

LEG. FINANCE - BILLS 1985 - 1986 2338

HB 105 cont. - CSHB 113

2338

Representative Steve Frank
Pouch V
Juneau, AK 99811
465-3709
Position Statement: Questions and Statements

Steve Kettel
Dept. of Revenue
Pouch SA
Juneau, AK 99811
465-2343
Position Statement: Observer

Philip S. Barnett
Sierra Club Legal Defense Fund
419 6th St., Suite 321
Juneau, AK 99811
586-2751
Position Statement: Observer

Michael Cushing
Dept. of Community & Regional Affairs
Pouch BH
Juneau, AK 99811
465-4750
Position Statement: Observer

Mary Nordale, Commissioner
Department of Revenue
Pouch S
Juneau, AK 99811
465-2300
Position Statement: Testified in favor of appropriation for road
and port.

PREVIOUS ACTION

Red Dog Mine: Refer to House Special
Committee on State Loans Minutes dated
02/08/85 and 03/26/85.

ACTION NARRATIVE

TAPE #18, SIDE ONE
Recording
Number 001

The meeting was called to order by Chairman
Sund at 3:36 p.m. Members present were
Representative Sund, Representative Cotten,
Representative Fuller, and Representative
Uehling. Representative Duncan arrived at
3:45 p.m. Representative Frank was also
present. Representative Uehling and

Representative Frank left at 4:05 p.m.
Representative Uehling returned at 4:30 p.m.
Chairman Sund asked Mr. Terry Elder, Deputy
Commissioner of DCED, to explain Case #4 in
terms of the loan appropriation.

- Number 012 Mr. Elder explained that the fourth scenario was put together by AIDA, and that what they hope to do is create a bonding mechanism for construction of the port and the road. Both the \$18 million appropriation and the loan appropriation from the Department of Revenue would be deposited in AIDA's Economic Development Fund.
- Number 035 Chairman Sund asked what type of loans are in that portfolio, what the maturities are.
- Number 040 Mr. Elder answered that there was \$141 million worth of outstanding principal amount as of January 31, 1985. The average interest rate is about 7.9%. The average maturity is about 10 years or less, though he said he wasn't sure.
- Number 076 Representative Uehling asked if money that is lapsing from the loan programs would now be made available to AIDA.
- Number 085 Mr. Elder answered no, these loans are owned by the Department of Revenue and serviced by DCED, as distinguished from cash that could be reappropriated because it had not been loaned out yet.
- Number 125 Representative Frank asked if the bonds would also be collateralized by a financial arrangement with Cominco.
- Number 130 Mr. Elder answered that, as part of the finance plan, there would be a contract with Cominco for user fees.
- Number 140 Representative Frank asked how the \$100 million estimated par value of the loans relates to the \$141 million figure.
- Number 145 Mr. Elder answered that there is \$100 million in "good loans", but that there is a high delinquency rate.
- Number 167 Representative Frank asked how bonds could be collateralized by bad loans.

- Number 170 Mr. Elder answered that they were not all bad loans, just that there is a high delinquency rate.
- Number 180 Representative Frank noted a sentence that says no provision has been made to repay the state's contribution but that it might be paid out of excess revenues. He asked how this fits with Cominco's pledge to repay the state.
- Number 200 Mr. Elder answered that perhaps it does not fit, and said that he anticipates that the finance plan will reflect all the income that the state will receive.
- Number 230 Chairman Sund asked what is the cash flow of the existing loans.
- Number 235 Mr. Elder estimated that it is the neighborhood of \$15 to \$20 million annually. He added that the assets and the cash flow will collateralize the bonds, as well as the user fees. However, cash from user fees will not happen until the mine is in production. The cash flow would be used to meet annual obligations on the debt service in the meantime.
- Number 257 Chairman Sund asked Mr. Elder what the legislature has to do in order to implement the plan that he is discussing.
- Number 265 Mr. Elder answered that the legislature would have to appropriate \$18 million to AIDA, to appropriate the outstanding principal amounts of the loans held by the Department of Revenue to AIDA, and to give AIDA the authority to issue bonds in an amount not to exceed \$175 million.
- Number 280 Chairman Sund asked if these bonds would go against the state's bonding capacity.
- Number 283 Mr. Elder answered no, they would be the obligation of AIDA.
- Number 292 Representative Frank asked Mr. Elder why \$18 million appropriation plus \$141 million in loans is needed in order to proceed on schedule.
- Number 298 Mr. Elder answered that they want to proceed with construction in calendar year 1986.

The \$18 million plus some of the proceeds from the bond sales would be required to do the final engineering and design, to bring them up to the point of construction. Some of the \$18 million might also be used to pay the debt service on the bonds. The project would be delayed another year if the money is not appropriated for FY 86.

- