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Section 37.15.140 adds to the duties of the State Bond Committee. These added duties are:

1. Preparation and submission of an annual report concerning state debt to the legislature and Governor. The material required to be included is specified. The Committee is given the power to require it be furnished with information required for the report.
2. Development of written policies concerning management of State Debt is required. The development of written informational guidelines for the use of debt issuing entities of the State is also required. Required policies and guidelines include recommended level of debt, debt management bidding procedures, bid awards, and compensation for financial services.
3. Requirement of an annual calendar of debt proposed to be issued during the calendar year by each debt issuing entity of the State. The report will show the amount and type of debt to be issued and will be updated on a monthly basis.

The term debt issuing entities is defined as the State, each agency of the State and municipalities thereby making the requirements of the section applicable to each of them.

The term debt is defined as (1) long term bonded indebtedness secured by the full faith and credit of the government unit, (general obligation debt), (2) long-term bonded indebtedness secured by a mortgage or lien on specific properties or receivables (revenue supported debt), (3) short-term notes, (4) warrants, and (5) capital lease obligations. However, debt is not defined as debt owed within the entity or to another debt issuing entity.

Section 37.15.150 allows employment of an executive director and staff and places the employees in the partially exempt service.

Section 5 amends AS 39.25.120 to add employees of the State Bond Committee to the list of employees in the partially exempt service in conformity with Section 37.15.150.

Section 6 provides an immediate effective date.

- (b) The commissioner of revenue may
- (1) invest and reinvest the principal of the funds;
 - (2) sell, exchange, convey, transfer, or otherwise dispose of investments of the funds by private contract or at public auction;
 - (3) vote upon a stock, bond, or other security; give a general or special proxy or power of attorney with or without power of substitution; exercise a conversion privilege, subscription right, or other option and make payments incidental to it; consent to or participate in a corporate reorganization or other change affecting corporate securities, delegate discretionary power, pay an assessment or charge in connection with the delegation; and generally exercise any of the powers of an owner with respect to stocks, bonds, securities, or other investments held in the funds;
 - (4) make, execute, acknowledge, and deliver documents of transfer and conveyance and instruments necessary or appropriate to carry out the powers granted;
 - (5) register investments held in a fund in the name of the board having the power to approve investments for a fund;
 - (6) do all acts whether or not expressly authorized which are considered proper for the protection of the investments held in the funds.
- (§ 4 ch 182 SLA 1978)

Chapter 15. State Bonding Act.

Article

1. General Obligation Bonds (§§ 37.15.010 — 37.15.220)
2. Bond Anticipation Notes (§§ 37.15.300 — 37.15.390)
3. International Airports Revenue Bonds (§§ 37.15.410 — 37.15.550)

Article 1. General Obligation Bonds.

Section	Section
10. Full faith and credit for general obligation bonds	120. Regulations
12. Continuing debt service appropriation	130. Officers, records and proceedings
15. Committee shall publish notice of existing state indebtedness before election	140. Duties of state bond committee
20. Manner and amounts of sale	150. Committee may employ special services
30. Interest rate and maturity	155. Prohibited bidding on bonds and anticipation notes
40. Sale of bonds	160. Contents of resolution
50. Redemption	170. State bond committee to certify annual principal, interest, and reserve requirements
60. Form and registration of bonds	180. Remedies of bondholders
70. Place of payment	190. Negotiability
80. Signatures and seal	200. Bonds as legal investments
90. Terms and conditions	210. Refunding bonds
100. Trustee	215. Official statements
110. Creation and membership of state bond committee	220. Short title

Sec. 37.15.010. Full faith and credit for general obligation bonds. The full faith, credit and resources of the state are hereby pledged to the payment of the principal of and interest and redemption premium, if any, on all general obligation bonds of the state authorized pursuant to art. IX, § 8 of the constitution. (§ 1 ch 175 SLA 1960; am § 1 ch 104 SLA 1967)

Collateral references. — 63 Am.Jur.2d, Public Funds, §§ 23-32. 64 Am.Jur.2d, Public Securities and Obligations, § 1 et seq.
81A C.J.S., States, §§ 250-262.
Funding or refunding obligations as

subject to conditions respecting approval by voters, 97 ALR 442.

Validity of bond issue in excess of amount permitted by law within authorized debt, tax or voted limit, 175 ALR 823.

Sec. 37.15.012. Continuing debt service appropriation. The amounts required annually to pay the principal, interest, and redemption premium on all issued and outstanding general obligation bonds of the state are appropriated on July 1 of each year from the general fund to the state bond committee to make all required payments of principal, interest, and redemption premium. (§ 1 ch 100 SLA 1981)

Opinions of attorney general. — This section does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for bond obligations. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.015. Committee shall publish notice of existing state indebtedness before election. (a) Before a general or special election in which a bond issue is offered for ratification, the state bond committee shall publish a notice of existing state bonded indebtedness at least once a week for three consecutive weeks in a newspaper of general circulation in each of the four judicial districts of the state. The first notice shall be published at least 20 days before the date of the election. A notice shall contain

- (1) the current total bonded indebtedness of the state,
- (2) the cost of the debt service on the current indebtedness.

(b) Neither the failure to publish the notice of existing state bonded indebtedness nor a defect in the publication affects the validity of the bond issue offered for ratification or of a general or special election in which a bond issue is offered for ratification. (§ 2 ch 50 SLA 1964; am § 1 ch 8 SLA 1969)

Collateral references. — Effect of inclusion in call for election, or in proposal for bond issue submitted to people, of unauthorized method of payment or retirement, 93 ALR 362.

Bonds issued by state officer of board payable solely out of proceeds of obli-

gations of political subdivisions pledged as within constitutional or statutory provisions which impose a limit on state indebtedness or require consent of electors, 100 ALR 1114.

Mistake, ambiguity, or omission in statement as to indebtedness, in call for

election or proposal for bond issue, as affecting validity of election or bonds issued pursuant thereto, 116 ALR 1258.

Effect of delay after authorization by voters on power of governmental unit to issue bonds, 135 ALR 768.

Validity, within authorized debt, tax, or voted limit, of bond issue in excess of amount permitted by law, 175 ALR 823.

Sec. 37.15.020. Manner and amounts of sale. The state bond committee shall sell the bonds of each authorization in the amounts or series and at the times which it finds are for the best interests of the state and its inhabitants. (§ 1 ch 175 SLA 1960)

Sec. 37.15.030. Interest rate and maturity. Each issue or series of bonds shall bear interest at an effective rate over the life of the bonds not to exceed 11 percent a year or that rate of interest which is 110 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. The bonds shall mature in not more than 30 years from date of issue, unless a longer period is specifically authorized by statute. (§ 1 ch 175 SLA 1960; am § 2 ch 104 SLA 1967; am § 1 ch 92 SLA 1970; am § 1 ch 29 SLA 1976; am § 1 ch 85 SLA 1980; am § 1 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "eight" preceding "percent a year" at the end of the first sentence.

The 1982 amendment substituted the language beginning "11 percent a year" for

"10 percent a year" at the end of the first sentence.

Collateral references. — Right to call governmental bonds in advance of their maturity, 109 ALR 988.

Sec. 37.15.040. Sale of bonds. Before selling an issue or series of bonds, the state bond committee shall give notice inviting sealed bids in such manner as it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder. If the state bond committee determines that the bids received are not satisfactory as to price or responsibility of the bidders, it may reject all bids received. (§ 1 ch 175 SLA 1960; am § 3 ch 104 SLA 1967; am § 1 ch 43 SLA 1969)

Sec. 37.15.050. Redemption. The state bond committee may determine whether the bonds are subject to redemption before their fixed maturities and may fix the premium for and all other terms of the redemption. No bond may be subject to redemption before its fixed maturity date unless the right to so redeem the bond is expressly mentioned on the face of the bond. (§ 1 ch 175 SLA 1960; am § 4 ch 104 SLA 1967; am § 1 ch 26 SLA 1968; am § 7 ch 143 SLA 1968)

Collateral references. — 81A C.J.S., States, § 261.

Funding or refunding obligations as subject to conditions respecting limitation

of indebtedness, 97 ALR 442.

Validity of bond issue in excess of amount permitted by law within authorized debt, tax or voted limit, 175 ALR 823.

Sec. 37.15.060. Form and registration of bonds. An issue or series of bonds may be issued in coupon form payable to bearer or in fully registered form, and bonds in coupon form may be made registrable as to principal or principal and interest, as determined by the state bond committee. (§ 1 ch 175 SLA 1960; am § 2 ch 26 SLA 1968)

Sec. 37.15.070. Place of payment. The state bond committee may fix the place or places of payment of the principal, interest and redemption premium, if any. (§ 1 ch 175 SLA 1960; am § 5 ch 104 SLA 1967)

Sec. 37.15.080. Signatures and seal. (a) Each bond shall be signed on behalf of the state by the governor and attested by the lieutenant governor, which signatures may be facsimile signatures. The seal of the state shall be impressed, imprinted or otherwise reproduced on each bond. Each interest coupon attached to the bond shall be signed by the facsimile signatures of the governor and lieutenant governor. If an officer whose signature appears on the bonds or coupons ceases to be an officer before delivery of the bonds, the signature is, nevertheless, valid and sufficient for all purposes, as if the officer had remained in office until delivery.

(b) A signature required on a bond issued by a political subdivision of the state may be a facsimile signature. (§ 1 ch 175 SLA 1960; am § 6 ch 104 SLA 1967)

Collateral references. — Printing, lithographing, or other mechanical signature on public bonds, coupons, or other pecuniary obligation, 94 ALR 768.

Sec. 37.15.090. Terms and conditions. Each issue or series of bonds shall be issued under and subject to the terms, conditions, and covenants providing for the payment of the principal and the interest and other terms, conditions, covenants, and protective provisions safeguarding the payment as found reasonably necessary by the state bond committee for the most advantageous sale. The terms, conditions, and covenants may include the setting aside and maintaining of certain reserves to secure the payment of principal and interest. (§ 1 ch 175 SLA 1960)

Collateral references. — Effect of inclusion in call for election, or in proposal for bond issue submitted to people, of unauthorized method of payment or retirement, 93 ALR 362.

Power of legislature to add to or make more onerous the conditions or limitations

prescribed by Constitution upon incurring public debts, 106 ALR 231.

Power and discretion of officer or board authorized to issue bonds of governmental unit as regards terms or conditions to be included therein, 119 ALR 190.

Sec. 37.15.100. Trustee. If the state bond committee finds it necessary to accomplish the most advantageous sale of the bonds, the committee shall select a trustee for the owners and holders of the bonds or for the safeguarding and disbursement of the proceeds of the sale of the bonds for the use and purpose for which issued, and shall fix the rights, duties, powers, and obligations of the trustee. (§ 1 ch 175 SLA 1960)

Sec. 37.15.110. Creation and membership of state bond committee. There is created a committee known as the "state bond committee," the members of which are the commissioner of commerce and economic development, the commissioner of administration, and the commissioner of revenue. If a member of the committee is absent or otherwise unable to act, the member's designee in the department shall act as a member of the committee in the member's place. (§ 2 ch 175 SLA 1960; am § 7 ch 104 SLA 1967; am § 81 ch 218 SLA 1976)

Sec. 37.15.120. Regulations. The state bond committee may adopt regulations for the performance of its duties and may designate by resolution one of its members to perform any act necessary to effectuate its duties not required by statute to be performed by the state bond committee in meeting or by resolution, or by another officer of the state. (§ 2 ch 175 SLA 1960; am § 8 ch 104 SLA 1967)

Sec. 37.15.130. Officers, records and proceedings. The commissioner of commerce and economic development is the chairman of the state bond committee and the commissioner of revenue is the secretary. A majority of the members of the committee constitute a quorum. The committee shall keep a full, complete, and permanent record of its proceedings. All records and correspondence of the committee shall be kept in the office of the commissioner of revenue. (§ 2 ch 175 SLA 1960; am § 82 ch 218 SLA 1976)

Collateral references. — Personal liability of officers to holders of invalid public money obligations, 87 ALR 273.

Sec. 37.15.140. Duties of state bond committee. The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, sale, and delivery of bonds. (§ 3 ch 175 SLA 1960)

Sec. 37.15.150. Committee may employ special services. If the state bond committee considers it necessary and advisable, it may procure architectural or engineering, fiscal agent or municipal investment, legal and other expert or specialized services at reasonable and customary fees to assist it in accomplishing the most advantageous sale of the bonds. The fees may be paid from the proceeds of the sale or advanced from the contingency fund in the office of the governor or otherwise. (§ 3 ch 175 SLA 1960)

Sec. 37.15.155. Prohibited bidding on bonds and anticipation notes. (a) No person who provides financial programming or marketing assistance to the state bond committee in connection with the issuance or sale of general obligation bonds, revenue bonds or bond anticipation notes of the state may bid on the bonds.

(b) The sale of general obligation bonds, revenue bonds or bond anticipation notes of the state to a person who is prohibited from bidding on the bonds or notes under (a) of this section is against public policy and the sale is void.

(c) In this section "person" means an individual, firm, agent, factor, intermediary, partnership, corporation, association, bond house, stockbroker or bond broker. (§ 1 ch 102 SLA 1974)

Sec. 37.15.160. Contents of resolution. The resolution adopted by the state bond committee shall

(1) fix the principal amount, denominations, date, maturities, place of payment, terms, right of redemption if any, form, conditions and covenants of the bonds;

(2) fix the date of sale and the form of the notice of sale; and

(3) provide if the notice is to be published elsewhere in addition to the publication required by AS 37.15.040. (§ 3 ch 175 SLA 1960; am § 3 ch 26 SLA 1968)

Sec. 37.15.170. State bond committee to certify annual principal, interest, and reserve requirements. (a) Before January 1 of each year after bonds are issued, the state bond committee shall certify to the commissioner of administration the amount needed for the following calendar year to meet principal, interest, and reserve requirements on all bonds or issues or series of bonds then outstanding.

(b) The commissioner of administration shall set aside these amounts or make the necessary provisions for the setting aside of these amounts so that there will be sufficient money to pay the principal and interest on the due date and to meet reserve requirements. (§ 4 ch 175 SLA 1960)

Sec. 37.15.180. Remedies of bondholders. The owner and holder of each bond or the trustee may by appropriate proceeding require and compel the transfer and payment of money as directed by this chapter. (§ 4 ch 175 SLA 1960)

Sec. 37.15.190. Negotiability. General obligation bonds of the state and the coupons attached to the bonds are negotiable instruments. (§ 5 ch 175 SLA 1960)

Collateral references. — Negotiability of state warrants, 36 ALR 949.

Sec. 37.15.200. Bonds as legal investments. General obligation bonds of the state are legal investments for all state funds, or for funds under state control, and for all funds of a political subdivision of the state. (§ 5 ch 175 SLA 1960)

Sec. 37.15.210. Refunding bonds. (a) All or a part of the general obligation bonds of the state, or all or a part of each outstanding issue or series of bonds, may be refunded at or before maturity by the issuance of general obligation refunding bonds of the state if, in the opinion of the state bond committee, refunding is advantageous to and in the best interest of the state and its inhabitants. Money set aside as reserve to secure the payment of the principal and interest of bonds being refunded may be used to pay the principal and interest on these bonds or may be retained by the state to secure the payment of the principal and interest on the refunding bonds to be issued.

(b) Refunding bonds and the coupons attached to them are negotiable instruments. The effective rate of interest over the life of refunding bonds may not exceed 11 percent a year or that rate of interest which is 110 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of bonds, whichever is higher, and the amount of premium which is paid to effect the redemption of outstanding bonds may not be considered in determining the effective rate of interest.

(c) Refunding bonds may be exchanged for the bonds being refunded or refunding bonds may be sold in the manner and at the prices which the state bond committee determines to be for the best interest of the state and its inhabitants either at public or private sale.

(d) The issuance of refunding bonds need not be authorized by the qualified voters of the state. The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, exchange or sale, and delivery of refunding bonds. The provisions of this chapter relating to the terms, conditions, covenants, issuance, and sale of general obligation bonds of the state apply to refunding bonds except as otherwise specifically provided in this section. (§ 6 ch 175 SLA 1960; am § 2 ch 92 SLA 1970; am § 2 ch 85 SLA 1980; am § 2 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "seven" preceding "percent a year" in the second sentence of subsection (b).

The 1982 amendment substituted the language beginning "11 percent a year" and ending "date of sale of bonds, whichever is higher" for "10 percent a

year" in subsection (b).

Collateral references. — Funding or refunding obligations as subject to conditions respecting limitation of indebtedness or approval by voters, 97 ALR 442.

Power of governmental unit to issue bonds as implying power to refund them, 1 ALR2d 134.

Sec. 37.15.215. Official statements. To the extent practicable the official statements and other documentation issued in connection with an offering of state or local government securities shall comply with

the guidelines of the Municipal Finance Officers Association or other nationally recognized guidelines. (§ 12 ch 168 SLA 1978)

Sec. 37.15.220. Short title. AS 37.15.010 — 37.15.220 may be cited as the State Bonding Act. (§ 7 ch 175 SLA 1960; am § 54 ch 127 SLA 1974)

Article 2. Bond Anticipation Notes.

Section	Section
300. Borrowing in anticipation of sale of bonds permitted	350. Security for repayment of revenue bonds
310. Issuance of notes	360. Limitation on issuance of notes
330. Repayment of notes	370. Use of proceeds from sale of notes
340. Security for repayment of general obligation bonds	380. Sale of notes
	390. Execution of notes

Sec. 37.15.300. Borrowing in anticipation of sale of bonds permitted. When the state bond committee considers it in the best interests of the state, it may borrow money in anticipation of the sale of general obligation and revenue bonds, if

(1) the general obligation bonds to be sold have been authorized by law and ratified by a majority vote of the qualified voters of the state who vote on the question; or

(2) the general obligation bonds to be sold have been authorized by law for the purpose of meeting natural disasters, repelling invasion, suppressing insurrection, or defending the state in war; or

(3) the revenue bonds to be sold have been authorized by law; and

(4) money to be derived from the sale of general obligation and revenue bonds has been appropriated by the legislature. (§ 1 ch 42 SLA 1964; am § 1 ch 74 SLA 1964)

Sec. 37.15.310. Issuance of notes. The state bond committee shall issue notes for the amounts borrowed with a maturity date not to exceed one year from the date of issue. All the notes are payable at a fixed place, on or before a fixed time, or at a fixed time, from the proceeds of the sale of bonds, in anticipation of which the original note or notes were issued, unless the bonds have not been sold by the maturity date of the notes. Interest on the notes is payable at a fixed place, on or before a fixed time, out of appropriations made for the payment of interest on general obligation notes or bonds of the state. (§ 1 ch 42 SLA 1964; am § 1 ch 127 SLA 1976)

Sec. 37.15.320. Issuance of new notes. [Repealed, § 3 ch 41 SLA 1967.]

Sec. 37.15.330. Repayment of notes. Every note shall be payable from the proceeds of the next succeeding sale of bonds or from the proceeds of the sale of new bond anticipation notes. (§ 1 ch 42 SLA 1964)

Sec. 37.15.340. Security for repayment of general obligation bonds. Notes issued in anticipation of the sale of general obligation bonds and the interest thereon are secured by the full faith, credit, and resources of the state. (§ 1 ch 42 SLA 1964)

Sec. 37.15.350. Security for repayment of revenue bonds. Notes issued in anticipation of the sale of revenue bonds and the interest thereon are secured in the same manner as are the revenue bonds in anticipation of which the notes are issued. (§ 1 ch 42 SLA 1964)

Sec. 37.15.360. Limitation on issuance of notes. The total amount of such notes issued and outstanding shall at no time exceed the total amount of bonds authorized to be issued. (§ 1 ch 42 SLA 1964)

Sec. 37.15.370. Use of proceeds from sale of notes. The proceeds from the sale of the notes shall be used only for the purposes for which the proceeds from the sale of bonds may be used or to meet payment of outstanding bond anticipation notes. (§ 1 ch 42 SLA 1964)

Sec. 37.15.380. Sale of notes. Notes issued under this chapter shall be sold by the state bond committee in such manner and at such price or prices as it shall determine, at either public or private sale; however, no such note shall be sold for less than par and accrued interest or at an interest rate exceeding 11 percent a year or that rate of interest which is 110 percent of the rate of Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the notes, whichever is higher. (§ 1 ch 42 SLA 1964; am § 3 ch 92 SLA 1970; am § 3 ch 85 SLA 1980; am § 3 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "seven" preceding "percent a year" at the end of the section.

The 1982 amendment substituted the language beginning "11 percent a year" for "10 percent a year" at the end of the section.

Sec. 37.15.390. Execution of notes. Notes for money borrowed in anticipation of receipts from the sale of bonds shall be signed by the governor and countersigned by the lieutenant governor. The governor's and lieutenant governor's signatures may be facsimile signatures. (§ 1 ch 42 SLA 1964; am § 4 ch 110 SLA 1982)

Effect of amendments. — The 1982 amendment substituted the present second sentence for the former sentence,

which read: "The governor's signature may be a facsimile signature."

Article 3. International Airports Revenue Bonds.

Section

- 410. Bond authorization
- 420. Construction fund
- 430. Revenue fund
- 440. Redemption fund
- 450. Bond terms
- 460. Bond resolution
- 470. Enforcement by holder
- 480. Amounts required for payments

Section

- 490. Bond negotiability
- 500. Airport charges
- 510. State improvements to airports
- 520. Refunding
- 530. Bonds as legal investments
- 540. Statutory construction
- 550. Definitions

Legislative history reports. — For report on ch. 149, SLA 1972 (CSHB 531), see 1972 House Journal, p. 1233.

Sec. 37.15.410. Bond authorization. For the purpose of providing part or all of the money to be used, with or without any grants or other money which may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed \$62,825,000 is authorized to acquire, equip, construct and install the additions, improvements, extensions and facilities authorized in AS 37.15.510. The principal of and interest on these bonds shall be paid out of and secured by the gross revenues derived by the state from the ownership, lease, use and operation of the airports, and of all the facilities of them and out of any other revenues or money which the state legislature may provide exclusive of any state tax or license. (§ 1 ch 149 SLA 1972; am § 1 ch 66 SLA 1974; am § 1 ch 68 SLA 1979; am § 1 ch 11 SLA 1982; am § 1 ch 25 SLA 1983)

Effect of amendments. — The 1979 amendment substituted "\$43,325,000" for "\$34,825,000" in the first sentence.

The 1982 amendment, substituted "\$34,825,000" for "\$43,325,000" in the first sentence.

The 1983 amendment substituted

"\$62,825,000" for "\$34,825,000" in the first sentence.

Editor's notes. — See ch. 69, SLA 1979 in Temporary and Special Acts and Resolves for the appropriation of the increase in bonds authorized by ch. 68, SLA 1979.

Sec. 37.15.420. Construction fund. (a) There is a special fund of the state known as the "International Airports Construction Fund," into which shall be paid the proceeds of the sale of the bonds (except any accrued interest paid on them, which shall be paid into the bond redemption fund) and any grant or other money which is legally provided for the same purposes for which the bonds are authorized. The money in the construction fund shall be used to pay the costs of acquiring, equipping, constructing and installing additions and improvements to and extensions of and facilities for the airports and costs incidental thereto including costs of the authorization, issuance and

sale of the bonds. To the extent provided in the bond resolution, money in the construction fund may also be used for the payment of interest on the bonds during the period of actual construction, and for such further period, not exceeding one year after the period of construction, as may be provided in the bond resolution. Money in the construction fund may also be transferred to the bond redemption fund, to the extent provided in the bond resolution, to establish a reserve for the payment of the principal of and interest on the bonds.

(b) The bond resolution may provide for the investment of money in the construction fund in such manner as the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the construction fund. (§ 1 ch 149 SLA 1972)

Cross references. — For initial appropriations to fund, see section 2, ch. 149, SLA 1972, Temporary and Special Acts.

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution con-

tains an implied exception for revenue derived from bond issues and for revenue derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.430. Revenue fund. (a) There is another special fund of the state, known as the "International Airports Revenue Fund," which shall be completely segregated and set apart from all other funds of the state, which is a trust fund for the uses and purposes provided in AS 37.15.410 — 37.15.550, and into which shall be paid all revenues, fees, charges and rentals derived by the state from the ownership, lease, use and operation of the airports and all of the facilities and improvements of them and facilities and improvements used in connection with them. These revenues, charges, fees and rentals shall not include the proceeds of any state tax or license. The money in the revenue fund shall only be used for the purpose of paying or securing the payment of the principal of and interest on the bonds and of and on any other revenue bonds issued by authorization of the legislature to provide funds to acquire, equip, construct and install additions and improvements to, and extensions of and facilities for, the airports and to be payable out of the revenue fund, the purpose of paying the normal and necessary costs of maintaining and operating the airports and all of the improvements and facilities of them, the purpose of paying the costs of renewals, replacements and extraordinary repairs to the airports and all of the improvements and facilities of them, the purpose of redeeming before their fixed maturities any and all revenue bonds issued for the purposes of the airports, the purpose of providing funds to acquire, construct and install necessary additions and improvements to and extensions of and facilities for the airports and all of their facilities, and the purpose of providing funds to pay any and all other

(b) The investment of money in the revenue fund may be made in such manner as the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the revenue fund. (§ 1 ch 149 SLA 1972)

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue

derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.440. Redemption fund. There is another special fund of the state, known as the "International Airports Revenue Bond Redemption Fund," which is a trust fund for paying and securing the payment of the principal of and interest and redemption premium, if any, on the bonds and which shall be at all times completely segregated and set apart from all other funds of the state. The committee, on behalf of the state, shall obligate and bind the state to set aside and pay into the bond redemption fund any part or parts of, or all of, or a fixed proportion of, or a fixed amount of the money in the revenue fund sufficient to pay the principal of and interest and redemption premium, if any, on the bonds as the payments become due and, if it considers it necessary, to set aside and maintain reserves for this purpose. The bond redemption fund shall be drawn upon for the purpose of paying the principal of and interest and redemption premium, if any, on the bonds, and the bonds do not constitute a general obligation of the state. (§ 1 ch 149 SLA 1972)

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue

derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.450. Bond terms. (a) The bonds shall be sold in such amounts or series and at such time or times as determined by the committee. Before selling a series of bonds, the committee shall give notice inviting sealed bids in such manner as it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder. If the committee determines that the bids received are not satisfactory as to price or responsibility of the bidders, it may reject all bids received. The bonds, or each series of them, shall be sold at such a price so that the effective interest rate over the life of the bonds does not exceed 11 percent per year or that

rate of interest which is 125 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. Interest shall be payable annually or semiannually.

(b) The bonds shall mature at such time or times as fixed by the committee. The bonds may be subject to redemption before their fixed maturities as determined by the committee and with such premium or premiums as fixed by the committee, but no bond may be subject to redemption before its fixed maturity date unless the right so to redeem that bond is expressly mentioned on the face of the bond. The bonds may be in denominations determined by the committee; may be issued in coupon form or in fully registered form, and may be registrable as to principal or both principal and interest, all under such regulations and conditions as the committee shall provide; shall be payable as to principal and interest at such place or places as may be determined by the committee; shall be signed on behalf of the state by the governor and shall be attested by the lieutenant governor, both of which signatures may be facsimile signatures; shall have the seal of the state impressed, printed or lithographed on them, and each of the interest coupons attached to them shall be signed by the facsimile signatures of these officials; shall be issued under and subject to such terms, conditions and covenants providing for the payment of the principal of them and interest on them and such other terms, conditions, covenants and protective features safeguarding this payment and relating to the maintenance, operation and improvement of the airports as found necessary by the committee, which covenants may include a provision requiring the setting aside and maintenance of certain reserves to secure the payment of this principal and interest. The committee may provide that any additional bonds authorized after June 27, 1972 by the legislature to be payable out of the same source or sources as the bonds authorized as of that date may later be issued on a parity with the bonds authorized as of that date upon compliance with any conditions which the committee may prescribe.

(c) If found reasonably necessary, the committee may select a trustee or trustees for the holders of the bonds or any series of them, for the safeguarding and disbursement of any of the money in any of the funds created by AS 37.15.420, 37.15.430 and 37.15.440, or for such duties with respect to the authentication, delivery and registration of the bonds as the committee may determine, and shall fix the rights, duties, powers and obligations of the trustee or trustees.

(d) In its determination of all of the matters and questions relating to the issuance and sale of the bonds and the fixing of the maturities, terms, conditions and covenants of them as provided in (a), (b) and (c) of this section, the decisions of the committee shall be those found to be reasonably necessary for the best interests of the state and its inhabitants, and those which will accomplish the most advantageous sale of

the bonds, with due regard, however, to necessary or normal costs of maintenance and operation, renewals and replacements of and repairs to the airports and to all improvements to them and facilities of them owned, used, operated or leased in connection with them, the future growth and expansion of the airports and all of such facilities, and the possibility of additional revenue bond financing for airports purposes. Any such decisions of the committee, as expressed in any bond resolution, are final and conclusive when any bonds have been issued pursuant to the bond resolution.

(e) A bond resolution may provide that the bonds issued shall contain a recital that they are issued under AS 37.15.410 — 37.15.550, and any such bonds containing this recital shall be conclusively considered to be valid and to have been issued in conformity with AS 37.15.410 — 37.15.550.

(f) The validity of the authorization and issuance of bonds is not affected by any proceedings for the acquisition or construction of the additions, improvements, extensions or facilities for which the bonds have been issued or by any contracts in connection with the acquisition or construction. (§ 1 ch 149 SLA 1972; am §§ 1, 2 ch 19 SLA 1973; am § 4 ch 85 SLA 1980; am § 5 ch 110 SLA 1982)

Revisor's notes. — AS 37.15.450 was derived from § 7, ch. 88, SLA 1961, as amended by § 8, ch. 62, SLA 1968 and § 3, ch. 173, SLA 1970. In the last sentence of what is now designated subsection (b), the only differences between the wording here and in those earlier versions are that "hereafter" was changed to "after the effective date of this Act" and "authorized by this Act" (in two places) was changed to "authorized as of that date." The latter change suggests that the date referred to in the former change is June 27, 1972, the effective date of the Act putting these provisions in the Alaska Statutes, rather than

April 15, 1961, the effective date of the original international airports bond authorization Act. Therefore, under AS 01.05.031(b)(5), the 1972 date has been inserted in the text.

Effect of amendments. — The 1980 amendment substituted "10" for "eight" preceding "percent per year" near the end of the next-to-last sentence of subsection (a).

The 1982 amendment substituted the language beginning "11 percent per year" for "10 percent per year" at the end of the next-to-last sentence of subsection (a).

Sec. 37.15.460. Bond resolution. The committee is authorized and directed to adopt the bond resolution and prepare all other documents and proceedings necessary for the issuance, sale and delivery of the bonds or any part or series of them. The bond resolution shall fix the principal amount, denomination, date, maturities, place or places of payment, rights of redemption, if any, terms, form, conditions and covenants of the bonds or each series of them. The committee shall also determine and provide for the date and manner of sale of the bonds, and shall provide whether the notice of sale is to be published elsewhere in addition to the publication required by AS 37.15.450. (§ 1 ch 149 SLA 1972)

Sec. 37.15.470. Enforcement by holder. The holder of any bonds or the trustee for the holders of the bonds or any series of them, may by appropriate proceedings in the courts of record of the state, require and compel the transfer, setting aside and payment of money and the enforcement of all of the terms, conditions and covenants as required and provided in AS 37.15.410 — 37.15.550 and in the bond resolution. (§ 1 ch 149 SLA 1972)

Sec. 37.15.480. Amounts required for payments. The committee shall, before December 31 of each year, commencing with the year in which the bonds are issued, certify to the commissioners of revenue and transportation and public facilities the amounts required in the next ensuing calendar year by the bond resolution or resolutions to be paid out of the revenue fund into the bond redemption fund and to be paid into and maintained in any reserve fund or account or any other fund or account created by the bond resolution or resolutions, and shall also certify to the commissioners the last date or dates upon which payments may be made. (§ 1 ch 149 SLA 1972)

Sec. 37.15.490. Bond negotiability. The bonds and the coupons attached to them are fully negotiable instruments under the laws of the state. (§ 1 ch 149 SLA 1972)

Sec. 37.15.500. Airport charges. The commissioner of transportation and public facilities shall fix and collect such fees, charges and rentals derived by the state from the ownership, lease, use and operation of the airports and all of the facilities and improvements of them or used in connection with them as will provide revenues sufficient to comply with all of the covenants of the bond resolution. (§ 1 ch 149 SLA 1972)

Sec. 37.15.510. State improvements to airports. The state is authorized to acquire, equip, construct and install additions and improvements to and extensions of the airports, facilities for the landing, parking, loading, storing, repairing, safety and utility of aircraft at the airports and passenger, freight and terminal facilities, including safety equipment and devices at the airports, found to be necessary by the commissioner of transportation and public facilities. (§ 1 ch 149 SLA 1972)

Sec. 37.15.520. Refunding. (a) The bonds or any part of them may be refunded at or before their maturity by the issuance of refunding revenue bonds of the state if in the opinion of the committee refunding is advantageous to and in the best interests of the state and its inhabitants.

(b) The issuance of refunding bonds need not be authorized by an Act of the legislature, and the committee is authorized and directed to adopt the resolution or resolutions and prepare all other documents and proceedings necessary for the issuance, exchange or sale, and

delivery of such bonds. All provisions of AS 37.15.410 — 37.15.550 applicable to revenue bonds are applicable to the refunding bonds and to the issuance, sale or exchange of them, except as otherwise provided in this section.

(c) Refunding bonds may be issued in a principal amount sufficient to provide funds for the payment of all bonds to be refunded by them, and, in addition, for the payment of all expenses incident to the calling, retiring or paying of the outstanding bonds, and the issuance of the refunding bonds. These expenses include the difference in amount between the par value of the refunding bonds and any amount less than par for which the refunding bonds are sold, any amount necessary to be made available for the payment of interest upon the refunding bonds from the date of sale of them to the date of payment of the bonds to be refunded or to the date upon which the bonds to be refunded will be paid pursuant to the call of them or agreement with the holders of them, and the premium, if any, necessary to be paid in order to call or retire the outstanding bonds and the interest accruing on them to the date of the call or retirement. (§ 1 ch 149 SLA 1972)

Collateral references. — Funding or refunding obligations as subject to conditions respecting limitation of indebtedness or approval by voters, 97 ALR 442.

Power of governmental unit to issue bonds as implying power to refund them, 1 ALR2d 134.

Sec. 37.15.530. Bonds as legal investments. The bonds are legal investments for all banks, trust companies, savings banks, savings and loan associations and other persons carrying on a banking business, all insurance companies and other persons carrying on an insurance business, and all executors, administrators, trustees and other fiduciaries. The bonds may be accepted as security for deposits of all funds of the state and its political subdivisions. (§ 1 ch 149 SLA 1972)

Sec. 37.15.540. Statutory construction. AS 37.15.410 — 37.15.550 shall be liberally construed in order to carry out the purposes for which they were enacted, and all existing laws in conflict with any of these sections are superseded insofar as necessary to accomplish the purposes of and carry out the provisions of these sections. (§ 1 ch 149 SLA 1972)

Sec. 37.15.550. Definitions. As used in AS 37.15.410 — 37.15.550, unless the context otherwise requires:

(1) "airports" means the international airports owned and operated by the state and located at or near the cities of Anchorage and Fairbanks;

(2) "bond redemption fund" means the International Airports Revenue Bond Redemption Fund created by AS 37.15.440, including any accounts which are created in that fund after June 27, 1972;

(3) "bond resolution" means the resolution or resolutions authorizing the issuance of bonds, adopted by the committee under AS 37.15.460;

(4) "bonds" means the international airports revenue bonds authorized by AS 37.15.410 — 37.15.550;

(5) "commissioner of transportation and public facilities" means the principal executive officer of the Department of Transportation and Public Facilities of the state as provided in AS 44.42.010, or a successor;

(6) "commissioner of revenue" means the principal executive officer of the Department of Revenue of the state as provided in AS 44.25.010, or a successor;

(7) "committee" means the state bond committee created by AS 37.15.110, or any other committee, body, department or officer of the state which or who succeeds to the rights, powers, duties and obligations of the state bond committee by lawful Act of the legislature;

(8) "construction fund" means the International Airports Construction Fund created by AS 37.15.420;

(9) "revenue fund" means the International Airports Revenue Fund created by AS 37.15.430. (§ 1 ch 149 SLA 1972)

**A Review of Debt Capacity
and Debt Management
for the State of Alaska**

**Report to the
Legislative Budget and Audit Committee,
State of Alaska Legislature**

August, 1983

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CHAPTER I

EXECUTIVE SUMMARY

The changing nature of tax-exempt borrowing, including the shift from traditional tax-supported government bonds to revenue-backed bonds, the rise and volatility in interest rates, the reliance upon individual investors in contrast to institutional lenders, and changes in federal law concerning various aspects of tax-exempt financing, has resulted in states generally being more attentive to debt management and debt policy. This study of State debt management comes at a propitious time. While the past growth of tax-exempt borrowing by issuers bearing the Alaska name has been rapid and sizeable, new programs and proposals before the legislature indicate that the demand for new spending and borrowing is far from sated. At the same time, recent reductions in the market price for petroleum and the unpredictability of its future supply and price raise uncertainties about the level and viability of the principal source of governmental revenues that directly or indirectly supports many of Alaska's borrowing and spending programs.

The interdependence of the Alaskan economy and its oil wealth creates a paradox for assessing the State's debt management and debt capacity. Oil revenues have enabled the State and local governments to borrow at unusually high levels — in terms of per capita amounts of debt — and have provided the financial security required by investors in the State's bonds. It is the reliance on these same oil revenues, however, that is the principal weakness of the Alaska credit as a long-term issuer of tax-exempt bonds and that makes assessment of the State's future debt capacity very difficult.

To be effective, debt management must join the capital needs of the State and its constituent governmental units with the ability to achieve bond market access on affordable terms. Market access is a function of debt capacity, debt burden, and perceived ability to pay; it is also conditioned importantly by the overall forces that shape borrowing needs nationally and the willingness of investors to supply funds. The private credit market, where public debts are sold, decides what borrowers will be accommodated and at what cost — from a fluctuating but always limited pool of lendable funds. While Alaska is concerned first and foremost with the cost and availability of credit for its own needs, Alaska bonds compete with other governmental obligations from all parts of the country. The terms offered Alaska borrowers by the marketplace are strongly influenced by the volume and quality of competing claims from other borrowers. Hence, it is in Alaska's interest to offer a well-structured, high-quality security in order to obtain funds, and to obtain them at acceptable interest rates.

Effective debt management must also provide State and local issuers and the State's debt managers with the flexibility to react quickly and responsibly to changes in the financial markets. That the tax-exempt bond market is highly

sensitive to changes in the federal tax code was obvious in late 1982 as the pendency of the bond registration requirement brought a flood of issues to market. Now, as a result of this legislation, the primary and secondary market acceptance of an issuer's securities will in part depend on a timely, accurate and efficient transfer process (discussed on pages 35-36). Changes in other federal tax provisions can also sharply affect the demand for tax-exempt bonds. Chapter Two includes a survey of the tax acts of 1981 and 1982, and their impacts on the municipal bond market. These changes, like volatility in interest rates, are factors over which the State has little control. However, a responsible and flexible debt management program places the State in the best position to respond effectively to events that may effect the State's borrowing.

State-Level Debt

The evidence presented in this study shows that Alaska debt has grown from 0.7 to 1.8 percent of annual national tax-exempt bond market volume since 1970. The rising market share accorded Alaska bonds has been the result of an increase in the State's annual volume of new debt issues from \$134 million to \$1.4 billion between 1970 and 1982. Chapter Three documents the increase in borrowing and includes a profile of the major State debt issuers. Of all State-level issuers in Alaska, the Alaska Housing Finance Corporation has issued the largest amount of public debt -- over 62 percent of State-level debt and and over 44 percent of all State-wide debt (including local government obligations) outstanding -- and is the State's most frequent and best-known borrower.

At a time when we have seen the national credit rating agencies downgrade the credit rating of many states, Alaska can be proud of its rating upgrade over the past 10 years from a Baa to an AA credit. Credit analysts and the market itself have recognized the quality of Alaska's bonds as an investment. The evidence shows that Alaska now trades on par with such strong AA credits as Connecticut and Ohio. Chapter Four presents the results of our study of the State's past market experience. The data show that Alaska has consistently experienced lower borrowing costs than other states with similar ratings. Evidence to support this comes from the lower underwriting spreads, larger number of bids, and the lower interest rates on Alaska bonds as compared to those of other states of similar high quality.

State Bond Committee

In spite of the strong past performance of the State's bonds, the mid-1980s is a good time for the State of Alaska to broaden and strengthen the role of the State in debt management and oversight, particularly through the State Bond Committee (see pages 157 to 160). Recent fluctuations in the worldwide price of oil and the decline of Prudhoe Bay oil production within the ten-year range have alerted investors to the "boom and bust" nature of the Alaskan economy. These two events will be important factors behind the ability of the State to issue further debt in the coming years. One major role for a newly

reconstituted State Bond Committee would be oversight of the State's total indebtedness. It is not intended that the State Bond Committee supplant the activities or authority of independent agencies and corporations; however, it is vital that the State annually review and assess its debt position -- including within that review all State-level debt -- relative to the State's debt capacity and priorities for future public investment.

In order to carry out its expanded scope of activity, the State Bond Committee should be restructured. The chairmanship should reside in a senior-level fiscal official -- such as the Commissioner of Revenue or the Director of the Office of Management and Budget -- who is actively involved in the State's debt management. The Commissioner of Commerce and Economic Development is the Committee's present chair. Expanding the membership to include a representative from the governing board of a State corporation, and the Commissioner of Community and Regional Affairs would emphasize the interrelationship of the State, its agencies, and local government in the debt management area. To assist in fulfilling its expanded duties, the Committee should be staffed full-time by a professional in the field of public finance.

The Committee should be given the responsibility to take a global view of the State's debt-related activities in a formal manner, not in the loose, informal way that is presently said to exist. The State may wish to require that each entity of the State which is authorized to issue bonds annually file a debt financing plan with the State Bond Committee. From these plans a master debt issuance schedule may be compiled to inform and assist all debt issuers in the State. The schedule could be updated monthly or on an "as-needed" basis as financing plans change. The State Bond Committee should also annually prepare a comprehensive profile of outstanding debt and monitor its impact on the State's fiscal condition. Special attention in this review should be paid to the level of the State's contingent liabilities, such as moral obligation debt, and changes in the growth and composition of local debt.

It is advised that the State develop written debt management guidelines that include several criteria for evaluating the desired and affordable level of debt issuance in lieu of a legislative ceiling on debt issuance. The State Bond Committee should be responsible for implementing these guidelines by reviewing each State-level bond issue before it is brought to market. The Committee's only power in this regard would be to defer or veto an issuance because the security structure or sources of repayment are inadequate or the issue jeopardizes the financing plans or creditworthiness of the State. Likewise, if the State wishes to maintain its present interest rate ceiling on the issuance of bonds, it is preferable to set such a ceiling administratively rather than legislatively.

Debt Capacity and Affordability

The analysis of debt capacity is addressed in Chapter Seven. Comparisons of State debt with that of other states indicates that Alaska is an "outlier" with extremely high ratios of debt per capita and debt per \$1,000 of personal

income. Therefore, it is necessary to look in-depth at the State's revenue sources to assess its capacity for further debt issuance. Determination of the affordable level of general obligation debt essentially depends upon the State's ability and willingness to pay debt service now and in the future on any amounts borrowed. For the immediate future, Alaska's debt capacity will be determined by the amount of general fund revenues that the State wishes to allocate to the payment of debt service and the preservation of the permanent fund. Thus, short-term affordability depends exclusively on the fluctuating level and uncertain future of oil revenues as long as the State's source of funds to repay debt is tied to this single source. In the longer term, when the State's oil wealth has subsided, the ability of Alaska to issue debt will depend upon the stability and breadth of the State's economy. Without its extensive petroleum resource base Alaska will become much more like other states and analysis of its debt capacity will follow the traditional steps outlined in pages 196 to 206.

The methodology for evaluating Alaska's short-term debt affordability is presented on pages 218 to 222. If the State maintains its current ratio of debt service to revenues at the five percent level and continues to issue debt with maturities within the known and predictable range of State revenues, the State's creditworthiness will be preserved. If the State wishes to have debt service comprise a larger share of the State budget (to a maximum of 10 percent), debt capacity would be increased -- although this would force trade-offs against other State spending priorities and possibly result in a decline in the State's AA credit rating. Through 1990, the State's general obligation debt capacity is estimated to range from \$252 million to \$1.2 billion, depending upon the level of current revenues the State decides to commit to the payment of debt service.

Because of the frequent changes in petroleum prices and their impact on State revenues, the affordability analysis along the lines presented in this report must be continually updated. Revisions should take place at least quarterly when the Department of Revenue releases long-range revenue forecasts and when ever the State issues general obligation debt. Such analysis will provide the State Bond Committee with important information to be used in formulating future debt issuance plans.

Even though the affordability of revenue bonds is principally determined by the adequacy of the revenue stream pledged to repayment of the bonds, along with the market's acceptance of the security structure behind the bonds, revenue bonds indirectly affect the State's debt capacity. To the extent that revenue bonds are supported by a pledge of the State's moral obligation, or their issuance creates an oversupply of bonds bearing the Alaska name in the marketplace, the State's ability and willingness to carry debt will be affected.

Use of Moral Obligation Bonds

We do not see the possibility of entirely eliminating the use of the State's moral obligation pledge in the case of all Alaska financings. Where it is possible to avoid its use, such as in the case of Alaska Housing Finance Corporation

bonds, it should be avoided. The moral obligation pledge should not be treated as a right, available to most State issuers, as it is at present. Rather, it should be considered a privilege, an indication to the bond market that, after close scrutiny, the State believes the project meets public policy objectives and is financially sound. The State Bond Committee should have the responsibility for determining the necessity of the moral obligation to an agency's borrowing program, and its potential impact on the State's creditworthiness.

If moral obligation debt increases at a time when overall State revenues are stable, are growing at a rate less than the growth in contingent liabilities, or are declining, the moral obligation burden may encumber the State's credit capacity. Such an occurrence would make general obligation debt more costly and, therefore, less affordable due to weaker credit quality. Hence, the importance for including contingent debt in the State Bond Committee's annual review of the State's outstanding debt.

If it were not for the Permanent Fund, the limited sources of State revenue would cause investors to discount the moral obligation pledge heavily. The mere existence of the Permanent Fund provides comfort to bondholders that the State would be able to meet its moral obligations, if necessary, even though such action is not constitutionally permitted and would require a change in law. Any attempt to erode the principal of the Fund, or to otherwise weaken its position should, therefore, be avoided.

Capital Financing Plan

Demonstrating keen fiscal management and attention to capital financing and debt management is especially important to Alaska because of the uncertainties surrounding State revenues. The State must wisely allocate scarce resources to its developing economy in a manner that balances capital investment with the return on that investment yielding a diverse and broadened economy that will be able to maintain the public infrastructure put in place. Accordingly, the need for a capital financing plan linked to a comprehensive capital improvement plan is evident. (see pages 165 to 174)

The quality of financial reporting is an important element in a capital financing plan and to the complete debt management picture. While Alaska's financial reporting is complete, it does not conform to generally accepted accounting principles (GAAP). States that use an accounting system that conforms to, and is consistent with, GAAP benefit in several ways (see pages 174-175). It is recommended that the State consider converting its annual financial reports to GAAP. Such action will provide the State with vital information on its financial condition, encourage the State to take a global view of outstanding debt, improve financial management, and will be looked upon favorably by investors in the State's bonds.

General Debt Management

Specific debt management practices being used in the State could be improved. The State and its agencies recognize the importance of securing professional advice on debt issuance. However, financial advisors and bond counsel are typically compensated based on a percentage of the amount of bonds sold. Tying the advisor's compensation to the amount of bonds sold or the successful delivery of the bonds builds in an unnecessary risk of conflict of interest. The State should review its method of compensation for financial advisory services and seek arrangements that do not encourage conflicts between the advice and the payment for the advice. In this regard, a flat fee -- such as a base retainer and hourly rates -- is to be preferred over a fee based upon the amount of bonds issued. (see pages 185 to 190).

There is a place for both negotiated and competitive techniques for selling bonds in a debt management and debt marketing strategy. The approach which is judged to provide the greatest market reception and lowest interest cost should be followed. While each bond issue is unique, it appears that some bond issues presently being sold by negotiation by the State, for example, those of the Alaska Housing Finance Corporation, would be candidates for a competitive sale. (see pages 182 to 184).

Neither the State Bonding Act nor the State statutes regarding municipal debt specify the method by which effective interest rate on a competitive bond sale must be determined. However, the State and most municipalities have chosen to use the net interest cost (NIC) method to compare alternative bids at competitive sale. This method may not be in the best interests of the State because the winning bid on a NIC basis does not necessarily result in the lowest true interest cost (TIC) -- a measure of the "true" cost of borrowing money that takes into account the time value of money. We recommend that the State Bond Committee review the current rules that govern the award of the State's competitive general obligation bond issues, and that municipalities be encouraged to do so as well, with a view toward awarding bond issues on the basis of TIC. (see pages 179 to 181).

Local Government Debt

Local governments in Alaska have issued approximately 29 percent of all State-wide debt. The analysis of local government borrowing in Chapter Five indicates that the bonds of Alaska's localities sell at yields significantly above the average for the overall market. Furthermore, the evidence indicates that yields on the North Slope Borough's debt are vastly higher than the average for other Alaska municipalities. The most significant comparison of local and State bond issuance is the markedly higher underwriting cost on local issues. Compared to other states, local governments in the Alaska rely on general obligation bond financing at twice the national rate. Given the high levels of debt that have been issued by the State's localities, the much higher than average interest costs of Alaska's local debt, and the loss to the State of revenues from taxes levied by certain localities to pay the annual debt service on their debt, the State may wish to analyze further local bond market experience and State policies regarding local debt management. The State

should take the lead in implementing programs that encourage the prudent use and guard against the misuse of local debt issuance.

Currently the State is being short-changed by those localities that levy a high amount of taxes on oil production property in order to finance debt service. Because taxes paid to the locality are credited towards State property tax liability, this represents a direct revenue loss to the State. It is, therefore, in the State's interest to address the absolute level of debt issuance by its localities. It is recommended that the State develop a two-tiered ceiling on local debt issuance, based on per capita amounts of debt and a percentage of property value.

Specific State-level programs which can assist local borrowers and improve local debt management are covered in pages 136 to 141. In evaluating alternative State policies, the State must consider both the direct budgetary costs of the programs and the indirect effects on the State's own credit worthiness, and the amount of autonomy the State wishes its localities to enjoy. A reasonable compromise between encumbering the State's debt capacity and providing greater financial assistance to local governments would be to expand the role of the Municipal Bond Bank. Our review of the Bank's market performance indicated that, compared with other state bond banks, the Alaska Bond Bank has the potential for saving as many as 50 basis points in borrowing cost by undertaking an active national marketing effort. The State should review the present security structure behind the Bank's bonds with the view toward improving their market reception by taking advantage of the State's high creditworthiness.

The State's present program to subsidize the cost of school construction is an expensive undertaking; however, its cost could be minimized through attention to the cost of the project and to the means of financing during the Department of Education's approval process. Further alternatives include the issuance of State general obligation bonds in lieu of local school construction bonds, and requiring the Municipal Bond Bank to issue all school construction debt.

GFRC Debt Study Recommendations

1. State Bond Committee

a) Oversight responsibilities of the State Bond Committee should include all State-level debt.

b) Committee Chairman should be Commissioner of Revenue or Director of O.M.B., as they are actually involved in the State's Debt Management.

c) Membership of State Bond Committee should be expanded to include the Commissioner of Community and Regional Affairs and the head of a debt issuing agency (AHFC, AIDA, etc.).

d) State Bond Committee should have a full time professional staff person who is an expert in public finance.

e) State Bond Committee should require annual financing plans from each authorized issuer of bonds.

f) The State Bond Committee should prepare an annual profile of outstanding debt and monitor its impact on the State's fiscal condition.

g) State Bond Committee should develop written debt management guidelines.

2. Debt Capacity:

To preserve State's credit worthiness the State should keep its debt service-to-revenue ratio to 5%, and the State should keep maturities within the known and predictable range of State revenues (we could go to as high as 10%, but we would face tradeoffs against other spending priorities and it could result in a lowering of the State's AA rating).

3. Moral Obligation Bonds:

a) Where possible, use of the moral obligation should be avoided. The moral obligation should be a privilege not a right. State Bond Committee should make the determination.

b) Existence of the Permanent Fund provides comfort to bondholders that the State would be able to meet its moral obligation (even though not presently permitted by the Constitution), so any attempt to erode the principal of the Fund should be avoided.

4. Capital Financing Plan:

- a) A plan linking a capital financing plan to our long range capital improvement plan is necessary.
- b) The State should consider bringing its accounting system into conformance with Generally Accepted Accounting Principles (GAAP).

5. Local Government Debt Management

- a) The State should take the lead in implementing programs that encourage the prudent use, and guard against the misuse, of local debt issuance.
- b) The State should take steps to improve the market performance of the Municipal Bond Bank and use of the Bond Bank by all localities should be encouraged.
- c) The State should develop a two-tiered ceiling on local debt issuance, based on per capita amounts of debt and as a percentage of property values.
- d) The current State program to subsidize school construction should be replaced.

6. General Debt Management:

- a) Financial advisors and bond counsel should be paid on a flat fee basis rather than as a percentage of the bond issue to avoid any conflicts between the advice and payment for advice.
- b) Greater use of competitive bidding versus negotiated sales should be used when possible. For example: AHFC issues.
- c) Bonds should be bid on the basis of true interest cost, not net interest cost, as is presently done.

ANNUAL STATE DEBT ISSUANCE 1970 TO 1982 (MILLIONS OF DOLLARS)

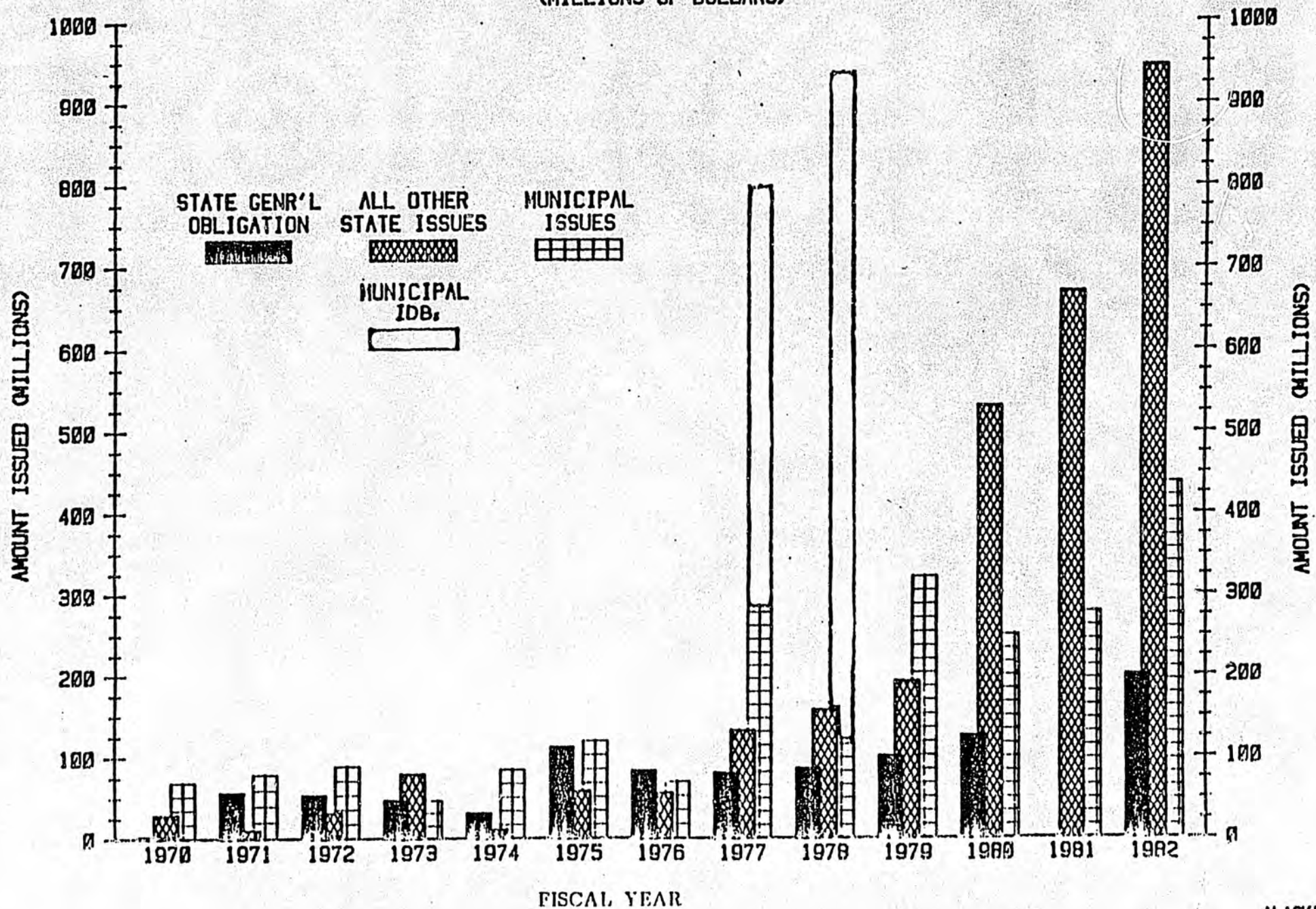


Table 3.2

Volume of New Tax-Exempt Bond IssuesAlaska, 1970 - 1982

(dollar amounts in millions)

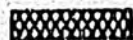
Year	Number	Total New Issues Amount	General Obligations Percent of Total		Revenue Bonds Percent of Total	
			Amount		Amount	
1970	24	\$134.3	\$ 88.1	66%	\$ 5.2	34%
1971	24	135.5	107.5	79	28.0	21
1972	23	150.3	104.9	70	45.3	30
1973	28	222.0	130.5	59	91.5	41
1974	20	161.4	79.5	49	81.9	51
1975	32	279.9	182.7	65	97.2	35
1976	24	284.9	170.9	60	114.0	40
1977	25	1659.6	155.4	9	1504.2	91
1978	27	552.2	264.3	48	287.9	52
1979	19	591.1	198.8	34	392.3	66
1980	11	809.7	340.8	42	468.9	58
1981	16	501.8	150.6	30	351.2	70
1982	42	1397.5	885.9	63	511.6	37

Source: Public Securities Association

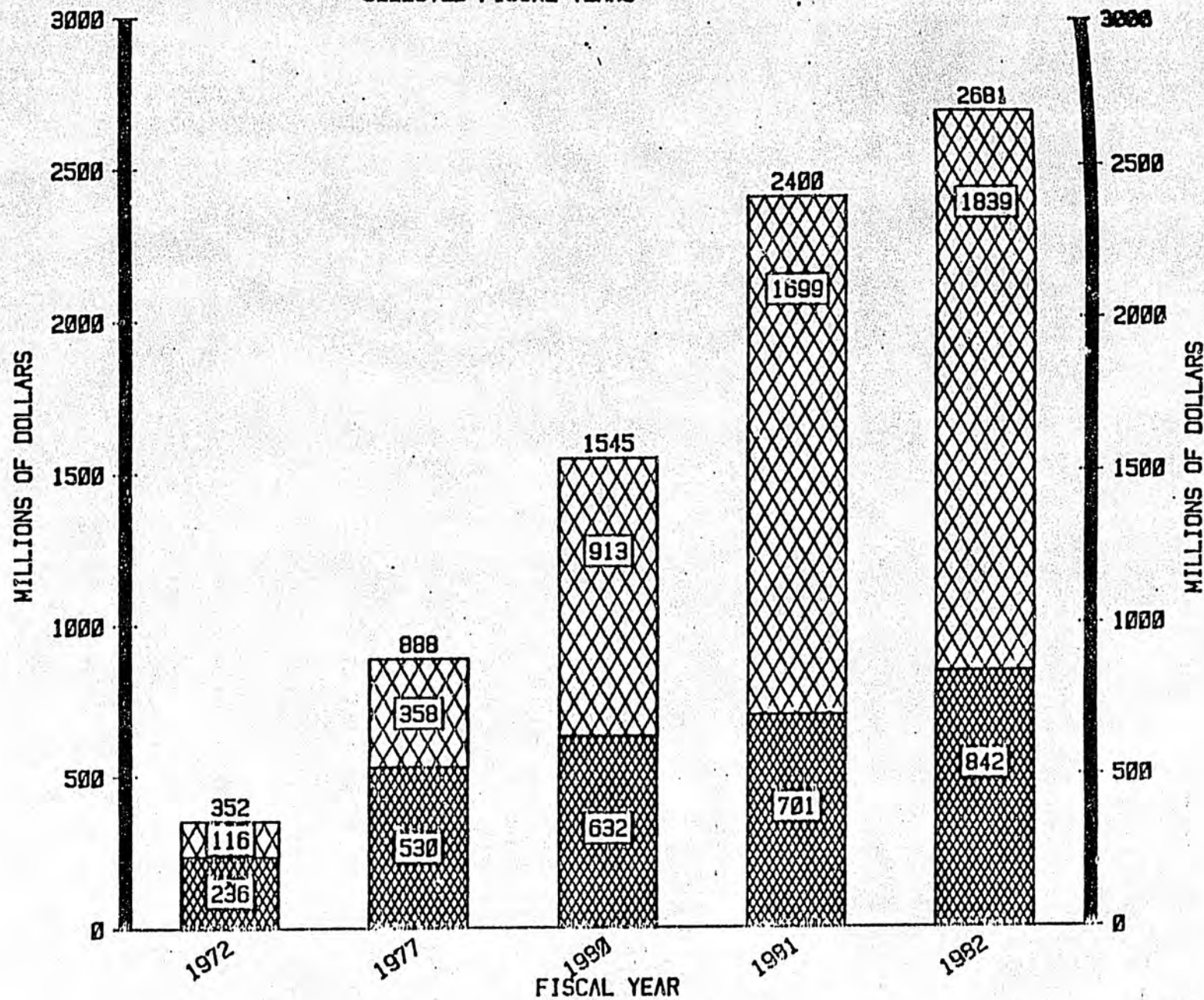
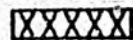
COMPOSITION OF STATE DEBT OUTSTANDING

SELECTED FISCAL YEARS

DEBT-GENERAL
OBLIGATION



DEBT-OTHER



ALASKA

TOTAL STATE DEBT OUTSTANDING BY ISSUER (DOLLARS IN 000'S AS OF APRIL 1, 1983)

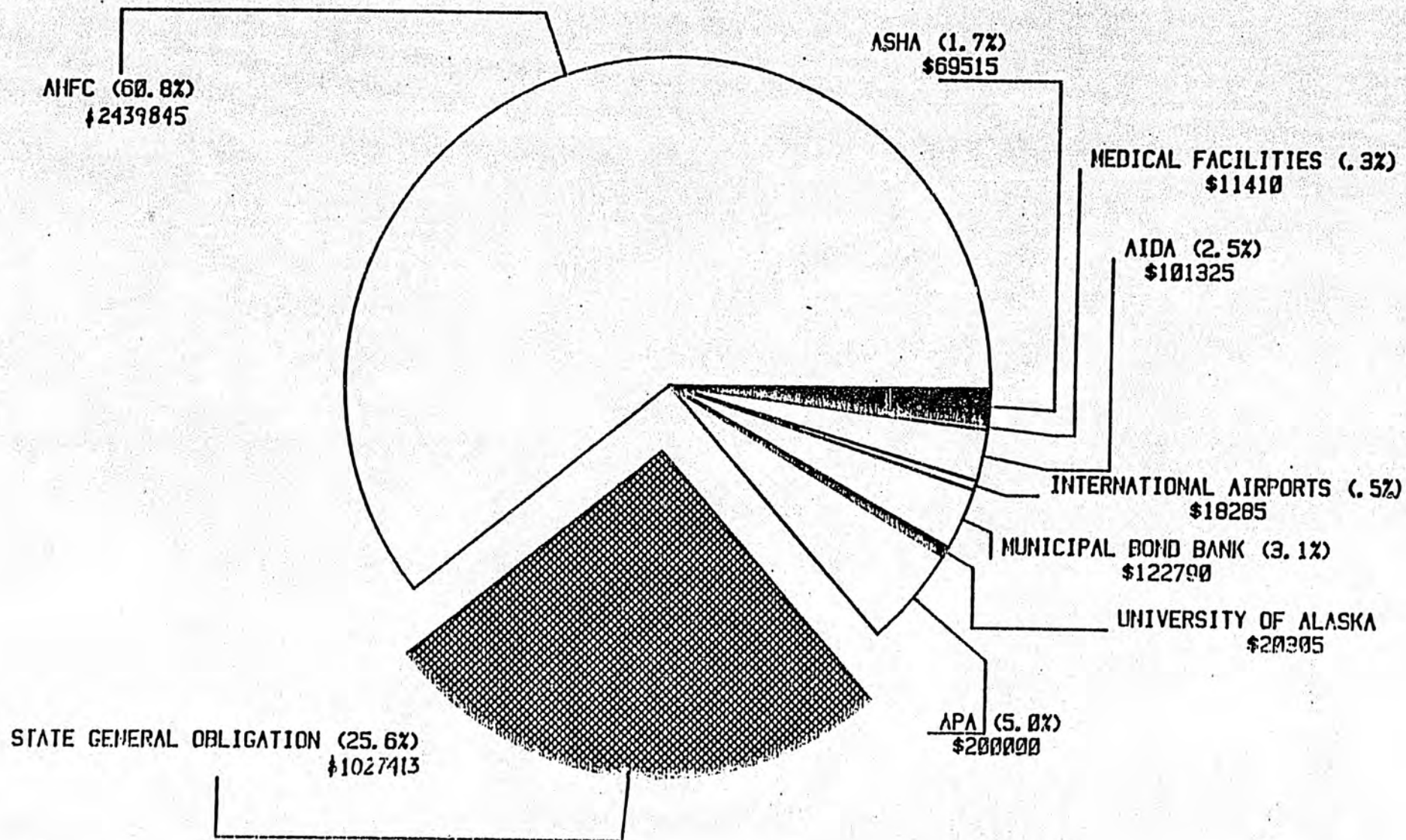


Exhibit 3.3

Table 3.5

State of Alaska
Total Public Debt Outstanding
(000s)

<u>Issuer</u>	<u>Amount Outstanding as of 6/30/82</u>	<u>Amount Issued 6/30/82 to 6/1/83</u>	<u>Total^{1/}/ Outstanding</u>	<u>Percent of State- Level Debt</u>	<u>Percent of State- Wide Debt</u>
<u>STATE LEVEL</u>					
State General Obligation	\$ 842,413	\$185,000	\$1,027,413	24.8%	17.7%
Alaska Housing Finance Corp.	2,004,845	560,000	2,564,845	62.0	44.2
Alaska Power Authority	200,000	-0-	200,000	4.8	3.5
Municipal Bond Bank	94,805	26,985	122,790	3.1	2.1
Alaska Industrial Development Auth.	77,875	23,450	101,325	2.5	1.7
Alaska State Housing Agency	67,125	2,390	69,515	1.7	1.2
University of Alaska	20,305	-0-	20,305	0.5	0.5
International Airports	18,285	-0-	18,285	0.4	0.4
Medical Facilities	11,410	-0-	11,410	0.2	0.2
State Development Corporation	50	-0-	50	0.0	0.0
TOTAL STATE LEVEL OUTSTANDING			\$4,135,938	100.0%	
<u>LOCAL LEVEL</u>					
Municipal G.O.	\$1,316,300	N/A	\$1,316,300		22.7%
Municipal Revenue	347,536 ^{2/}	N/A	347,536		5.8
TOTAL LOCAL LEVEL OUTSTANDING			\$1,663,836		
TOTAL STATE-WIDE OUTSTANDING			\$5,799,774		100.0%

^{1/} This column does not account for debt retired between 6/30/82 and 4/1/83.
^{2/} FY 1981 Figure from Moody's Investors Service.

Table 3.16

State of Alaska Classification of Outstanding Debt
(amounts in millions)

	Amount Outstanding June 30, 1982	Amount Retired	Amount Issued	Amount Outstanding May 30, 1983	Percent of State-Level Debt
Direct Debt					
General Obligation Debt	\$842.2	\$81.2	\$185.0	\$946.2	23.5%
Alaska State Housing Auth.					
Lease-Revenue Bonds	67.1	3.7	-0-	63.4	1.6
University of Alaska	20.3	1.1	-0-	19.2	0.5
NET TAX-SUPPORTED DEBT	\$929.8	\$86.0	\$185.0	\$1,028.8	25.6%
Indirect Debt (moral obligation)					
Alaska Housing Finance Corp.					
State Guaranteed Veterans Housing	-0-	-0-	\$175.0	\$175.0	4.3%
Insured Mortgage Bonds	\$963.3	\$ 10.6	-0-	952.7	23.6
Home Improvement Loan Bonds	15.0	-0-	-0-	15.0	0.4
Alaska Industrial Devel. Authority	77.9	3.3	23.4	98.0	2.4
Alaska Power Authority	200.0	-0-	-0-	200.0	5.0
Alaska Municipal Bond Bank	95.8	2.9	27.0	119.9	3.0
Alaska State Devel. Corporation	11.4	0.3	-0-	11.1	0.3
Low Income Housing Bonds	-0-	-0-	2.4	2.4	0.0
Indirect Debt (special obligation)					
International Airport Authority	18.3	0.8	-0-	17.5	0.5%
TOTAL INDIRECT DEBT	\$1,381.8	\$ 17.9	\$227.8	\$1,591.6	39.5%
TOTAL DIRECT AND INDIRECT STATE DEBT	\$2,311.6	\$103.9	\$412.8	\$2,620.4	65.1%
Other State-Level Debt					
Alaska Housing Finance Corp.					
State Assisted Mortgage Bonds	\$675.0	-0-	\$200.0	\$875.0	21.7%
Housing Mortgage Program Bonds	96.2	\$ 2.2	-0-	94.0	2.3
Home Mortgage Bonds	200.0	-0-	185.0	385.0	9.6
Second Mortgage Bonds	27.0	-0-	-0-	27.0	0.6
Fairbanks Residential Mortgage	28.3	-0-	-0-	28.3	0.7
TOTAL OTHER STATE-LEVEL DEBT	\$1,026.5	\$ 2.2	\$385.0	\$1,409.3	34.9%
TOTAL STATE-LEVEL DEBT	\$3,338.1	\$106.1	\$797.8	\$4,029.7	100.0%

Table 5.1

Estimated Alaska Municipal Debt
(Millions)

Fiscal Year	Amount of Revenue and G.O. Debt Issued	Amount Outstanding		Revenue Debt Outstanding as % of Total
		G.O.	Rev.	
1971	78.7	\$230.9	\$ 56.3	19.6%
1972	88.9	279.2	81.0	22.5
1973	46.8	319.9	70.3	18.0
1974	85.3	345.1	77.6	16.4
1975	120.2	415.8	94.8	18.6
1976	70.1	452.5	99.4	18.0
1977	220.8	514.1	215.7	29.6
1978	178.2	449.5	277.7	38.2
1979	320.9	731.6	286.3	28.1
1980	250.0	809.4	316.0	28.1
1981	277.7	1,030.2	347.4	25.2
1982	515.0	1,316.2	N/A	N/A

Source: U.S. Department of Commerce, Bureau of the Census, Governmental Finances, various years, and Moody's Investors Service, Inc. Municipal Bond Record, 1983.

Table 5.2
State of Alaska
Local Government Debt

City/Borough	General Obligation Debt Outstanding 7-1-82 ¹	Revenue- Supported Debt Outstanding ² 12-31-81	Moody's Rating ³
North Slope	\$587,400,000	-0-	A
Anchorage	261,010,000	\$236,660,000	A1/Baa
Kenai Peninsula	98,999,603	-0-	A
Valdez	84,460,000	9,200,000	A
Fairbanks North Star	83,158,350	35,000,000	A/Aa
Matanuska-Susitna	65,218,090	-0-	A
Juneau	27,904,000	146,000	Baal
Kodiak Island	20,042,372	-0-	Baal
Sitka	17,486,200	5,168,000	Baal
Ketchikan Gateway	14,495,000	-0-	Baal
Fairbanks	11,915,000	36,400,000	A
Ketchikan City	8,110,000	12,567,000	Baal/Baa
Bristol Bay	3,895,000	-0-	NR
Kenai	3,695,000	280,000	NR
Palmer City	3,629,401	-0-	NR
Unalaska	3,500,000	456,000	NR
Kodiak City	3,250,000	4,295,000	Baa
Petersburg	2,995,000	2,526,000	Baal
Homer City	2,877,000	1,096,000	Baa
Nenana	2,725,000	-0-	NR
Wrangell	2,578,000	612,000	NR
Skagway	1,826,325	-0-	NR
Cordova	1,673,200	1,611,000	NR
Haines	923,310	-0-	NR
Haines City	805,000	-0-	NR
Bethel	585,000	-0-	NR
Nome	507,872	960,000	NR
Seldovia	430,000	55,000	NR
Dillingham	73,000	231,000	NR
Craig	37,498	93,000	NR
Totals	\$1,316,294,221	\$347,356,000	

NOTES: 1. From Department of Community and Regional Affairs, Alaska Taxable 1982.

2. From Moody's Investors Service, Moody's Municipal and Government Manual 1983, and Department of Community and Regional Affairs.

3. When two ratings are given, the first applies to general obligation debt, and the second to the majority of revenue bonds.

NR = Not Rated.

Table 5.3

Municipal Debt Ratios

<u>City/Borough(population)</u>	<u>G.O. Debt Per Capita</u>	<u>Debt as % of Assessed Value</u>
North Slope *	\$77,781	7.10%
Anchorage *****	1,278	2.46
Kenai Peninsula ***	3,064	4.45
Valdez *	22,864	4.97
Fairbanks North Star ****	1,146	2.78
Matanuska-Susitna ***	2,508	5.42
Juneau **	1,267	2.69
Kodiak Island **	1,576	4.58
Sitka *	2,127	4.15
Ketchikan Gateway **	1,166	2.17
Fairbanks ***	463	1.12
Ketchikan City *	1,043	2.58
Bristol Bay *	3,064	4.45
Kenai *	706	1.80
Palmer City	1,438	3.93
Unalaska *	1,821	4.76
Kodiak City *	553	1.00
Petersburg *	985	2.32
Homer City *	993	1.85
Nenana *	5,046	30.39
Wrangell *	1,085	2.94
Skagway *	2,312	3.21
Cordova *	747	1.44
Haines *	499	1.30
Haines City *	746	0.23
Bethel *	159	0.41
Nome *	148	0.32
Seldovia *	590	2.26
Dillingham *	40	0.11
Craig *	62	0.17
Statewide Average	\$ 4,648	3.75%

Moody's Local Debt Medians
Population

*****	200-300,000	361	2.1%
****	50-100,000	391	1.8
***	25-50,000	289	1.9
**	10-25,000	422	2.7
*	Under 10,000	600	3.2

Source: Department of Community and Regional Affairs,
Alaska Taxable, Fiscal year 1982.

Table 5.4
State of Alaska
School Debt Outstanding
(as of April 1, 1983)

<u>School District</u>	<u>Amount</u>	<u>Moody's Rating</u>
A) Public Offerings ¹		
North Slope Borough	\$197,235,000	A
Greater Anchorage Area Borough	138,665,000	A1
Fairbanks North Star Borough	101,475,000	A
Kenai Peninsula Borough	56,938,000	A
Matanuska-Susitna Borough	37,995,000	A
Valdez	27,685,000	A
City and Borough of Juneau	3,325,000	Baal
Petersburg	2,995,000	Baal
Greater Sitka Borough	1,560,000	Baal
Kodiak Island Borough	375,000	Baal
Ketchikan Gateway Borough	<u>345,000</u>	Baal
	\$568,593,000	
B) School Bonds Issued Through Bond Bank ²		
City and Borough of Juneau	\$ 35,205,000	Baal
Matanuska-Susitna Borough	22,610,000	A
Kodiak Island Borough	11,810,000	Baal
Bristol Bay Borough	3,785,000	Unrated
City of Wrangell	1,405,000	Unrated
City of Unalaska	<u>975,000</u>	Unrated
	\$ 75,790,000	

Total School Debt Outstanding \$644,383,000

NOTES: 1) Data through fiscal year 1981 from Moody's Municipal and Government Manual 1983, Moody's Investors Service. Fiscal Year 1981 to date from Public Securities Association data base.

2) Data from Mary J. Hughes, Foster & Marshall/American Express, Inc., Seattle, WA.

Table 7.5

Total Outstanding State General Obligation and Revenue Bond Debt
Per \$1,000 of Personal Income
(1974-75 to 1980-81)^a

State	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Alabama	\$53.08	\$51.57	\$47.45	\$42.12	\$39.92	\$35.36	\$40.99
Alaska	200.29	196.31	211.19	258.67	298.34	300.73	423.42
Arizona	7.31	6.83	6.81	5.59	4.59	3.92	5.13
Arkansas	12.74	12.23	11.83	13.02	15.93	21.78	25.55
California	45.78	41.07	38.39	35.57	33.60	32.22	31.14
Colorado	7.94	7.38	10.33	14.11	16.73	15.86	21.44
Connecticut	138.06	133.55	125.56	117.73	111.73	106.25	109.83
Delaware	156.15	177.88	166.60	155.93	155.87	169.23	160.21
Florida	33.66	33.55	34.47	35.46	35.02	29.62	27.20
Georgia	45.65	46.10	41.03	38.41	34.78	31.77	27.68
Hawaii	200.77	208.25	211.63	219.25	195.65	190.71	171.26
Idaho	9.07	8.11	4.09	20.83	31.74	42.92	44.19
Illinois	36.59	40.48	44.53	51.34	51.70	52.12	52.16
Indiana	20.44	17.86	15.85	14.45	12.67	12.35	19.27
Iowa	7.34	6.87	6.11	9.68	14.75	13.94	14.45
Kansas	22.14	27.03	24.36	22.49	21.21	18.53	16.31
Kentucky	119.10	107.44	98.92	114.31	109.37	108.64	98.20
Louisiana	65.56	68.70	74.31	75.33	85.04	83.52	85.09
Maine	90.26	91.83	88.66	98.93	87.69	81.69	86.20
Maryland	78.50	86.33	96.48	106.86	92.91	79.22	81.38
Massachusetts	110.09	128.84	123.52	110.14	104.72	99.34	97.79
Michigan	30.50	30.69	28.18	27.73	28.99	31.58	34.95
Minnesota	37.92	40.77	43.35	55.73	51.98	52.08	54.36
Mississippi	63.96	71.53	66.58	95.41	55.39	49.02	42.35
Missouri	10.63	11.75	13.83	15.65	17.68	22.99	28.00
Montana	20.03	19.44	21.52	24.15	23.60	45.98	40.65
Nebraska	7.39	6.65	5.61	4.69	3.89	13.53	15.07
Nevada	13.04	11.69	10.33	38.91	46.62	61.41	56.70
New Hampshire	55.83	60.36	63.92	64.69	99.23	106.66	111.10
New Jersey	78.02	74.26	68.98	73.21	74.82	80.85	84.87
New Mexico	27.42	29.59	30.11	42.65	56.13	69.26	67.31
New York	123.95	162.61	148.73	152.90	142.19	130.86	122.17
North Carolina	22.90	23.68	24.64	21.06	26.85	27.49	26.24
North Dakota	16.11	18.32	16.94	16.24	24.00	38.31	31.52
Ohio	42.56	43.98	41.99	40.75	39.85	39.20	42.41
Oklahoma	65.69	59.06	51.62	53.04	62.42	55.19	54.55
Oregon	125.79	132.13	142.61	158.26	170.74	198.73	222.42
Pennsylvania	77.12	77.59	77.12	71.95	63.48	56.57	51.42
Rhode Island	86.15	86.94	99.93	121.05	146.82	163.02	178.29
South Carolina	70.88	71.09	80.20	96.66	78.33	85.24	96.91
South Dakota	19.39	26.28	57.27	83.73	112.04	132.08	114.48
Tennessee	38.17	41.94	47.93	48.53	43.24	39.58	37.81
Texas	28.26	26.56	24.01	20.98	19.64	18.13	16.74
Utah	14.93	22.56	19.03	33.25	39.42	47.94	45.83
Vermont	196.26	161.80	161.07	145.06	142.12	163.01	149.74
Virginia	23.85	22.15	24.36	31.25	36.97	38.27	38.11
Washington	56.43	48.61	50.31	44.03	39.83	37.50	37.71
West Virginia	119.17	116.88	119.79	113.28	117.39	119.17	112.70
Wisconsin	39.10	48.06	52.87	56.32	55.38	55.47	54.45
Wyoming	33.21	28.08	23.68	27.25	48.60	70.44	78.51
Total U.S.	\$57.27	\$60.85	\$58.81	\$59.71	\$57.61	\$56.39	\$56.06

a. Debt data from the U.S. Department of Commerce, Bureau of the Census, State Government Finances (series GF), various years. Debt data measured as of June 30 of each fiscal year shown. Figures exclude debt issued by local governments, and debt issued by the District of Columbia.

Reprinted from : The Use of Tax-Exempt Bonds in California : Policy Issues and Recommendations, Legislative Analyst, Jon David Vasche, State of California, December 1982.

Table 7.14
Alaska State General Obligation Debt
Projected Ratio of Debt
Service to General Fund Revenues

<u>Fiscal Year</u>	<u>Unrestricted General Fund Revenue (1) (millions)</u>	<u>Debt Service Committed as of Dec. 1982 (millions)</u>	<u>Debt Service Commitment as % of Unrestricted General Fund Revenue</u>
1983	\$3542	\$143.6	4.05%
1984	2737	163.4	5.97
1985	2772	156.2	5.63
1986	2838	150.6	5.31
1987	2960	142.8	4.82
1988	2871	136.3	4.75
1989	3065	124.5	4.06
1990	2946	109.8	3.73
1991	2704	85.6	3.17
1992	2631	58.9	2.24
1993	2519	50.9	2.02
1994	2423	25.8	1.06
1995	2359	23.1	0.98
1996	2206	21.5	0.97
1997	2230	16.7	0.75
1998	2261	14.4	0.64
1999	2259	9.1	0.40
2000	2268	2.6	0.11

(1) March, 1983, 30th percentile projections of The Department of Revenue.

Table 7.15

Alaska State General Obligation Debt

Future Debt Capacity
Debt Service at 5 Percent of
General Fund Revenues
(millions)

Fiscal Year	(1) Unrestricted General Fund Revenue ¹	(2) Available for Debt Service ²	(3) Debt Service Committed as of Dec. 1982	(4) Debt Service on future Borrowing ³	(5) Additional Debt Service Capacity	(6) Future G.C. Debt Capacity ⁴
1983	3542	-	143.6	-	0	0
1984	2737	137	163.4	-	0	0
1985	2772	139	156.2	-	0	0
1986	2838	142	150.6	-	0	0
1987	2960	148	142.8	-	5.2	35
1988	2871	144	136.3	5.2	2.5	17 252
1989	3065	153	124.5	7.7	20.8	141
1990	2946	147	109.8	28.5	8.7	59
1991	2704	135	85.6	37.2	12.2	83
1992	2631	132	58.9	49.4	23.7	161
1993	2519	126	50.9	73.1	2.0	14 349
1994	2423	121	25.8	75.1	13.4	91
1995	2359	118	23.1	88.5	0	0
1996	2206	110	21.5	88.5	0	0
1997	2230	111	16.7	83.3	11.0	75
1998	2261	113	14.4	91.8	6.8	46 401
1999	2259	113	9.1	77.8	26.1	177
2000	2268	113	2.6	95.2	15.2	103
					1476	1002

1 March 1983, 30th percentile projections of the Department of Revenue.

2 5 percent of column 1.

3 Assumes that debt equal to full capacity (column 6) is issued.

4 10-year bonds at 8.0 percent (AA-rated) level amortization debt service constant is .1472 (e.g., column 5 ÷ .1472 = column 6).

Table 7.16

Alaska State General Obligation Bonds

Future Debt Capacity
Debt Service at 10 Percent of
General Fund Revenues
(millions)

Fiscal Year	(1) Unrestricted General Fund Revenue ¹	(2) Available for Debt Service ²	(3) Debt Service Committed as Dec. 1982	(4) Debt Service on future Borrowing ³	(5) Additional Debt Service Capacity	(6) Future G.O. Debt Capacity ⁴
1983	3542	354	143.6	0	0	0
1984	2737	274	163.4	0	110.6	729
1985	2772	277	156.2	110.6	10.2	67
1986	2838	284	150.6	120.8	12.6	83
1987	2960	296	142.8	133.4	17.3	114
1988	2871	287	136.3	150.7	0	0
1989	3065	306	124.5	150.7	30.8	203
1990	2946	295	109.8	181.5	2.9	19
1991	2704	270	85.6	184.4	0	0
1992	2631	263	58.9	184.4	16.7	110
1993	2519	252	50.9	201.1	0	0
1994	2423	242	25.8	201.1	15.1	99
1995	2359	236	23.1	212.9	104.1	686
1996	2206	221	21.5	199.5	0	0
1997	2230	223	16.7	186.9	19.4	128
1998	2261	226	14.4	189.0	22.6	149
1999	2259	226	9.1	211.6	5.3	35
2000	2268	227	2.6	186.1	38.3	252
					4,059	2,674

1 March 1983, 30th percentile projections of the Department of Revenue.

2 10 percent of column 1.

3 Assumes that debt equal to full capacity (column 6) is issued.

4 10-year bonds at 8.7 percent (A-rated), level amortization debt service constant .1518 (e.g., column 5 ÷ .1518 = column 6).

Table 7.4

Total Outstanding State General Obligation Debt
Per \$1,000 of Personal Income
(1974-75 to 1980-81)^a

State	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Alabama	\$5.30	\$5.13	\$5.32	\$5.61	\$4.70	\$4.43	\$3.73
Alaska	110.75	109.78	122.12	136.54	146.81	123.00	123.66
Arizona	--	--	--	--	--	--	--
Arkansas	--	--	--	--	--	--	--
California	39.72	35.71	32.48	29.29	26.41	24.34	21.44
Colorado	--	--	--	--	--	--	--
Connecticut	102.72	105.12	95.26	83.94	71.29	59.91	57.62
Delaware	112.76	136.78	91.68	84.00	75.87	65.19	61.34
Florida	3.65	4.13	7.46	9.39	8.32	6.98	11.48
Georgia	5.19	11.71	11.93	14.62	12.64	12.38	10.63
Hawaii	139.61	165.99	165.95	173.02	154.94	145.14	123.01
Idaho	.29	.24	.20	.16	.13	.10	.08
Illinois	12.67	16.51	17.93	21.44	21.99	21.68	21.62
Indiana	--	--	--	--	--	--	--
Iowa	.15	.07	--	--	--	--	--
Kansas	--	--	--	--	--	1.18	1.08
Kentucky	21.88	18.65	16.06	13.77	11.63	10.08	8.56
Louisiana	38.92	45.54	54.52	54.81	53.86	53.54	58.28
Maine	54.46	47.89	43.20	38.79	33.30	28.51	26.93
Maryland	52.57	58.68	65.35	61.23	54.26	47.96	45.28
Massachusetts	55.65	77.74	76.57	70.16	64.12	55.86	51.54
Michigan	8.87	9.35	10.68	9.15	7.40	7.33	6.76
Minnesota	26.62	24.24	26.16	25.97	23.66	22.56	20.82
Mississippi	53.68	62.11	59.48	39.59	50.73	45.25	39.38
Missouri	2.22	1.84	2.48	2.05	1.64	1.44	1.71
Montana	--	1.69	1.57	1.24	1.08	.97	.83
Nebraska	--	--	--	--	--	--	--
Nevada	8.08	7.52	6.87	10.88	14.84	12.43	10.67
New Hampshire	31.31	34.80	39.40	37.29	35.59	29.95	35.33
New Jersey	30.78	28.19	28.62	26.62	25.41	22.96	21.24
New Mexico	3.87	2.77	3.55	2.34	2.02	2.26	2.04
New York	31.72	28.40	27.61	26.86	25.42	20.93	19.97
North Carolina	15.02	18.85	19.31	15.90	15.79	15.87	14.83
North Dakota	4.39	4.23	3.80	2.77	2.32	1.98	1.49
Ohio	27.66	28.26	26.08	24.92	24.06	22.38	21.26
Oklahoma	12.98	11.28	9.59	11.63	9.54	7.15	5.31
Oregon	125.79	132.13	141.49	152.29	161.87	183.91	207.35
Pennsylvania	43.71	45.53	46.49	42.47	38.39	34.51	31.66
Rhode Island	51.47	47.40	42.74	39.06	34.49	27.89	23.39
South Carolina	36.50	33.30	30.74	32.18	27.31	22.06	19.87
South Dakota	--	--	--	--	--	--	--
Tennessee	23.66	25.27	27.56	26.02	21.81	18.33	17.20
Texas	10.52	10.54	10.01	8.68	7.45	6.67	5.54
Utah	4.20	13.33	11.11	9.16	10.04	7.90	7.01
Vermont	109.60	97.66	89.63	73.31	68.92	59.38	60.53
Virginia	1.81	1.46	1.14	.88	.65	.47	4.10
Washington	18.19	16.10	39.88	35.50	32.75	30.99	29.65
West Virginia	75.88	74.08	77.03	70.70	82.48	60.69	56.60
Wisconsin	23.80	31.70	37.99	40.36	40.16	38.65	36.17
Wyoming	--	--	--	--	--	--	--
Total U.S.	\$26.79	\$27.71	\$27.98	\$26.96	\$24.90	\$22.82	\$21.86

a. Debt data from the U.S. Department of Commerce, Bureau of the Census, State Government Finances (series GF), various years. State general obligation debt is defined as all state-guaranteed debt for which states pledge their full faith and credit. Debt data measured as of June 30 of each fiscal year shown. Figures exclude debt issued by local governments, and debt issued by the District of Columbia.

Reprinted from : The Use of Tax-Exempt Bonds in California : Policy Issues and Recommendations, Legislative Analyst, Jon David Vasche, State of California, December 1982.

COMMITTEE REPORT
HOUSE

(11)

FURTHER:

4/3/84

Date:

5-7-84

The Committee on FINANCE has had HB 610

"An Act relating to construction contractors, establishing the Board of Builders; and providing for an effective date."

under consideration and recommends:

☐ do pass

☐ do not pass

☐ do pass with attached amendments(s)

☒ replace with CS for

HB 610 (Finance)

☐ same title
☒ new title

and recommends

do pass

☐ AND attaches a "Letter of Intent"

☒ New Fiscal Note

☐ reports it back without recommendation

☐ Zero Fiscal Note Attached

☐ referred to the

Committee

MEMBERS SIGNING
DO PASS

William H. Adams
W. Furnace
James H. Adams
James H. Adams
James H. Adams
James H. Adams
James H. Adams
James H. Adams
James H. Adams
James H. Adams

MEMBERS HAVING
OTHER RECOMMENDATIONS:

James H. Adams No Rec
James H. Adams No Rec
James H. Adams " "
James H. Adams " "
James H. Adams " "
James H. Adams " "
James H. Adams " "
James H. Adams " "
James H. Adams " "
James H. Adams " "

William H. Adams
CHAIRMAN

Original sponsor: Furnace

IN THE HOUSE

BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 610 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to construction contractors; and providing for an effective date."

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

* Section 1. AS 08.18.011 is amended by adding a new subsection to read:

(b) A general contractor may not allow a person required to be registered under this chapter to begin work for the general contractor as a specialty contractor unless the person is registered under this chapter.

* Sec. 2. AS 08.18.031 is amended by adding a new subsection to read:

(b) The commissioner may not issue a certificate of registration or renew the registration of an applicant whose registration has been revoked or suspended or against whom a fine has been imposed under this chapter until the period of revocation or suspension has expired and any fine has been paid.

* Sec. 3. AS 08.18.051 is amended to read:

Sec. 08.18.051. IDENTIFICATION REQUIREMENTS [REGISTERED NAME].

(a) Except as provided otherwise by [STATE] law, a [NO] person who has registered under one name as required by this chapter may not act in the capacity of a contractor under any other name unless that name also is registered.

(b) All advertising, contracts, correspondence, cards, signs, posters, papers and documents prepared by a contractor for the contracting business shall [WHICH] show the contractor's name, mailing

1 [AND] address, and address of the contractor's principal place of
2 business. Advertising and contracts shall also include the contrac-
3 tor's registration number [SHALL SHOW THE NAME AND ADDRESS AS REGIS-
4 TERED UNDER THIS CHAPTER].

5 (c) Individual contractors and partners, associates, agents,
6 salesmen, solicitors, officers and employees of contractors shall use
7 their true names and addresses at all times while acting in the capac-
8 ity of a contractor or performing related activities.

9 * Sec. 4. AS 08.18.071(b) is amended to read:

10 (b) If the applicant is a general contractor the amount of the
11 bond shall be \$10,000 [\$5,000]; if the applicant is a specialty con-
12 tractor the amount of the bond shall be \$5,000 [\$2,000]. In lieu of
13 the surety bond the applicant may file with the commissioner a cash
14 deposit or other negotiable security acceptable to the commissioner
15 [OF COMMERCE] in the amount specified for bonds.

16 * Sec. 5. AS 08.18 is amended by adding new sections to Article 3 to
17 read:

18 Sec. 08.18.117. INVESTIGATIONS AND ISSUANCE OF CITATIONS. (a)
19 The department shall provide investigative services to enforce the
20 provisions of this chapter. An employee of the department designated
21 by the commissioner to conduct investigations under this subsection
22 may issue a citation for a violation of this chapter if the employee
23 has probable cause to believe a person has violated this chapter.
24 Each day a violation continues after a citation for the violation has
25 been issued constitutes a separate violation.

26 (b) A person cited under this section for failing to possess a
27 license may provide the prosecutor proof that the license has been
28 obtained. The prosecutor shall void the citation and notify the court
29 if the proof is provided.

1 Sec. 08.18.118. PROCEDURE AND FORM OF CITATION ISSUANCE AND
2 PROCEDURE. (a) A citation issued under this chapter shall be in
3 writing. A person receiving the citation may not be required to
4 endorse it.

5 (b) The time specified in the notice to appear on a citation
6 issued under this chapter shall be at least five days after the
7 alleged violation or issuance of the citation, whichever is later,
8 unless the person cited requests an earlier hearing.

9 (c) The commissioner is responsible for the issuance of books
10 containing appropriate citations, and shall maintain a record of each
11 book and each citation contained in it. The commissioner shall re-
12 quire and retain a receipt for every book issued to an employee of the
13 department designated by the commissioner to provide investigative
14 service to enforce provisions of this chapter.

15 (d) An employee who issues a citation under this chapter shall
16 deposit the original or a copy of the citation with a court having
17 jurisdiction over the alleged offense. Upon its deposit with the
18 court, the citation may be disposed of only by trial in the court or
19 other official action taken by the magistrate, judge, or prosecutor.
20 The employee who issued the citation may not dispose of it or copies
21 of it or of the record of its issuance except as required under this
22 subsection and (e) of this section.

23 (e) The commissioner shall require the return of a copy of every
24 citation issued under this chapter and of all copies of every citation
25 that has been spoiled or upon which an entry has been made and not
26 issued to an alleged violator. The commissioner shall also maintain
27 in connection with every citation issued a record of the disposition
28 of the charge by the court in which the original or copy of the cita-
29 tion was deposited.

1 (f) If the form of citation issued under this chapter includes
2 information and is sworn to as required under the laws of this state
3 in respect to a complaint charging commission of the offense alleged
4 in the citation, then the citation when filed with a court having
5 jurisdiction is considered to be a lawful complaint for the purpose of
6 prosecution.

7 Sec. 08.18.119. FAILURE TO OBEY CITATION. Unless the citation
8 has been voided or otherwise dismissed by the magistrate, judge, or
9 prosecutor, a person who fails to appear in court to answer a citation
10 issued under this chapter, regardless of the disposition of the charge
11 for which the citation was issued, is guilty of a class B misdemeanor.

12 * Sec. 6. AS 08.18.121(f) is amended to read:

13 (f) If the commissioner of labor or the commissioner of commerce
14 and economic development determines that a person is acting as a
15 contractor in violation of this chapter, the commissioner of commerce
16 and economic development shall give written notice prohibiting further
17 action by the person as a contractor. The prohibition continues until
18 the person has submitted evidence acceptable to the commissioner of
19 commerce and economic development [OF LABOR] showing that the viola-
20 tion has been corrected.

21 * Sec. 7. AS 08.18.121(g) is amended to read:

22 (g) A person affected by an order issued under this chapter may
23 seek equitable relief preventing the commissioner of commerce and
24 economic development [OF LABOR] from enforcing the order.

25 * Sec. 8. AS 08.18.131 is amended to read:

26 Sec. 08.18.131. INJUNCTION. In an action instituted in the
27 superior court by the commissioner [OF LABOR OR THE COMMISSIONER'S
28 REPRESENTATIVE], a person acting in the capacity of a contractor in
29 violation of this chapter may be enjoined from doing so. In addition

1 to other relief, a civil penalty not to exceed \$250 may be imposed for
2 each violation. Each day that an unlawful act continues constitutes a
3 separate violation.

4 * Sec. 9. AS 08.18.141 is amended to read:

5 Sec. 08.18.141. MISDEMEANOR. A person acting in the capacity of
6 a contractor in violation of this chapter is guilty of a class A
7 misdemeanor.

8 * Sec. 10. AS 08.18 is amended by adding a new section to read:

9 Sec. 08.18.163. PROHIBITION ON STATE LOANS. A state agency,
10 corporation, or authority may not lend money for construction of a
11 project or building that is constructed in violation of AS 08.18.011.
12 The state agency, corporation, or authority shall make reasonable
13 efforts to determine whether construction is proceeding in accordance
14 with AS 08.18.011 before releasing money under a construction loan.

15 * Sec. 11. AS 08.18.171 is amended by adding a new paragraph to read:

16 (4) "department" means the Department of Commerce and
17 Economic Development.

18 * Sec. 12. Sections 1, 2 and 4 - 11 of this Act take effect July 1,
19 1984.

20 * Sec. 13. Section 3 of this Act takes effect July 1, 1985.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

accepted by Labor + Commerce
Committee

Revision Date: March 28, 1984

REQUEST

Bill/Resolution No.: CS HB 610(FIN)
Title: "An Act relating to
Construction Contractors"
Sponsor: Labor & Commerce Committee
Requestor: Labor & Commerce Comm.
Date of Request: 3/28/84

FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.
Program Category Affected:
Public Protection
BRU, Program or Subprogram(s) Affected:
Occupational Licensing

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	0	72.6	76.2	80.0	84.1	88.2
200 TRAVEL	0	19.2	20.2	21.2	22.2	23.3
300 CONTRACTUAL	0	15.8	16.6	17.4	18.3	19.2
400 SUPPLIES	0	1.8	1.9	2.0	2.1	2.2
500 EQUIPMENT	0	12.6	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	0	5.9	6.1	6.4	6.7	7.1
700 GRANTS, CLAIMS	0	-0-	-0-	-0-	-0-	-0-
800 MISCELLANEOUS	0	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	0	127.9	121.0	127.0	133.4	140.0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	127.9	121.0	127.0	133.4	140.0
FEDERAL FUNDS						
OTHER						
TOTAL	0	127.9	121.0	127.0	133.4	140.0

POSITIONS:

FULL-TIME						
PART-TIME	0	3	3	3	3	3
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

NOT IDENTIFIED BY THE SPONSOR

ANALYSIS: Attach a separate page for analysis SEE ATTACHMENTS

Prepared By: Darrell Miller Phone: 465-2535
Division: Occupational Licensing Date: 3/28/84

Approved by Commissioner: Richard A. Lyon Date: _____
Agency: Commerce & Economic Development

Distribution (by Agency preparing fiscal note):

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

12/1/83

FISCAL ANALYSIS

CS HB 610

Assumptions:

This bill does not address the registration or renewal fee structure, as specified in AS 08.18.041, therefore no fiscal impact would be incurred on revenue generated by licensing.

This bill does provide for civil penalties for violations, however it would be extremely difficult to project any revenue generated from civil penalties imposed under the provisions of this bill. A fiscal impact would be incurred on revenue generated from civil penalties.

The provisions of this bill transfers the enforcement responsibility for the construction contractor statute and regulations from the Department of Labor to the Department of Commerce and Economic Development. This will require additional investigative personnel for this activity and travel and per diem costs would be incurred for investigations as well as personal services.

CS HOUSE BILL NO. 610

100 PERSONAL SERVICES: (FY '84 salary schedule with a 5% inflation factor projected)

2 Investigators, Range 18A, General Government, Seasonal - 6 months each (April through September) located in Anchorage	\$46,299.48
1 Investigator, Range 18E, General Government, Seasonal - 6 months (April through September) located in Fairbanks	<u>26,301.85</u>
Total Personal Services:	\$72,601.33

200 TRAVEL: (Estimated)

Anchorage: 2 Investigators - 1.5 airline trips per month each @ \$300.00 x 6 months	\$ 4,400.00
Per Diem: 8 days per month per Investigator @ \$80.00 per day x 6 months	7,680.00
Fairbanks: 1 Investigator - 1 airline trip per month @ \$300.00 x 6 months	1,800.00
Per Diem: 8 days per month @ \$90.00 per day x 6 months	<u>4,320.00</u>
Total Travel Costs:	\$19,200.00

300 CONTRACTUAL: (Estimated)

Postage, telephone and operating costs: 3 Investigators @ \$250.00 per month each x 6 months	\$ 4,500.00
Investigator Leased vehicles, dry W/Maintenance:	
Anchorage: 2 vehicles @ \$410.00 per month each x 6 months	4,920.00
Fairbanks: 1 vehicle @ \$540.00 per month x 6 months	3,240.00
Fuel: 3 leased vehicles estimated @ \$175.00 per month each x 6 months	<u>3,150.00</u>
Total Contractual Costs:	\$15,810.00

400 COMMODITIES: (Estimated costs)

Stationery, typewriter ribbons, pens, pencils, tablets and other miscellaneous desk top supplies: 3 Investigators @ \$100.00 each per month x 6 months	\$1,800.00
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500 EQUIPMENT: (One time cost - FY '85 only)

3 Investigators: 2 Anchorage and 1 Fairbanks:

3 desks, double pedestal, 60" x 30" @ \$568.22 each	\$ 1,704.66
3 chairs, executive swivel, with arms, @ \$313.30 each	939.90
3 typewriters, IBM correcting Selectric with dual pitch, 15.5 inch paper capacity @ \$1,369.36 each	4,108.08
3 typewriter tables @ \$135.65 each	406.95
3 calculators, desk, printing and display, 12 digit, @ \$364.66 each	1,093.98
3 chairs, side without arms, contour style, @ \$114.60 each	343.80
3 recording machines, portable, Lanier, @ \$775.87 each	2,327.61
3 bookcases with 3 adjustable shelves @ \$164.69 each	494.07
3 file cabinets, 5 drawer, legal with lock, @ \$406.91 each	<u>1,220.73</u>

Total Equipment Cost:	\$12,639.78
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600 LAND & STRUCTURES: (Estimated Costs)

Office Space:

Anchorage: 2 Investigators - 150 square feet @ \$2.00 per foot each per month x 6 months	\$3,600.00
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Fairbanks: 1 Investigator - 150 square feet @ \$250.00 per foot per month x 6 months	<u>2,250.00</u>
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Total Land & Structures Cost:	\$5,850.00
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TOTAL OPERATING COST:	<u><u>\$127,901.11</u></u>
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1.	POSITION TITLE Investigator III				RANGE/STEP 18A	BARG. UNIT GGU	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAP.
2.	TYPE OF POSITION SFT	STAFF MONTHS 6	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION EBA	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE				This position would be necessary to implement the provisions of CS HB 610, which transfers the investigations and enforcement of Construction Contractor statute, AS 08.18, from the Department of Labor to the Department of Commerce and Economic Development. This would be a seasonal position of 6 months duration to conduct investigations into alleged violations of AS 08.18 and alleged violations of the regulations in 12 AAC 21, adopted to implement the provisions of AS 08.18, during the peak months of the construction season.					
	1		2	3						
	PERSONAL SERVICES									
5.	Salary		17,790.00							
6.	Benefits		2,905.11							
7.	Supplemental Benefits		1,090.10							
8.	Fixed Benefits		1,364.10							
9.	TOTAL PERSONAL SERVICES		01	23,148.74						
10.	Travel		02	6,540.00						
11.	Contractual		03	5,010.00						
12.	Commodities		04	600.00						
13.	Equipment		05	4,213.26						
14.	Other - Land & Structures			1,800.00						
15.	TOTAL COST			41,312.26						
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		C.F. Match 1003								
18.		General Funds 1004		41,312.26						
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
FOR B&M USE ONLY										
4A KEY NUMBER										

13 REQUEST FOR
NEW POSITION

01-1136 (7/82) - 13

AGENCY Commerce & Economic Development

PROGRAM Consumer Protection

BRU Occupational Licensing

COMPONENT Investigations

FY 84

Page 1 of 3

Revised Date 3/28/84

1.	POSITION TITLE Investigator III				RANGE/STEP 18A	BARG. UNIT GGU	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.		
2.	TYPE OF POSITION SFT	STAFF MONTHS 6	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION EBA	ELECTION DISTRICT	LEG.				
3.	CONTINUATION LEVEL				JUSTIFICATION							
4.	TYPE OF EXPENDITURE				This position would be necessary to implement the provisions of CS HB 610, which transfers the investigations and enforcement of Construction Contractor statute, AS 08.18, from the Department of Labor to the Department of Commerce and Economic Development. This would be a seasonal position of 6 months duration to conduct investigations into alleged violations of AS 08.18 and alleged violations of the regulations in 12 AAC 21, adopted to implement the provisions of AS 08.18, during the peak months of the construction season.							
	1		2								3	
	PERSONAL SERVICES											
5.	Salary		17,790.00									
6.	Benefits		2,905.11									
7.	Supplemental Benefits		1,090.10									
8.	Fixed Benefits		1,364.10									
9.	TOTAL PERSONAL SERVICES		01								23,148.74	
10.	Travel		02								6,540.00	
11.	Contractual		03								5,010.00	
12.	Commodities		04								600.00	
13.	Equipment		05								4,213.26	
14.	Other - Land & Structures										1,800.00	
15.	TOTAL COST										41,312.26	
	RECEIPT CODE		FUNDING SOURCE									
16.			Federal Receipts 1002									
17.			G.F. Match 1003									
18.			General Funds 1004		41,312.26							
19.			I-A Receipts 1005									
20.			Program Receipts 1028									
21.			Other									
FOR B&M USE ONLY												
4A KEY NUMBER												

13 REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development
 PROGRAM Consumer Protection
 BRU Occupational Licensing
 COMPONENT Investigations

Page 2 of 3
 Revised Date 3/28/84

FY 84

1.	POSITION TITLE Investigator III				RANGE/STEP 18E	BARG. UNIT GGU	FORM 12 PAGE/LINE	COV.	APPROV.	DISAPP.		
2.	TYPE OF POSITION SFT	STAFF MONTHS 6	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION JBA	ELECTION DISTRICT	LEG.				
3.	CONTINUATION LEVEL				JUSTIFICATION							
4.	TYPE OF EXPENDITURE				This position would be necessary to implement the provisions of CS HB 610, which transfers the investigations and enforcement of Construction Contractor statute, AS 08.18, from the Department of Labor to the Department of Commerce & Economic Development. This would be a seasonal position of 6 months duration to conduct investigations into alleged violations of AS 08.18, and alleged violations of the regulations in 12 AAC 21, adopted to implement the provisions of AS 08.18, during the peak months of the construction season.							
	1		2								3	
	PERSONAL SERVICES											
5.	Salary		20,364.00									
6.	Benefits		3,325.44									
7.	Supplemental Benefits		1,248.31									
8.	Fixed Benefits		1,364.10									
9.	TOTAL PERSONAL SERVICES		01								26,301.85	
10.	Travel		02								6,120.00	
11.	Contractual		03								5,790.00	
12.	Commodities		04								600.00	
13.	Equipment		05								4,213.26	
14.	Other - Land & Structures										2,250.00	
15.	TOTAL COST										45,275.11	
	RECEIPT CODE		FUNDING SOURCE									
16.			Federal Receipts 1002									
17.			G.F. Match 1003									
18.			General Funds 1004		45,275.11							
19.			I-A Receipts 1005									
20.			Program Receipts 1028									
21.			Other									
FOR R&M USE ONLY												
4A KEY NUMBER												

13 REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development

PROGRAM Consumer Protection

BRU Occupational Licensing

COMPONENT Investigations

Page 3 of 3

Revised Date 2/28/84

FY 84

Applied in *Eben v. State*, Sup. Ct. Op. No. 1920 (File No. 3525), 599 P.2d 700 (1979). C.J.S. reference. — 22 C.J.S. Criminal Law §§ 331 to 346.

Sec. 12.25.160. Arrest defined. Arrest is the taking of a person into custody in order that he may be held to answer for the commission of a crime. (§ 2.01 ch 34 SLA 1962)

Applied in *Goss v. State*, Sup. Ct. Op. No. 193 (File No. 235), 390 P.2d 220, cert. denied, 379 U.S. 859, 85 S. Ct. 118, 13 L. Ed.2d 62 (1964); *Aldridge v. State*, Sup. Ct. Op. No. 1971 (File No. 3413), 603 P.2d 798 (1979).

Sec. 12.25.180. When peace officer has option to take person before judge or magistrate. (a) When a person is stopped or contacted by a peace officer for the commission of a misdemeanor or the violation of a municipal ordinance, he may, in the discretion of the contacting peace officer, be issued a citation instead of being taken before a judge or magistrate under AS 12.25.150, unless

- (1) the person does not furnish satisfactory evidence of identity;
- (2) the contacting officer has reasonable and probable cause to believe the person is a danger to himself or others;
- (3) the crime for which the person is contacted is one involving violence or harm to another person or to property; or
- (4) the person asks to be taken before a judge or magistrate under AS 12.25.150.

(b) When a person is stopped or contacted by a peace officer for the commission of an infraction or a violation, he shall be issued a citation instead of being taken before a judge or magistrate under AS 12.25.150, unless

- (1) the person does not furnish satisfactory evidence of identity; or
- (2) the person refuses to accept the citation or to give his written promise to appear as provided for under AS 12.25.190(c). (§ 1 ch 31 SLA 1973; am § 19 ch 127 SLA 1974; am § 3 ch 144 SLA 1977; am § 34 ch 102 SLA 1980)

Effect of amendments. — The 1977 amendment, in present subsection (a), inserted "or an infraction" in the introductory paragraph and deleted "or the contacting officer has reasonable and probable cause to believe the person will disregard a written promise to appear in court" from the end of paragraph (a). The 1980 amendment designated the provisions of this section as subsection (a), deleted "or an infraction" following "of a misdemeanor" near the beginning of subsection (a), and added subsection (b).

Legislative history reports. — For report on ch. 31, SLA 1973 (SB 25), see 1973 Senate Journal Supplement No. 7, p. 2. For report on ch. 127, SLA 1974 (SCSIB 817 am S), see 1974 House Journal, p. 657. For report on ch. 102, SLA 1980 (HCS CSSB 511), see 1980 Senate Journal Supplement, No. 44 (May 29, 1980) or 1980 House Journal Supplement, No. 79 (May 29, 1980).

Applied in *Ahmaogak v. State*, Sup. Ct. Op. No. 1857 (File No. 4171), 595 P.2d 983 (1979).

Sec. 12.25.190. When person to be given five-day notice to appear in court. (a) When a person is contacted by a peace officer and the peace officer exercises the option provided for in AS 12.25.180, the officer shall prepare a written citation and issue it to the person.

(b) The time specified in the notice to appear shall be at least five days after the alleged violation or the issuance of the citation, whichever is later, unless the person cited requests an earlier hearing.

(c) The person cited for the crime shall give his written promise to appear in court by signing at least one copy of the written citation prepared by the peace officer and the officer shall deliver a copy of the citation to the person. The written promise requirement of this subsection does not apply to motor vehicle and traffic citations under AS 28.05.151. (§ 1 ch 31 SLA 1973; am § 20 ch 127 SLA 1974; am § 4 ch 144 SLA 1977; am § 20 ch 178 SLA 1978)

Effect of amendments. — The 1977 amendment added the second sentence of subsection (c).

The 1978 amendment substituted "AS 28.05.151" for "AS 28.05.080" at the end of subsection (c).

Legislative history report. — For report on ch. 127, SLA 1974 (SCSHB 817, am S), see 1974 House Journal, p. 657.

Applied in *Ahmaogak v. State*, Sup. Ct. Op. No. 1857 (File No. 4171), 595 P.2d 985 (1979).

Sec. 12.25.200. Form for citations. The chief administrative officer of each law enforcement agency in the state is responsible for the issuance of books containing appropriate citations, and shall maintain a record of each book and each citation contained in it and shall require and retain a receipt for every book issued to a peace officer. (§ 1 ch 31 SLA 1973)

Sec. 12.25.210. Disposition and records of citations. (a) A peace officer, upon issuing a citation to an alleged violator under AS 12.25.180, shall deposit the original or a copy of the citation with a court having jurisdiction over the alleged offense.

(b) Upon the deposit of the original or a copy of the citation with a court having jurisdiction over the alleged offense, the original or copy of the citation may be disposed of only by trial in the court or other official action by a magistrate or judge of the court.

(c) It is unlawful and official misconduct for a peace officer or other officer or public employee to dispose of a citation or copies of it or of the record of the issuance of the citation in a manner other than as required in this section.

(d) The chief administrative officer of each law enforcement agency shall require the return to him of a copy of every citation issued by an officer under his supervision to an alleged violator of a law or ordinance and of all copies of every citation which has been spoiled or upon which any entry has been made and not issued to an alleged violator.

(e) The chief administrative officer shall also maintain in connection with every citation issued by an officer under his supervision a record

of the disposition of the charge by the court in which the original copy of the citation was deposited. (§ 1 ch 31 SLA 1973)

Sec. 12.25.220. When copy of citation considered a lawful complaint. If the form of citation provided under AS 12.25.200 includes information and is sworn to as required under the laws of the state in respect to a complaint charging commission of the offense alleged in the citation, then the citation when filed with a court having jurisdiction is considered to be a lawful complaint for the purpose of prosecution. (§ 1 ch 31 SLA 1973)

When citation is a charge within meaning of Cr. R. 45(c)(1). — When a citation is served which gives a person official notice that he or she is accused of a crime and is summoned to appear in court to answer for such crime upon penalty of fine and/or imprisonment, the citation is a charge within the meaning of Cr. R. 45(c)(1) which triggers the 120-day period.

Ahmaogak v. State, Sup. Ct. Op. No. 1485 (File No. 4171), 595 P.2d 985 (1979).

Service of a Uniform Summons and Complaint triggers the 120-day period in which trial must be commenced under Cr. R. 45(b). Ahmaogak v. State, Sup. Ct. Op. No. 1857 (File No. 4171), 595 P.2d 985 (1979).

Sec. 12.25.230. Failure to obey citation. A person who fails to appear in court to answer the citation, regardless of the disposition of the charge for which the citation was issued, is guilty of a misdemeanor and upon conviction is punishable by a fine of not more than \$1,000 or by imprisonment for not more than one year, or by both. (§ 1 ch 31 SLA 1973; am § 5 ch 144 SLA 1977)

Effect of amendment. — The 1977 amendment substituted "fails to appear in court to answer the citation" for "violates his written promise to appear given to a peace officer upon the issuance of a

citation under AS 12.25.180 — 12.25.220. Applied in Ahmaogak v. State, Sup. Ct. Op. No. 1857 (File No. 4171), 595 P.2d 985 (1979).

Chapter 30. Bail.

Section

- 10. Bail before conviction is matter of right
- 20. Release before trial
- 25. Release before trial in cases involving domestic violence
- 30. Appeal from conditions of release

Section

- 40. Release after conviction
- 50. Release of material witnesses
- 60. Violation of conditions
- 70. Contempt
- 80. Definitions

Repeal of former chapter. — Section 1, ch. 20, SLA 1966, repealed former

chapter 30. The former chapter derived from §§ 3.01 — 3.04, ch. 34, SLA 1962.

from Department of Law

PROPOSED CS FOR SECTION 5 OF CSHB 610 (L&C)

Sec. 08.18.117. INVESTIGATIONS AND ISSUANCE OF CITATIONS. (a) The department shall provide investigative services to enforce the provisions of this chapter. An employee of the department designated by the commissioner to conduct investigations under this chapter may issue a citation for violation of this chapter. Each day a violation continues after a citation for the violation has been issued constitutes a separate violation.

Sec. 08.18.118. PROCEDURE AND FORM OF CITATION ISSUANCE AND PROCEDURE. (a) When an employee designated by the commissioner to issue citations for violations of this chapter has probable cause to believe a person has violated this chapter, the employee may prepare a written citation and issue it to the person. A person receiving a citation may not be required to endorse the citation.

(b) The time specified in the notice to appear shall be at least five days after the alleged violation or issuance of the citation, whichever is later, unless the person cited requests an earlier hearing.

(c) The commissioner is responsible for the issuance of books containing appropriate citations, and shall maintain a record of each book and each citation contained in it and shall require and retain a receipt for every book issued to an employee of the department designated by the commissioner.

(d) An employee who issues a citation under this chapter shall deposit the original or a copy of the citation with a court having jurisdiction over the alleged offense.

(e) The commissioner shall require the return of a copy of every citation issued under this chapter and of all copies of every citation which has been spoiled or upon which any entry has been made and not issued to an alleged violator.

(f) The commissioner shall also maintain in connection with every citation issued by employee of the department designated by the

commissioner a record of the disposition of the charge by the court in which the original or copy of the citation was deposited.

(g) If the form of citation provided under AS 08.18.120(d) includes information and is sworn to as required under the laws of this state in respect to a complaint charging commission of the offense alleged in the citation, then the citation when filed with a court having jurisdiction is considered to be a lawful complaint for the purpose of prosecution.

Sec. 08.18.119. FAILURE TO OBEY CITATION. A person who fails to appear in court to answer the citation, regardless of the disposition of the charge for which the conviction was issued, is guilty of a Class B misdemeanor.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 610 (Fin)
Title: "An Act relating to
construction contractors . . ."
Sponsor: Representative Furnace
Requestor: Senate Labor & Commerce
Date of Request: May 14, 1984

FISCAL DETAIL

Agency Affected: Labor
Program Category Affected: Public
Protection
BRU, Program or Subprogram(s) Affected:
Labor Standards & Safety

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: Robert J. Bacolas

Division: Labor Standards & Safety

Phone: 465-4870

Date: 5/15/84

Approved by Commissioner: Robert W. Sanderson, Deputy

Agency: Labor

Date: 5/15/84

LEG:B:15

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

12/1/83

Submitted after bill passed out of House
STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

*Labor + Commerce
Committee*

Revision Date: 4/4/84

REQUEST

Bill/Resolution No.: CS HB 610-L&C
Title: "An Act relating to Construction Contractors"
Sponsor: L & C Committee
Requestor: L & C Committee
Date of Request: 4-4-84

FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.
Program Category Affected: Public Protection
BRU, Program or Subprogram(s) Affected:
Occupational Licensing

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	0	92.6	97.2	102.1	107.2	112.6
200 TRAVEL	0	26.2	27.5	28.8	30.3	31.8
300 CONTRACTUAL	0	20.2	21.2	22.3	23.4	24.6
400 SUPPLIES	0	2.4	2.5	2.6	2.8	2.9
500 EQUIPMENT	0	8.4	0.0	0.0	0.0	0.0
600 LAND & STRUCTURES	0	7.7	8.0	8.4	8.9	9.3
700 GRANTS, CLAIMS	0	0.0	0.0	0.0	0.0	0.0
800 MISCELLANEOUS	0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0	157.5	156.4	164.2	172.6	181.2
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND		157.5	156.4	164.2	172.6	181.2
FEDERAL FUNDS						
OTHER						
TOTAL		157.5	156.4	164.2	172.6	181.2

POSITIONS:

FULL-TIME	0	2	2	2	2	2
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not identified by the sponsor.

ANALYSIS: Attach a separate page for analysis: See attachments

Prepared By: *Darrell Miller*
Darrell Miller

Division: *Occupational Licensing*
Occupational Licensing

Phone: 465-2535

Date: April 5, 1984

Approved by Commissioner: *Richard A. Lyon*
Richard A. Lyon

Agency: *Commerce & Economic Development*
Commerce & Economic Development

Date: *4/9/84*
4/9/84

Distribution (by Agency preparing fiscal note):

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

12/1/83

FISCAL ANALYSIS

CS HB 610

Assumptions:

-This bill does not address the registration or renewal fee structure, as specified in AS 08.18.041, therefore, no fiscal impact would be incurred on revenue generated by licensing.

This bill does provide for civil penalties for violations, however, it would be extremely difficult to project any revenue generated from civil penalties imposed under the provisions of this bill. A fiscal impact would be incurred on revenue generated from civil penalties.

The provisions of this bill transfer the enforcement responsibility for the construction contractor statute and regulations from the Department of Labor to the Department of Commerce and Economic Development. This will require additional investigative personnel for this activity and travel and per diem costs would be incurred for investigations as well as personal services.

CS HOUSE BILL NO. 610

100 PERSONAL SERVICES: (FY '84 salary schedule with a 5% inflation factor projected)

2 Investigators, Range 18A, General Government, 12 months each, one located in Anchorage and one located in Juneau. \$92,598.92

Total Personal Services: \$92,598.92

200 TRAVEL: (Estimated)

Juneau/Anchorage: 2 Investigators, 1.5 airline trips per month each @ \$300.00 x 12 months = \$10,800.00

Per Diem: 8 days per month per investigator @ \$80.00 per day x 12 months = \$15,360.00

Total Travel: \$26,160.00

300 CONTRACTUAL: (Estimated)

Postage, telephone and operating costs x 2 Investigators @ \$250.00 per month each x 12 months = \$ 6,000.00

Investigator leased vehicles, dry w/maintenance:

Juneau: 1 vehicle @ \$425.00 per month x 12 months = \$ 5,100.00

Anch.: 1 vehicle @ \$410.00 per month x 12 months = \$ 4,920.00

Fuel: 2 leased vehicles @ est. \$175.00 per month x 12 months = \$ 4,200.00

Total Contractual: \$20,220.00

400 COMMODITIES: (Estimated)

Stationery, typewriter ribbons, pens, pencils, tablets, and other miscellaneous desk top supplies: 2 Investigators @ \$100.00 each per month x 12 months \$ 2,400.00

Total Commodities: \$ 2,400.00

500 EQUIPMENT: (One time cost - FY '85 only)

2 Investigators, 1 Juneau and 1 Anchorage:

2 desks, double pedestal, 60" x 30" @ \$568.22 each	\$ 1,136.44
2 chairs, executive swivel, with arms @ \$313.30 each	626.60
2 typewriters, IBM correcting Selectric with dual pitch, 15.5 inch paper capacity @ \$1,369.36 each	2,738.72
2 typewriter tables @ \$135.65 each	271.30
2 calculators, desk, printing and display, 12-digit, @ \$364.66 each	729.32
2 chairs, side without arms, contour style @ \$114.60 each	229.20
2 recording machines, portable, Lanier, @ \$775.87 each	1,551.74
2 bookcases with 3 adjustable shelves @ \$164.69 each	329.38
2 file cabinets, 5 drawer, legal w/lock @ \$416.91 each	<u>813.32</u>

Total Equipment Costs: \$ 8,426.02

600 LAND & STRUCTURES: (Estimated Costs)

Office space for 3 investigators:

Juneau: 150 sq. ft. @ \$2.25 per ft. per mo. x 12 mos.	\$ 4,050.00
Anch: 150 sq. ft. @ \$2.00 per ft. per mo. x 12 mos.	<u>3,600.00</u>

Total Land & Structures Cost: \$ 7,650.00

TOTAL OPERATING COSTS: \$157,454.94

1.	POSITION TITLE Investigator III				RANGE/STEP 18A	DARG. UNIT GGU	FORM 12 PAGE/LINE	COY.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT ALL	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE									
	1		2		3					
	PERSONAL SERVICES									
5.	Salary		35,580.00		This position would be necessary to implement the provisions of CS HB 610, which transfers the investigations and enforcement of Construction Contractor Statute, AS 08.18, from the Department of Labor to the Department of Commerce and Economic Development. This position would conduct investigations into alleged violations of AS 08.18 and alleged violations of the regulations in 12 AAC 21 adopted to implement the provisions of AS 08.18, throughout the Southeast Alaska area and could be detailed to other areas of the State if required.					
6.	Benefits		5,810.21							
7.	Supplemental Benefits		2,181.05							
8.	Fixed Benefits		2,728.20							
9.	TOTAL PERSONAL SERVICES		01							
10.	Travel		02		13,080.00					
11.	Contractual		03		10,200.00					
12.	Commodities		04		1,200.00					
13.	Equipment		05		4,213.01					
14.	Other Land & Structures				4,050.00					
15.	TOTAL COST				79,042.47					
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		G.F. Match 1003								
18.		General Funds 1004			79,042.47					
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
FOR B&M USE ONLY										
4A KEY NUMBER										

13 REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development

PROGRAM Consumer Protection

BRU Occupational Licensing

COMPONENT Investigations

FY 85

Page 1 of 1

Revised Date 4/4/84

1.	POSITION TITLE Investigator III				RANGE/STEP 18A	BARG. UNIT GGU	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PET	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION EBA	ELECTION DISTRICT ALL	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE									
	1		2		3					
	PERSONAL SERVICES									
5.	Salary		35,580.00							
6.	Benefits		5,810.21							
7.	Supplemental Benefits		2,181.05							
8.	Fixed Benefits		2,728.20							
9.	TOTAL PERSONAL SERVICES		01		46,299.46					
10.	Travel		02		13,080.00					
11.	Contractual		03		10,020.00					
12.	Commodities		04		1,200.00					
13.	Equipment		05		4,213.01					
14.	Other- Land & Structures				3,600.00					
15.	TOTAL COST				78,412.47					
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		G.F. Match 1003								
18.		General Funds 1004		78,412.47						
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
FOR B&M USE ONLY										
4A KEY NUMBER										

This position would be necessary to implement the provisions of CS HB 610, which transfers the investigations and enforcement of Construction Contractor Statute, AS 08.18, from the Department of Labor to the Department of Commerce and Economic Development. This position would conduct investigations into alleged violations of AS 08.18 and alleged violations of the regulations in 12 AAC 21 adopted to implement the provisions of AS 08.18, through the Northern, Interior, South Central and Western areas of the State and could be detailed to other areas of the State if required.

13 REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development
 PROGRAM Consumer Protection
Occupational Licensing
 BRU
 COMPONENT Investigations

Page 2 of 2
 Revised Date 4/4/84

FY 85

April 17, 1984

M E M O R A N D U M

TO: House Finance Committee Members
Rep. Al Adams, Chairman

FROM: Karla Forsythe *Karla Forsythe*
General Counsel
Alaska Court System

SUBJECT: CSHB 610, relating to construction contractors

The Alaska Court System requests that the committee consider an amendment to CSHB 610.

