

LEG. FINANCE - BILLS 1983 - 1984 - 1966

CSHB 654 cont. - HB 655

1966

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

POUCH D  
JUNEAU, ALASKA 99811  
PHONE: 465-2500

OFFICE OF THE COMMISSIONER

May 4, 1984

honorable John C. Sackett  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sackett:

Re: Foreign Office

As requested at the Senate Finance Committee hearing this morning, you have asked the department to provide a position on the establishment of a foreign office in Korea and also comment on the fiscal notes enclosed to House Bill 654: one submitted by this department and a second submitted by the House Speaker's office.

Department Position: The Department of Commerce and Economic Development believes that, as trade between Alaska and the Pacific Rim rises in the future, an increased Alaska presence in the area may be appropriate. In that regard, Korea makes sense for the next step. However, at the current time, given all the needs in general economic development, we believe that the Tokyo office provides appropriate and adequate State coverage for that area.

### Fiscal Notes

1. The department submitted a fiscal note on February 22, 1984 which realistically represents the cost of establishing an office in Korea. That cost is projected at \$434.0.
2. A fiscal note for \$335.0 was submitted on February 24, 1984 by the House Speaker's office making the following assumptions:
  - a. A director (Range 26A) and a deputy director (Range 19A) will be appointed, both receiving equivalent Juneau/Anchorage scale salaries. No foreign assignment incentive pay would be granted.
  - b. Housing would not be provided as is customarily done by both the Federal Government and the State of Alaska.

Honorable John C. Sackett


-2-

May 4, 1984

- c. Funds are not provided for moving households goods and family members which could cost in excess of \$20,000 per employee. State furnishings are currently provided in Tokyo to specifically eliminate the moving costs each time a replacement employee is appointed.
  - d. Since the proposal of the House Speaker's office includes a deputy, the reduction to two contract nationals is reasonable.
3. It has been determined by the House that the development specialist in Juneau currently assigned exclusively for support of the foreign office is not necessary. It has been shown over the past year that, in order to have an effective office, whether it be Japan or Korea or both, dedicated support to their needs is required in Alaska.

If you have further questions, please do not hesitate to contact my office.

Sincerely,

  
Richard A. Lyon  
Commissioner

RAL/saA/20  
5484b

# COMMITTEE REPORT

## SENATE

FURTHER:

FINANCE

3/15/84

Date

4/17/84

Mr. President

The Committee on LABOR & COMMERCE considered HB 654

relating to Alaska Foreign Offices; efd.

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

do pass

do pass with attached amendment(s)

replace with/or adopt CS for \_\_\_\_\_

new title

same title and recommends \_\_\_\_\_

and attached a "LETTER OF INTENT"

NEW FISCAL NOTE

reports it back without recommendation

recommends referral to \_\_\_\_\_

Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_  
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3 Walter Koles no rec.  
3 Bob M. Pelt N/R  
2 Delegator do not pass

[Signature]

Chairman

[Signature]  
Chairman recommendation

Introduced: 2/13/84  
Referred: Labor & Commerce  
and Finance

BY H/ YES, BETTISWORTH,  
COWDERY AND HERRMANN

1 IN THE HOUSE

2 HOUSE BILL NO. 654

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to Alaska Foreign Offices; and  
7 providing for an effective date."

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

9 \* Section 1. AS 44.33.020(26) as enacted by Executive Order No. 57 is  
10 amended to read:

11 (26) administer the Alaska Foreign Offices [OFFICE] estab-  
12 lished by AS 44.33.530.

13 \* Sec. 2. AS 44.33.530 as enacted by Executive Order No. 57 is repealed  
14 and reenacted to read:

15 Sec. 44.33.530. ALASKA FOREIGN OFFICES ESTABLISHED. There are  
16 established in the Department of Commerce and Economic Development two  
17 Alaska Foreign Offices. The offices are to be located in Tokyo,  
18 Japan, and Seoul, Republic of Korea. The offices shall serve as  
19 outlets for information related to economic development, resources,  
20 and trade, and as contact points for government and private industry  
21 of Alaska and the Pacific Rim nations of Asia to promote and maintain  
22 trade between the state and those countries.

23 \* Sec. 3. AS 44.33.535 as enacted by Executive Order No. 57 is repealed  
24 and reenacted to read:

25 Sec. 44.33.535. PERSONNEL. The commissioner of commerce and  
26 economic development shall staff the offices with persons the commis-  
27 sioner selects based on their experience, training and linguistic  
28 ability. The commissioner shall solicit ideas from the legislature  
29 regarding desirable staff qualifications and its recommendations of

1 persons to staff the offices. The commissioner may hire additional  
2 personnel as necessary.

3 \* Sec. 4. AS 44.33.540 as enacted by Executive Order No. 57 is repealed  
4 and reenacted to read:

5 Sec. 44.33.540. INFORMATION. The governor, at the request of  
6 the commissioner of commerce and economic development, shall direct  
7 all state agencies and request the federal government and private  
8 industry to provide the foreign offices with necessary reports, bro-  
9 chures, and information requested by the staffs of the foreign of-  
10 fices.

11 \* Sec. 5. AS 44.33.545 as enacted by Executive Order No. 57 is repealed  
12 and reenacted to read:

13 Sec. 44.33.545. ANNUAL REPORT. The commissioner of commerce and  
14 economic development shall report annually to the legislature on the  
15 activities and accomplishments of the offices.

16 \* Sec. 6. AS 44.33.550 as enacted by Executive Order No. 57 is repealed  
17 and reenacted to read:

18 Sec. 44.33.550. EXPENSES. The expenses of operating the offices  
19 shall be included in appropriations made to the Department of Commerce  
20 and Economic Development.

21 \* Sec. 7. This Act takes effect July 4, 1984

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 2/24/84

Page 1 of 3

REQUEST  
Bill/Resolution No.: HB 654  
Title: An act relating to  
Alaska Foreign Offices  
Sponsor: Hayes  
Requestor:  
Date of Request:

FISCAL DETAIL  
Agency Affected: Com. and Econ Dvp.  
Program Category Affected:  
BRU, Program or Subprogram(s) Affected:  
Economic Development Advocates BRU  
International Trade Component

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		125.3	131.5	138.1	145.1	152.4
200 TRAVEL		15.0	15.8	16.6	17.4	18.3
300 CONTRACTUAL		180.7	189.7	199.2	209.2	219.7
400 SUPPLIES		14.0	14.7	15.4	16.2	17.0
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		335.0	351.7	369.3	387.9	407.4
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		335.0	351.7	369.3	387.9	407.4
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

In FY 85 funds to offset the establishment of the office could come from the 750.0 the administration has proposed for a luxury cruise to show Alaska to Pacific Rim Officials. The establishment of a Korean office would have greater and longer lasting effect.

ANALYSIS: Attach a separate page for analysis

Prepared By: Jeff Day Phone: 465-3720  
Division: House Speaker's Office Date: 2/24/84

Approved by Commissioner: Date: 2/24/84  
Agency: Speaker

Distribution (by Agency preparing fiscal note):

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

12/1/83

The Labor and Commerce fiscal note anticipates only one state employee as the director. Based on several studies regarding our Asian office, it has been suggested that there be a second in command available so as not to interrupt the continuity of the office when the director is away. Proposed changes in the fiscal note reflect the following.

PERSONAL SERVICES

Director	Range 26 A	\$4961/ mo x 12
Dep. Director	Range 19 A	<u>\$3193/ mo x 12</u>
SUBTOTAL		\$97,848/ year
benefits 28%		<u>27,400</u>
TOTAL		\$125,248/ year

TRAVEL

reduce from 25.0 to 15.0

This will allow quarterly returns to the state for either the director or deputy and travel within Korea. There will be little if any need for staff to travel in other countries outside of Korea as the Asian office is currently doing since the Korean office is only concerned with Korea. The Asian office staff has been traveling to Korea and China since the responsibilities are supposed to include those countries.

CONTRACTUAL

Reduce Space Expense from 90.0 to 50.0. This covers expense for office space but not for staff apartment.

Reduce Funds for contract nationals from 78.0 to 40.0. This should provide for a bilingual executive secretary and a translator/ research analyst. This should be quite adequate in view that a deputy director is proposed as well.

It should also be noted that there are active university programs teaching students about Pacific Rim countries and these students might be available for internship use through cooperation with Alaskan universities. This would be added staff potential for the office.

Eliminate other contractual funds in the amount of 17.9 unless there is adequate justification.

Reduce Hospitality from 37.3 to 20.0. This may be reduced further. It's inconceivable that this expense should equal the current hospitality activities of the Asian Office.

TOTAL REDUCTION IN CONTRACTUAL

from 293.9 to 180.7

Fiscal note for succeeding years assumes a 5% inflation rate at continuing level of service.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

OK

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

(Page 1 of 2)

**REQUEST**

Bill/Resolution No.: HB 654  
 Title: "An Act relating to Alaska Foreign Offices ...."  
 Sponsor: Hayes  
 Requestor: House Sponsor/Commerce  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: Commerce & Economic Development  
 Program Category Affected: \_\_\_\_\_  
Economic Development  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
Economic Development Advocates BRU  
International Trade Component

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES		101.1	106.2	111.5	117.1	123.0
200 TRAVEL		25.0	26.3	27.6	29.0	30.5
300 CONTRACTUAL		293.9	308.6	324.0	340.2	357.2
400 SUPPLIES		14.0	14.7	15.4	16.2	17.0
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		<b>434.0</b>	<b>455.8</b>	<b>478.5</b>	<b>502.5</b>	<b>527.7</b>

CAPITAL						
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REVENUE						
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND		434.0	455.8	478.5	502.5	527.7
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME		1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

**SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:**

**ANALYSIS:** Attach a separate page for analysis

Prepared By: Lois Cook, Director  
 Division: Administrative Services  
 Approved by Commissioner: Richard A. Lyon  
 Agency: Commerce & Economic Development

Phone: 465-2505  
 Date: \_\_\_\_\_  
 Date: 2/22/84

Distribution (by Agency preparing fiscal note):

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

12/1/83

Personal Services - 101.1 - One Far East Representative

Travel - 25.0

Contractual - 293.9

Communications -	35.0
Printing & Advertising -	13.0
Space Expense & Fees -	90.0
Repair & Maintenance -	2.0
Equipment Rental -	4.0
3 Contract Nationals -	78.0
Contractual Funds -	17.9
Hospitality -	37.3
Miscellaneous -	16.7

Commodities - 14.0

654

Introduced: 1/9/84  
Referred: Senate: Labor and Commerce  
House: State Affairs and  
Labor and Commerce

EXECUTIVE ORDER NO. 57

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Under the authority of art. III, sec. 23, of the Alaska Constitution, and in accordance with AS 24.30.130(b), I order the following:

\* Section 1. FINDINGS. As governor, I find that it would be in the best interests of efficient administration to rename the Alaska State Office and to move it from the Office of the Governor to the Department of Commerce and Economic Development, the department responsible for administration of economic development programs.

\* Sec. 2. AS 44.33.020 is amended by adding a new paragraph to read:

(26) administer the Alaska Foreign Office established by AS 44.33.530.

\* Sec. 3. AS 44.33 is amended by adding new sections to read:

ARTICLE 12. ALASKA FOREIGN OFFICE.

Sec. 44.33.530. ALASKA FOREIGN OFFICE ESTABLISHED. There is established in the Department of Commerce and Economic Development an Alaska Foreign Office to be opened and maintained in Tokyo, Japan, as an outlet for economic development, resource, and trade information, and as a contact point for government and private industry of Alaska and the Far East in promoting and carrying on trade between the state and the Far East.

Sec. 44.33.535. PERSONNEL. The office shall be staffed by personnel selected by the commissioner of the Department of Commerce and Economic Development on the basis of experience, training, and linguistic ability. The staff may include subordinate personnel whom the commissioner finds necessary to hire.

Sec. 44.33.540. INFORMATION. The governor, at the request of the commissioner of the Department of Commerce and Economic Development, shall direct the cooperation of all state agencies and request the cooperation of the federal government and private industry in

1 providing the office with necessary reports, brochures, and informa-  
2 tion requested by that office.

3 Sec. 44.33.545. ANNUAL REPORT. The commissioner of the Depart-  
4 ment of Commerce and Economic Development shall annually report to the  
5 legislature on the activities and accomplishments of the office.

6 Sec. 44.33.550. EXPENSES. The expenses of operating the office  
7 are to be included in the appropriations made to the Department of  
8 Commerce and Economic Development.

9 \* Sec. 4. AS 44.19.074 -- 44.19.082 are repealed.

10 \* Sec. 5. TRANSITION. All litigation, hearings, investigations, and  
11 other proceedings pending under a law repealed by this Order, or in con-  
12 nection with functions transferred by this Order, continue in effect and  
13 may be continued and completed notwithstanding a transfer or repeal  
14 provided for in this Order. Certificates, orders, and regulations issued  
15 or adopted under authority of a law repealed by this Order remain in effect  
16 for the term issued, or until revoked, vacated, or otherwise modified under  
17 the provisions of this Order. All contracts, rights, liabilities, and  
18 obligations created by or under a law repealed by this Order, and in effect  
19 on the effective date of this Order, remain in effect notwithstanding this  
20 Order's taking effect. Records, equipment, and other property of the  
21 office whose functions are transferred under this Order shall be trans-  
22 ferred commensurate with the provisions of this Order.

23 \* Sec. 6. NAME CHANGE. To be consistent with the changes made by this  
24 Order, wherever in the Alaska Statutes and in regulations adopted under  
25 those statutes "Alaska state office" and other terms identifying that  
26 office are used, they must be read as referring to the Alaska foreign  
27 office. Under AS 01.05.031, the revisor of statutes shall implement this  
28 section in the statutes, and, under AS 44.62.125(b)(6), the regulations  
29 attorney shall implement this section in the administrative regulations.

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\* Sec. 7. This Order takes effect July 1, 1984.

DATED: Jan 9, 1984

Bill Sheffield

Bill Sheffield

Governor

# Alaska exports add up to more than \$1.1 billion

By BILL WHITE  
Daily News business editor

Did you know that Alaska exported \$47.7 million worth of goods to China last year?

Or \$8.2 million worth of goods to India?

In all, more than \$1.1 billion worth of goods exited Alaska ports or airports for foreign nations last year, according to U.S. Commerce Department figures.

That figure compares with \$1.3 billion in 1982 and \$1.2 billion 10 years ago, said Richard Lenahan of the department's International Trade Administration.

The state exports mostly fish, and most of it goes to Japan, the state's leading foreign trading partner, Lenahan said.

Besides fish, he said, the state exports large quantities of timber and urea, a product made from

## Alaska exports

4/20/84

Japan .....	\$832,732,606
South Korea.....	65,336,077
China.....	47,718,670
Singapore.....	38,500,701
Taiwan .....	26,112,517
Canada.....	15,999,467
Philippines .....	9,572,717
India .....	8,178,618
Thailand.....	7,685,906
West Germany.....	6,515,078

U.S. Department of Commerce

ammonia at a Union Oil Co. refinery near Kenai.

Lenahan said the \$1.1 billion figure shouldn't be taken as gospel for the value of Alaska exports.

The figure excludes goods shipped first to Seattle or elsewhere in the Lower 48 and then

exported.

And it includes some goods that originate in the Lower 48 but registered for export in Alaska, he said. For example, if Flying Tigers transferred freight flown from Los Angeles to another cargo plane in Anchorage, the freight was regis-

tered for export with customs officials here; and thus became part of Alaska's export figures.

The state's top foreign trading partners and their main imports are:

- Japan, with herring, herring roe, salmon, timber, natural gas and small amounts of other natural resource products.

- Korea, logs and fish.
- China, logs and urea.
- Singapore, \$38.5 million, urea and residual oil from the Tesoro Alaska Petroleum Co. refinery in Nikiski.

- Taiwan, \$26.1 million, fish.
- Canada, \$16 million, fish.
- Philippines, \$9.6 million, urea and fish.
- India, urea.
- Thailand, \$7.7 million, urea.
- West Germany, \$6.5 million, fish.



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

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

January 17, 1984

MEMORANDUM

TO: Representative Joe Hayes  
Attn: Jeff Day

FROM: Jonathan Sherwood *JS*  
Legislative Analyst

RE: Alaska State Trade Office in Korea  
Research Request 83-245

Jeff Day of your staff requested that our agency provide information on state foreign trade offices and on Alaska-Korea trade. It is our understanding that this information is to be used by a consultant, Michael Gay, in a study he is preparing on the feasibility of a State trade office in Korea. Specifically, we were asked to perform the following research:

- Outline the current structure of the State's Asian office including staffing, duties, and costs.
- Describe the history of Alaska-Korean trade efforts.
- Identify and report on activities of other states which have established offices in Korea and other Pacific Rim countries.

In the course of our research, we have contacted several individuals familiar with the history of Alaska-Korean trade or with the activities of other state's trade offices. In addition, we have obtained information from the Department of Commerce and Economic Development (DCED) pertaining to the operations of the State's Asian Office and the extent of Alaska's trade with Korea and other Asian nations.

Whenever possible we have obtained statistics and other quantitative data concerning the issues we were asked to address and included many of these materials as attachments to the memorandum. This has allowed us to spend more time collecting data while still providing the information to the consultant in a useful form--perhaps more useful given the problems inherent in using secondary and tertiary sources.

### THE STATE OF ALASKA'S ASIAN OFFICE

The State's Asian Office, in Tokyo, is the major component of the Alaska Department of Commerce and Economic Development's Office of International Trade. In addition to the Asian Office, the Office of International Trade includes one Development Specialist position in Juneau. However, this position is not currently filled.

Staffing. The State's Asian Office is staffed by one State employee, a Far East Representative. This position is currently filled by W. D. Overstreet, former Mayor of Juneau. Mr. Overstreet reports to Deputy Commissioner Vince O'Reilly or Commissioner Lyon. Four Japanese employees also work for the Asian Office; they are hired on a contractual basis to avoid the complications of having foreign employees in the State personnel system. These employees, with their current annual salaries, are listed below:

1 Bilingual Executive Secretary	\$20,500
1 Translator/Research Analyst	\$20,000
1 Clerk-Typist/Receptionist	\$18,000
1 Assistant/Translator	\$14,500

Duties and Activities. According to the FY 85 executive budget documents, the purposes and functions of the Office of International Trade are to:

- provide the Alaska business community with pertinent intelligence on market prices and conditions, product utilization, etc.;
- locate and establish business contacts which are interested in Alaska products and investments;
- act as a catalyst to assist Alaska and foreign business persons to meet and conduct business;
- establish foreign government contacts which are important to Alaska, and introduce them to the State's economic trade and developmental policies; and
- establish a favorable image of Alaska in foreign countries.

According to the FY 84 Executive Budget, the office serves Alaska and foreign companies, State agencies, and Alaska and foreign tourists. Based on conversations with Vince O'Reilly, Deputy Commissioner of Commerce and Economic Development, and on DCED documents, it appears that the Asian Office serves all of these functions. Mr. O'Reilly, stated that the target area of the Asian office is currently Japan, Korea, Taiwan, and the People's Republic of China.

Mr. O'Reilly was not able to estimate the amount of time the Asian Office devotes to countries other than Japan; however, based on our discussion and the Far East Representative's reports, it appears that Mr. Overstreet intends to make a significant effort to expand contacts with Korea. For example, according to Mr. O'Reilly, the Representative is participating in the discussions between the State and Korea concerning liquified natural gas exports.

Based on the monthly reports from the Far East Representative to the Commissioner's office, it would appear that a significant amount of the Representative's time is spent meeting with Japanese business persons who are interested or involved in Alaska trade activities. The Far East Representative also meets with and assists members of the media who are interested in publishing information about Alaska.

One of the duties of the Far East Representative is to represent the State of Alaska and, to some extent, Alaska industry at trade shows, political functions, and business-related social functions. In addition, the Asian Office hosts receptions and luncheons for visiting Alaska businessmen and State officials. Vince O'Reilly explained that business relations in Japan traditionally involve more social activities than in the United States.

The Far East Representative also serves as the official representative of the Governor of Alaska at state functions. For example, Mr. Overstreet represented the Governor at the funeral of the Korean government officials assassinated this autumn.

Another responsibility of the Asian office is to provide assistance and support for trade delegations and visiting State officials. For example, when Governor Sheffield and his party travelled to Japan and Korea this last fall, the Asian Office was responsible for some of the arrangements; Mr. Overstreet and staff members also accompanied the Governor. According to Mr. O'Reilly, the Asian Office was also responsible for arranging a tour of the Far East for an Alaska logging industry group in the spring of 1983; the Office identified appropriate contacts and arranged meetings with Asian firms.

One of the activities of the Asian Office is the compilation and/or the dissemination of market information, both for Asian businesses interested in trade or investment in Alaska and to Alaska firms interested in marketing their products in the Orient. Two of the Japanese support staff translate information published in Japanese to English.

Productivity. One convenient method of determining the productivity of the Asian Office is to look at the extent to which it meets its

Representative Hayes  
January 17, 1984  
Page Four

own performance objectives. The following performance measures were listed in the monthly reports submitted by the Far East Representative:

- the number of trade/marketing shows in which staff members participate;
- the number of conferences attended;
- the number of firms contacted or assisted;
- the number of Japanese organizations provided information;
- the number of pamphlets distributed;
- the number of Alaska firms provided information; and
- the number of government representatives assisted.

We have already provided the consultant with two of the Asian Office monthly reports which provides information on the extent to which each staff member performs these duties (see Attachment A). At his request, we will attempt to obtain additional reports from DCED.

Costs. The State Asian Office is included in the International Trade component of the DCED budget. This component also includes one development specialist position in Juneau and some travel funds used for DCED officials and others to participate in international trade events.<sup>1</sup>

The FY 85 Executive Budget request for the International Trade component is \$543,500. According to the FY 85 budget documents (Attachment B), this represents a maintenance level budget for the new fiscal year.<sup>2</sup> Of the total amount, approximately \$455,900 is for the Asian Office. Table 1 provides a breakdown of these costs. The remainder of the International Trade component budget goes to support the Juneau-based development specialist and to finance international trade promotion activity by State officials, legislators, and others.

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<sup>1</sup> While we have been able to separate most of the costs of the State Asian office, it should be noted that there are a few items, e.g. office supplies, for which approximations have been used. However, this should not result in a significant error in our calculations.

<sup>2</sup> According to Joan Brown, service level SL 1 (identical to SL 2) was included in the included in the Governor's budget. Budget levels for SL 1 are used in this memorandum and should be used when looking at Attachment B.

TABLE 1  
Alaskan Asian Office Costs  
(in \$thousands)

<u>Personal Services</u>	
Salary	85.0
Employee Benefits	18.3
<u>Travel</u>	
Field and administrative	35.6
<u>Contractual</u>	
Communications	35.0
Printing and advertising	13.0
Space expense and fees	90.0
Repair and maintenance	2.0
Equipment rental	4.0
Professional fees	
Tokyo office staff	90.0
Contracts*	9.0
Other fees and expenses, risk management	60.0
<u>Supplies and Materialst</u>	
Household and institutional supplies	1.5
Structural materials and supplies	.5
Equipment parts and supplies	.5
Office and library supplies	11.5
TOTAL	455.9

\* This item is for consulting contracts; the amount expended by the Asian Office varies from year to year. For our purposes, we have allocated one-half of the total amount to the Asian Office.

† Some supplies and materials may be charged to the Juneau Development Specialist position; however, we are unable to separate these expenses at this time.

Source: Department of Commerce and Economic Development, FY 85 budget documents, C series for International Trade Component, and conversations with Joan Brown, DCED. Table prepared by House Research Agency, 1984.

Representative Hayes  
January 17, 1984  
Page Six

One should note that the allocation for space rent not only includes office space in Tokyo, but also an apartment for the Far Eastern Representative. According to Joan Brown, administrative assistant with the Department of Commerce and Economic Development, the cost of office rent is currently about \$54,200 per year and the apartment costs about \$32,000 per year. The \$60,000 shown for other fees and expenses, and risk management includes \$10,000 for membership fees, \$8,000 for conference registration, and \$37,300 for hospitality.

History. The Alaska State Asian Office was opened at the end of 1964 following the passage of the legislation which created and funded it for \$25,000 (SLA 1964 Ch. 91 & 92). Originally, it was administratively located in the Office of the Governor; however it was transferred to the Department of Commerce and Economic Development in 1980.

Based on comments we received in the course of our interviews and on information included in previous consultants' studies of the Asian office, it appears that the Office has operated without strong direction or support from some of the past administrations. For further information on the past activities of the Asian Office we refer you to the Alaska Trade Offices Study published for the Alaska Legislature by Dupere and Associates in January of 1982 and to the Alaskan State Asian Office Study, performed by Agritrade International Inc.; these reports are included with the memorandum. Both contain information on past operations of the office as well as evaluations of the office's performance and support from State government in Alaska.

#### OTHER STATES' TRADE OFFICES

According to a 1980 survey, 33 states were represented in that year by trade offices in 66 foreign countries. This had increased from 20 states in 1977.<sup>3</sup> While some states may have added or closed foreign trade offices in the last three years, international trade staff for such national organizations as the National Association of State Development Agencies (NASDA), the National Conference of State Legislators (NCSL), and the Council of State Governments (CSG) indicated that the level of activity is about the same currently. NASDA is in the process of compiling an updated list of states' foreign trade offices, which should be available later this year.

In almost all cases, the foreign trade offices are associated with their state's economic development agency. In a few cases, the office represents the state's agriculture agency, and in some states, different agencies share an office. In some cases, rather than representing a state, an office will represent a port authority or some other regional entity. For the purposes of our discussion, we have not included any state offices which are limited to promoting tourism, although some state trade offices do serve this function in addition to other duties.

Foreign trade offices are most frequently staffed by personnel employed directly by state government, as is the case with Alaska. In many cases, these are regular employees of the parent agency, who are routinely rotated to their home state. However, some states contract with one or more foreign consultants to represent their state. In addition, several western states operate the Old West Commission, which has had joint trade offices in both Europe and Asia.

Foreign trade--and consequently the activities of state foreign offices--is often classified into two broad categories: (1) investment; and (2) trade. Investment, also called reverse investment or foreign investment, refers to business transactions in which foreign companies invest capital in the state, frequently by opening a manufacturing plant.

Trade, the second kind of activity, involves the exporting of goods to foreign markets. According to Marsia Clarke, with NASDA, state foreign trade office activity is fairly evenly divided between the promotion of these two functions, at least on the global scale. State

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<sup>3</sup> National Governors' Association, Export Development and Foreign Investment: Ther Role of States and Its Linkage to Federal Action, 1981, p. 22.

offices in developed countries like Japan may place a higher priority on encouraging investment; in developing nations, state offices may place a greater priority on expanding export markets, as these countries are less likely to have firms interested in developing operations in the U.S.

The trade offices of other states also collect trade intelligence for their state. However, according to Ms. Clarke, it is difficult to identify how much time is devoted to this activity, as it tends to be performed in conjunction with the office's promotional activities.

According to a 1982 study prepared for the Alaska Legislature by Dupere and Associates, once a state foreign office has made contact with a foreign firm interested in doing business with the U.S., the state's home office provides the U.S. business contact.

The Dupere report and other articles on foreign trade offices emphasize the importance of strong direction and support for state foreign offices from their parent agency. The home office must be able to identify the appropriate business contacts for foreign business interests who contact the state's foreign office, and to identify which in-state businesses expressing interest in exporting their products are serious candidates for foreign trade.

Ms. Clarke stated that the typical cost for a foreign trade office would be between \$100,000 and \$300,000. She noted that the upper limit generally provides for a large operation, but also cautioned that Tokyo was substantially more expensive than other locations. A 1982 survey indicated that the number of employees per office varied from 1 to 8, with 2 or 3 employees being the most common staffing pattern. The largest number of employees in the Japanese offices surveyed was 6.

Asian Offices. According to Marsha Clarke, her most recent information shows that 19 states now have foreign trade offices in Japan.<sup>4</sup> In addition, California, which does not have a state office there, has several port authorities, including Long Beach and Oakland, which operate offices in Japan. Most of these offices are regional in scope; however, some of the offices are intended to deal strictly with Japan. States which currently have offices in Japan are listed below:

Alabama	Indiana	Michigan	Pennsylvania
Alaska	Kentucky	Missouri	South Carolina
Florida	Louisiana	New York	Virginia
Georgia	Maryland	North Carolina	Washington
Illinois	Massachusetts	Ohio	

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<sup>4</sup>This compares with 14 states in 1980.

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In addition, Illinois has an office in Hong Kong and Missouri has an agriculture representative in Singapore. None of the individuals we contacted was aware of any state with an office in Korea.<sup>5</sup>

According to Ms. Clarke, state foreign trade offices in Japan usually place much more emphasis on encouraging foreign investment and little emphasis on increasing exports. Ms. Clarke explained that this is a result of Japan's long-standing trade restrictions on the importation of manufactured goods and agricultural products. Traditionally, these have made it very difficult for U.S. businesses to export goods to Japan. While some of these restrictions have been lifted in recent years, Ms. Clarke stated that the direction of states' trade office activities in Japan have not changed significantly. The Dupere study also found that most state offices in Japan devote more time to promoting Japanese investment in the U.S. than to promoting trade.

For additional information, we refer you to the Dupere study, which includes an examination of eight state offices in Tokyo and ten offices in Europe. The study provides a substantial amount of information on their activities and procedures. We also refer you to Attachment C, which provides several articles on state foreign trade offices sent to our agency from the Western Conference of the Council of State Governments.

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<sup>5</sup> We received an excerpt of a recently published book on foreign trade office activity which refers to a possible office in Korea. The excerpt does not provide detail on the status of the office; it is not clear whether an office has been opened or was merely planned.

## HISTORY OF ALASKA-KOREAN TRADE

There are very few documents available which specifically address the past and current trade activities between the Republic of Korea and the State of Alaska. Most of our information was obtained either through conversations with individuals familiar with Alaska-Korea trade activities, or from publications which addressed only a small portion of trade activities or included information on Korea incidental to other topics. As a result, the information presented in this section does not represent a comprehensive summary of Korea-Alaska trade activities.

In this section, we will present a general overview of Alaska-Korea trade, including an informal chronology of events. We then discuss the history and status of specific areas of trade, including examples and statistics whenever we have found them readily available.

### Overview

Historically, direct trade between Alaska and Korea has been relatively sparse compared to trade activities between Alaska and Japan, or Alaska and the contiguous United States. According to the individuals we contacted, trade activities between the two countries have generally involved exporting Alaska natural resource products, particularly fish and timber, to Korea. In addition, some Korean firms have supplied industrial materials for large capital projects, and in a few cases, Korean firms have received contracts to construct all or portions of such projects. In recent years, Korean firms have also begun participating in joint ventures with Alaska businesses involved in natural resource extraction.

Presented below is a brief chronology of Alaska-Korea trade activities based primarily on our interviews with those knowledgeable about the history of Alaska-Korea trade. While it is not comprehensive, it should help to place the discussion in a clearer perspective.

<u>Year</u>	<u>Event</u>
1950s	--- Little direct trade between Alaska and Korea. Timber and fish products exported from Alaska to Korea through Japanese trading companies.
Late 1960s	--- Korean fishing fleet begins fishing in Alaska waters.
	--- Hyundai Corporation builds Parks Highway bridge at Hurricane Gulch.

<u>Year</u>	<u>Event</u>
Early 1970s	--- More wood products exported to Korea, still through Japanese trading companies.
	--- Sun Eel Corporation begins exploring the possibility of exporting coal from Alaska to Korea.
1975	--- Anchorage businessman, Loren Lounsbury, appointed honorary consul by Korean government.
Mid 1970s	--- Koreans begin participating in joint timber ventures with Alaska businesses.
Late 1970s	--- U.S.-Korean joint ventures in Alaska fisheries begin.
1980	--- Korean government establishes Consul-General post in Anchorage. First Consul-General appointed.
	--- Sun Eel exports test shipment of Usibelli steam coal to Korea.
1981	--- Sun Eel agrees to export 800,000 metric tons of coal annually through Seward for 15 years.
	--- Hyundai awarded contract to erect transmission towers on the Anchorage to Fairbanks electrical intertie. Also provides structural steel for the new Sohio building in Anchorage.
	--- Daewoo Corporation provides saltwater treatment facility to Atlantic Richfield Corporation on the North Slope.

In addition, we located some general statistics on the volume of Alaska-Korea trade in past years. Attachment D is a table, taken from the Alaska Statistical Review, 1980, which gives the value of Alaska imports and exports by nation for selected years between 1970 and 1979. The table shows that in 1970, Korea ranked fourth as a recipient of Alaska exports behind Japan, India, and Canada. In 1979, Korea again ranked fourth as a recipient of exports, this time behind Japan, India, and the People's Republic of China. Japan is clearly the dominant export market for Alaska, receiving over 80 percent of all Alaska exports. Korea does not appear to have been a significant source of imports to Alaska in the 1970s.

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Attachment E provides information on Alaska's exports to East Asian markets for the years 1978 through 1982. This information was provided by the Alaska Department of Commerce and Economic Development. As the table shows, Korea had consistently ranked behind Japan and the People's Republic of China until 1982, when it surpassed China. However, it should be noted that in 1982, two reconditioned jet aircraft were exported to Korea from Alaska accounting for over half of the total figure. This is not a common export item for Alaska and, to some extent, distorts the export figures for 1982.

It should be noted that these statistics reflect only exports which are shipped directly to Korea from Alaska. Many of the individuals interviewed stated that some Alaska products are exported to Japan and are then sold to Korea by Japanese trading companies. Also, some Alaska products may be transported to the contiguous U.S. before being shipped to Korea. We have not located any statistics which indicate the extent to which this occurs.

In the sections that follow, we provide information on the history and current status of specific areas of trade, a summary of trade promotion activities, and a brief discussion of the potential for increased trade between Alaska and Korea. Much of the information is qualitative in nature, based on interviews and descriptive reports on Alaska commerce. Whenever possible, we have included existing summary data on the volume of specific items of trade.

Comprehensive information on the level of trade is available in the U.S. Department of Commerce reports for the Alaska customs district, which may be obtained from the U.S. Department of Commerce International Trade Office in Anchorage. In fact, the information in the two attachments discussed above was compiled using these reports. The reports go back to 1964 and provide export and import totals for the district as well as specific dollar and piece amounts for individual items. Unfortunately, these reports do not provide any summary data by general type of product, for example, forest products or seafood.

We have not attempted to compile any summary data using these reports, as we lack ready access to the reports in Juneau (the International Trade Office in Anchorage does not have duplicating equipment capable of making copies of the microfiche records for recent years). The task of obtaining copies and compiling summaries ourselves was not possible within the time constraints of this request. However, as previously noted, some of the information has already been summarized by other agencies and these are included in the attachments.

### Fishing

Export of Alaska seafood products to Korea has been one of the largest items of trade between Alaska and Korea over the past five years. During the period 1978 through 1982, seafood products have usually ranked second to timber in dollar value of exports to Korea. The exports peaked in 1980, with a value of \$24.3 million and accounted for \$9.3 million in the first eleven months of 1982 (see Attachment E).

In addition, according to Robert Breeze, president of the Alaska-Korea Business Council, Korean vessels have been fishing in the waters off Alaska since the late 1960s. However, according to one report:

foreign fisheries are entirely self-sufficient, high-seas operations with the supplying of fleets and offloading of catches primarily carried out at sea. The catches are processed to varying degrees, and mostly frozen for transport to the homeland. Most of the foreign catch is Alaska pollock and other species taken by trawling, with much smaller amounts of sablefish and cod harvested by longline gear.<sup>6</sup>

Thus it would appear that, historically, Korean fishing activities in Alaska waters have had little impact on the Alaskan economy. A table from the Alaska Statistical Review, 1982 showing the number of foreign vessels permitted in the Alaskan Fisheries Conservation Zone (FCZ) for the years 1977-1981 is provided in Attachment F. The table shows that Korea has consistently ranked third behind Japan and the U.S.S.R. in the number of permits issued to foreign vessels.

However, in recent years joint ventures between U.S. trawlers and foreign processors have been initiated. Foreign processors from Korea, the Soviet Union, Poland, Japan, and West Germany have participated in joint ventures in the Alaska region. U.S.-Korean operations have involved mainly pollock.<sup>7</sup>

U.S.-Korean joint ventures in the Alaska FCZ resulted in a catch of 1,384 metric tons in 1979. By 1981, this catch had increased to 41,683 metric tons. The table included on page 41 of Attachment G compares joint venture activities for five foreign countries in the Alaskan FCZ for 1979-81. It shows that Korea ranks second to the Soviet Union in total joint venture catch. In 1981, the Soviet Union accounted for 55 percent of the joint venture catch and Korea accounted for 32 percent.

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<sup>6</sup> Alaska Fisheries Development Foundation, Fisheries of Alaska, 1981, prepared by Natural Resources Consultants, July 1982.

<sup>7</sup> Ibid.

There are several indications that the potential for increased joint venture activities with Korea is great. Of the seventeen joint-ventures approved by the North Pacific Fisheries Management Council in December of 1983, eight involved Korean firms. In addition, some of the Native corporations we contacted reported that they were currently negotiating with Korean firms for joint ventures. Furthermore, foreign allotments of the Alaskan FCZ fisheries are now determined to some extent by that nation's level of joint-venture activity in the fishery. This increases the incentives to foreign processors to participate in joint ventures.

### Timber

For the period 1977 through 1982, forest products were the most consistent and most valuable export from Alaska to Korea. The value of forest products exported to Korea in the first eleven months of 1982 was \$9.7 million. However, for the same five-year period, 1977 to 1982, Korea generally ranked behind Japan and the People's Republic of China as a market for Alaska timber. Japan frequently imported twenty times the amount of Alaska forest products imported by Korea during this period.

The Alaska timber export market to Korea includes hemlock, used in the hidden interiors of homes, Sitka spruce, used in musical instruments, and red cedar, which has recently become a popular paneling material in Korea.

There have been some joint-timber ventures between Korean and U.S. firms in Alaska. According to Robert Breeze, Korean firms have been involved in joint timber ventures with some Native corporations. Robert Loescher, with the Sealaska Corporation, reported that his firm is undertaking a joint venture with the Korean Alaska Development Corporation (KADCO), a consortium of several Korean trading companies, including Hyundai Corporation and Samsung Corporation. Mr. Loescher also mentioned that his corporation has been exporting timber to Korea for the last several years. In 1983, Sealaska exported 25 million board feet of round logs to Korea.

A recent study of the markets for Alaska timber compiled for the U.S. Forest Service predicts that the Korean market for spruce will hold steady or increase slightly in the future. However, it also points out that the Korean market for hemlock is likely to decline as the Japanese market improves. This is because the Koreans are currently buying a higher grade of hemlock than they require, due to its low price compared to inferior quality woods from other sources. If Japan begins paying more for this hemlock, the Korean market will probably substitute other woods. The study does anticipate an increase in the demand for red cedar, and mentions that there may be some potential for selling Alaska cottonwood, white spruce, and possibly birch to Korean markets.

Attachment H contains the pertinent section of this Forest Service report, which includes tables with some Korean timber import information.

