, AK 99505

LCOL Brandon Weathers, Public Affairs Officer,
HQ 172d Inf. Brigade (AK). Correspondence:
Attn: AF3T-PO, Ft. Richardson, AK 99505

COL Neil E. Saling, Corps of Engineers, District
Engineer, Alaska District, Elmendorf AFB.
Correspondence: P.O. Box 7002, Anchorage, AK
99510. (907) 279-1132/862-3110

Mr. Bruce T. Batten, Public Affairs Officer,
Alaska District, Corps of Engineers, Elmendorf
AFB. Correspondence: P.O. Box 7002, Anchorage,
AK 99510

BG B. B. Talley, US Army, Retired

March through September: Star Route Box 600,
Anchor Point, AK 99556. (907) 235-7473

October through February: 3601 Cumberland St.
N.W., Washington, D. C. 20008. (202) 362-4219

Mrs. Virginia M. Talley, legal adviser, address
as above

(2) US Navy

ADM James S. Russell, USN-Ret., 7734 Walnut Ave.
S.W., Tacoma, Wash. 99498. (206) 588-9356

Other representatives as may be proposed by
Admiral Russell

RADM John D. H. Kane, Director of the Naval
Historical Center, Director of Naval History,
Washington Navy Yard, Washington, D. C. 20374.
(202) 433-2210

Commodore Theodore E. Lewin, USN, Commander, Naval
Base, Seattle, Wash. 98115. (206) 527-3281

(3) US Air Force

LTG Bruce K. Brown, CG, Alaska Air Command,
Elmendorf AFB, AK 99506

COL Joe Griffith, 21st Tactical Fighter Wing,
Elmendorf AFB, AK 99506. (907) 552-2121

COL Lash G. Sanford, Director of Public Affairs,
Elmendorf AFB, AK 99506

Mr. John H. Cloe, Command Historian, Office of
History, Elmendorf AFB, AK 99506. (907) 552-4763

GEN R. J. Reeves, USAF-Ret., 510 L Street,
Anchorage, AK 99501. (907) 276-1178

MG C. F. Necrason, USAF-Ret., 2094 Esquire Drive,
Anchorage, AK 99503. (907) 274-0848

(4) Alaska Congressional Delegation

Honorable Ted Stevens, United States Senate,
260 Russell Office Bldg., Washington, D. C. 20510

Honorable Frank Murkowski, United States Senate,
15 B Russell Office Bldg., Washington, D.C. 20510

Honorable Donald E. Young, 1210 Longworth House
Office Bldg., Washington, D. C. 20515

(b) State of Alaska

Governor Bill Sheffield, Pouch A, Juneau, AK 99811

Senator Jalmar Kerttula, President of the Senate,
Box Z, Palmer, AK 99645

Representative Joe L. Hayes, Speaker of the House,
515 D St., Anchorage, AK 99501, (907) 272-8222/
278-9363

Dr. Milo Fritz, State Representative, P. O. Box 158,
Anchor Point, AK 99556. (907) 235-8366

(c) Other Organizations and Individuals Which May Be Helpful

(1) Alaska Natives

Mr. Phil Tutiakoff, Chairman, Aleutian/Pribilof
Island Association, Unalaska, AK 99685. (907)
581-1275

(2) Air Force Association

COL T. L. Jenne, USAF-Ret., President, Air Force
Association, P. O. Box 4-2579, Anchorage,
AK 99509. (907) 265-8403

Mr. Adam D. Johnson, Jr., Past President, Air
Force Association, P. O. Box 4-2579, Anchorage,
AK 99509. (907) 333-6766

Mr. William E. Brooks, 9610 Victor Road, Anchorage,
AK 99502. (907) 349-3795 (res.) 344/0213 (bus.)

(3) 11th Air Force Association

COL Charles Pinney USAF-Ret., 304 Esplanade,
Apt. 401, Redondo Beach, CA 90277. (213) 540-8160

Mr. Raiford Perry, P.O. Box 396, Whitehorse, TX
75791. (214) 839-2507

LCOL Laurence Heineke, USAF-Ret., 112 North Street,
Middletown, N.Y. 10940. (914) 343-8000

Mr. Don Cooley, 200 Skydrivevue, Gainesville,
GA 30501

COL Joe E. Schneider, 1850 Vista del Lago,
Fallbrook, CA 92028. (619) 723-4497

(4) Other Individuals

Mr. Robert Atwood, Publisher and Editor, The
Anchorage Times, 820 West Fourth Ave., Anchorage,
AK 99501. (907) 279-5622

LCOL Lyman L. Woodman, USAF-Ret., 117 East Cook
Ave., Anchorage, AK 99501. (907) 277-0764

Mr. Roger Graves, Armed Services YMCA, 609 F
Street, Anchorage, AK 99501. (907) 277-8522

(d) Royal Canadian Air Force

6. Schedule of Completion.

Completion of Project: May 1984.

In the meantime:

(a) Assemble and review all existing material such as
motion picture film, photographs, video tapes made 1980 and
later. Select material to be used. Complete by November 30,
1983.

(b) Assist in drafting legislation for obtaining financial
and other assistance from the State of Alaska. This will include
provision of back-up data necessary to insure political backing
in the legislature. Complete by December 1983.

(c) Choose a professional agency to convert selected data into a completed product. January 1984

(d) Award contract for preparation of the visual history and for furnishing X-number of copies thereof. Award: February 1984. Complete 1 May 1984.

✓ 7. Cost. An accurate estimate of cost cannot be prepared until the scope of the project and the requirements for its accomplishment are established.

In the meantime certain costs will be entailed in obtaining the required material from the organizations possessing such material. It is hoped that most of these costs can be met by the military services and other agencies concerned. For example, the several reels of motion picture film made by the Corps of Engineers during WWII which have just been renovated at the National Archives will be released, but we will have to pay for it. Perhaps this cost may be paid by the Corps of Engineers. Similarly, it may be possible for some of the services to assist in the payment of other expenses, providing they are within the purview of their other work.

The State of Alaska has a vested interest in such a production, since it was the scene of the action portrayed, and of all the states it was most affected by it. It should be requested to join in the project. The suggested timing of the work takes this into account.

In addition, certain individuals will of necessity incur expenses and should be reimbursed. Initially at least, such reimbursement may have to come from voluntary contributions.

The final production should be by contract with professionals who are qualified to do this sort of work. This may well be the greatest item of cost.

MEMORANDUM

State of Alaska

TO:

The Honorable Milo Fritz
Alaska House of Representatives
Attn: Jan Harmon

DATE: March 5, 1934

FILE NO:

TELEPHONE NO: 465-2910

FROM:

Richard B. Engen, Director *Dick Engen*
Division of State Libraries & Museums

SUBJECT: Comments on HB 484

I am sorry I will be in Sitka and cannot be present at the hearing on March 7th dealing with the proposed documentary film on the Aleutian Campaign of World War II.

We have two film centers, Juneau and Anchorage, which provide services to libraries and individuals statewide. We have the largest film library selection in the state. One of our concerns, based on previous experience, is to assure that the State Library has an adequate number of copies for use statewide and full video duplication rights. As the film is being done at state expense, we recommend that the state hold the copyright and that production copies (internegatives) be placed with the State Library depository at Alpha Cine in Seattle. This will assure future access to the film.

Based on estimated use we recommend that 6 copies of the film and 2 video 3/4" masters be placed with the State Library.

We could also offer assistance in locating other footage dealing with the Aleutian Campaign; i.e. U.S. Army Signal Corps film presently in storage.

If we can offer other information or assistance please contact me.

Attachment

cc: Pat Wilson, Alaska State Film Library
Phyllis DeMuth, Alaska Historical Library
Allison Elgee



22 Nov

21ST TACTICAL FIGHTER WING (AAC)
COMMANDER

Gen Talley,

Sorry it took so long to get this out. My time has been limited recently. Next step is to finalize the cost estimate (nearly done) and prepare a statement of work which can be used to bid/describe the effort. On the basis of response & concurrence with Mr Fritz & Gen Dick, I'll petition the Historical Commission for funding. Should have this done by mid-Dec.

In your info, I've included what went out and to whom. Please let me know if I'm missing anyone or any steps. regards. Joe Griffith

WWII Documentary Proposal

Sent to:

Col Neil Suling
Mr Robert B Atwood
Mr Wm E. Brooks
MGen C.F. Neerason
BGen G.H. Bellike
Mr A.H. Fleetwood
Mr A.H. Heibert
Mr E.A. Sackett
Mr F.G. Turpin
Mr G.M. Sullivan
Mr G.N. Nelson
Mr H. Heinze
Mr F.H. Jones
Mr R.K. Graves
Mr Jay Kortulla
Mr P. Tutakoff
Dr. M. Fritz
Mayor T. Knowles
Mr. J.S. Hammond
Ms. H. Flynn
Mr. Joe L. Hayes
Mr. T.H. Jenne
Gen. R.J. Reever

4-305 Williwaw Way
Elmendorf AFB, AK 99506

November 18, 1983

Dear

Recent discussions with individuals who participated in (or are interested in) World War II in Alaska indicate strong interest in producing a film or videotape documentary of this important period in Alaska's history. On the basis of this interest, and at the urging of one of the architects of Alaska's WW II contributions, BGEN B.B. Talley, USA, Retired, I have drafted a proposal which might be used as a vehicle to kick off the effort and have agreed to act as the point-of-contact/facilitator for the effort until a responsible agent can be identified.

As you are among Alaska's leading figures, I solicit your thoughts on this undertaking and welcome your ideas as to its relevance and proposed conduct. Thank you for your consideration.

Sincerely,

EVAN J. GRIFFITH, JR., Colonel, USAF


1 Atch
Proposal

PROPOSAL TO DEVELOP A COMPREHENSIVE VISUAL
DOCUMENTARY ON WORLD WAR II IN ALASKA

There exist several books and papers which purport to document WW II in Alaska; however, there does not appear to be a comprehensive visual documentary of the principal military operations of the war. As this is an important portion of Alaska's history, it would be appropriate to undertake such a project. In view of the advancing age of the still living participants, delay in production may preclude participation in filming by those who were there.

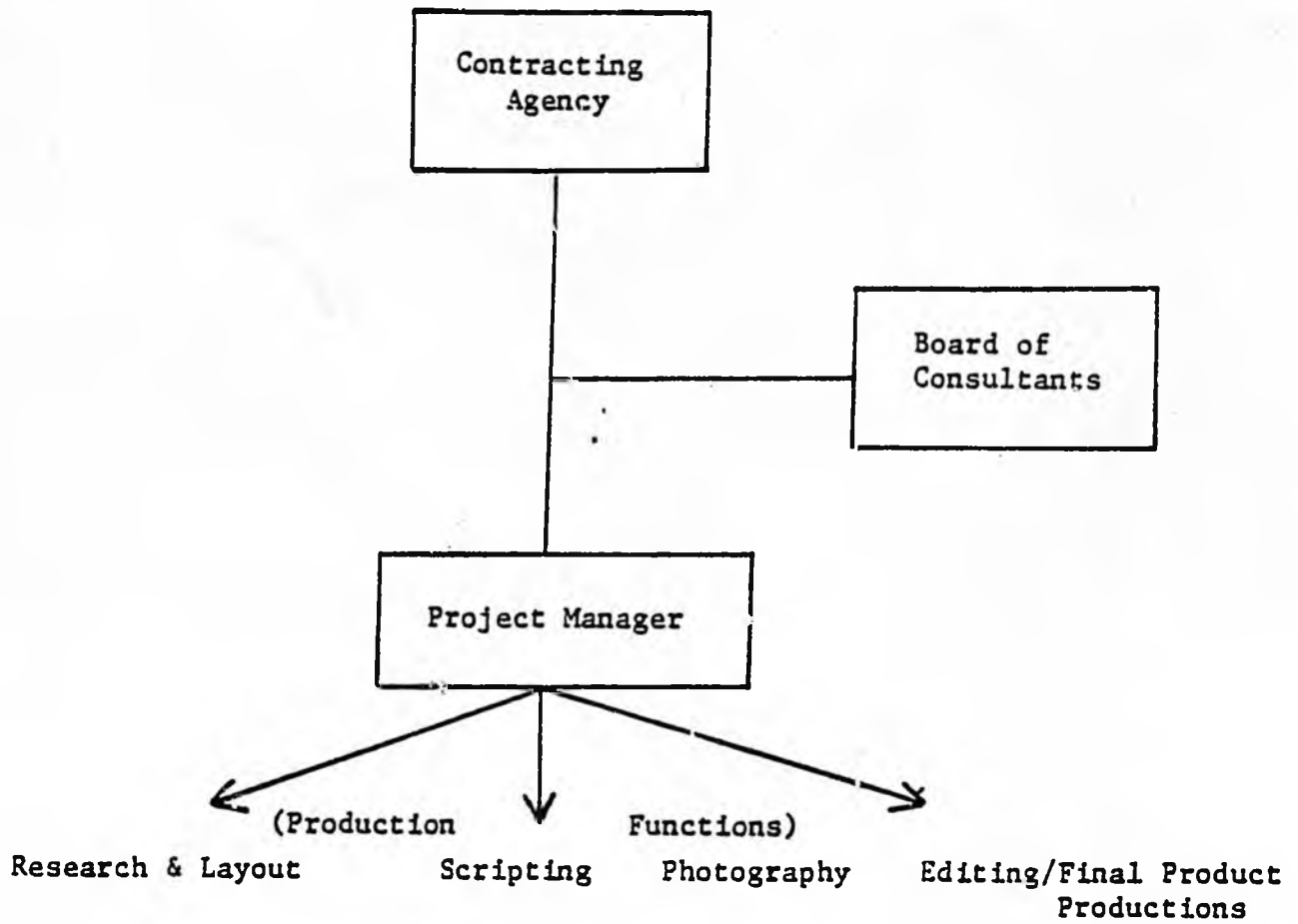
No single agency exists which has the wherewithal to conduct such an effort; therefore, the first activity in this effort should be to identify an organization to sponsor the work.