Background

The intent of this measure is to provide an effective means of requiring unlicensed contractors to obtain a license. The bonding and insurance requirements of the licensing procedure are in turn designed to protect the public in dealing with contractors.

The committee substitute adopted by the Labor and Commerce committee amends the original bill by authorizing issuance of citations and adoption of a bail forfeiture schedule by the supreme court.

The ultimate goal of this legislation is to require contractors to obtain licenses. A bail schedule may not provide the best mechanism for reaching this goal.

At present, the legislature has authorized the supreme court to adopt a bail schedule only in the area of traffic and motor vehicle violations, although legislation introduced this session would also authorize a fish and game bail forfeiture schedule. The idea behind adoption of a traffic bail schedule was to reduce the volume of traffic prosecution through the district court, at the same time providing effective enforcement of traffic laws by permitting defendants to plead guilty and mail in a bail forfeiture amount, while persons who plead not guilty would still stand trial.

Under the bail schedule approach to contractor licensing violations, a contractor would be cited, and would then plead guilty and pay a bail schedule amount, or plead not guilty and go to trial. Although a bail forfeiture

schedule would not impact judicial resources beyond the time required for the supreme court to develop and adopt it, additional clerical staff would be required to process the numerous citations and payments, especially during the summer months.

In contrast, the suggested amendment set forth below would require the contractor to obtain a license. If the contractor failed to do so, the violation would then be handled as a misdemeanor.

Harry Traeger, Director of the Occupational Licensing Division of the Department of Commerce and Economic Development, anticipates that almost all contractors who are cited will obtain a license. Trials as a result of a not guilty plea or further criminal proceedings as a result of failure to obtain a license would be few in number. Thus, the proposed amendment would lessen the impact on the court system, while promoting the intent of the legislature.

Proposed amendment

The court system's amendment would eliminate paragraphs (b) through (e) of section 5, and would insert the following language:

A person who violates a provision of this chapter by failing to obtain a license may provide a peace officer or a designated employee of the department proof that a license has been obtained. If the proof is provided within 5 working days after the issuance of a citation, the officer or employee shall void the citation and notify the court of the action taken.

This language is analogous to the provisions of AS 28.15.131, which permits dismissal of citations for failure to produce a drivers license upon proof of a license, and 13 AAC 06.050, which permits dismissal of a citation for a motor vehicle equipment violation upon proof of correction.

Thank you for your consideration of this amendment. The court system will be glad to provide any additional information required.

cc: Rep. Furnace
Rep. Cowdery
Harry Traeger

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

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

M E M O R A N D U M

March 27, 1984

SUBJECT: Construction contractors
(CSHB 610(L&C))

TO: Representative John Cowdery
Chairman, House Labor and Commerce Committee

FROM: Tamara Brandt Cook *TBC*
Deputy Director
Division of Legal Services

Here is the section by section analysis that you requested of the draft CSHB 610(L&C).

Section 1 makes it unlawful for a general contractor to authorize a person to begin work as a specialty contractor unless the person is registered.

Section 2 prohibits the commissioner of commerce and economic development from issuing a registration or renewing a registration of an applicant whose registration has been revoked or suspended or against whom a fine has been imposed until the period of revocation or suspension has expired and the fine has been paid.

Section 3 requires that advertising and contracts include the contractor's registration number.

Section 4 raises the amount of bonds to \$10,000 for a general contractor and \$5,000 for a specialty contractor.

Section 5 requires the department of commerce and economic development to provide investigative services to enforce AS 08.18. A peace officer or employee designated to conduct investigations may issue a citation for a violation of AS 08.18. Each day a violation continues is a separate violation. The Supreme Court is required to establish a schedule of bail amounts for violations. A person cited may deliver to the clerk of the court in which the citation is filed the amount of bail and a copy of the citation

indicating that the right to an appearance is waived, a plea of no contest entered, and bail is forfeited. Forfeiture of bail is a complete satisfaction for the violation. If the person cited fails to pay the bail amount or to appear in court, the citation is considered a summons for a misdemeanor.

Section 6 allows the commissioner of commerce and economic development as well as the commissioner of labor to prohibit a person from engaging in action as a contractor in certain situations.

Section 7 allows a person affected by an order issued by the commissioner of commerce and economic development, as well as those affected by an order from the commissioner of labor, to seek equitable relief.

Section 8 allows the commissioner of commerce and economic development as well as the commissioner of labor to seek an injunction against a person acting in the capacity of a contractor in violation of AS 08.18. A civil penalty not to exceed \$250 may be imposed for each violation and each day that an unlawful act continues is a separate violation.

Section 9 provides that a person acting in the capacity of a contractor in violation of AS 08.18 is guilty of a class A misdemeanor. A class A misdemeanor is punishable by a term of imprisonment of not more than one year and by a fine of not more than a \$5,000.

Section 10 prohibits a state agency, corporation or authority from lending money for construction of a project that is constructed in violation of AS 08.18.011 and requires the lending institution to make reasonable efforts to determine whether construction is proceeding in accordance with that section before releasing money under a construction loan.

Section 11 adds a definition of department for purposes of the chapter.

Section 12 ties the effective date to the beginning of the new fiscal year.

TBC:ojb
J5/020

LICENSED AND BONDED CONTRACTORS MEETING
NOVEMBER 29, 1983
2:00 PM

The meeting was called to order by Rep. Furnace. Persons present at the meeting were:

Rep. Furnace
Rep. Cowdery
Rep. Uehling
Allair
Ken Johnson
Steve Levi
Dianna Smith
Earl Carlyle
Ray D. Agen
James N. Malapanes
Clay Porter

HB 60

Earl Carlyle passed out a paper with 15 suggestions to support specialty contractors and these suggestions were discussed in detail and the following recommendations were made:

1. Come up with a modified definition of a "Contractor". Make it mandatory for all licensed contractors to include their license number in all advertisements; including business cards, signs, newspaper ads, television ads, radio ads, and yellow pages for easier identification by the license enforcement investigator.
2. Put in the statutes that the contractors license number or administrators license number should appear on all vehicles used in the conduct of business.
3. Bonds should be increased to \$5,000 and \$10,000 on the initial draft.
4. Concern was expressed over the lack of enforcement offered by the Dept. of Labor and the suggestion was made to transfer the enforcement function to Dept. of Commerce and Economic Development, Division of Occupational Licensing which is a more reasonable, supervisory governmental unit. It was noted that we should give the inspectors more ability of checking for violations. Concern was also expressed with the regard to the ability of the enforcing agency to issue citations with "teeth". For further information, staff was advised to contact, Ron Watts with the Municipality at 786-8307.

5. Establishment of a statewide Board of Builders which shall meet on a monthly basis and shall include a membership of the following:
 - 1) Speciality Contractor
 - 2) Remodeling Specialist
 - 3) Private Sector Representative
 - 4) Local Government Representative
 - 5) Two General Contractors
 - 6) One Heavy Highway Contractor
6. This statement is already covered in number one.
7. It was recommended that House Counsel examine the constitutionality of legislation to terminate phone service for those companies who are in violation of the licensing and bonding provisions of the statutes and regulations. House Counsel was contacted and staff has been informed that there is probably no constitutional question involved in the discontinuance of telephone service for those businesses which advertise falsely or falsely portray themselves as bonafied businesses. The only difficulty that could arise would be the instance in which a business phone and a personal phone are used for the same purpose and for some reason the individual could not disassociate the two entities.
8. It was noted that the laws for violators are there and the problem we are having is with enforcement. It was recommended that a monetary fine of not more than \$250 a day for contractors in violation of the law (see page 15 of the Oregon law).
9. This statement is covered in suggestion number one, but it was recommended to maybe include a monetary fine of \$250 a day.
10. It was noted that since there is some support for this issue, we would propose this to the drafters and let them work with some language as to how we can best do this. The general contractor is already covered, we want to reach the subcontractor.
11. It was noted that a list can be obtained, but that it takes a long time to get. A person requesting a list of contractors you should be able to get one within a certain period of time that is fairly predictable. It was recommended that we should advise that a list is available upon request for a nominal fee, if any, and that the list can be expected to be received within a two week or 30 day time frame. It was suggested that we may want to contact, Dick Lyon with the Dept. of Commerce and Economic Development to further discuss the possibilities of this of instigating this.

12. It was noted that this statement should have been on a separate sheet of paper and is not to be included under this heading because it pertains to the motor vehicle laws.
13. It was recommended that we restate this in whatever new section we develop on general contractors and specialty contractors.
14. It was recommended that a owner/builder can only build one home or one structure per year to take advantage of the owner-builder option to remain unlicensed.

Tues
Dec 13 1950
J-1 PM SICK TR. TRAIL

NAME
Ray W. Rye
James N. Malapones
CLAI PORTER, MCP COAST.
PAUL J. CARLYLE
John Cauding

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344 2407



Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

January 10, 1984

MEMORANDUM

TO: Representative Jack McBride

FROM: Nancy Pease
Legislative Analyst

RE: Licensing and Bonding of Contractors in Other States
Research Request 83-251

Rena Bukovich of your staff requested information on the licensing and bonding of contractors in other states. Specifically, she asked how certain contractors--plumbers, electricians, builders and specialty contractors--are licensed and regulated in the following states: California, Colorado, Idaho, Michigan, Montana, Ohio, Oregon, and Washington.

Regulation of Contractors in the Eight States

Licensing. Altogether, 28 states license contractors. The licensing and bonding requirements for contractors in the eight states about which you inquired are summarized in the attached chart (see Attachment A). Of these states, Ohio is the only state which does not license contractors in any of the trades you specified (electrical work, plumbing, or general or specialty contracting). Colorado does not license general or specialty construction contractors, and Idaho and Montana require licenses of construction contractors only if they wish to bid on public works. With these exceptions, the states generally require contractors to be licensed.

Bonding. California, like Alaska, requires that all contractors post bonds with the state as a prerequisite for license approval. Washington and Michigan require bonding for electricians; the other states do not require electricians or plumbers to post bonds in order to obtain a license. Four of the eight states--California, Michigan, Oregon, and Washington--require general or specialty construction contractors to post bonds with the state. The largest bonds are required by Michigan, where a residential building contractor must post a bond of \$10,000 to obtain a license.

Regulations. As requested, we are providing copies of the other states' statutes for the trades of electrical work, plumbing, and general and specialty contracting.

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In some instances, we have included license applications and printed regulations supplied by the states' trade boards. Please let us know if you require further analysis of the statutes and regulations; we will be happy to summarize and compare them if needed.

Requirements for a Contractor's License

Licensing requirements for contractors vary from trade to trade and from state to state. The procedure for obtaining a license may require the applicant to complete some of the following steps:

- pass a written or oral examination;
- submit a financial statement;
- submit references from material suppliers and/or bank;
- attest to ownership of equipment and/or experience related to the given field;
- report an in-state business address;
- report personal or corporate bankruptcies;
- obtain bonding; or
- obtain insurance covering public liability, property damage, and workers' compensation.

Exemptions. Some states exempt from licensing those contractors whose contracts do not exceed a specified dollar amount. Other states waive the license requirement if a person intends to work only on his personal property. For example, Alaska does not require a person to license himself to repair his own property, while Arizona requires that work on personal property be performed by a licensed and bonded contractor if the building is to be rented or sold within one year of completion of the work. Two states, Kansas and Nebraska, license only nonresident contractors, and Delaware licenses contractors for revenue purposes only.

Limited and reciprocal licenses. In skilled trades such as plumbing and electrical work, states frequently issue licenses that limit the licensee to working at a particular skill level for which he has demonstrated competency or proven his experience. For example, Colorado licenses electrical workers at four skill levels: trainee, residential wireman, journeyman electrician, and master electrician.

In granting a license to a contractor, some licensing boards also: (1) determine the construction classification at which the contractor may work (i.e. industrial, commercial, residential, public works); and (2) set a contract bid limit based on the contractor's working capital, i.e., he may not bid over \$200,000 on a single contract or over \$500,000 on separate, concurrent bids.

A few states have agreed to reciprocally recognize other states contractors' licenses; for example, Michigan and Indiana permit plumbers licensed in either state to do contract work in both states.

Licensing Boards

In states which thoroughly review the qualifications of contractor applicants, the licensing procedure is usually handled by a licensing board. Typically, this board is composed of licensed, experienced contractors who are appointed by the governor or the state legislature and who convene intermittently throughout the year. Recently, many states have included members of the general public on regulatory boards so that the boards are not composed exclusively of representatives of the regulated industry or profession.¹

Bonding Requirements

Of the 28 states that license contractors, eleven states require the contractor to be bonded as a condition of license approval.²

As you may know, Alaska requires a surety bond of \$5,000 for a general contractor and \$2,000 for a specialty contractor, or an equivalent cash deposit.³ The surety bond, also termed a "license bond", is intended to assure payment of (1) taxes, (2) employees and suppliers, and (3) any judgments against the contractor for negligent or improper work, breach of contract, or damage to public facilities.

The bonds that some states require before they will license contractors are independent from the bonds that construction clients may require before they will accept a contractor's bid. Construction clients may

¹State of Tennessee "Program Evaluation on the Board for Licensing Contractors", Division of State Audit, July 1978.

²Ibid

³AS 08.18.071.

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require (1) performance bonds to guarantee that the work will be completed on time and according to specifications; (2) payment bonds to guarantee that suppliers and employees will be paid; and (3) bid bonds to guarantee the sincerity of the bid.

Penalties and Enforcement

Penalties. AS 08.18.141 states that "a person acting in the capacity of a contractor in violation of this chapter is guilty of a misdemeanor." The contractor is usually given a hearing before the trade or licensing board, and if found guilty, he may be fined in addition to having his license revoked. This same penalty appears to be common among states that require contractors to be licensed.

The method of recovering damages from bonded contractors in Alaska also appears to be normal procedure in other states. The surety bond issuer is not liable for claims in excess of the amount of the bond, and claims for breach of contract are assigned a lower priority than claims for labor costs and taxes which may be owed to government units.

Enforcement. Most states share with local governments the responsibility for monitoring contractors. For example, Colorado plumbing laws prescribe that cities with populations of over 70,000 must appoint inspectors of plumbing to their local boards of health to help report violations of plumbing laws to the State Examining Board of Plumbers. In addition, Colorado's State Examining Board of Plumbers is authorized to hire its own plumbing inspectors.

In states which have a single board of licensing for contractors in all trades, enforcement duties may be divided among state agencies as well as between state and local agencies. For example, in Tennessee, the Board for Licensing Contractors only investigates complaints about licensing, while violations of the technical rules of a particular trade are dealt with by the appropriate trade board or by state health and safety agencies.

* * *

I hope you find this information useful. If we can be of further assistance, please let us know.

NP

Attachments

Attachment A
Table 1

LICENSING AND BONDING OF CONTRACTORS IN EIGHT STATES

	<u>Electrical work</u>	<u>Plumbing</u>	<u>General Building Contracting¹</u>	<u>Speciality Contracting</u>
California ^{2,3}	license bond (\$5,000)	license bond (\$5,000)	license bond (\$5,000)	license bond (\$5,000)
Colorado	license ---	license ---	--- ---	--- ---
Idaho	license ---	license ---	license for public works ---	license for public works
Michigan	license bond ⁴	license ---	license for residential builders ---	license ⁵ bond (\$2,000-\$10,000)
Montana	license ---	license ---	license for public works ---	license for public works ---
Ohio ⁶	--- ---	--- ---	--- ---	--- ---
Oregon	license ---	license ---	license for bldg. construction bond (\$6,000)	license bond (\$4,000)
Washington	license bond (\$3,000)	license ---	license bond (\$4,000)	license bond (\$2,000)

Footnotes: See Next Page

FOOTNOTES TO TABLE 1

- ¹ AS 8.18.171 defines "general contractor" as a contractor whose business operations require the use of more than two distinct trades whose work the general contractor superintends; the terms "general contractor" and "builder" are synonymous; a "specialty contractor" is a contractor whose operations do not fall within the definition of "general contractor". Contractors are persons who undertake or bid for projects to construct, alter, repair, move or demolish a building, highway, road, railroad, or a type of fixed structure, including excavation, site development and erection of scaffolds.
- ² A bond of three to ten times this amount is required for the licensing of applicants who have been a party to business infractions resulting in the revocation of their own or other contractors' licenses (CRS 7071.8). Swimming pool contractors must post a bond of \$10,000.
- ³ The co-owner of a licensed firm, or the subsidiary or joint venture partner of a licensed firm, may in some circumstances be required to post an additional bond of \$2,500. CRS.7068 and CRS.7071.9.
- ⁴ The bond takes the form of a deposit to the Homeowners Construction Lien Recovery Fund. The required amount of the bond varies. MCL 338.883.
- ⁵ Contractors in the fields of residential building, maintenance, or alteration must post bonds of \$2,000 for each trade for which they are licensed, not to exceed a total of \$10,000. MCL.338.1504.
- ⁶ ORC 3781.102 delegates the licensing of contractors in Ohio to local governments. However, legislation is now pending before the Ohio General Assembly to establish requirements for state licensing of electrical contractors.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

September 6, 1983

*See attached
note for 83-213*

MEMORANDUM

TO: Representative Walt Furnace
FROM: David Teal
Legislative Analyst *Teal*
RE: Licensed/Bonded Contractors
Research Request 83-213

Steve Levi, of your staff, asked whether or not Alaska had the least restrictive standards for licensed and bonded contractors. We contacted the Council of State Governments, the National Conference of State Legislatures and the Associated General Contractors of America to determine Alaska's standing in this regard. We discovered that training/experience requirements in Alaska are minimal relative to other states which require licensing and bonding of contractors, but that nearly half of all states do not require contractors to be licensed. Further, fewer than half of the 50 states require contractors to be bonded.

This memorandum discusses standards for contractors from three perspectives: when a licence is required; requirements for obtaining a license; and the consequences of failure to meet legal standards. Each of these topics is discussed below.

Who must obtain a contractors' license?

The attached table shows that 28 states require contractors to be licensed and that only 11 of those states require licensed contractors to be bonded.¹ From the perspective of whether or not a license is required to operate as a contractor, Alaska's standards are clearly more restrictive than those imposed by some states. However, relative to other states that require contractors to be licensed and bonded, Alaska is more liberal than some states. For example, no license is required for an Alaskan to repair his own property, while Arizona requires that work on personal property be performed by a licensed and bonded contractor if the building is rented or sold within one year of completion of the work.

¹The table is from a 1978 document prepared by the State of Tennessee. Much of the information appears to be outdated. More reliable information will be forwarded to you when it is received.