### Minerals

Coal. While there has been Korean interest in Alaska coal since the early 1970s, actual exports did not begin until 1980, when the Sun Eel Shipping Co., Ltd. Corporation purchased a test shipment of steam coal from the Usibelli Coal Mines near Healy for trial in power generators in Korea. Following a successful trial, Sun Eel signed a ten-year contract to buy 7 million metric tons of coal. Last year, Sun Eel, along with Korea Electric Power Corporation agreed to export 800,000 metric tons of coal annually through the coal loading facility currently under construction at Seward. As Usibelli is the only working coal mine in Alaska, this will represent the only regular export of coal from the state.

There is also a coal development project currently underway involving Korea. This is the Bering River Coal field located 60 miles east of Cordova on land owned by Chugach Natives, Inc. This field is being developed by the Bering River Development Corporation, a joint venture between Chugach Native, Inc. and KADCO. Although the coal lies approximately 30 miles from tidewater, and there is no existing transportation or loading facility, the coal has a higher BTU value than the Usibelli coal. To date, no mining has occurred, and it is uncertain if and when this field will actually begin exporting to Korea.

Petroleum. Petroleum exports do not appear to be significant part of the Alaska-Korea trade historically. Of course, export of crude oil, and the potential export of LNG for Alaska's North Slope is restricted by federal law. According to Robert Maynard, Assistant Attorney General, provisions in the Congressional authorization of the Trans-Alaska Pipeline make it almost impossible to export North Slope crude oil, and provisions in the Congressional authorization of the Northwest gasline project make it very difficult to export large amounts of LNG. This limits, to a large extent, the potential for trade in oil. However, in the first eleven months of 1982, Korea imported \$16.6 million worth of urea from Alaska. No urea was exported in the four previous years. We have not obtained any figures for 1983.

It was the general consensus of the individuals I interviewed that Korean firms would be very interested in importing liquified natural gas (LNG) if a gasline was built and might also import oil if federal laws were changed. However, it was mentioned that Korea does have other sources of energy, and that it was not clear the extent to which unrefined Alaska petroleum products would be competitive. Alaska

petroleum does have relatively high extraction costs associated with it. Any decision regarding the export of Alaska petroleum to Korea would be based on the price of Alaska petroleum relative to the price of petroleum from other sources.

According to Robert Breeze, the Korean trading company, Samsung, is considering importing unleaded gasoline and reformat from Alaska to Korea. He also stated that another Korean firm, Sangyong, is considering exporting leaded gasoline and #2 fuel oil from Korea to western Alaska. In addition, Korea Shipbuilding and Engineering Corporation is exploring the possibility of importing residual fuel oil to Korea, to be purchased from Tesoro.

Other Minerals. Although there does not appear to be any Alaska-Korea trade in minerals other than coal and petroleum at this time, both Loren Lounsbury and Robert Breeze mentioned strategic minerals as another source of future trade with Korea. However, as several individuals mentioned, Alaska presently lacks the infrastructure to develop these mineral resources. Presumably, any development of Alaska-Korea trade in this area is dependent on future infrastructure development.

#### Agriculture

To date, there does not appear to be much agricultural trade between Alaska and Korea. There has been some shipment of beef and livestock from Alaska to Korea; Loren Lounsbury cited an operation near Homer which is currently exporting beef. Robert Breeze stated that two Korean firms are currently attempting to lease University of Alaska lands in the Kenai area for cattle raising. Mr. Breeze stated that current plans call for the firms to export cattle as well as process cattle in Alaska.

Several of the people with whom we spoke mentioned the possibility of exporting barley to Korea. Japan and Korea are considered the primary markets for Alaska barley exports. However, the lack of a grain terminal at railhead appears to be a major impediment in the development of this market.

Finally, an article in Forbes (Attachment I) notes that without the Korean market for reindeer antlers, Nana Corporation's reindeer herd would cease to be an economically viable enterprise. In addition to the antlers, the herd also provides a source of fresh meat for local residents.

### Korean Investment in Alaska

We have already discussed many of the areas in which Korea has invested in Alaska in our discussion of joint ventures in resource development. These include timber, fisheries, and coal. It should be noted, however, that joint ventures in fisheries do not usually entail foreign investment onshore. The foreign processor simply buys fish from a U.S. fishing vessel and processes the fish on board.

Mr. Breeze also mentioned that the Korea Shipbuilding and Engineering Corporation has proposed building a ship repair facility in Seward that might eventually include a small rolling mill and some ship building facilities as well.

While many of the individuals with whom we spoke stated that there was the potential for substantial Korean investment, particularly in the extraction of Alaska's natural resources, Korea's Consul General Hwang cautioned that Korean firms are reluctant to invest in the infrastructure necessary to develop some of these resources. He explained that other natural resource producers, such as Canada, are willing to build the necessary facilities to make their resources available to foreign firms at dockside. This reduces the total cost to Korean firms purchasing these products.

### Imports

According to those we interviewed, Korean firms provide a significant amount of heavy industrial goods used in Alaska. We have not located any information which evaluates the relative size of Korean exports to Alaska in this field. However, our sources did provide several examples. The Korean firm, Daewoo, delivered a saltwater treatment plant to Atlantic Richfield Corporation on the North Slope last year valued at over \$200 million. The Hyundai Corporation provided the structural steel for the new Sohio building in Anchorage. Hyundai also is erecting the transmission towers for a section of the Anchorage-Fairbanks power intertie. In addition, Hyundai build the bridge at Hurricane Gulch on the Parks Highway in the late 1960s. Robert Breeze also mentioned that cement and electrical transformers were also imported from Korea.

For consumer goods, the potential for import does not appear great. Consul-General Hwang stated that Alaska is generally considered too small of a market to make importing likely. Although many Korean products eventually are consumed in Alaska, these are usually distributed by companies operating out of the contiguous U.S. A small Korean products import trade had existed in Anchorage for some years; however, this primarily serves the Korean community there and is not likely to increase significantly.

### Trade Promotion Activities

In addition to actual trade activities, there are a number of activities related to the promotion or enhancement of Alaska-Korea trade which merit mention. For example, for the last several years, delegations of business persons and/or political officials have either gone to Korea, or come from Korea to visit Alaska. According to Robert Breeze, trade delegations have regularly travelled from Alaska to Korea or vice versa for the last few years. Governor Hammond and several State officials (including legislators), made a tour of the Far East to discuss trade in early 1979 (see Attachment H), and Governor Sheffield led a similar delegation last fall.

In 1975, the Korean government appointed Loren Lounsbury, a long-time Anchorage businessman, honorary consul for Korea in Alaska. In 1980, the Korean government established a regular consulate in Anchorage, staffed by a Consul-General.

The Alaska-Korea Business Council, an Alaska organization, was formed a few years ago to enhance trade and other relations between the two locales. A similar organization, the Korea-Alaska Economic Cooperation Committee, exists in Korea.

Several major Korean trading companies have opened offices in Anchorage or announced plans to open offices in Anchorage. These include Hyundai, Sun Eel, Daewoo, and Korea Shipbuilding and Engineering.

### Potential for Future Trade

Virtually everyone with whom we spoke stated that there was the potential for greatly increased trade between Alaska and Korea. Export of Alaska's natural resources was cited as the most promising area of trade between the two. It should be noted, however, that the infrastructure necessary to develop many of these resources is not yet in place, and until it is, there are probably limited opportunities for increasing this trade. In addition, federal restrictions on the export of North Slope crude oil and LNG will have to be lifted before Korea can take full advantage of Alaska's petroleum resources.

Among the advantages cited for Alaska as a potential trading partner with Korea are:

- the proximity of Alaska to Korea;
- the quantity and diversity of Alaska's natural resources; and

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- the political stability of the United States compared to other resource exporting countries.

The individuals with whom we spoke also cited several negative features which the Koreans see as drawbacks to Alaska as a trading partner, including:

- the lack of adequate infrastructure for resource development;
- the lack of sophistication and expertise of Alaska business firms;
- the lack of consistent, positive State government policy concerning resource development; and
- State and federal restrictions and permit requirements which add time and expense to resource development.

Röbert Breeze, Loren Lounsbury, and Bill Bittner, attorney for Hyundai in Alaska, all stated that Korean trading companies are interested in becoming involved in Alaska's infrastructure development, both as a supplier of industrial materials, and as a contractor. Korean companies reportedly have a similar posture toward Alaska Power Authority hydro-electric power projects.

While it appears that Korean companies are neither used to or inclined to invest heavily in infrastructure development, they have begun investing in Alaska's resource development, as evidenced by the Bering River Development Corporation and joint ventures in the timber industry.

\* \* \*

This concludes our research on Korean trade and foreign trade offices. As noted throughout this memorandum, we have supplied several attachments which should be useful to the consultant in preparing his report. We are, of course, willing to assist the consultant in obtaining further information to the degree that time permits. Should you have any questions, or if we can provide further information on any of the issues addressed in this memorandum, please do not hesitate to contact us.

JS

Attachments

cc w/attachments: Michael Gay



Original sponsors: Hayes, Adams,  
Szymanski, et al

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 655 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the longevity bonus program;  
7 requiring the payment of longevity bonuses from  
8 appropriations from the general fund; and providing  
9 for an effective date."

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

11 \* Section 1. FINDINGS AND PURPOSE. The legislature finds and declares  
12 that

13 (1) the high cost of goods and services in Alaska and the  
14 state's remoteness and harsh environment, make it difficult for many el-  
15 derly Alaskans to remain in the state after retirement;

16 (2) when a person is forced to live out retirement years away  
17 from home, family and friends, that person suffers an irreparable loss;

18 (3) Alaska's elderly are a precious human resource, and it is in  
19 the public interest to provide a financial incentive for them to remain in  
20 the state after retirement; and

21 (4) it is in the public interest to continue the longevity bonus  
22 program for elderly Alaskans irrespective of need; the longevity bonus  
23 program is not a form of welfare and is not a substitute for or supplement  
24 to public assistance; other programs are available to provide the basic  
25 necessities of life; the longevity bonus program is intended to encourage  
26 elderly Alaskans to spend their retirement years in the comfort of their  
27 homes.

28 \* Sec. 2. AS 47.45.010 is amended to read:

29 Sec. 47.45.010. PERSONS WHO MAY QUALIFY FOR LONGEVITY BONUS.

1 (a) A person who is 65 years of age or over, who resides in the state  
2 for at least one year immediately preceding the application for a  
3 longevity bonus under this chapter [WAS DOMICILED IN THE TERRITORY ON  
4 OR BEFORE JANUARY 3, 1959 AND WHO HAS MAINTAINED A CONTINUOUS DOMICILE  
5 IN THE TERRITORY OR STATE FOR 25 YEARS] may apply to the commissioner  
6 of administration for qualification to receive a monthly bonus of  
7 \$250.

8 (b) When the commissioner of administration determines that an  
9 applicant qualifies under AS 47.45 the commissioner [HE] shall immedi-  
10 ately begin payment of the bonus.

11 (c) A person who otherwise qualifies to receive a bonus provided  
12 for in AS 47.45 may continue to do so only as long as that person  
13 continues to be a resident of [HE CONTINUOUSLY RETAINS A DOMICILE IN]  
14 the state.

15 (d) Notwithstanding (a) of this section, on July 1, 1990, the  
16 age requirement for eligibility for a longevity bonus shall be in-  
17 creased to 66 years of age. On July 1 of each succeeding year the age  
18 requirement shall be increased by one year.

19 \* Sec. 3. AS 47.45.030 is amended to read:

20 Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification a  
21 [A] recipient shall notify the commissioner of administration when the  
22 recipient [HE] expects to be absent from the state if the absence is  
23 for a continuous period that exceeds 30 days. After that notifica-  
24 tion, the recipient shall no longer receive bonuses from the Depart-  
25 ment of Administration after the [HIS] last regularly approved monthly  
26 application. Upon returning [HIS RETURN] to the state the recipient  
27 [HE] may again make application for a bonus. Whenever the absence is  
28 for a continuous period that exceeds 180 days the recipient shall be  
29 disqualified from receiving bonuses for the next 12 calendar months

1 after returning [HIS RETURN] to the state. However, when the commis-  
2 sioner of administration determines a period of absence is beyond the  
3 control of the recipient, the recipient [HE] may not be disqualified,  
4 if the recipient [HE] still otherwise qualifies upon returning [HIS  
5 RETURN] to the state. Continual absences from the state, even though  
6 reported, and failure to notify the commissioner of an expected ab-  
7 sence may be grounds for disqualification.

8 \* Sec. 4. AS 47.45.090(a) is amended to read:

9 (a) The [THERE IS THE] Alaska longevity bonus fund is created  
10 for the purpose of paying the monthly bonuses provided for in this  
11 chapter. The fund consists only of [ALL] money made available by  
12 appropriations of the [STATE] legislature from the general fund [,],  
13 and [FROM OTHER APPROPRIATED FUNDS, ALL CONTRIBUTIONS FROM WHATEVER  
14 SOURCE, AND] income and interest derived from the investment of money  
15 of the longevity bonus fund.

16 \* Sec. 5. AS 47.45.150 is amended to read:

17 Sec. 47.45.150. DEFINITIONS. In this chapter

18 (1) "bonus" means a monthly Alaska longevity bonus payment  
19 made to a person or the person's [HIS] beneficiary who qualifies under  
20 this chapter;

21 (2) "resident" or "resident of the state" means an indi-  
22 vidual who is physically present in the state with the intent to  
23 remain in the state indefinitely and to make a home in the state; a  
24 person demonstrates the requisite intent by maintaining a principal  
25 place of abode in the state for one year and by providing other proof  
26 of intent the commissioner may require by regulation, including proof  
27 that the person is not claiming residency outside the state or obtain-  
28 ing benefits under a claim of residency outside the state ["DOMICILE"  
29 MEANS THE PLACE WITH WHICH A PERSON HAS A SETTLED CONNECTION FOR

1 DETERMINATION OF HIS CIVIL STATUS OR OTHER LEGAL PURPOSES BECAUSE IT  
2 IS ACTUALLY OR LEGALLY HIS PERMANENT AND PRINCIPAL HOME].

3 \* Sec. 6. Section 2, ch. 205, SLA 1972, and AS 47.45.170 are repealed.

4 \* Sec. 7. A person who is qualified to receive a monthly longevity  
5 bonus under AS 47.45.010(a) immediately before the effective date of this  
6 Act is qualified to receive a monthly bonus under AS 47.45.010(a), as  
7 amended by sec. 2 of this Act, and is not required to reapply for quali-  
8 fication.

9 \* Sec. 8. This Act takes effect on the date of a final decision by the  
10 Alaska Supreme Court affirming the decision of the superior court in the  
11 case of Rodney Vest, et al v. Marian Schafer and State of Alaska, No. LJU-  
12 82-1103 CIV, Superior Court for the State of Alaska, First Judicial Dis-  
13 trict at Juneau, on the constitutionality of the Alaska longevity bonus  
14 program.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

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

**REQUEST**

Bill/Resolution No.: CSHB 655(Fin)  
Title: Longevity Bonus

Program: \_\_\_\_\_  
Sponsor: Haves, Adams, Etc.  
Requestor: House Finance  
Date of Request: 2/29/84

**FISCAL DETAIL**

Agency Affected: Dept. of Admin.  
Program Category Affected: Social Services

BRU, Program or Subprogram(s) Affected:  
Longevity Bonus Program

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES		85.2	28.7	28.7	28.7	23.7
200 TRAVEL						
300 CONTRACTUAL		85.0	85.5	86.0	86.5	87.0
400 SUPPLIES		1.5	1.0	1.0	1.0	1.0
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		15,350.0	15,644.0	16,061.0	16,613.0	17,303.0
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>						
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	15,521.7	15,759.2	16,176.7	16,729.3	17,419.7
FEDERAL FUNDS					
OTHER					
<b>TOTAL</b>					

**POSITIONS:**

FULL-TIME					
PART-TIME					
TEMPORARY					

**SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:**

**ANALYSIS:** Attach a separate page for analysis

Prepared By: Rep. Al Adams, Chair APA Phone: 465-3706  
Division: House Finance Committee Date: 2/29/84

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

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

12/1/83

CS HB 655 (FIN) FISCAL NOTE ANALYSIS

The amounts provided for administration of the Alaska Longevity Bonus program are those requested by the Department. The breakdown on these costs are as follows:

	<u>Annual Cost</u>
Personal Services	\$ 85,196
Clerk V, PFT	\$ 28,710
Clerk II, PPT (2 positions, 6 mos)	56,486
Contractual Services	
Added postage, bonus warrants, printing of new regulations and application forms and increased telephone tolls	85,000
Commodities	1,500
Office supplies and file cabinets for application and recipient files	

The costs are inflated in each succeeding fiscal year.

The amounts provided for payment of checks (shown in the grants line item) are based on House Research Agency calculations of the number of ALB recipients in each year after passage of CS HB 655 (FIN). The assumptions behind these calculations are fully explained in Attachment A. (Please note, however, that the administrative costs calculated in Attachment A are not what is provided in this fiscal note. Instead, the Department's administrative cost projection - a somewhat smaller figure - is provided through this fiscal note.)

The fiscal note shows only the increase in costs due to passage of this bill. In other words, the fiscal note only provides funding above the Department's budget request for the ALB program. Total projected program costs (the budget request plus this fiscal note) are as follows:

FY 85	\$ 48,021.7
FY 86	\$ 50,419.2
FY 87	\$ 52,996.7
FY 88	\$ 55,709.2
FY 89	\$ 58,559.7

For cost projections of CS HB 655 (Fin) beyond FY 89, please refer to the 2/24/84 memorandum from the House Research Agency to Representative Adams.

BASE CASE  
**LONGEVITY BONUS COST ANALYSIS**  
HB 655/SB 474

FISCAL YEAR	ELIGIBILITY AGE	RECIPIENTS	ANNUAL COST	CUMULATIVE COST
1985	65	15,950	\$48,275,870	\$ 48,275,870
1986	65	16,768	50,715,760	98,991,620
1987	65	17,627	53,315,960	152,307,600
1988	65	18,531	56,049,470	208,357,100
1989	65	19,481	58,923,120	267,280,200
1990	65	20,480	61,944,110	329,224,300
1991	66	18,887	57,124,790	386,349,100
1992	67	17,454	52,791,650	439,140,700
1993	68	16,142	48,821,710	487,962,400
1994	69	14,923	45,134,910	533,097,300
1995	70	13,781	41,681,430	574,778,800
1996	71	12,703	38,420,460	613,199,300
1997	72	11,685	35,342,150	648,541,400
1998	73	10,724	32,436,200	680,977,600
1999	74	9,814	29,683,580	710,661,200
2000	75	8,951	27,072,690	737,733,900
2001	76	8,128	24,583,920	762,317,800
2002	77	7,353	22,241,310	784,559,100
2003	78	6,626	20,042,250	804,601,400
2004	79	5,942	17,972,280	822,573,600
2005	80	5,298	16,023,700	838,597,300

PROJECTIONS ARE BASED ON THE FOLLOWING ASSUMPTIONS:

1985 POPULATION, AGE 65 AND OVER: 15,950

ANNUAL POPULATION GROWTH: 5.127 % through 1990

ANNUAL NET OUT-MIGRATION: 3.000 % after 1990

BONUS AMOUNT IS \$250 PER MONTH

START STAIRSTEP IN 1991

ANNUAL ADMINISTRATIVE COSTS OF \$168 PER RECIPIENT ARE INCLUDED

AGE DISTRIBUTION AND MORTALITY RATES FROM 1980 CENSUS DATA ARE

APPLIED TO POPULATION PROJECTIONS FOR 1991

PREPARED BY THE HOUSE RESEARCH AGENCY 02-23-1984

TABLE 1. PROJECTED NUMBER OF LONGEVITY BONUS RECIPIENTS UNDER THE CURRENT PROGRAM AND PROPOSED ALTERNATIVES

Fiscal Year <sup>1</sup>	Projected Recipients <sup>2</sup> Under Current Program (25-Year Residents)	Projected Recipients <sup>3</sup> (All One-Year Residents)	Projected Recipients <sup>4</sup> One-Year Residents With < \$15,000 Annual Income	Projected Recipients <sup>5</sup> One-Year Residents With Stair-stepping Beginning FY 91
1985	10,672	15,950	11,458	15,950
1986	11,320	16,768	11,875	16,768
1987	11,968	17,627	12,244	17,627
1988	12,616	18,531	12,549	18,531
1989	13,264	19,481	12,865	19,481
1990	13,912	20,480	13,191	20,480
1991	14,560	21,530	13,495	18,887
1992	15,208	22,634	13,738	17,454
1993	15,856	23,795	13,994	16,142
1994	16,504	25,015	14,244	14,923
1995	17,152	26,297	14,506	13,781
1996	17,800	27,645	14,791	12,703
1997	18,448	29,063	15,137	11,685
1998	19,096	30,553	15,500	10,724
1999	19,744	32,119	15,864	9,814
2000	20,392	33,766	15,830	8,951

Prepared By: House Research Agency, February 1984.

TABLE 1 (Continued)

Footnotes

<sup>1</sup>All figures represent the mid-fiscal year projection which forms the basis for computing the annual costs.

<sup>2</sup>Net monthly recipient growth is projected to be 54/month, which is the average of the current longevity bonus program's net monthly growth between FY 79 and FY 83 (actual) and FY 84 (estimated).

<sup>3</sup>Assumes 5 percent annual growth rate in elderly population. Five percent is the midpoint of the range of 4 - 6 percent projected annual elderly growth rates obtained during August 1983 conversations with Mr. Dave Swanson, then State Demographer of the Alaska Department of Labor and Dr. Scott Goldsmith, Economist of the Institute of Social and Economic Research, University of Alaska.

It is important to note that this 5 percent represents a continuous growth rate which is commonly used in demography and yields an effective growth rate of 5.127 percent annually. An analogous situation would be a money market account with a particular interest rate compounded daily yielding a higher effective annual rate.

It is also assumed that 97 percent of the elderly have at least one year of residency, based on information obtained from a 1981 University of Alaska survey of older Alaskans and the 1979 and 1980 Permanent Fund Dividend applications.

<sup>4</sup>Based on a 1980 Census income survey of elderly Alaskans, adjusted for inflation to 1983 income dollars.

<sup>5</sup>Based on a 5 percent annual growth rate in the elderly population through FY 90. The death rate and age distribution applied to the recipients beginning in FY 91 are based on 1980 Census data. The most recent migration data available are based on the 1970 Census and indicate a 4 percent net out-migration among elderly between 1965-1970. It is assumed that elderly out-migration has decreased somewhat as the state has matured and more health and social services for the elderly have become available. A three percent net out-migration is applied to the elderly population after FY 90.

ATTACHMENT F

Total request for administration of ALB program in FY 85 is \$269,400.

03-02-04-00-00 (02-22-3-07-00-00)

STATE OF ALASKA -- COMPONENT BUDGET SUMMARY

1985

1/17/84

AGENCY: DEPARTMENT OF ADMINISTRATION  
 CATEGORY: SOCIAL SERVICES

PROGRAM: LONGEVITY BONUS  
 SUB-PROGRAM: LONGEVITY BONUS

FISCAL YEAR 1985

EXPENDITURES & FUNDING	(01) FY83 ACT	(02) FY84 ATH	(04) FY84 SUP	(05) ADJ BASE	(17) 85 SL 1	(18) 85 SL 2	(19) 85 SL 3	(20) 85 SL 4	(08) GOVERNOR	(07) GOV.AMD.	(09) HOUSE	(10) SENATE	BY CL
01 PERS. SERV.	169.4	159.4		164.7	175.6	161.0	161.0	175.6	175.6				
02 TRAVEL	1.7	4.0		4.0	4.0	3.8	3.8	4.0	4.0				
03 CONTRACTUAL	84.6	81.1		81.1	81.1	77.0	77.0	85.6	85.6				
04 COMMODITIES	1.0	3.5		3.5	3.5	3.3	3.3	3.5	3.5				
05 EQUIPMENT	.4							.7	.7				
06 LANDS/BLDGS													
07 GRANTS, CLMS	27504.5	30211.5		30211.5	29749.5	26963.8	27468.1	32551.5	32551.5				
08 MISC.													
** TOTAL EXPEND	27761.6	30459.5		30464.8	30013.7	27208.9	27713.2	32820.9	32820.9				
09 I-A TRANSFER	26.1	2.1			24.7	23.4	23.4	26.2	26.2				
10 FED. RECEIPT													
11 G. F. MATCH													
12 GENERAL FUND	27761.6	30459.5		30464.8	30013.7	27208.9	27713.2	32820.9	32820.9				
13 PGM RECEIPTS													
14 OTHER FUNDS													
15 FULL TIME	5.0	5.0		5.0	5.0	5.0	5.0	5.0	5.0				
16 PART TIME													
17 TEMPORARY													
18 STAFF MONTHS		60.0											

03-02-04-00-00 (02-22-3-07-00-00)

STATE OF ALASKA -- COMPONENT BUDGET ANALYSIS

19:45

1/17/84

AGENCY: DEPARTMENT OF ADMINISTRATION  
CATEGORY: SOCIAL SERVICES

PROGRAM: LONGEVITY BONUS  
SUB-PROGRAM: LONGEVITY BONUS

\*\*\*\*\* GOVERNOR ANALYSIS \*\*\*\*\*

OBJECT GROUP	VARIATION		DESCRIPTION: GOVERNOR (\$32,820.9) VERSUS FY84 ATH (\$30,459.5)
01 PERS. SERV.	16.2	10.2%	
03 CONTRACTUAL	4.5	5.5%	
05 EQUIPMENT	0.7	100.0%	
07 GRANTS, CLMS	2340.0	7.7%	
** TOTALS	2361.4	7.8%	

FY 84 AUTH TO ADJ: FY 84 LEVEL WAS \$30,459.5, PLUS SALARY INCREASE DISTRIBUTION \$5.3, WHICH EQUALS FY 84 ADJUSTED BASE OF \$30,464.8.

FY 84 ADJ. TO GOVERNOR'S: FY 84 ADJUSTED IS \$30,464.8; GOVERNOR'S IS \$32,820.9 WHICH PROVIDES FUNDING TO PAY A MONTHLY BONUS TO ALL QUALIFIED RECIPIENTS.