As the project envisions documentation of WW II in Alaska, it follows that the State will be the primary beneficiary (Historical Commission, Department of Education) of the effort; thus, should be the major sponsor. It is conceivable that public television sponsorship could be obtained as well. Some civic organizations may be interested in backing the activity and will be contacted for support and backing. Indications are that major government sources of historical information will make their libraries and repositories available.

Funding will be necessary to produce the documentary. A preliminary cost  estimate is being prepared at this time. Duration of the project (from start to finish) is estimated to be one year. No Federal Government funding is anticipated.

If the State becomes the responsible agent, it seems appropriate that the project be conducted on a quasi-contractual basis; i.e., with the project group acting as an entity, reporting to the State contract monitor/project officer. Consultants to the project group would be several of the individuals who participated in WW-II in Alaska. These members of the project consultants board would be remunerated for direct expenses of advising the project manager. See Atch 1 for a diagram of the proposed organizational structure.

In the interim period before identification of cognizant agencies and source of funds, Col E.J. Griffith Jr. (4-305 Williwaw Way, Elmendorf AFB, AK 99506) will act as point-of-contact for the effort. Other interested parties are as listed at Atch 2.



Brig Gen B. B. Talley, U. S. Army, Retired

Maj Gen C. F. Necrason, USAF, Retired

Col T. L. Jenne, USAF, Retired - President, Anchorage Chapter of Air Force Association

Mr. W. E. Brooks, Anchorage Contractor, Past President, Anchorage Chapter of Air Force Association

Dr. Milo Fritz, State Representative

Col Neil E. Saling, U. S. Army Corps of Engineers, Alaska District Engineer

Col Charles Pinney, USAF, Retired, 11th Air Force Association

3601 Cumberland St. N.W.
Washington, D. C. 20008
27 November 1983

Dear Col. Griffith:

Thanks for your note of 22 November and its inclosures.

I believe we should send the proposal to the following additional individuals for the reasons stated.

The addresses of the following individuals are in my Preliminary Proposal of 23 September which you have.

★ Admiral James S. Russell, USN-Ret. He is interested in this project and is our best Navy contact. He knows who has the Navy film and how to get it. We can count on him.

11th Air Force Association:

Col. Charles Pinney, USAF-Ret. He spearheaded the 1980 11th AF Reunion, is a former movie actor, presently does commercials, is a doer and can help us in our contacts with professionals, cost estimates, etc.

Mr. Raiford Perry. I believe he was a co-pilot, maybe a pilot, in the Aleutians. He is one of the principal financial backers of the Confederate Air Force. Was a generous contributor to the 1980 11th AF Reunion. I am advised he paid for the procurement of some of the planes of the Confederate Air Force. Although a junior officer in WWII, his interest and support should benefit the project.

LCol. Laurence Peineke, USAF-Ret. He remains active in USAF activities and volunteered to contribute to cost of processing 11th AF Reunion film.

Mr. Don Cooley. An enlisted man in the Air Corps, probably one of the two wealthiest men at the 11th AF Reunion. I believe he will help us.

Col. Joe Schneider, USAF-Ret. Joe was a pilot for AAL prior to WWII. He is a close friend of Chuck Pinney and will help us.

Others whose addresses I do not have:

Col. Wayne K. Beckwith, USAF-Ret. I'm sure John Cloe, Col. Sanford and Major Hayes know or should know him well. We should solicit his help. I believe he is now an executive of the Anchorage Chamber of Commerce.

Senator Tim Kelley, whom you know.

-2-

There is a retired Admiral in the Coast Guard living in the anchorage area. He is well recommended, and we should include him. He should be one of our best Coast Guard contacts, and we will need CG help as well as any film footage the CG may have. Coast Guard officers here speak very highly of him.

- - - - -

The time is ripe for us to commence assembling the film, etc., of the other services. I'm sure Major Hayes and John Cloe know how to get it, and I suggest that the officer of the Air Force Command Historian be the focal point for its assembly. We should try to get this without cost to us. I am confident that the Corps of Engineers can get what is at the National Archives--contact Col. Saling.

- - - - -

I talked to Milo Fritz yesterday, and he is drafting legislation calling for the State to furnish \$250,000 for the project. He plans to complete this package in early December. We should back him and also at the proper time see if we can get an advance from the State through Milo (or maybe Tim Kelley) from the State Historical Commission.

As Little Abner said: "Time's a-wastin'."

We shall have to follow up with personal contacts to insure proper response from those we ask to help us.

Kindest regards to all.

Most sincerely,

B. B. Talley

No 2
I suggest you read attached
Draft of Suggested Format

3601 Cumberland St. N.W.
Washington, D. C. 20008
22 October 1983

Colonel Evan J. Griffith, Jr.
Commanding Officer
21st Tactical Fighter Wing
Elmendorf Air Force Base
Alaska 99510

Dear Colonel Griffith:

This is to pass to you my thoughts and action following the conference in your office on September 21st, and to give you a suggested format for our visual documentary of WWII in Alaska.

I agree with you that it will cost more than \$100,000, and believe we should make the sort of production we feel ought to be made, get the funds to pay for it and do the thing right. I also believe this is feasible.

It is suggested that the final production be under the direction of professionals and the story be narrated by personnel from the three services--veterans who are identifiable with what it is all about. To this end, I am enclosing a draft of a format covering the introduction to the production which I have called a "Prologue". It sets the stage for what is to follow.

In addition to what I have mentioned in the enclosure, I will call attention to film and stills which were made in recent years, as for example, the 11th Air Force film made at the reunion in 1980, and the film and video tape which can be put on film, taken on the occasion of the dedication of the Memorial at Unalaska in 1982. From these and the WWII film and stills from WWII, we can select most of what we need. Then comes the chore of editing it, putting it together in the sequence we want and adding to it coverage of the Aleutians at the present time, possibly including under water shots in the bay at Kiska.

Dr. Milo Fritz was our guest at dinner here last Sunday night, and he is serious about getting Alaskan support. He needs an estimate of the cost and a draft of proposed legislation by mid-December. We should be able to give these to him. General Necrason can help line up political support for it. Also, we should not wait until then to get the support of the Alaska Historical Commission. The Chairman is, I believe, a close friend of Milo's. (Milo said the Commission was short of money. That did not cause me to weep.)

-2- Col. Griffith, 10/22/83

I discussed this project with LGEN Joseph Bratton, Chief of Engineers, and told him of the Corps film at the National Archives and that money would be required to get a copy of it. He indicated that funds could be found for it and that he would get in touch with BG James W. Van Loben Sels, Division Engineer, North Pacific Division, Corps of Engineers, Portland, Oregon, Col. Neil Saling's immediate commander. Accordingly, there is enclosed a letter to Col. Saling which I wish you to pass to him.

Early on, meaning by mid-December, we should have an estimate of cost--money we need to get the job done. We ought to find separately funds to carry us to January.

I will do what I can to help the project and am willing to return to Anchorage in December to help put this thing together. I should be able to come Space A and hopefully can stay at VOQ at Elmendorf and not reopen our house at Anchor Point. I would like for Virginia to be there also to help draft the legislation while the legislators are still in Anchorage. She knows most of them and has worked with them before on capital relocation legislation. However, we need to find a way to cover her transportation. It is essential to have this legislation ready before the legislature convenes.

Should you wish to get in touch with me, call our Washington, D. C. telephone number, 202 - 362-4219. We will be here until 3 November when we must go to New York, to return on Sunday, 6 November. We should be here from then until about 17 November when we must go on business to Peoria, Illinois, and to St. Louis, to be gone for 10 days to two weeks. Save for routine engagements, we should be home from the time of our return from the Peoria/St. Louis trip until Christmas.

Should need arise, I would like to call you. What is the best hour, Alaska time, to call you? What number should I call?

I know Admiral Russell quite well and can ask for his assistance. In any event, I must call or write him to tell him what has happened.

We send our kindest regards to you and to your lovely lady.

Most sincerely,

B. B. Talley
Brig. Gen. USA-ret.

Introduced: 2/8/84
Referred: Health, Education &
Social Services and Finance

Funding Information
General Fund \$250,000
Other Funds - 0 -
\$250,000

1 IN THE HOUSE BY FRITZ AND CLOCKSIN
BY REQUEST
2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 470
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 THIRTEENTH LEGISLATURE - SECOND SESSION
5 A BILL
6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Education, Alaska History Commission to
8 produce a documentary film relating to the participa-
9 tion of Alaska in World War II; and providing for an
10 effective date."
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
12 * Section 1. The sum of \$250,000 is appropriated from the general fund
13 to the Department of Education, Alaska History Commission to prepare and
14 distribute a comprehensive documentary film history of the participation of
15 Alaska in World War II.
16 * Sec. 2. The unexpended and unobligated portion of the appropriation
17 made by this Act lapses into the general fund June 30, 1986.
18 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
19 10.070(c).

Introduced: 1/9/84
Referred: Health, Education &
Social Services and
Finance

1 IN THE HOUSE

BY MARTIN

2 HOUSE BILL NO. 477

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to repayment of state aid for hospi-
7 tal and health facility construction."

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

9 * Section 1. AS 29.90 is amended by adding a new section to read:

10 Sec. 29.90.040. REPAYMENT OF STATE AID. If, within 20 years
11 after receiving state aid under former AS 29.90.010 - 29.90.030, a
12 sponsor of a hospital or health facility sells, leases, or otherwise
13 transfers the hospital or health facility other than to a municipal-
14 ity, nonprofit corporation, or other nonprofit sponsor, the sponsor
15 that received the aid shall return to the state an amount equal to the
16 fair market value of the hospital or health facility at the time of
17 the sale, lease or transfer, multiplied by the amount of aid received
18 by the sponsor and divided by the total construction cost.

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE
LETTER OF INTENT
FOR
HOUSE BILL 477

It is the intent of the Legislature that monies received by the state as a result of this legislation be returned to the community in which the hospital or health facility was sold, leased or otherwise transferred. The monies should then be used for expanding and increasing other health care services in the affected community.