PROPOSED LETTER OF INTENT TO ACCOMPANY CS HB 655 (FIN)

It is the intent of the legislature that CS HB 655 (Finance) is backstop legislation which only goes into effect if, after the Attorney General's Office makes its best efforts to defend the present program, the Alaska Supreme Court rules that the existing law is unconstitutional because of its residency requirements.

It is also the intent of the legislature that the revisions made to the current statute in CS HB 655 (Finance) do not change the basic intent of the original longevity bonus program. This is not a welfare program. The monthly bonus is a reward to older Alaskans for their contributions to the state, and is intended to encourage and assist our elders to remain in Alaska.

Many alternatives were considered prior to adoption of this bill, and it is the intent of the legislature that the stair-stepping provision, which will ultimately phase out this program, is the best and most rational means of treating fairly the present recipients and those who have made retirement plans predicated upon receiving a longevity bonus in the future, while simultaneously ensuring that the program is affordable over the long term. The current cost projections for CS HB 655 (Finance) parallel the state's current projections for future state revenues. In other words, the costs of the program parallel the state's projected revenue curve.

BASE CASE  
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 HB 655/SB 474

FISCAL YEAR	ELIGIBILITY AGE	RECIPIENTS	ANNUAL COST	CUMULATIVE COST
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 BONUS AMOUNT IS \$250 PER MONTH  
 START STAIRSTEP IN 1991  
 ANNUAL ADMINISTRATIVE COSTS OF \$168 PER RECIPIENT ARE INCLUDED  
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PREPARED BY THE HOUSE RESEARCH AGENCY 02-23-1984

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Prepared By: House Research Agency, February 1984.

TABLE 1 (Continued)

Footnotes

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Total request for administration of ALB program in FY 85 is \$269,400.

03-02-04-00-00 (02-22-3-07-00-00) STATE OF ALASKA -- COMPONENT BUDGET SUMMARY 19:45 1/17/84

AGENCY: DEPARTMENT OF ADMINISTRATION PROGRAM: LONGEVITY BONUS  
 CATEGORY: SOCIAL SERVICES SUB-PROGRAM: LONGEVITY BONUS

FISCAL YEAR 1985

EXPENDITURES & FUNDING	(01) FY83 ACT	(02) FY84 ATH	(04) FY84 SUP	(05) ADJ BASE	(17) 85 SL 1	(18) 85 SL 2	(19) 85 SL 3	(20) 85 SL 4	(08) GOVERNOR	(07) GOV.AMD.	(09) HOUSE	(10) SENATE	CH C-1
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02 TRAVEL	1.7	4.0		4.0	4.0	3.8	3.8	4.0	4.0				
03 CONTRACTUAL	84.6	81.1		81.1	81.1	77.0	77.0	85.6	85.6				
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13 PGM RECEIPTS													
14 OTHER FUNDS													
15 FULL TIME	5.0	5.0		5.0	5.0	5.0	5.0	5.0	5.0				
16 PART TIME													
17 TEMPORARY													
18 STAFF MONTHS		60.0											

03-02-04-00-00 (02-22-3-07-00-00)

STATE OF ALASKA -- COMPONENT BUDGET ANALYSIS

19:45

1/17/84

AGENCY: DEPARTMENT OF ADMINISTRATION  
CATEGORY: SOCIAL SERVICES

PROGRAM: LONGEVITY BONUS  
SUB-PROGRAM: LONGEVITY BONUS

\*\*\*\*\* GOVERNOR ANALYSIS \*\*\*\*\*

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07 GRANTS, CLMS	2340.0	7.7%	
** TOTALS	2361.4	7.8%	

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EQUALS FY 84 ADJUSTED BASE OF \$30,464.8.

FY 84 ADJ. TO GOVERNOR'S: FY 84 ADJUSTED IS \$30,464.8; GOVERNOR'S IS \$32,820.9 WHICH PROVIDES  
FUNDING TO PAY A MONTHLY BONUS TO ALL QUALIFIED RECIPIENTS.

Rec'd 3-19-84

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: March 6, 1984  
Page 1 of 3

REQUEST	FISCAL DETAIL
Bill/Resolution No.: <u>CSHB 655 (Finance)</u>	Agency Affected: <u>Administration</u>
Title: <u>Longevity Bonus Program</u>	Program Category Affected: <u>Social Services</u>
Sponsor: <u>Hayes</u>	BRU, Program of Subprogram(s) Affected:
Requestor: _____	<u>Longevity Bonus Program</u>
Date of Request: _____	

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		85.2	28.7	28.7	28.7	28.7
200 TRAVEL						
300 CONTRACTUAL		85.0	85.5	86.0	86.5	87.0
400 SUPPLIES		1.5	1.0	1.0	1.0	1.0
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC		18,456.0	18,456.0	18,456.0	18,456.0	18,456.0
800 MISCELLANEOUS						
TOTAL OPERATING	0	18,627.7	18,571.2	18,571.7	18,572.2	18,572.7
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND		18,627.7	18,571.2	18,571.7	18,572.2	18,572.7
FEDERAL FUNDS						
OTHER						
TOTAL	0	18,627.7	18,571.2	18,571.7	18,572.2	18,572.7

POSITIONS:

FULL-TIME	0	1.0	1.0	1.0	1.0	1.0
PART-TIME	0	2.7	0	0	0	0
TEMPORARY	0	0	0	0	0	0

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

General Funds

ANALYSIS: Attach a separate page for any Analysis.

Prepared By: E. Louis Keller, Director  
Division: Pioneers' Benefits

Phone: 465-4400  
Date: March 6, 1984

Approved by Commissioner: Lisa Rudd  
Agency: DEPARTMENT OF ADMINISTRATION

Date: 3/13/84

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

CSHB 655 (Finance)  
Fiscal Note Analysis  
Prepared by Division of Pioneers' Benefits  
Department of Administration  
March 6, 1984

This bill would change eligibility requirements for the Longevity Bonus Program to allow all one-year residents of Alaska who are age 65 or older to participate, and would restrict growth of the program by escalating the age of eligibility.

ASSUMPTIONS

- a. All persons who are age 65 and older who have been residents of Alaska for at least one year would be eligible for payments in FY 85-90. On July 1, 1990, the age for eligibility would be increased to 66 years, and each year thereafter on July 1, it would be increased one year.
- b. It is believed that there are approximately 16,500 persons now living in Alaska who would qualify under new eligibility requirements, and that there will be approximately 10,348 persons on the program by July 1, 1984. Therefore, it is assumed that an additional 6,152 persons would be enrolled on the program in FY 85 under the bill.
- c. The amount of the bonus would be \$250 per month.
- d. The program would continue to grow at the rate of approximately 60 per month, after the initial group of persons are enrolled who would be made eligible by the one-year residency requirement.
- e. All costs would be paid from the State General Fund.
- f. An increase in the Longevity Bonus staff would be needed to process the flood of new applications.
- g. The Act would take effect on the date of a final decision by the Alaska Supreme Court if that decision affirms the findings of the Superior Court in the existing law suit by Rodney Vest. For lack of a definite date, it is assumed for the purposes of computing this fiscal note, that the effective date would be July 1, 1984.

CSHB 655 (Finance)  
 Fiscal Note Analysis  
 Prepared by Division of Pioneers' Benefits  
 Department of Administration  
 March 6, 1984

Additional funds needed for FY 85 are computed as follows:

	<u>Annual Cost</u>
Personal Services	
Clerk V, PFT	\$ 85,196
Clerk II, PPT (4 positions, 8 months)	56,486
Contractual Services	
Added postage, bonus warrants, printing of new regulations and application forms and increased telephone tolls	85,000
Commodities	
Office supplies and file cabinets for application and recipient files	1,500
Grants	
Additional funds needed for Bonus payments to additional persons who will be eligible (6,152 x 12 x \$250)	18,456,000
	_____
Total additional funds required for FY 85	\$18,627,696

CS HB 655 (FIN) FISCAL NOTE ANALYSIS

The amounts provided for administration of the Alaska Longevity Bonus program are those requested by the Department. The breakdown on these costs are as follows:

	<u>Annual Cost</u>
Personal Services	\$ 85,196
Clerk V, PFT	\$ 28,710
Clerk II, PPT (2 positions, 6 mos)	56,486
Contractual Services	
Added postage, bonus warrants, printing of new regulations and application forms and increased telephone tolls	85,000
Commodities	1,500
Office supplies and file cabinets for application and recipient files	

The costs are inflated in each succeeding fiscal year.

The amounts provided for payment of checks (shown in the grants line item) are based on House Research Agency calculations of the number of ALB recipients in each year after passage of CS HB 655 (FIN). The assumptions behind these calculations are fully explained in Attachment A. (Please note, however, that the administrative costs calculated in Attachment A are not what is provided in this fiscal note. Instead, the Department's administrative cost projection - a somewhat smaller figure - is provided through this fiscal note.)

The fiscal note shows only the increase in costs due to passage of this bill. In other words, the fiscal note only provides funding above the Department's budget request for the ALB program. Total projected program costs (the budget request plus this fiscal note) are as follows:

FY 85	\$ 48,021.7
FY 86	\$ 50,419.2
FY 87	\$ 52,996.7
FY 88	\$ 55,709.2
FY 89	\$ 58,559.7

For cost projections of CS HB 655 (Fin) beyond FY 89, please refer to the 2/24/84 memorandum from the House Research Agency to Representative Adams.

CHANGES TO PROPOSED CS HB 655 (FIN) FROM ORIGINAL BILL

1. CS HB 655 (FIN) does not provide for retroactive payments. (Old sec. 6 of the original bill has been removed.)
2. CS HB 655 (FIN) includes a section making it clear that if a person is now qualified to receive a bonus, that person will also be qualified after the bill goes into effect, and need not reapply for the bonus. (See sec. 6.)
3. Under CS HB 655 (FIN), the new program goes into effect on the date of a final decision by the Alaska Supreme Court that the present program is unconstitutional, not 30 days later. (See sec. 7.)
4. CS HB 655 (FIN) only allows longevity bonuses to be paid for out of the general fund. (See title change and sec. 4).

## SECTIONAL ANALYSIS OF HB 655

Title: An Act relating to the longevity bonus program; and providing for an effective date.

Section 1: States the findings and purpose for continuation of the Alaska Longevity Bonus (ALB) program. Finding (4) makes it clear that the program should not be thought of as a welfare program; rather, the program is intended to encourage elders to spend their retirement years in Alaska.

Section 2: Describes the new ALB program. A person must be 65 or older with one year of residency to enter the program, and continue to be a resident of Alaska to remain in the program. The bonus is \$250 per month. Beginning in 1990, the entrance age increases one year, each year, on July 1.

Section 3: The changes here are technical. Neutral pronouns and grammar corrections are made to the existing language of the statute.

Section 4: Redefines resident to mean a person physically present in the state with the intent to remain in the state indefinitely and provides for proof of residency.

Section 5: Repeals the nonseverability clause of current law and the purpose section of the current statute.

Section 6: Makes payments retroactive to July 1, 1982.

Section 7: This is the so called "backstop" clause. The bill would not go into effect until 30 days following a decision by the Alaska Supreme Court that the present program is unconstitutional. In other words, if the present program is considered constitutional by the Court, then the stair-stepping proposal in this bill would not go into effect.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_, 1984

Page 1 of 2

REQUEST

Bill/Resolution No.: HB 655  
Title: Longevity Bonus Program

FISCAL DETAIL

Agency Affected: Administration  
Program Category Affected: Social Services

Sponsor: Hayes  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

BRU, Program of Subprogram(s) Affected:  
Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		85.2	28.7	28.7	28.7	28.7
200 TRAVEL						
300 CONTRACTUAL		85.0	85.5	86.0	86.5	87.0
400 SUPPLIES		1.5	1.0	1.0	1.0	1.0
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC		55,368.0	18,456.0	18,456.0	18,456.0	18,456.0
800 MISCELLANEOUS						
TOTAL OPERATING	0	55,539.7	18,571.2	18,571.7	18,572.2	18,572.7
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND		55,539.7	18,571.2	18,571.7	18,572.2	18,572.7
FEDERAL FUNDS						
OTHER						
TOTAL	0	55,539.7	18,571.2	18,571.7	18,572.2	18,572.7

POSITIONS:

FULL-TIME	0	1.0	1.0	1.0	1.0	1.0
PART-TIME	0	2.7	0	0	0	0
TEMPORARY	0	0	0	0	0	0

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not identified by sponsor.

ANALYSIS: Attach a separate page for any Analysis.

Prepared By: F. Louis Keller, Director  
Division: Pioneers' Benefits

Phone: 465-4400  
Date: 2/16/84

Approved by Commissioner: Lisa Rudd  
Agency: DEPARTMENT OF ADMINISTRATION

Date: 2/22/84

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

12/1/83

HB 655  
Fiscal Note Analysis  
Prepared by Division of Pioneers' Benefits  
Department of Administration  
February 16, 1984

This bill will change eligibility requirements for the Longevity Bonus Program to allow all one-year residents of Alaska who are age 65 or older to participate. In 1990 the age for eligibility will be advanced to 66 years, and each year thereafter it will be increased one additional year.

Assumptions

- a. All persons who are age 65 and older who have been residents of Alaska for at least one year will be eligible for payments in FY 85-90. On July 1, 1990, the age for eligibility will be increased to 66 years, and each year thereafter on July 1, it will be increased one year.
- b. It is believed that there are approximately 16,500 persons now living in Alaska who will qualify under new eligibility requirements, and that there will be approximately 10,348 persons on the program by July 1, 1984. Therefore, it is assumed that an additional 6,152 persons will be enrolled on the program in FY 85 under the bill.
- c. The amount of the bonus will be \$250 per month.
- d. The program will continue to grow at the rate of approximately 60 per month, after the initial group of persons are enrolled who will be made eligible by the one-year residency requirement.
- e. Retroactive payments in the amount of \$250 per month will be made to persons who would have been eligible as of July 1, 1982.
- f. All costs will be paid from the State General Fund.
- g. An increase in the Longevity Bonus staff will be needed to process the flood of new applications.
- h. The Act takes effect 30 days after a final decision by the Alaska Supreme Court if that decision affirms the findings of the Superior Court in the existing law suit by Rodney Vest. For lack of a definite date, it is assumed for the purposes of computing this fiscal note, that the effective date will be July 1, 1984.

Sent to all teleconference sites to help public understand the bill

# Alaska State Legislature

## House of Representatives

Al Adams

Chairman

Committee on Finance

WHILE IN SESSION  
Pouch V

State Capitol  
Juneau, Alaska 99811  
(907) 465-3706

OUT OF SESSION  
P.O. Box 333

Kotzebue, Alaska 99752  
(907) 442-3320

1024 W. 6th

Anchorage, Alaska 99501

(907) 274-0615



Official Business

FACT SHEET FOR HB 655/SB 474: "AN ACT RELATING TO THE LONGEVITY BONUS PROGRAM, AND PROVIDING FOR AN EFFECTIVE DATE"

Today, the House Finance Committee will consider the stair-stepping proposal for the longevity bonus program. This proposal, which was introduced jointly in the House and the Senate with 41 co-sponsors, is HB 655 in the House and SB 474 in the Senate. The bill before the House Finance Committee today is HB 655. We hope that the following information will help you further understand the bill as you prepare to testify on the teleconference network.

HB 655/SB 474 accomplishes the following:

1. Makes the longevity bonus program constitutionally defensible by opening it up to all persons 65 and over with one year of Alaskan residency.
2. Increases the age of eligibility for the program by one year, each year, beginning in July, 1990.
3. Provides one time retroactive payments from July 1, 1982, for all persons 65 and over who were residents of at least one year in July, 1982.
4. Includes a backstop clause making the new stair-stepping program effective only if the Alaska Supreme Court rules the present program unconstitutional.

The sponsors of HB 655/SB 474 favor this particular proposal for the following reasons:

1. We feel it is the best option available to the legislature to protect the present recipients.
2. The concept of increasing the age of eligibility over time is constitutionally defensible. A similar approach was taken recently in federal social security legislation.
3. Stair-stepping is not a needs-based, welfare-type program. The authors of the original program fought

long and hard for a program without any income constraints and we wish to continue that intent because we believe this is what the majority of today's elders want. In our conversations with seniors, individually and in organized groups, and in our constituent mail, we find strong opposition to a needs-based program. The longevity bonus is intended to encourage all our elders to remain in Alaska, not just those with a particular amount of yearly income.

4. Because we do not start increasing the age of eligibility until the start of FY 91 (July 1, 1990), all seniors who have lived in Alaska for at least one year and who are 60 or older on July 1, 1985 will receive a longevity bonus check each month beginning at age 65 for the rest of their lives. We can afford to do this because our revenues are predicted to be fairly high until 1990 which is the peak cost year for the program. Later, when our revenues are projected to come down, the costs of the program will also decrease. Thus, this proposal is both affordable and realistic. (See Attachment B for the program's projected annual costs.)

5. We considered several other options before agreeing to support this particular proposal. We also discussed these options with individual constituents as well as informal groups of elders.

The major alternative proposals are:

(a) The legislature could repeal the program. Since our elders are one of our most valuable resources, this is not considered a serious option.

(b) The legislature could open the program to every elder with one year of residency. This is an attractive proposal, but too expensive over the long term. The original longevity bonus program was designed to phase out over time, not become ever more expensive. Any program that costs too much in the future is at risk of being ended when our oil wealth is exhausted. It would be both unwise and dishonest to initiate a program now that we cannot be certain we can afford in the future.

(c) The legislature could implement a needs based program. We do not feel that seniors support this proposal for the reasons mentioned earlier.

(d) The legislature could place a budget cap on the program each year. One alternative would be to provide \$250 checks to all seniors but only fund it at a certain level regardless of whether this amount would

cover everyone's check. This would be unfair and dishonest. The other alternative is to lower the amount of the checks. This is not consistent with our desire to protect the present benefits of current recipients.

(e) The legislature could use the permanent fund to pay for the longevity bonus program. The sponsors of HB 655/SB474 do not support this approach because we believe that the permanent fund was created to benefit all Alaskans, not just our elders or any other smaller segment of Alaskan society. We also believe that we can maintain our commitment to Alaska's original pioneers --- those who were born here and those who developed the state in the first half of this century --- with funds from the state treasury, not the state's savings account.

(f) The legislature could make an annuity or retirement plan one option for all Alaskans to receive in lieu of a permanent fund dividend check each year. This may be an attractive option in the future but at present we simply do not have enough information to make such a program work. The most important problem is that we do not know how many people would choose the contribution to the retirement plan over the permanent fund dividend check each year. This makes it extremely difficult to plan, invest, and otherwise insure that the money will be there when Alaskans reach retirement age.

\*\*\*\*\*

We are interested in ending the uncertainty faced by our elders today. We think this proposal, if adopted, puts the program on a firm constitutional and fiscal foundation. What we need now is your support. If we succeed in getting your support, then we will have solved the problem.

We hope that this information is of interest to you. Please feel free to ask questions of the Committee in addition to making your own comments on the proposal. We have 3½ hours to listen to your testimony, today.



# ATTACHMENT B

## LONGEVITY BONUS COST ANALYSIS HB 655/SB 474

FISCAL YEAR	ELIGIBILITY AGE	RECIPIENTS	ANNUAL COST	CUMULATIVE COST
1985	65	15,950	\$48,275,870	\$ 48,275,870
1986	65	16,768	50,715,760	98,991,620
1987	65	17,627	53,315,960	152,307,600
1988	65	18,531	56,049,470	208,357,100
1989	65	19,481	58,923,120	267,280,200
1990	65	20,480	61,944,110	329,224,300
1991	66	18,887	57,124,790	386,349,100
1992	67	17,454	52,791,650	439,140,700
1993	68	16,142	48,821,710	487,962,400
1994	69	14,923	45,134,910	533,097,300
1995	70	13,781	41,681,430	574,778,800
1996	71	12,703	38,420,460	613,199,300
1997	72	11,685	35,342,150	648,541,400
1998	73	10,724	32,436,200	680,977,600
1999	74	9,814	29,683,580	710,661,200
2000	75	8,951	27,072,690	737,733,900
2001	76	8,128	24,583,920	762,317,800
2002	77	7,353	22,241,310	784,559,100
2003	78	6,626	20,042,250	804,601,400
2004	79	5,942	17,972,280	822,573,600
2005	80	5,298	16,023,700	838,597,300

**PROJECTIONS ARE BASED ON THE FOLLOWING ASSUMPTIONS:**

1985 POPULATION, AGE 65 AND OVER: 15,950

ANNUAL POPULATION GROWTH: 5.127 % through 1990

ANNUAL NET OUT-MIGRATION: 3.000 % after 1990

BONUS AMOUNT IS \$250 PER MONTH

START STAIRSTEP IN 1991

ANNUAL ADMINISTRATIVE COSTS OF \$148 PER RECIPIENT ARE INCLUDED

AGE DISTRIBUTION AND MORTALITY RATES FROM 1980 CENSUS DATA ARE

APPLIED TO POPULATION PROJECTIONS FOR 1991

PREPARED BY THE HOUSE RESEARCH AGENCY 02-23-1984

# STATE OF ALASKA

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

BILL SHEFFIELD, GOVERNOR

REPLY TO:

1031 W 4th AVENUE  
SUITE 200  
ANCHORAGE, ALASKA 99501  
PHONE: (907) 276-3550

1st NATIONAL CENTER  
100 CUSHMAN ST.  
SUITE 400  
FAIRBANKS, ALASKA 99701  
PHONE: (907) 452-1568

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

February 21, 1984

The Honorable Albert P. Adams  
Alaska State House of Representatives  
Pouch V  
Juneau, Alaska 99811

Re: Longevity Bonus Retroactivity

Dear Representative Adams:

You have asked our office for the legal implications of a section in a longevity bonus bill providing benefits retroactive to July 1, 1982. Our answer is that such a section is not legally required and will have little effect, if any, on the lawsuit.

When the state was sued, in the summer of 1982, on the constitutionality of the existing program, a three-way settlement agreement was entered into by this office, the Legislative Council, and Mr. Vest's attorneys. That agreement provided that the Legislative Council would use its best efforts to secure legislation during the 1983 session which would benefit all persons over the age of 65 equally, and which would be retroactive to July 1, 1982. Counsel for Vest agreed therein to give up all claim to benefits prior to 1982; the state agreed to provide benefits to Vest and his class back to that date. Thus last session, retroactive provision was necessary in order to settle the lawsuit.

The legislature did not, of course, pass any longevity legislation during the 1983 session, and as a result the lawsuit was not settled. The settlement agreements made in 1982, therefore, do not relate to the 1984 legislature. The inclusion of a retroactive section in legislation this year will not settle the litigation or foreclose Vest from seeking benefits back to 1972.

Counsel for Vest apparently believe that they still have a claim for retroactive benefits pending before the superior court. They have not yet moved on this claim. We do not believe that the inclusion or exclusion of a retroactive section in 1984

legislation will have any significant bearing on the outcome of this litigation, except to the extent that if one were included Vest would not have to litigate his claim for the included period (i.e. from July 1, 1984 to the present).

Please let us know if we can be of any further assistance.

Sincerely,

NORMAN C. GORSUCH  
ATTORNEY GENERAL

By:

  
Deborah Vogt  
Assistant Attorney General

DV:jf

(3) "department" means the Department of Health and Social Services. (§ 1 ch 136 SLA 1970; am § 2 ch 210 SLA 1970; am § 55 ch 71 SLA 1972)

Legislative history report. — For report on ch. 71, SLA 1972 (HCCSB 383 am H), see 1972 House Journal, p. 898.

Chapter 45. Alaska Longevity Bonus.

Section	Section
10. Persons who may qualify for longevity bonus	110. Custody of funds
20. Continuous eligibility procedures	120. Exemption from taxation and process
30. Absence from the state	130. Death or cessation of residency
40. Disqualification	140. Penalty for false statements
50. Department hearing	150. Definitions
60. Legal remedy	160. Applicability of Administrative Procedure Act
70. Unqualified persons	170. Purpose
80. Accrual of bonuses	
90. Alaska longevity bonus fund	
100. Powers and duties of the administrator	

Editor's note. — Section 2, ch. 205, SLA 1972, provides: "AS 01.10.030 does not apply to this Act. If any provision of this Act, or the application of a provision of this Act to any person or circumstance is held invalid,

this entire Act shall be considered invalid." Legislative history report. — For report on ch. 205, SLA 1972 (FCCS HCS CSSB 211), see 1972 House Journal, p. 751.

Sec. 47.45.010. Persons who may qualify for longevity bonus. (a) A person who is 65 years of age or over, who was domiciled in the territory on or before January 3, 1959 and who has maintained a continuous domicile in the territory or state for 25 years may apply to the commissioner of administration for qualification to receive a monthly bonus of \$150.

(b) When the commissioner of administration determines that an applicant qualifies under this chapter he shall immediately begin payment of the bonus.

(c) A person who otherwise qualifies to receive a bonus provided for in this chapter may continue to do so only as long as he continuously retains a domicile in the state. (§ 1 ch 205 SLA 1972; am § 1 ch 33 SLA 1976; am § 1 ch 89 SLA 1978)

Effect of amendments. — The 1976 amendment increased the monthly bonus in subsection (a) from \$100.00 to \$125.00.

The 1978 amendment increased the monthly bonus in subsection (a) from \$125.00 to \$150.00.

Legislative history report. — For report on ch. 33, SLA 1976 (SB 476 am), see 1976 Senate Journal, p. 160.