Al Adams, Chairman
House Finance Committee

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 477
 Title: "...relating to repayment of state aid hospital and health facility"
 Sponsor: Representative Martin
 Requestor: House Finance Committee
 Date of Request: 2/23/84

FISCAL DETAIL

Agency Affected: Community & Regional Affairs
 Program Category Affected: Community Development
 BRU, Program or Subprogram(s) Affected: Municipal Revenue Sharing

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		-0-				
CAPITAL						
REVENUE		-0- *	-0- *	-0- *	-0- *	-0- *

FUNDING: (Thousands of Dollars)

* See Analysis

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Doug Griffin Phone: 465-4750
 Division: Municipal & Regional Assistance Date: 2/27/84

Approved by Commissioner: *Amiel Root* Date: 2/27/84
 Agency: Community & Regional Affairs

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

ANALYSIS

RE: HB 477 "An act relating to repayment of State Aid for hospital and health facility construction"

It is impossible to predict whether the repayment formula described in HB 477 will ever be involved and what the fair market value of the hospital or health facility in question may be. Therefore, a zero fiscal note has been prepared. However, the following background information showing the amount of State Hospital construction match funding over the last twelve years is provided. Should a sponsor who has received State construction aid transfer its hospital or health facility to a for profit sponsor, a portion of the State's funds could be repaid back to the State.

SUMMARY OF STATE HCSPITAL CONSTRUCTION AID

FY 72	\$	536,297
FY 73		523,372
FY 74		510,953
FY 75		674,212
FY 76		939,116
FY 77		842,494
FY 78		947,500
FY 79		2,219,370
FY 80		7,292,828
FY 81		8,072,599
FY 82		7,943,279
FY 83		4,048,087
FY 84		<u>1,901,216</u>
Total		\$36,451,323

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 477
 Title: State Aid for Health Facility Construction
 Sponsor: Martin
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Health & Social Services
 Program Category Affected: _____
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Dave W. Williams Phone: 465-3037
 Division: Planning, Policy & Program Evaluation Date: _____

Approved by Commissioner: Robert L. Smith Ph.D. Date: 2/10/84
 Agency: Dept. of Health & Social Services

Distribution (by Agency preparing fiscal note):

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

12/1/83



Official Business

*text of letter of intent proposed by
Rep. Martin*
Alaska State Legislature

House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811

HB 477

LETTER OF INTENT

It is the intent of the Legislature that monies received by the state as a result of this legislation be returned to the community in which the hospital or health facility was sold, leased or otherwise transferred. The monies should then be used for expanding and increasing other health care services in the affected community.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 27, 1984

SUBJECT: Repayment of state aid granted
under former AS 29.90

TO: Representative Al Adams
Chairman, House Finance Committee

FROM: Edward H. Hein *EH*
Legislative Counsel

You have asked three questions related to HB 477 and state aid granted under former AS 29.90, which was repealed last session. I will address the questions in the order asked.

1. Were for-profit hospital sponsors eligible for state aid under former AS 29.90? Former AS 29.90.010 (see attached) provided that state aid for construction could be granted to a "municipality or other hospital or health facility sponsor". Former AS 29.90.030(2) defined "hospital" to mean any licensed general hospital not owned or wholly supported by the state or federal government. Former AS 29.90.030(4) defined "health facility" to mean a facility that is licensed, if required, and that is owned or operated by a municipality or other nonprofit sponsor, except a facility operated or wholly supported by the state or federal government. Thus, a health facility sponsor had to be a nonprofit entity, but a hospital sponsor could be either nonprofit or for-profit. In fact, state aid under the program was granted only to nonprofit sponsors.

2. What is the effect of HB 477? The bill would require any hospital or health facility sponsor that received state aid under former AS 29.90 to repay to the state the amount of aid received and a proportionate amount of any profit made (or minus a proportionate amount of any loss incurred) on the sale, lease, or transfer of the hospital or facility to a for-profit entity within 20 years after receiving the aid. The repayment requirement would apply only to sales, leases, and transfers that occur after the effective date of the Act.

Representative Al Adams
Page 2
February 27, 1984

3. How would HB 477 affect hospital and health facility sponsors that are still entitled to receive aid under former AS 29.90 by virtue of the "grandfather clause" in sec. 9, ch. 95 SLA 1983? (See attached). A sponsor that had not yet received all the aid to which it is entitled under the grandfather clause, and that transfers a hospital or health facility to a for-profit entity within 20 years after receiving any aid under the program, would be required to repay only the state aid that had been granted plus or minus a proportionate share of the profit or loss from the transfer. The state would not be required to continue payments under the grandfather clause once the transfer is completed, since this would amount to a wash transaction. The state's portion of the profits on a sale, of course, would not be as high in such a case as it would be if the sponsor had already received all of the aid to which it was entitled.

If you have any questions or comments, feel free to contact me at your convenience.

EHH:ojb
J4/007

vice. The department may require a municipality or other recipient to submit a performance report adequate to demonstrate to the department that a service for which payment is requested under AS 29.89.010 — 29.89.100 was performed by the municipality or other recipient and meets minimum standards of service prescribed by regulation. (§ 3 ch 155 SLA 1980)

Sec. 29.89.100. Definitions. In AS 29.89.010 — 29.89.100

(1) "department" means the Department of Community and Regional Affairs;

(2) "health facility"

(A) means a facility which is licensed, when required, by the state under AS 18.20.010 — 18.20.130 and which is owned or operated or both by a municipality or by a nonprofit corporation or other nonprofit sponsor;

(B) includes a public health center, maternity home, community mental health center, facility for the mentally or physically handicapped, nursing home or convalescent center;

(C) excludes a facility operated or wholly supported by the state or the federal government;

(3) "hospital" means a licensed hospital determined by the Department of Health and Social Services to be a general hospital; the term excludes a facility operated or wholly supported by the state or the federal government. (§ 3 ch 155 SLA 1980)

Chapter 90. State Aid for Hospital and Health Facility Construction.

Section

- 10. State aid for hospital and health facility construction
- 20. Hospital and health facility construction assistance account
- 30. Definitions

Cross references. — As to state aid to municipalities and other eligible recipients for health facilities and hospitals, see AS 29.89.030.

Effective date of chapter. — Section 17, ch. 155, SLA 1980, provides that §§ 1 — 12 of the act take effect on the first day of the fiscal year for which \$33,400,000 or more is appropriated and allowed by the governor for distribution to municipalities and other recipients under the provisions of §§ 1 — 12 of this act or on July 1, 1983, whichever is earlier. A total of \$33,500,000 was appropriated for the programs for the fiscal year beginning July 1,

1980. The appropriations were made in §§ 51 and 52, ch. 120, SLA 1980, and § 6, ch. 165, SLA 1980.

Editor's notes. — Section 12, ch. 155, SLA 1980, effective on the same day as this chapter, provides: "(a) Notwithstanding other provisions of secs. 1 — 11 of this act, (1) a municipality may not receive less than \$25,000 plus an area cost-of-living differential during the first fiscal year in which this act is effective; and (2) a municipality which would receive under AS 29.88 [AS 29.88.010 — 29.88.045], added by sec. 2 of this act, less than 125 percent of the amount which it

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§ 29.90.010

MUNICIPAL GOVERNMENT

§ 29.90.020

received for the last fiscal year under AS 43.18.010 — 43.18.045, repealed by sec. 11 of this act, is, for each of the first five fiscal years during which secs. 1 — 10 of this act are effective, entitled to receive an amount equal to 125 percent of the amount which it received for the last fiscal year under the former provisions of AS 43.18.010 — 43.18.045 in accordance with those provisions. (b) For the first five fiscal years during which secs. 1 — 10 of this act are effective, in order to pay the amounts required by (a) of this section, the allocations made by the Department of Community and Regional Affairs to the accounts established in AS 29.88.035, AS 29.89.080, and AS 29.90.020 shall be prorated by an amount which reduces the allocation to each account in equal proportion, and the

prorated amounts shall be allocated to these accounts. (c) For the first five fiscal years during which secs. 1 — 10 of this act are effective, payment of an entitlement to a borough under AS 29.88 [AS 29.88.010 — 29.88.045] may be made to a borough only if the borough assembly agrees to allocate to each borough service area in the borough at least the amount of money that the service area received during the last fiscal year under the former provisions of AS 43.18.010 — 43.18.045, in accordance with those provisions."

As to reports by Department of Health and Social Services and Department of Community and Regional Affairs and commissioner of health and social services, see § 14, ch. 155, SLA 1980, in the 1980 Temporary and Special Acts and Resolves.

Sec. 29.90.010. State aid for hospital and health facility construction. If construction of a hospital began after January 1, 1968, or if construction of a health facility began after January 1, 1968, and before July 1, 1980, and state matching aid for construction approved for payment to the municipality or other hospital or health facility sponsor constitutes less than 25 percent of the total project cost, the department shall pay to the municipality or other hospital or health facility sponsor each fiscal year \$2,500 a bed for the maximum number of beds provided for in the construction design of the hospital or health facility or five percent of the total project cost, whichever is greater. State aid provided for in this section shall continue until the municipality or other hospital or health facility sponsor has received an amount which, combined with state matching money for construction of the hospital or health facility, equals 25 percent of the total project cost. Money received for construction may not be used for any other purpose. (§ 4 ch 155 SLA 1980; am § 3 ch 103 SLA 1981; am § 65 ch 59 SLA 1982)

Effect of amendments. — The 1981 amendment added "or if construction of a health facility began after January 1, and before July 1, 1980" preceding "and state matching aid," added "or health facility" following "hospital" in four places and

added "hospital or health" preceding "facility or five percent."

The 1982 amendment, effective May 28, 1982, inserted "1968" preceding "and before July 1, 1980" in the first sentence.

Sec. 29.90.020. Hospital and health facility construction assistance account. The hospital and health facility construction assistance account is established. Money to carry out the provisions of AS 29.90.010 — 29.90.030 shall be allocated by the department to the account in accordance with AS 29.95.010. If amounts in the account are insufficient to pay each recipient's share authorized under this chapter,

the amounts which are available shall be distributed pro rata among eligible recipients. (§ 4 ch 155 SLA 1980; am § 4 ch 103 SLA 1981)

Effect of amendments. — The 1981 amendment added "and health facility" preceding "construction assistance account" in the first sentence.

Sec. 29.90.030. Definitions. In AS 29.90.010 — 29.90.030

(1) "department" means the Department of Community and Regional Affairs;

(2) "hospital" means a licensed hospital determined by the Department of Health and Social Services to be a general hospital; the term excludes a facility operated or wholly supported by the state or the federal government;

(3) "total project cost" means

(A) costs directly related to the project; and

(B) the total of all costs of financing and carrying out the project, including but not limited to,

(i) the costs of all necessary studies, surveys, plans and specifications, architectural, engineering or other special services, acquisition of real property, site preparation and development, purchase, construction, reconstruction and improvement of real property, and the acquisition of machinery and equipment as may be necessary in connection with the project;

(ii) an allocable portion of the administrative and operating expenses of the municipality or other hospital sponsor;

(iii) the cost of financing the project, including interest on bonds issued to finance the project; and

(iv) the cost of other items, including any indemnity and surety bonds and premiums on insurance, legal fees, fees and expenses of trustees, depositaries, financial advisors, and paying agents for the bonds issued as the issuer considers necessary;

(4) "health facility"

(A) means a facility that is licensed, when required, by the state under AS 18.20.010 — 18.20.130 and that is owned or operated or both by a municipality or by a nonprofit corporation or other nonprofit sponsor;

(B) includes a public health center, maternity home, community mental health center, facility for the mentally or physically handicapped, nursing home, or convalescent center;

(C) excludes a facility operated or wholly supported by the state or the federal government. (§ 4 ch 155 SLA 1980; am § 5 ch 103 SLA 1981)

Effect of amendments. — The 1981 amendment added paragraph (4).

ch. 95 SLA 1983

Chapter 95

at a chair from among its members.
ETINGS AND QUORUM. The commission shall meet
to conduct its business. Three members of the
quorum.

ITIES. The commission shall review proposed
of health facilities and establish payment
ilities under this chapter and AS 47.25.120

EMPLOYMENT OF PERSONNEL. The commission
e salary of an executive director. With
sion, the executive director may select
The commission shall be assisted by
the department as the commissioner of health
all direct. The executive director of
mpt service under AS 39.25.

ided by adding a new section to read:
AYMENT TO HEALTH FACILITIES FOR TREATMENT
he department may make payments to a health
ant of a needy person.

lity receiving a payment under this chapter
nts of AS 47.07.070 - 47.07.075.

of this section, "health facility" includes
ng facility, intermediate care facility, inst
or the mentally retarded, rehabilitation fac
ric facility, home health agency, rural heal
surgical clinic.

PECTIVE PAYMENT SYSTEM. The department
of prospective payments for health facilities
d July 1, 1983, to June 30, 1984.

* Sec. 9. The sponsor of a hospital or health facility construction
project who is receiving or entitled to receive state aid under AS 29.90 on
the day preceding the effective date of this Act shall continue to receive
state aid until the sponsor has received an amount which, combined with
state matching money for construction of the hospital or health facility,
equals 25 percent of the total project cost. Money received for con-
struction may not be used for any other purpose.

* Sec. 10. AS 29.90 and AS 47.07.080(1) are repealed.

* Sec. 11. This Act takes effect immediately in accordance with
AS 01.10.070(c).

POSITION PAPER

on

House Bill No. 477

For an Act entitled: "An Act relating to repayment of state aid for hospital and health facility construction."

Financial assistance for hospital and health facility construction has until recently been available from the Department of Community and Regional Affairs under AS 29.90. Numerous hospitals and health facilities have received funding for construction under this program. The program has recently been amended to limit reimbursement to those facilities constructed prior to July 1, 1980.

This bill proposes a means for recovery of state funds for non-profit or community owned hospital or health facility construction in the event that the facility constructed becomes controlled by a for-profit institution within 20 years following receipt of the state funds. The Department of Health and Social Services supports this bill as consistent with the objectives of the department. However, the department questions the usefulness of the bill in that the statute has been revised to limit payment to facilities constructed prior to July 1, 1980. Facilities now receiving funding or those which have received funding in the past may have unspecified "grandfather" rights under the present statute that prevent recovery of funds already granted.

One example of the purpose of this bill is evidenced by the recent sale of the Alaska Hospital and Medical Center (AHMC) to Humana, Inc. AHMC was constructed to operate as a non-profit community hospital. The state provided approximately \$16,200,000 under AS 29.90 to offset approximately 25% of the total project cost for construction. Upon notice of the proposed sale of AHMC to Humana, Inc. (a for-profit corporation) the Department of Law researched the possibility of recovery of state funding. The Department of Law, in two separate opinions indicated that there did not exist a statutory basis for recovery of the funding upon sale of the constructed facility to a for-profit institution. (Ref. May 4, 1982 memorandum to Commissioner Lee McAnerney, file no. 366-629-82 and November 12, 1981 response letter to Senator Arliss Sturgulewski.)

Passage of H.B. 477 will provide a statutory basis for recovery of grants for hospital and health facility construction provided under AS 29.90; however, the recovery of funds may be limited to a time when and if the statute is revised to provide funds for new construction.

Position Paper
H.B. 477

-2-

Recommended by:

Daniel J. Meddleton, Jr.
Daniel J. Meddleton, Director
Division of Planning, Policy
& Program Evaluation

Date:

Feb. 7, 1984

Approved by:

Robert London Smith
Robert London Smith, Ph.D.
Commissioner
Department of Health and
Social Services

Date:

2/10/84



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

Department Health and Social Services	Sponsor (Principal) Rep. Martin	Bill Number HE 477
Department Position Support -- This bill is consistent with the objectives of the Department of Health and Social Services and should be enacted.		
Division Director <i>Daniel M. Woodworth</i>	Date 1-17-84	Commissioner's Signature <i>Robert Gordon Smith</i>
		Date 2/10/84

GOVERNOR'S OFFICE USE

Comments:

Position Noted

By _____ Date _____

SUMMARY

1. a) Related Bills (Similar or Conflicting)	1. b) Other Agencies Affected by Bill Community and Regional Affairs
2. a) Organizational Support for Bill	2. b) Organizational Opposition to Bill Alaska State Hospital Association and Alaska State Medical Association

3. Program Effects of Bill

This bill proposes a means for recovery of State funds for nonprofit or community owned hospital or health facility construction in the event that the hospital or health facility becomes a for-profit institution within 20 years of receipt of the State funds.

4. Fiscal Impact: None Fiscal Note Attached

5. Amendments Proposed:

6. Comments:

The bill affects a program of the Department of Community and Regional Affairs. C&RA should review the formula for recovery of funds to ascertain that all factors may be obtained.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

October 21, 1983

SUBJECT: Repayment of state aid for hospital and health facility construction (Work Order No. 13-1519)
TO: Representative Terry Martin
FROM: Edward H. Hein *EHH/DA*
Legislative Counsel

Enclosed is the bill draft we discussed over the telephone regarding repayment of state aid given under former AS 29.-90.010 - 29.90.030. I have used the formula that appears in 19 AAC 30.061(b) for repayment of state aid if the hospital ceases to be a hospital within 20 years. This formula provides for repayment of the original amount granted, plus or minus the proportionate share of any profit made or loss incurred from the transfer of the hospital or health facility to a for-profit entity.

You should be aware that the bill is not immune from legal challenge, although a court in that event is likely to uphold it. A for-profit corporation that wished to buy a hospital subject to the terms of the bill could raise the argument that it (the for-profit corporation) was eligible for direct aid under the terms of former AS 29.90.030(2) and, therefore, a penalty cannot now be attached to transferring the aid to it indirectly through a sale or lease of the hospital. Under the state aid program, a hospital sponsor did not have to be a municipality or other nonprofit entity, as did the sponsor of a health facility. Compare AS 29.90.030(2) with AS 29.90.030(4). In fact, state aid under the program was granted only to nonprofit sponsors, in part because of the Department of Community and Regional Affairs' possibly erroneous interpretation of the law.

It is our opinion that such a challenge is not likely to cause the bill, should it become law, to be overturned in court. However, the argument might receive serious consideration by the court if raised.

Representative Terry Martin
Page 2
October 21, 1983

If you have any questions or comments, feel free to contact me at your convenience.

EHH:ljb

Enclosure
30/002

project; an allocable portion of the administrative and operating expenses of the grantee; the cost of financing the project, including interest on bonds issued to finance the project; and the cost of other items, including any indemnity and surety bonds and premiums on insurance, legal fees, fees and expenses of trustees, depositaries, financial advisors, and paying agents for the bonds issued as the issuer considers necessary; it does not include the cost of feasibility studies. (§ 1 ch 114 SLA 1971; am § 44 ch 71 SLA 1972; am § 26 ch 168 SLA 1978)

Revisor's notes. — Formerly AS 43.18.300. Renumbered in 1983.

Cross references. — As to bond issues to pay the cost of capital improvements for civic, convention and community recreation centers, which were rejected by the

voters, see ch. 150, SLA 1972 and ch. 2, SLA 1973, Temporary and Special Acts and Resolutions 1972 and 1973.

Legislative history reports. — For report on ch. 71, SLA 1972 (HCSSB 203 am H), see 1972 House Journal, p. 864.

Chapter 90. State Aid for Hospital and Health Facility Construction.

[Repealed, § 10 ch 95 SLA 1983. For present provisions, see § 9, ch 95, SLA 1983, in the Temporary and Special Acts.]

Chapter 95. Administration of Municipal Financial Assistance Programs.

Section

- 10. Allocation and distribution
- 20. Qualification for minimum payment

Section

- 30. Proration of payments

See next page

Editor's notes. — Section 12, ch. 155, SLA 1980 provides: "(a) Notwithstanding other provisions of secs. 1 — 11 of this act, (1) a municipality may not receive less than \$25,000 plus an area cost-of-living differential during the first fiscal year in which this act is effective; and (2) a municipality which would receive under AS 29.88 [AS 29.88.010 — 29.88.045], added by sec. 2 of this act, less than 125 percent of the amount which it received for the last fiscal year under AS 43.18.010 — 43.18.045, repealed by sec. 11 of this act, is, for each of the first five fiscal years during which secs. 1 — 10 of this act are effective, entitled to receive an amount equal to 125 percent of the amount which it received for the last fiscal year under the former provisions of AS 43.18.010 — 43.18.045 in accordance with those provisions. (b) For the first five fiscal years during which secs. 1 — 10 of this act are

effective, in order to pay the amounts required by (a) of this section, the allocations made by the Department of Community and Regional Affairs to the accounts established in AS 29.88.035, AS 29.88.040, and AS 29.90.020 shall be prorated by an amount which reduces the allocation to each account in equal proportion, and the prorated amounts shall be allocated to these accounts. (c) For the first five fiscal years during which secs. 1 — 10 of this act are effective, payment of an entitlement to a borough under AS 29.88 [AS 29.88.010 — 29.88.045] may be made to a borough only if the borough assembly agrees to allocate to each borough service area in the borough at least the amount of money that the service area received during the last fiscal year under the former provisions of AS 43.18.010 — 43.18.045, in accordance with those provisions."

Regulations regarding st. aid for hospital construction that apply to AS 29.90.

patients as of July 1 of the entitlement year.

(c) An applicant which is a municipality must meet the following standards to qualify for a payment under AS 29.89.030 for a health facility:

(1) the applicant has and exercises the power to provide health services as of July 1 of the entitlement year;

(2) the applicant agrees to spend, by the end of the entitlement year, at least 20 percent of the amount the applicant receives under AS 29.89.030 for the health facility, including the cost-of-living differential allowed under AS 29.89.070, if any, on health services or the operation and maintenance of the health facility; and

(3) the applicant certifies that the money the applicant receives under AS 29.89.030 for the health facility, which the applicant does not spend by the end of the entitlement year in accordance with (2) of this subsection, is dedicated irrevocably for health facilities and services.

(d) An applicant which is a volunteer fire department serving an area not in an organized borough or city must meet the following standards to qualify for a payment under AS 29.89.040:

(1) the applicant is registered with the state fire marshal and provides fire protection services as of July 1 of the entitlement year, unless the applicant has not previously received state aid under AS 29.89;

(2) the applicant agrees to spend, by the end of the entitlement year, at least 20 percent of the amount the applicant receives under AS 29.89.040 on fire protection services; and

(3) the applicant certifies that the money the applicant receives under AS 29.89.040, which the applicant does not spend by the end of the entitlement year in accordance with (2) of this subsection, is dedicated irrevocably for the operation and maintenance of the fire protection services.

(e) An applicant which is a Native village

government must meet the following standards to qualify for a payment under AS 29.89.050:

(1) the applicant agrees to irrevocably dedicate the payment the applicant receives under AS 29.89.050 for a public purpose other than the general administration of the Native village government; and

(2) the applicant provides its residents with at least one of the public facilities and services listed in AS 29.48.030(1) - (6), (8) - (21) and (23) as of July 1 of the entitlement year.

(f) If, during an entitlement year, an applicant violates an agreement described in (a)(1), (c)(2), or (d)(2) of this section, the division will reduce the amount the applicant may receive under this chapter during the applicant's next entitlement year by the amount received by the applicant under this chapter in the entitlement year in which the violation occurs. (Eff. 8/20/81, Reg. 79)

Authority: AS 29.89.020 AS 29.89.050
AS 29.89.030 AS 29.89.090
AS 29.89.040

19 AAC 30.060. POPULATION DATA. Repealed 8/20/81.

19 AAC 30.061. STANDARDS FOR PAYMENT OF AID UNDER AS 29.90. (a) The department will not make a payment under AS 29.90 to an applicant unless

(1) if the hospital for the construction of which the applicant seeks aid under AS 29.90 is a private hospital, the commissioner of health and social services certifies to the department that the assets of the private hospital are dedicated irrevocably to a public purpose;

(2) the applicant is a municipality or non-profit corporation;

(3) the governing body of the applicant certifies that the total project cost, as estimated by the applicant, is correct; and

(4) the administrator or legal representative of the hospital for the construction of which the applicant seeks aid under AS 29.90 signs an agreement containing the following provisions:

(A) if money received by the hospital from an applicant under AS 29.90 for anticipated project costs exceeds the amount which the applicant is entitled to receive under (c) of this section, the hospital agrees to return to the state the difference between the amount received by the hospital and the amount the applicant is entitled to receive;

(B) if the hospital ceases to be a hospital as defined in AS 29.90.030(2) within 20 years after the completion of construction, the hospital agrees to return to the state an amount equal to the fair market value of the project at the time it ceases to be a hospital as defined in AS 29.90.030(2) multiplied by the amount of aid received by the hospital under AS 29.90 and divided by total project cost.