§ 47.45.010

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§ 47.45.020 WELFARE, SOCIAL SERVICES AND INSTITUTIONS § 47.45.060

**Sec. 47.45.020. Continuous eligibility procedures.** After qualification, monthly applications for bonuses may be made in person to any office of the Department of Administration. Mailed monthly applications shall also be considered by the Department of Administration. In-person or mailed applications shall be made on forms provided by the Department of Administration and shall conform to the conditions as provided by regulation. The commissioner may make exceptions for those residents who are isolated in rural areas and cannot mail a monthly application; however, they shall mail an application at least once every six months. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.030. Absence from the state.** A recipient shall notify the commissioner of administration when he expects to be absent from the state if the absence is for a continuous period that exceeds 30 days. After that notification, the recipient shall no longer receive bonuses from the Department of Administration after his last regularly approved monthly application. Upon his return to the state he may again make application for a bonus. Whenever the absence is for a continuous period that exceeds 180 days the recipient shall be disqualified from receiving bonuses for the next 12 calendar months after his return to the state. However, when the commissioner of administration determines a period of absence is beyond the control of the recipient, he may not be disqualified, if he still otherwise qualifies upon his return to the state. Continual absences from the state, even though reported, and failure to notify the commissioner of an expected absence may be grounds for disqualification. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.040. Disqualification.** Disqualification under this chapter shall rest solely with the commissioner of administration and shall be outlined in the regulations promulgated under AS 47.45.100(1). (§ 1 ch 205 SLA 1972)

**Sec. 47.45.050. Department hearing.** The Department of Administration may hold a departmental hearing upon the request of an applicant or recipient who has been disqualified. Previous to this hearing the department shall by certified mail notify an applicant or recipient in plain and comprehensive language the exact reason for his disqualification. Form letters using only referral to state statutes or department regulations, or otherwise vague in detail, shall not be considered compliance by the department with this section. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.060. Legal remedy.** Legal remedy from disqualification may be sought by an applicant or recipient in any court of competent jurisdiction in the state. The burden of proof shall rest solely upon the applicant or recipient and any costs related to a disqualification verdict determined against the applicant or recipient may be recoverable by the attorney general from that person, or from any agency representing that person supported in whole, or in part, with state appropriations. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.070. Unqualified persons.** An unqualified person is one who

(1) does not meet the age or residence requirements as provided for under this chapter;

(2) meets the age and residence requirements of this chapter but is confined in a state or federal mental health institution or facility and is certified by the state as unable to manage his own affairs; however, if that person, at the time of his commitment, provided the principal support of a spouse, the commissioner of administration may determine to pay the confined person's bonus to his spouse until the spouse is qualified for a bonus;

(3) is otherwise qualified but confined in a penal or correctional institution or facility; upon completion of sentence or upon the conferral of a pardon, parole or probation, the person may make application; confinement outside the state shall be considered as residence in the state if a person was convicted and sentenced from a court in Alaska; revocation of parole or probation shall be cause for immediate disqualification until release from confinement is again effected;

(4) leaves the state of his own volition and remains absent from the state for a continuous period of more than 180 days. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.080. Accrual of bonuses.** No recipient may, for any reason, receive an accrual of bonuses in excess of two monthly payments. No interest may be paid on accrued bonuses. Upon the death of a recipient the commissioner of administration shall pay to the beneficiary of the recipient any accrued bonuses not to exceed two monthly payments. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.090. Alaska longevity bonus fund.** (a) There is the Alaska longevity bonus fund created for the purpose of paying the monthly bonuses provided for in this chapter. The fund consists of all money made available by appropriations of the state legislature, and from other appropriated funds, all contributions from whatever source, and income and interest derived from the investment of money.

(b) The commissioner of administration is the administrator of the fund. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.100. Powers and duties of the administrator.** The commissioner of administration shall

(1) promulgate regulations necessary to carry out the provisions of this chapter;

(2) make expenditures from the fund necessary to administer this chapter;

(3) establish and maintain an adequate system of accounts for the fund;

(4) publish annually a report showing the financial condition of the fund. (§ 1 ch 205 SLA 1972)

§ 47.45.110 WELFARE, SOCIAL SERVICES AND INSTITUTIONS § 47.45.170

**Sec. 47.45.110. Custody of funds.** The commissioner of revenue is the treasurer of the system and has powers and duties for this purpose including but not limited to the following:

(1) to act as official custodian of the cash and securities belonging to the fund;

(2) to receive all items of cash belonging to the fund. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.120. Exemption from taxation and process.** Bonuses received under this chapter are exempt from all state and political subdivision taxes except sales and use taxes and are not subject to execution, attachment, garnishment or other process. No bonus received under this chapter may be exempt from a federal tax requirement. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.130. Death or cessation of residency.** The commissioner of administration shall establish procedures to stop a bonus when a recipient under this chapter no longer qualifies. When a recipient dies or discontinues his residency in the state his qualification for a bonus shall stop at the time of his last approved monthly application. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.140. Penalty for false statements.** A person who wilfully or knowingly makes a false statement, or falsifies or permits to be falsified any record required by this chapter, is guilty of a misdemeanor and, upon conviction, is punishable by a fine of not more than \$500, or by imprisonment for not more than six months, or by both, forfeits all rights under this chapter, and shall make adequate restitution for any bonuses illegally received. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.150. Definitions.** In this chapter

(1) "bonus" means a monthly Alaska longevity bonus payment made to a person or his beneficiary who qualifies under this chapter;

(2) "domicile" means the place with which a person has a settled connection for determination of his civil status or other legal purposes because it is actually or legally his permanent and principal home. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.160. Applicability of Administrative Procedure Act.** The Administrative Procedure Act (AS 44.62) does not apply to this chapter. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.170. Purpose.** The sole purpose of this chapter is to offer and provide all law-abiding Alaskans capable of managing their own affairs who have maintained a domicile in the state for at least 25 years and have reached a retirement age of 65, an incentive to continue uninterrupted residency in the state. Under no circumstances shall this chapter be considered a form, type, or manner, of public relief. Bonuses made under this chapter are not predicated on need even though they

may appear to provide supplemental income to some qualified persons who would otherwise be forced to become responsibilities of the state. The legislature further finds and states that this legislation recognizes the economic hardships suffered by many elderly Alaskans, Alaskans who through their tenacity and perseverance molded Alaska as we know it through skillful application of their talents. These pioneers are the same Alaskans, who in the prime of their life were in effect treated as second-class citizens by the federal government and who paid much of their hard-earned income to a government in which they did not have the right to participate through the power of the ballot. The legislature also is aware of the fact that many of these pioneers have been forced to live out their retirement years in areas far away from the land they loved and nurtured and thereby also suffering, in many cases, the loss of familial relationship with their own kin, an experience that is sad and frustrating to them as well as depriving new generations of Alaskans of the benefits of their wisdom and experience. This legislation hopefully will provide our pioneers with the economic means to remain in and continue to serve their state and to enjoy the opportunity of aiding the new Alaskan in making this state truly "The Great Land." (§ 1 ch 205 SLA 1972)

### Chapter 50. Office of Child Advocacy.

#### Section

- 10. Office of Child Advocacy
- 20. Board of directors for the Office of Child Advocacy
- 30. Compensation and expenses

#### Section

- 40. Powers and duties of board and director
- 50. Departments to assist Office of Child Advocacy

Editor's note. — For legislative findings, see § 1, ch. 189, SLA 1972, in the 1972 Temporary and Special Acts.

**Sec. 47.50.010. Office of Child Advocacy.** There is created in the Office of the Governor the Office of Child Advocacy to act as a coordinating body for services for children from prenatal to age 18. The Office of Child Advocacy is administered by a director appointed by the board of directors with the approval of the governor. Staff may be employed in accordance with appropriate budgets. (§ 2 ch 189 SLA 1972)

**Sec. 47.50.020. Board of directors for the Office of Child Advocacy.** There is created a board of directors for the Office of Child Advocacy. The board consists of the Alaska State Council on the Coordination of Community Child Care plus four members not more than 18 years of age appointed by the governor for a term of two years each, or until the youthful member attains the age of 19 years. (§ 2 ch 189 SLA 1972)

Introduced: 2/13/84  
Referred: State Affairs  
and Finance

BY HAYES, ADAMS, SZYMANSKI,  
BARNES, MALONE, BETTISWORTH,  
GRUSSENDORF, COWDERY, CATO,  
FURNACE, FULLER, LINDAUER,  
DUNCAN, MARTIN, FLOOD,  
M.W.MILLER, GOLL, RINGSTAD,  
HURLBERT, SHULTZ, LARSON,  
UEHLING, MCBRIDE, WARD,  
M.M.MILLER, ABOOD, BUSSELL  
FRITZ, LISKA, WENDTE AND ZHAROFF

1 IN THE HOUSE

2 HOUSE BILL NO. 655

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the longevity bonus program; and  
7 providing for an effective date."

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

9 \* Section 1. FINDINGS AND PURPOSE. The legislature finds and declares  
10 that

11 (1) the high cost of goods and services in Alaska and the  
12 state's remoteness and harsh environment, make it difficult for many el-  
13 derly Alaskans to remain in the state after retirement;

14 (2) when a person is forced to live out retirement years away  
15 from home, family and friends, that person suffers an irreparable loss;

16 (3) Alaska's elderly are a precious human resource, and it is in  
17 the public interest to provide a financial incentive for them to remain in  
18 the state after retirement; and

19 (4) it is in the public interest to continue the longevity bonus  
20 program for elderly Alaskans irrespective of need. The longevity bonus  
21 program is not a form of welfare and is not a substitute for or supplement  
22 to public assistance. Other programs are available to provide the basic  
23 necessities of life. The longevity bonus program is intended to encourage  
24 elderly Alaskans to spend their retirement years in the comfort of their  
25 homes.

26 \* Sec. 2. AS 47.45.010 is amended to read:

27 Sec. 47.45.010. PERSONS WHO MAY QUALIFY FOR LONGEVITY BONUS.

28 (a) A person who is 65 years of age or over, who resides in the state  
29 for at least one year immediately preceding the application for a

1 longevity bonus under this chapter [WAS DOMICILED IN THE TERRITORY ON  
2 OR BEFORE JANUARY 3, 1959 AND WHO HAS MAINTAINED A CONTINUOUS DOMICILE  
3 IN THE TERRITORY OR STATE FOR 25 YEARS] may apply to the commissioner  
4 of administration for qualification to receive a monthly bonus of  
5 \$250.

6 (b) When the commissioner of administration determines that an  
7 applicant qualifies under AS 47.45 the commissioner [HE] shall immedi-  
8 ately begin payment of the bonus.

9 (c) A person who otherwise qualifies to receive a bonus provided  
10 for in AS 47.45 may continue to do so only as long as that person  
11 continues to be a resident of [HE CONTINUOUSLY RETAINS A DOMICILE IN]  
12 the state.

13 (d) Notwithstanding (a) of this section, on July 1, 1990, the  
14 age requirement for eligibility for a longevity bonus shall be in-  
15 creased to 66 years of age. On July 1 of each succeeding year the age  
16 requirement shall be increased by one year.

17 \* Sec. 3. AS 47.45.030 is amended to read:

18 Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification a  
19 [A] recipient shall notify the commissioner of administration when the  
20 recipient [HE] expects to be absent from the state if the absence is  
21 for a continuous period that exceeds 30 days. After that notifica-  
22 tion, the recipient shall no longer receive bonuses from the Depart-  
23 ment of Administration after the [HIS] last regularly approved monthly  
24 application. Upon returning [HIS RETURN] to the state the recipient  
25 [HE] may again make application for a bonus. Whenever the absence is  
26 for a continuous period that exceeds 180 days the recipient shall be  
27 disqualified from receiving bonuses for the next 12 calendar months  
28 after returning [HIS RETURN] to the state. However, when the commis-  
29 sioner of administration determines a period of absence is beyond the

1 control of the recipient, the recipient [HE] may not be disqualified,  
2 if the recipient [HE] still otherwise qualifies upon returning [HIS  
3 RETURN] to the state. Continual absences from the state, even though  
4 reported, and failure to notify the commissioner of an expected ab-  
5 sence may be grounds for disqualification.

6 \* Sec. 4. AS 47.45.150 is amended to read:

7 Sec. 47.45.150. DEFINITIONS. In this chapter

8 (1) "bonus" means a monthly Alaska longevity bonus payment  
9 made to a person or the person's [HIS] beneficiary who qualifies under  
10 this chapter;

11 (2) "resident" or "resident of the state" means an indi-  
12 vidual who is physically present in the state with the intent to  
13 remain in the state indefinitely and to make a home in the state; a  
14 person demonstrates the requisite intent by maintaining a principal  
15 place of abode in the state for one year and by providing other proof  
16 of intent the commissioner may require by regulation, including proof  
17 that the person is not claiming residency outside the state or obtain-  
18 ing benefits under a claim of residency outside the state ["DOMICILE"  
19 MEANS THE PLACE WITH WHICH A PERSON HAS A SETTLED CONNECTION FOR  
20 DETERMINATION OF HIS CIVIL STATUS OR OTHER LEGAL PURPOSES BECAUSE IT  
21 IS ACTUALLY OR LEGALLY HIS PERMANENT AND PRINCIPAL HOME].

22 \* Sec. 5. Section 2, ch. 205, SLA 1972, and AS 47.45.170 are repealed.

23 \* Sec. 6. Sections 2 and 4 of this Act are retroactive to July 1, 1982.

24 \* Sec. 7. This Act takes effect 30 days after the date of a final  
25 decision by the Alaska Supreme Court affirming the decision of the superior  
26 court in the case of Rodney Vest, et al v. Marian Schafer and State of  
27 Alaska, No. 1JU-82-1103 CIV, Superior Court for the State of Alaska, First  
28 Judicial District at Juneau, on the constitutionality of the Alaska  
29 longevity bonus program.