(b) An applicant may include a cost as part of the total project cost for the purposes of AS 29.90 only if

(1) the cost does not exceed the fair market value of the service or commodity provided to the project;

(2) payment of the cost is reasonable and necessary to complete the project;

(3) for land acquisition, the cost is limited to land specifically purchased for the location of the hospital, including adjacent land which is necessary and convenient for the use of the hospital;

(4) for site preparation and development, the cost is limited to site preparation and development of the land described in (3) of this subsection; and

(5) for machinery and equipment acquisition, the cost is limited to the machinery and equipment required for construction of the hospital and the initial equipment necessary for the hospital to begin its operation.

(c) An applicant is entitled to receive under AS 29.90 up to 25 percent of the total project cost for the construction of a hospital. However, if the federal government pays 75 percent or more of the total project cost, the applicant is entitled to receive the difference between the

amount paid by the federal government and the total project cost.

(d) A hospital which is located outside the corporate limits of a municipality may apply for aid under AS 29.90 directly to the department. A municipality must apply on behalf of a hospital located within its corporate limits. (Eff. 8/20/81, Reg. 79)

Authority: AS 29.90.010	AS 44.47.050
AS 29.90.020	AS 44.47.980
AS 29.90.030	

19 AAC 30.070. FINANCIAL REPORTS.
Repealed 8/20/81.

19 AAC 30.071. STANDARDS FOR MINIMUM PAYMENTS UNDER AS 29.95.020. An applicant which applies for a minimum payment under AS 29.95.020 must certify to the department that the applicant has fulfilled the eligibility requirements of AS 29.95.020 and must submit to the department the supporting evidence the department may require. (Eff. 8/20/81, Reg. 79)

Authority: AS 29.88.040
AS 29.89.090
AS 29.95.020

19 AAC 30.080. PREPAYMENT AND BUDGETS. Repealed 8/20/81.

19 AAC 30.081. PAYMENTS UNDER SEC. 12, CH. 155, SLA 1980. (a) Notwithstanding the other provisions of this chapter, until June 30, 1985, a municipality is entitled to receive under this chapter an amount equal to 125 percent of the amount it received under AS 43.18.010 - 43.18.045 for the fiscal year ending June 30, 1980. To receive a payment under this section, the municipality must submit an application to the department in accordance with 19 AAC 30.011 and comply with the provisions of 19 AAC 30.021.

(b) In accordance with sec. 12(b), ch. 155, SLA 1980, during each state fiscal year until June 30, 1985, the division will reduce the amount allocated under AS 29.95.010 to the accounts established in AS 29.88.035, AS 29.89.080, and AS 29.90.020 by the amount necessary to make the payments described in (a) of this section.

MEMORANDUM

State of Alaska

TO: Hon. Lee McAnerney, Commissioner
Department of Community & Regional
Affairs

DATE: May 4, 1982

FILE NO: 366-629-82

TELEPHONE NO: 465-3600

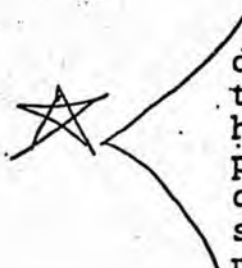
FROM: WILSON L. CONDON
ATTORNEY GENERAL

SUBJECT: Humana purchase of
Alaska Hospital

By: 
Kenneth E. Vassar
Assistant Attorney General

You have requested our opinion concerning your responsibilities relating to the recovery of money paid under AS 29.90 and AS 43.18 to a nonprofit corporation to aid in the construction of the Alaska Hospital if the nonprofit corporation sells the hospital to a profit-seeking corporation. These payments have been made to the nonprofit corporation for at least six years. We conclude that under the provisions of existing law as applied to the circumstances of the sale of the Alaska Hospital, you may not obtain or attempt to obtain recovery of this money and, thus, may enter into an agreement providing that the state will not seek recovery of the money.

The provisions of AS 29.90 and the regulations which implement it (19 AAC 30.061) authorize the payment of a grant to a nonprofit hospital sponsor to defray part of the cost of constructing the sponsor's hospital. Under AS 29.90.010, money received by a hospital sponsor for construction of the hospital may not be used for any other purpose. You have not suggested that the nonprofit corporation in this instance has used the money it received other than as required by AS 29.90.010.

 Nothing in AS 29.90 or in the regulations adopted under AS 29.90 requires or even authorizes the state to attempt to recover money paid to a nonprofit corporation acting as a hospital sponsor for the purposes of AS 29.90 should the nonprofit corporation, after completion of the construction, decide to sell the hospital to a profit-seeking corporation. Assuming a similar silence in the grant contract itself, there is no contractual, statutory, or regulatory basis for an action to recover this money. Moreover, the nonprofit corporation would have had no real notice that such recovery could be sought in the event of a sale of the hospital to a profit-seeking corporation or to any other entity.

This conclusion is not prevented by article IX, section 6, of the state constitution, which prohibits the use of public money except for a public purpose. The purpose of AS 29.90 is to encourage and assist in the construction of hospi-

tals for the benefit of the residents of the state. This is plainly a legitimate public purpose. The provision of AS 29.90.010 referred to above assures that the money granted to a hospital sponsor will be used for this public purpose by prohibiting any other use. The underlying purpose of AS 29.90 is to assure that hospitals constructed with assistance from a grant made under AS 29.90 will be available to serve the Alaska public. Again, this is a legitimate public purpose, and it is adequately protected by the provisions of 19 AAC 30.061(a)(4)-(B), which require repayment of an amount, determined in part by the amount of the grant, if the hospital ceases to be used as a hospital within 20 years after the completion of construction.

In the documents by which the sale of the Alaska Hospital is accomplished, there should be provisions relating to the requirements of 19 AAC 30.061(a)(4)(B). In addition, the sale documents should require that the hospital be used for a public purpose. While this would probably be an inherent requirement of the grant contract issued under AS 29.90, we understand that the Alaska Hospital has also received aid under AS 29.89. Under AS 29.89.040(d), any accumulation of assets by a nonprofit corporation or other recipient under that section must be dedicated irrevocably to a public purpose. The public purpose requirement is satisfied if the hospital continues to be operated as a hospital and is available to all members of the public equally. "Assets," for the purposes of AS 29.89.040(d); would include the buildings, land, equipment, accounts, and other property of the hospital.

The conclusions we have reached in this memorandum apply to money paid under AS 29.90 and the predecessor provisions in AS 43.18 and are based upon the particular circumstances of the Alaska Hospital. Those circumstances involve a nonprofit corporation which in good faith applied for and accepted assistance under AS 29.90 at least as early as six years before the proposed sale of the hospital and which now seeks to sell the hospital to a profit-seeking corporation with which it has no affiliation. The conclusions reached in this memorandum confirm the advice provided by Thomas H. Robertson of this office in a letter dated November 12, 1981 to Senator Sturgelewski. We do not express an opinion at this time concerning the recovery of payments made under AS 29.90 to a nonprofit corporation under circumstances which would suggest an attempt to circumvent the eligibility requirement of 19 AAC 30.061(a)(2).

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600
465-3603

November 12, 1981

The Honorable Arliss Sturgulewski
Alaska State Legislature
2957 Sheldon Jackson Street
Anchorage, AK 99504

Re: Financial Assistance for
Hospital Construction
Our File: J-66-228-82

Dear Senator Sturgulewski:

You have asked whether financial assistance provided a non-profit corporation for hospital construction must be refunded if the hospital is sold to a profit-making corporation.

The answer to your question is not clear. Our conclusions are set forth at the end of this letter.

Financial assistance for hospital construction has until recently been available from the Department of Community and Regional Affairs under AS 43.18.010(j). ^{1/} Since the

^{1/} Until it was repealed by ch. 155, SLA 1980, AS 43.18.010(j) provided:

(j) If construction of a facility began after January 1, 1968 and state matching aid for construction approved for payment to the local government or other facility sponsor constitutes less than 25 per cent of the total project cost, the state shall pay to the local government or other facility sponsor each fiscal year a sum equal to \$2,500 a bed for the maximum number of beds provided for in the construction design of the facility. State aid provided for in this subsection shall continue until the local government or other facility sponsor has received an amount which, combined with state matching money for construction of the facility, equals 25 per cent of the total project cost. No funds received for construction shall be used for any other purpose.

adoption of ch. 155, SLA 1980, it has been available under AS 29.90.010. 2/ The operative language of each statute is largely identical. 3/

The issue that you have raised is not specifically addressed by either AS 43.18.010(j) or AS 29.90.010. 4/ Administrative regulations adopted under AS 43.18.010(j) did not focus on the use of the facility to be constructed. 5/ Admin-

2/ AS 29.90.010 provides:

State Aid for Hospital Construction. If construction of a hospital began after January 1, 1968, and state matching aid for construction approved for payment to the municipality or other hospital sponsor constitutes less than 25 percent of the total project cost, the department shall pay to the municipality or other hospital sponsor each fiscal year \$2,500 a bed for the maximum number of beds provided for in the construction design of the facility or five percent of the total project cost, whichever is greater. State aid provided for in this section shall continue until the municipality or other hospital sponsor has received an amount which, combined with state matching money for construction of the hospital, equals 25 percent of the total project cost. Money received for construction may not be used for any other purpose.

3/ Several differences do exist. Among them is the fact that financial assistance for construction of other health facilities is no longer available. See Memorandum of Advice from Rodger W. Pegues to the Hon. Lee McAnerney dated August 29, 1980. The statutory exclusion of profit-making corporations, which could be found in the definition of "health facilities" at AS 43.18.010(i)(2), was eliminated by this change. The exclusion is now embodied in 19 AAC 30.061(a)(2) which, presumably, was adopted by the Department of Community and Regional Affairs to assure that administration of AS 29.-90 accords with legislative expectations, furthers a public purpose, or both.

4/ We assume that all funds "received for construction" were in fact used for that purpose.

5/ See 19 AAC 30.020(9), as repealed August 20, 1981.

istrative regulations adopted under AS 29.90.010 focus on this question but are not tailored to the circumstances at issue here.

Pursuant to 19 AAC 30.061(a)(4), an applicant for financial assistance under AS 29.90.010 must sign an agreement which contains the following provision:

[I]f the hospital ceases to be a hospital as defined in AS 29.90.030(2) within 20 years after the completion of construction, the hospital agrees to return to the state an amount equal to the fair market value of the project at the time it ceases to be a hospital as defined in AS 29.90.030(2) multiplied by the amount of aid received by the hospital under AS 29.90 and divided by total project cost.

It seems apparent that this language could not be invoked to require repayment upon sale of a hospital if the nature of that institution is not changed as a result of the sale. 6/

It is noteworthy that both AS 3.18.010(j) and AS 29.90.010 refer to "matching" funds for hospital construction. We have been informed by the Departments of Community and Regional Affairs and Health and Social Services that the only program in which this terminology is used is the now defunct Hill-Burton Program. Under 42 U.S.C. § 291, federal Hill-Burton funds must be returned if the recipient institution is "sold or transferred to any person, agency, or organization" that is not qualified to receive them in the first place. One might argue that this restriction was within the contemplation of the legislature when it adopted the corresponding state statutes and, consequently, should also govern the use of state funds. This argument, however, was rejected by the Superior

6/ AS 29.90.030(2), which is referred to in 19 AAC 30.061(a)-(4), focuses on the institution rather than its owner. It provides:

"hospital" means a licensed hospital determined by the Department of Health and Social Services to be a general hospital; the term excludes a facility operated or wholly supported by the state or the federal government;

Court in State of Alaska v. Lake Otis Clinic, Inc., C.A. No. 77-1041 Consolidated. 7/ In that case the Department of Community and Regional Affairs attempted to apply Hill-Burton guidelines and was chided by the court for having failed to adopt them as administrative regulations. See also, Kenai Peninsula Fishermans Co-op Ass'n, Inc. v. State, 628 P.2d 897 (Alaska 1981). The Lake Otis Clinic case is on appeal on other grounds and, since it concerns the obligations of a recipient of assistance under AS 43.18.010(j), may ultimately have additional relevance to your inquiry.

We believe, in light of the foregoing, that neither the Alaska Legislature nor the Department of Community and Regional Affairs has provided a clear answer to your question. If the Department of Community and Regional Affairs undertook to require repayment under existing authority, 8/ it would probably be unsuccessful. The result, which is of marginal validity under art. IX, sec. 6, 9/ is that any funds generated by the sale would be dissipated in pursuit of charitable or

7/ See Memorandum of Decision and Order dated May 22, 1979.

8/ The amendment of existing regulations may be of significant value if, despite the demise of the Hill-Burton Program, additional funds are to be distributed under AS 29.90.010. Regulations may have retroactive application under the limited circumstances set out in AS 44.62.240.

9/ "This provision of the Alaska Constitution provides that "[n]o tax shall be levied, or appropriation of public money made, or public property transferred, nor shall the public credit be used, except for a public purpose."

The Hon. Arliss Sturgulewski

November 12, 1981
Page Five

other purposes under restrictions generally applicable to non-profit corporations. 10/

Please do not hesitate to contact this office if you have further questions in this regard.

Very truly yours,

WILSON L. CONDON
ATTORNEY GENERAL

By: 

Thomas H. Robertson
Assistant Attorney General

THR/jal

cc: Lee McAnerney
Commissioner
Department of Community
& Regional Affairs

Helen D. Beirne
Commissioner
Department of Health &
Social Services

10/ See generally AS 10.20.005 - 725. A non-profit corporation may be organized for any purpose, including charitable, religious, benevolent, eleemosynary, educational, civic, cemetery, patriotic, political, social, fraternal, literary, cultural, athletic, scientific, agricultural, horticultural, animal husbandry, professional, commercial, trade association, trade union, and industrial purposes. Upon dissolution, an attempt could be made to compel the transfer of any proceeds of the sale to a non-profit corporation with substantially similar purposes under AS 10.20.295(3).

Private corporations buying up public hospitals

By WILLIAM C. REMPEL and ALAN GOLDSTEIN The Los Angeles Times

CRAWFORDSVILLE, Ind. — Culver Memorial, a 1920-vintage public hospital, is antiquated and crowded. Patients are prepared for surgery in hallways outside the operating rooms. Expectant fathers share a common waiting room with families of dying patients, and visitors and patients often have to share the same elevators.

A chronic plumbing problem periodically causes sewage to drain into a basement corridor, and for years the hospital has lived with potentially hazardous fire code violations. When an engineering survey detailed many structural deficiencies, administrators began searching for money to make major improvements.

But Montgomery County officials would not subsidize replacement of the tax-supported hospital or major renovations. Advised that the hospital was a poor credit risk, they also refused to underwrite a bond issue.

Out of financial desperation, Culver Memorial did what an increasing number of hospitals are doing — it turned to private industry. The county sold its hospital to a profit-making medical chain, American Medical International, based in Beverly Hills, Calif.

The sale was another example of a strategy for survival that critics warn will impair poor persons' access to health care and raise the cost of medical treatment for everyone.

"The public hospital is the closest thing to national health insurance we have," said Deborah L. Bauer, administrator of the National Association of Public Hospitals. "There's a tremendous need for it, especially in this economy. We're seeing the greatest increases in public hospital use today in areas of high unemployment. The care of indigents isn't just for the wins of the streets. It's for the guy next door who's been laid off, too."

But public hospitals — particularly small ones — are in trouble. A generation of public hospitals built and expanded with federal funds in the years after World War II has reached old age with outdated equipment, crumbling bricks and little or no cash, credit or operating surpluses for repair and replacement. Repeatedly, voters have rejected bond issues aimed at improving the situation.

At the same time, economic pressures on hospitals in general are increasing. Government funding and charitable contributions have declined, and hospitals everywhere are competing for paying patients — increasing the pressure to affiliate with private, money-rich chains.

For example, at York General, a 216-bed public hospital in Rock Hill, S.C., two bond issues that would have financed improvements failed when submitted to voters. Meanwhile, rain occasionally leaked into labs, heavily used X-ray equipment frequently

‘Socialized medicine is dead and buried. Public access to health care is very desirable, but it can’t be achieved without economically viable hospitals.’

— Walter Weisman, president, American Medical International

broke down and the maternity ward had no private labor rooms. For a time, the physician staff dwindled, and a survey showed that half those in the rural area using treatment checked out hospitals outside the county — until the hospital sold out to American Medical.

The same chain bought Collin Memorial, a 168-bed public hospital in McKinney, Texas, after voters rejected a bond issue to raise taxes. Collin was chronically short of everything from intravenous equipment to thermometers. The hospital had to ask its staff to bring in pens and staplers from home.

Public hospitals are "flirting on borrowed time," said Gary Rowe, executive director at Culver Memorial for nearly 10 years. "This country is in for a serious shock. Public hospitals have been operating out of a shoestring box, setting nothing aside for a rainy day. They are going to be closing like files."

Some — such as 750-bed Philadelphia General Hospital, which closed in 1979 — in renovation costs seven years ago — already have closed. Others have put out "For Sale" signs when funding for vital improvements was not available.

Riding to the rescue with healthy bank accounts and robust credit ratings, the chains of for-profit hospitals are increasingly eager to purchase struggling public facilities. They have the financial strength to build new, state-of-the-art medical centers, buy expensive high-tech equipment and attract some of the best-qualified physicians.

To critics, some of whom object to the very presence of the profit motive in health care, the trend could turn hospitals into cash registers.

"My health care has become a potential profit opportunity," complained Doug Cassel, an attorney with the Health and Medicine Policy Research Group in Chicago. "Before long, patients' kidneys may be listed on the commodities exchange."

But the acquisition trend that began slowly through the Sun Belt in the late 1960s has increased most rapidly during the last two years, industry sources say. The investor-owned chains now control about 50 former public health facilities. This industry generates more than \$16 billion in annual revenue from more than 900 for-profit hospitals in the United States and abroad.

"Our principal advantage is capital — we can find the financing while local hospitals, in the main, cannot," said Charles Martin, a senior vice president with Hospital Corp. of America, the leading buyer of public hospitals among the investor-owned hospital chains. "Charity is

no longer a major source of funding for hospitals, and bond issues aren't popular." Executives at American Medical International see the trend as part of the move away from government-provided health care.

"What we're seeing now is deregulation and an entrusting of that field to private health care firms," said Walter Weisman, president of American Medical International. "Socialized medicine is dead and buried. Public access to health care is very desirable, but it can't be achieved without economically viable hospitals."

What worries public interest groups is that "economically viable hospitals" will be achieved by raising fees and denying quality treatment to persons unable to pay for it.

"Profit-making hospitals might not be as motivated to care for people who can't pay for treatment," warned Quentin Young, former administrator of the public Cook County Hospital in Illinois. "Some for-profit hospitals

have even been accused of threatening or refusing to treat those who cannot afford to pay."

In Somerset, Ky., for instance, a 27-year-old woman signed an affidavit alleging that an official of the Humana Hospital — another large for-profit chain — said she could not take her newborn baby home until an \$8,000 bill was paid. The same hospital was accused of pressuring a 30-year-old man, admitted for neurological testing, to sign a check for \$1,100 even though it exceeded his bank balance. He was told that he should apply for a loan to cover the check, according to an affidavit.

Although Humana insisted that the allegations were "fiction," it settled litigation

with its former patients by signing a consent decree, agreeing never to engage in the alleged conduct.

More alarming to critics is the prospect of needy patients being denied access to former public hospitals — or being "dumped" on distant public hospitals — because of their inability to pay.

In rural Georgia, for instance, several women complained to an Atlanta newspaper that they were denied admission for maternity care at a former public hospital because they could not afford to pay a deposit. Each delivered a child at the public hospital in a neighboring county.

Damon King, administrator of the Medical Center of Central Georgia, a public hospital outside Macon, said his hospital is resisting patient transfers from the for-profit hospitals.

"Their capability for handling a patient does not decrease simply because that patient cannot pay," King said.

But Rowe of Culver Memorial countered, "No one says food stores shouldn't make a profit — and they're more important than health care. Society seems to be saying that government has a responsibility to provide health care. I don't believe that."

Furthermore, Weisman of American Medical International added, "Private hospitals have to generate profit — and so do public hospitals. We call it profit. They call it surplus. But it's the same animal."

In its last year as a public hospital, Rowe said, Culver Memorial realized an operating surplus of \$300,000 — equivalent to about \$2,500 per bed. By contrast, Weisman's firm, the new owners of Culver Memorial, showed a sys-

temwide profit of \$17,200 per bed.

"It costs money to deliver health care," Weisman said. "If no money is reinvested in the plant, equipment and personnel, you can charge lower fees, but you also deliver much less service. That alternative is clearly unacceptable."

And the cost of health care is higher at investor-owned, for-profit medical centers than at public hospitals. According to a survey published in August by the New England Journal of Medicine, investor-owned facilities also charge more than nonprofit hospitals such as church-run medical centers.

Indiana Health Commissioner Ronald G. Blankenbaker predicted that hospital costs probably will double within a year after the new Crawfordsville hospital opens, perhaps in 1984.

Culver Memorial's Rowe acknowledged that rates at for-profit hospitals "are always going to be higher" because the private chain is heavily in the acquisition and replacement of the old facilities.

For example, American Medical International is building a new \$17 million hospital here. Hospital Corp. of America is spending \$20 million to replace the public hospital in Tarboro, N.C. Humana Inc. moved into Somerset, Ky., in 1976 and built a

replacement for the old city hospital, which was converted to a nursing home as soon as the new investor-owned facility opened.

Executives at the hospital chains contend that taxpayers benefit from converting public hospitals to private ownership, partly because the new corporate owners pay property taxes.

"When a private company buys a public hospital, it creates a taxpaying entity where a tax drain used to be," Weisman said.

Sales of public hospitals are often accompanied by assurances that indigent care will not be a burden to taxpayers because its cost will be offset by new tax revenues. But, in addition, American Medical has recently negotiated with county officials to provide an indigent-care trust fund. In Crawfordsville, for instance, they agreed to set aside \$3.8 million from the proceeds of the sale.

Robert Irvine, a spokesman for Humana Inc. — the Kentucky-based chain that recently took over Louisville's new \$73 million public hospital — said a community suffers if its public hospital is forced to close.

"We still need public hospitals," he said. "We've just got to figure out how these public hospitals can be run more efficiently, so they can stay open and stay viable."

Humana seeks expansion sites

by Cary Virtue
Times Writer

Humana Inc., the second largest hospital chain in the country, is interested in seeing if there are other communities in Alaska where it may operate a new hospital, the company's chairman said Monday.

Anchorage residents also can expect health care competition to stiffen as Humana steps up efforts to woo patients away from Providence Hospital, partly by providing people with special care they can't find elsewhere.

"Our pattern is that once we have a foothold in a state we start looking around (for other acquisitions)," said Dave Jones, co-founder, chairman and chief executive officer of Humana Inc. "We'd like to expand."

But any decision to expand into other Alaskan communities will depend on market studies, said Jones. He was in town to tour Humana Alaska Hospital and speak to the chamber of commerce noon luncheon Monday.

Meanwhile, Jones said the company is busy establishing itself in Anchorage. He was referring to its plans to build a \$21.5 million five-story addition at Humana Alaska Hospital by 1985. The expansion would add another 93 licensed beds, for a total of 292 licensed beds at the hospital.

Providence Hospital also will build a five-story, 186,000-square-foot hospital tower by 1986, boosting its total bed capacity from 250 licensed beds to 410 licensed beds.

Anchorage, Jones said, is

large enough to support two major private hospitals, but he said Humana's mission is to provide the best health care in town.

"We made a big commitment to Anchorage to put ourselves in a position of being a competitor to Providence," Jones said. "Our concept is to have the best hospital in town. (And) I think that in the long run we will become the hospital of choice."

Jones said he welcomes more competition in the health field, saying it would help reduce overall costs by forcing a hospital to "trim its own fat."

Humana, a chain with 93 hospitals, last year was able to provide health care services that averaged about 17 percent lower than its competitors, Jones said. He said he's trying to lower Humana's overall operating costs by another three percent this year.

National policies that attempt to shield the consumer by artificially keeping a lid on health care costs also should be repealed, Jones said. And, he said there should be more public debate on health care issues.

In other areas, Jones said he supported:

- Diagnostic related groupings, a new federal approach to establishing standard health care prices for more than 498 medical procedures based on a community's cost of living index. The new law starts going into effect this fall.

- Allowing hospitals to bid to provide all government-funded health care for a region. This experiment already is being tested



Alice Poster of The Times

Humana's Dave Jones pledges to woo patients away from the competition

in California:

- Public discussion about how private health care organizations can provide health care to those people who can't afford the care and who do not have medical insurance.

- Repealing the certificate of need process that forces hospitals to win state approval before expanding or purchasing expensive new equipment. The state legislature is reviewing a repeal bill currently.

Introduced: 1/9/84
Referred: Health, Education &
Social Services and
Finance

1 IN THE HOUSE

BY MARTIN

2

HOUSE BILL NO. 477

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to repayment of state aid for hospi-
7 tal and health facility construction."

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

9 * Section 1. AS 29.90 is amended by adding a new section to read:

10 Sec. 29.90.040. REPAYMENT OF STATE AID. If, within 20 years
11 after receiving state aid under former AS 29.90.010 - 29.90.030, a
12 sponsor of a hospital or health facility sells, leases, or otherwise
13 transfers the hospital or health facility other than to a municipal-
14 ity, nonprofit corporation, or other nonprofit sponsor, the sponsor
15 that received the aid shall return to the state an amount equal to the
16 fair market value of the hospital or health facility at the time of
17 the sale, lease or transfer, multiplied by the amount of aid received
18 by the sponsor and divided by the total construction cost.

Introduced: 1/9/84
Referred: State Affairs and
Finance

BY ADAMS, M.M.MILLER,
DUNCAN AND GRUSSENDORF

1 IN THE HOUSE

2 HOUSE BILL NO. 478

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the permanent fund dividend
7 distribution program; and providing for an effective
8 date."

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

10 * Section 1. Notwithstanding the provisions of AS 43.23 and the regula-
11 tions adopted under that chapter by the Department of Revenue relating to
12 eligibility and application deadlines for 1983 permanent fund dividends,
13 the time period for an Alaska resident applying for a 1983 permanent fund
14 dividend is extended to May 15, 1984 for applicants who met the six month
15 residency requirement on March 31, 1983. A 1983 permanent fund dividend
16 paid to an individual who applies during the extended period may not be
17 paid from money appropriated or otherwise allocated for permanent fund
18 dividends for years other than 1983. The Department of Revenue may not pay
19 1983 dividends to applicants who file during the extended period until
20 after March 1, 1984. The Department of Revenue may adopt regulations to
21 implement this section.

22 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
23 10.070(c).

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: HB 478
 Title: An act relating to the
Permanent Fund Dividend program
 Sponsor: Adams/MM.Miller/Duncan/Grussendorf
 Requestor: State Affairs and Finance
 Date of Request: 1/9/84

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: General Government
 BRU, Program of Subprogram(s) Affected: Permanent Fund Dividend

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>CAPITAL</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>REVENUE</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: See attached

Prepared By: Ervin B. Jones
 Division: Administrative Services Division

Phone: 465-2313
 Date: 1/16/84

Approved by Commissioner: [Signature]
 Agency: Revenue

Date: 2/16/84

Distribution (by Agency preparing fiscal note):

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

Analysis

Since the majority of the expenditures for the reopening of the filing period would be in FY 84, a fiscal note which would be effective July 1, 1984 would be inappropriate. Rather, a special appropriation with a June 30, 1985 lapse date would allow the funds to be expended in FY 84 and early FY 85 as the legislation would require.

The attached schedule presents the total special appropriation required, with an allocation for dividends and a second allocation to cover the administrative expense of the Department of Revenue for administering the reopening. This summary schedule and the detailed schedules presented for each of the three operational divisions involved in the PFD program are based on the following key assumptions:

- 1) The legislation and the special appropriation is signed into law by the end of February, 1984.
- 2) The Department of Revenue is to pay or deny all applicants filing during the extended period by June 30, 1984. This expedited processing minimizes the possibility of public confusion between the 1983 reopening and the 1984 PFD filing requirement. The 1984 filing period is from June 1 through September 30, 1984. Any overlap of these two periods is going to create a great deal of unnecessary confusion and resultant additional costs to the program.
- 3) All estimates are based on a conservative estimate of the potential late filers of 30,000, roughly the difference between the number of 1982 applicants and the number of timely-filed 1983 applicants. If, in fact the total applicants turns out to be less, some costs, such as personal services in Administrative Services and Enforcement and data processing will be less. Other expenditures, such as forms cost, rural assistance and advertising will have already been made. It is the intention of the Department that all administrative costs appropriated be separately accounted for and any balances lapsed when the program is completed.

HB 478
Extension of 1983 PFD Filing Period
PFD BRU
Summary of estimated additional cost
January 16, 1984

Direct costs of additional dividends (Estimated 30,000 applicants X \$386.15)	=	\$11,584,500
Administrative costs of reopening and expedited processing:		
Administrative Services Division (Application processing, data processing)	\$102,438	
Public Services Division (Rural assistance outreach program, statewide advertising, Service Center assistance, telephone assistance)	\$132,300	
Enforcement Division (Review and investi- gation of potential fraudulent/erroneously filed applications)	\$112,896	
 TOTAL administrative costs		 <u>\$347,634</u>
 TOTAL estimated additional cost of reopening 1983 filing period		 <u>\$11,932,134</u>

HB 478
Extension of 1983 PFD Filing Period
PFD BRU Estimated Additional Cost
Administrative Services Division
January 16, 1984

The Administrative Services Division is responsible for the physical processing of PFD applications, from opening the incoming mail to releasing the actual checks. This includes batching, microfilming, date-stamping, affixing a document locator number for later retrieval, reviewing for errors and completeness and coding for data capture. The division is also responsible for forms production and management, designing, creating, modifying and maintaining the myriad data processing programs that make up the PFD data processing system and for processing, balancing and certifying the actual check runs, including all accounting functions, and cancellation and subsequent reissue of returned warrants.

Although the majority of the extra processing effort would be absorbed by existing staff, there are certain direct costs that are unavoidable such as forms cost and postage. Also, since this represents an additional demand on the Department of Administration's mainframe computer, the Department of Revenue would be billed for the additional CPU run time. This amount of \$62,784 would be transferred to the Department of Administration by a reimbursable services agreement based on actual use.

To expedite the processing, so that all applications would be on file, reviewed, and either paid or denied by June 30, 1984, three part-time employees are needed from approximately March 1 through June 30, 1984 at a total cost of \$21,354.

The schedule below details the estimated costs.

Personal Services

3 Revenue Scanners, R9, @ \$1,649/Month
plus \$130.50/Month in benefits for 4 months - \$21,354

For mail opening, distribution, affixing document locator number, batching, scanning for errors, missing information, correspondence with applicants for missing information, identifying potential Enforcement investigation cases based on predetermined criteria, data-capture, verification of data captured, maintaining accounting controls on payment runs, balancing runs, retrieval and filing of applications.

Travel 1,000

Arranging for expedited printing of various forms, coordination of processing new applications with Anchorage field office.

Contractual

Data Processing (Interagency transfer to Department of Administration):

Estimated additional CPU run time for update and payment runs, as well as special runs to assist Enforcement Investigations review these late-filed applications, 1,800 CPU sec/Week @ \$2.18/CPU sec. for additional 16 weeks.

\$62,784

Forms Printing

30,000 Application Booklets	\$4,000	
15,000 Receipts @ \$20/M	300	
2,000 Scan letters @ \$30/M	<u>60</u>	
TOTAL Printing		4,500

Postage

30,000 checks @ 18¢/ea.	\$5,400	
15,000 Receipts @ 20¢/ea.	3,000	
2,000 Scan letters @ 20¢/ea.	400	
5,000 General correspondence @ 20¢/ea.	<u>1,000</u>	
TOTAL Postage		9,800

Telephone (LD.)	<u>2,000</u>	
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TOTAL Contractual		79,084
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Supplies		<u>1,000</u>
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TOTAL Administrative Services cost		<u>\$102,438</u>
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HB 478
 Extension of 1983 PFD Filing Period
 PFD BRU
 Estimated Additional Cost
 Public Services Division Component

The Public Services Division is charged with assisting the public in meeting the application requirements of the PFD program. This assistance comes in several forms; a) walk-in assistance at three service centers in the state, b) toll free telephone service, c) assistance provided at selected shopping malls on weekends, and d) scheduled assistance in selected rural communities throughout the state.

This Division will conduct an advertising campaign aimed at reaching those eligible individuals that were unable to file during the original filing period. It is anticipated that this campaign will rely heavily on public service announcements coupled with eye-catching posters throughout the state. Approximately half of the advertising exposure will be used for local advertising just prior to the scheduled visits to the rural communities.

During the filing period and prior to payment this Division attempts to resolve any problems the applicants may encounter with the program including a change of address.

Below please find a breakdown of the estimated costs:

Personal Services

5 Tax Examiners I/II (Range 10/12) for 3 months This staff will be used for augmenting the service centers (15 months @ \$2,400)	\$36,000	
4 Tax Examiner I/II (Range 10/12) for 2 months This staff will be used for the rural assistance program (8 months @ \$2,400)	<u>19,200</u>	\$ 55,200

Travel

Transportation	\$26,000	
Per Diem	<u>6,500</u>	32,500

Contractual Services

Advertising (Radio, T.V., Newspaper and Posters)	\$14,600	
Telephone (Toll Free Zenith Numbers - approximately \$10,000 a month)	<u>30,000</u>	<u>44,600</u>

Total Public Services Division Costs	<u>\$132,300</u>
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HB 478
Extension of the 1983 PFD Filing Period
PFD BRU
Estimated Additional Cost for the Enforcement Division
January 13, 1984

Program Analysis

The impact of this bill on the Enforcement Division is strictly dependent on the number of applications filed under the extended deadline and the corresponding number of investigations which are likely to be necessary. If, as a matter of policy, we choose not to investigate any of the applications filed under the extended deadline, we could probably absorb the incidental increased workload in stop payment requests and garnishments with current staff. However, this policy would likely result in a substantial number of fraudulent or erroneous filings being paid. Therefore, for the overall integrity of the program it is essential some investigative effort be focused on applications filed under the extended deadline.

The most positions we would likely be able to efficiently absorb would be five Investigators, one in Anchorage and four in Juneau. With the supplemental clerical support, one Clerk Typist each in Anchorage and Juneau, we would likely be able to have our investigators complete 20 investigations per week.

Clerical staff is needed to answer incoming telephone calls, requisition supplies, enter updated information on PFD files, file cases, type correspondence, including denial letters and inquiries for information, provide general support for our investigative staff.

Assuming we can hire personnel and have equipment installed by the second week of March, 1984, this leaves a little over 14 weeks of review time prior to the June 21 data entry deadline required by the payment deadline of June 30, 1984. If each of the five investigators can complete investigations on 20 applications per week for 14 weeks, 1400 applications would be reviewed. Our denial rate is estimated to be 40% of those selected for review. If 1400 were reviewed, then approximately 560 would be denied. We would estimate a 10-11% appeal rate, resulting in 55-60 appeals.

Once the investigations are complete, we would keep the two PFD Investigator II positions for up to two months each, with the clerical support, in order to help resolve appeals at the informal conference level.

The Enforcement Division review process is the only part of the current program which generates actual overall cost savings to the PFD program. The monies saved by identifying invalid or fraudulent applications have historically exceeded the cost of the reviews. In this case, given the scenario described above, the potential savings to the PFD program would be $\$386.15 \times 560 = \$216,244$ or 192% of the requested budget of $\$112,896$.

Computations

Personal Services (100)

PFD Investigator II (R13)	2 for 6 months @ \$2,800/mo.	\$ 33,600
PFD Investigator I (R12)	3 for 4 months @ \$2,645/mo.	31,740
Clerk Typist III (R08)	2 for 6 months @ \$2,130/mo.	<u>25,560</u>

Total Personal Services (100) 90,900

Contractual Service (300)

Telephone

Telephone purchase	4 phones @ \$ 60	240
Installation - Juneau	4 phones @ \$ 90	360
Local Centrex - Juneau	4 for 6 months @ \$ 46/mo.	1,104
Juneau	1 for 2 months @ \$ 46/mo.	92
Long Distance - Anchorage	6 months @ \$1,000/mo.	6,000
Long Distance - Juneau	4 months @ \$2,000/mo.	8,000
Long Distance - Juneau	2 months @ \$1,000/mo.	<u>2,000</u>

Computer Terminals

Installation	1 terminal @ \$2,000	2,000
Rental	1 terminal for 6 months @ \$ 200/mo.	<u>1,200</u>

Total Contractual Services (300) 20,996

Supplies (400)

Stationery, envelopes, and office supplies	<u>1,000</u>
--	--------------

Total Enforcement Division \$112,896

REMARKS FOR BILLS RELATING TO EXTENDING THE DEADLINE FOR APPLYING
FOR 1983 P.F.D. CHECKS:

HBs 478 AND 516 WOULD CHANGE PRESENT LAW TO ALLOW AN EXTENSION ON THE DEADLINE FOR FILING 1983 PERMANENT FUND DIVIDEND APPLICATIONS, AND PROVIDE THE FUNDING TO PAY THE DIVIDEND CHECKS OF LATE FILERS.

I HAVE INTRODUCED THESE BILLS BECAUSE I HAD ALOT OF CONTACT DURING THE INTERIM WITH CONSTITUENTS WHO DID NOT HEAR OF THE JUNE 30TH DEADLINE FOR FILING BECAUSE THEY WERE OUT FISHING OR OTHERWISE AWAY FROM HOME IN ISOLATED AREAS.

HB 478 ALLOWS LATE FILERS TO FILE AGAIN BEFORE MAY 15, 1984. HOWEVER, THEY STILL MUST HAVE BEEN RESIDENTS OF ALASKA FOR SIX MONTHS BEFORE MARCH 31, 1983 --- THE SAME RESIDENCY PERIOD REQUIRED OF TIMELY FILERS.

HB 516 PROVIDES FUNDING FROM PERMANENT FUND INTEREST EARNINGS DURING FY 83 TO PAY FOR THE DIVIDENDS OF LATE FILERS. THIS IS

THE SOURCE OF FUNDING REQUIRED BY STATUTE TO PAY DIVIDEND CHECKS.
THIS SAME SOURCE OF FUNDING IS USED TO PROCESS DIVIDEND CHECKS.

I HAVE WORKED VERY CLOSELY WITH THE DEPARTMENT OF REVENUE IN THE
DEVELOPMENT OF THESE TWO BILLS AND WILL CONTINUE TO WORK WITH
THEM AS THE BILL PROGRESSES THROUGH THE LEGISLATURE.

THERE IS A MEMO FROM ME IN YOUR FILE THAT PROVIDES MORE DETAIL ON
THE BILLS. PLEASE NOTE THAT I HAVE PREPARED A DRAFT COMMITTEE
SUBSTITUTE FOR HB 516. THE ONLY CHANGE IS THAT IF FUNDING IS
LEFT OVER AFTER LATE FILERS HAVE RECEIVED THEIR CHECKS, THE
LEFTOVER FUNDING WOULD LAPSE TO THE DIVIDEND FUND INSTEAD OF TO
THE GENERAL FUND SO THAT THE INTENT OF THE PROGRAM IS FURTHER
PRESERVED.

ALSO, DIVISION OF LEGISLATIVE FINANCE HAS REVIEWED THE FUNDING
REQUIREMENTS AND AGREES WITH THE DEPARTMENT THAT THEY ARE
NECESSARY. PLEASE SEE THEIR MEMO FOR FURTHER DETAILS.

Alaska State Legislature
House of Representatives

Al Adams
Chairman
Committee on Finance

WHILE IN SESSION
Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3706

OUT OF SESSION
P.O. Box 333
Kotzebue, Alaska 99752
(907) 442-3320

1024 W. 6th
Anchorage, Alaska 99501
(907) 274-0615

Official Business

January 26, 1984

MEMORANDUM

TO: Members of the House Finance Committee

FROM: Representative Al Adams, Chair *ADA*

SUBJ: HBs 478 and 516: Extension of application period for 1983 permanent fund dividends

I have introduced the above captioned bills because many of my constituents contacted me during the interim to let me know that they were unable to file for their 1983 dividend checks because of the nature of their seasonal employment. Because the original deadline was June 30th, many of my constituents were out fishing or otherwise involved with activities away from home in isolated areas, and therefore they were not aware of the deadline.

Since I have worked closely with the Department of Revenue in the development of this legislation, I do not anticipate that this problem will occur every year, necessitating similar legislation each session. I am confident that the Department will make every effort to insure that Alaskans who leave home for work for part or all of the summer will have adequate opportunity to file for their yearly dividend check.

HB 478

HB 478 is the bill that actually changes the language of the statute to extend the deadline to May 15, 1984. However, an applicant must have been a resident of the state for six months before March 31, 1983, the date that establishes residency for those who have already received a 1983 dividend. Thus, the application period is extended but not the period for establishing residency in 1983.

The bill also provides that only funding appropriated or allocated for 1983 dividends can be used to pay the

dividend checks of new applicants. Further, it states that dividends will not be paid out until after March 1, 1984 (so as not to conflict with the schedule for paying dividends for other years) and gives the Department the authority to promulgate regulations to implement the bill. The bill has an immediate effective date.

HB 516

HB 516 makes the necessary appropriations to pay 1983 dividends to late filers. The funding provided comes from interest earned on the permanent fund principal during FY 83. This is the source of funding established in statute for payment of permanent fund dividends (see AS 43.23.045(b)). As you know, 50% of the interest earned on the permanent fund each year is earmarked for payment of permanent fund dividends. This past year, the Department of Revenue underestimated how much the interest earnings would be. Therefore, the legislature appropriated approximately \$19 million less for dividends than what has actually turned out to be 50% of interest earnings. The funding provided in this bill comes from that \$19 million.

\$11,584,500 is the amount estimated as necessary to pay the dividends of late filers. Obviously, it is difficult for the Department to estimate exactly how many people will file during the extended deadline period. This represents their best guess at this time. Any funding not used for this purpose would lapse at the end of FY 85.

\$347,600 is appropriated for processing the dividend applications. I have instructed the Division of Legislative Finance to review the need for these funds. There is a memo in your file from the Division that discusses this appropriation. Basically, the Division has concluded that the appropriation amount is necessary if 30,000 applicants do apply. In the event that there are fewer applicants, the funding lapses. Therefore, the appropriation amount for administration should stand.

The bill would become effective on the same date that a bill extending the deadline becomes effective.

Proposed CS HB 516 (Finance)

I am proposing that we accept the draft CS in your file. The only change in the CS is that any monies left over would lapse back to the dividend fund instead of to the general fund. I think that this better

preserves the intent of the program since the funding would then be available for dividends in future years instead of getting lost in the general fund. Money in the dividend fund is invested by the Department's Treasury Division along with other funds.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

MEMORANDUM

TO: Lou Ann Cutler, Special Assistant
House Finance Committee

FROM: P.S. Dhillon, Economist PSD
Legislative Finance Division

DATE: January 27, 1984

SUBJECT: HB 478, Extension of 1983 PFD Filing Period

At your request, I have reviewed the Department of Revenue's estimate of the bill's administrative costs. The attached table summarizes this estimate by division and line item. Based on an anticipated 30,000 new PFD applications, the additional costs estimate of \$347,634 appears to be reasonable. The key assumption in their analysis is that 30,000 new applications will be received. However, an alternative estimate suggests that there may be as few as 15,000 new applications. This alternative estimate is based on the difference between the March 31, 1983, population of Alaska (456,000¹) and the number of 1983 PFD recipients (440,000²).

Due to a variety of reasons, past attempts at projecting the number of PFD applicants for any given year have generally not been very accurate. Therefore, it may be best to view these two estimates as a range (16,000 to 30,000) within which the actual number is likely to fall. The average (23,000) could then be used to estimate the administrative costs. Or, to be on the safe side, one could go with the higher number (30,000).

¹The Department of Labor July 1, 1983, population estimate is 464,460. This has been adjusted down by a seasonality factor of 1.0196 to arrive at the March 31, 1983, estimate of 456,000. The seasonality factor was also obtained from the Department of Labor.

²From the Department of Revenue.

MEMORANDUM

January 27, 1984

Re: HB 478

Page 2

To base this appropriation on an optimistic projection is not all bad because, as pointed out by the department, a significant portion (about 50 to 60%) of the program costs are a direct function of the number of new applications actually received. Should the number of new applications fall short, a part of the monies will lapse provided there is separate accounting and a policy of hiring as the need arises. Resources in the Public Services division will probably have to be committed early in the implementation of this program and, consequently, these costs are not likely to be sensitive to the number of new applications received. Nevertheless, the activities of the Public Services division with regard to this bill may serve to maintain or increase awareness of the PFD program in general and, hence, decrease the need for a similar bill in the future.

A rough estimate of the administrative cost savings of using a 23,000 instead of a 30,000 estimate of new PFD applications is about \$60,000. In addition, the direct costs of dividend payments will be \$2,703,050 lower.

Attachment

PSD:kh

HB 478
 Extension of 1983 PFD Filing Period
 Summary of Department of Revenue Estimates of Expenses

	<u>Total</u>	<u>Admin.Svcs.</u>	<u>Public Svcs.</u>	<u>Enforcement</u>
Personal Services	167454	21354	55200	90900
Travel	33500	1000	32500	-0-
Contractual				
DP-CPU Time	62784	62784	-0-	-0-
Communications	49796	2000	30000	17796
Other	<u>32100</u>	<u>14300</u>	<u>14600</u>	<u>3200</u>
Subtotal	144680	79084	44600	20996
Supplies	2000	1000	-0-	1000
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	347634	102438	132300	112896

LEGISLATIVE FINANCE DIVISION/p.s.d.
 1/26/84

—

Introduced: 1/16/84
Referred: State Affairs and Finance

Funding Information

General Fund	\$	-0-
Other Funds		<u>11,932,100</u>
		\$11,932,100

1 IN THE HOUSE

BY ADAMS AND UEHLING

2

HOUSE BILL NO. 516

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act making a special appropriation for the pay-
7 ment of 1983 permanent fund dividends to eligible
8 persons who apply for the dividends during an ex-
9 tended application period; and providing for an
10 effective date."

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

12 * Section 1. The sum of \$11,932,100 is appropriated to the dividend
13 fund (AS 43.23.045) from the net income of the Alaska permanent fund earned
14 during the fiscal year ending June 30, 1983.

15 * Sec. 2. The sum of \$11,584,500 is appropriated from the dividend fund
16 to the Department of Revenue for the payment of 1983 permanent fund
17 dividends to eligible persons who apply for 1983 permanent fund dividends
18 during an extended application period.

19 * Sec. 3. The sum of \$347,600 is appropriated from the dividend fund to
20 the Department of Revenue for administrative costs associated with the
21 processing of 1983 permanent fund dividend applications filed during an
22 extended application period.

23 * Sec. 4. The unexpended and unobligated portion of the appropriation
24 made by this Act lapses into the general fund June 30, 1985

25 * Sec. 5. This Act takes effect on the effective date of an Act extend-
26 ing the application deadline for 1983 permanent fund dividends.

Introduced: 1/9/84
Referred: State Affairs and
Finance

BY ADAMS, M.M.MILLER,
DUNCAN AND GRUSSENDORF

1 IN THE HOUSE

2 HOUSE BILL NO. 478

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the permanent fund dividend
7 distribution program; and providing for an effective
8 date."

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

10 * Section 1. Notwithstanding the provisions of AS 43.23 and the regula-
11 tions adopted under that chapter by the Department of Revenue relating to
12 eligibility and application deadlines for 1983 permanent fund dividends,
13 the time period for an Alaska resident applying for a 1983 permanent fund
14 dividend is extended to May 15, 1984 for applicants who met the six month
15 residency requirement on March 31, 1983. A 1983 permanent fund dividend
16 paid to an individual who applies during the extended period may not be
17 paid from money appropriated or otherwise allocated for permanent fund
18 dividends for years other than 1983. The Department of Revenue may not pay
19 1983 dividends to applicants who file during the extended period until
20 after March 1, 1984. The Department of Revenue may adopt regulations to
21 implement this section.

22 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
23 10.070(c).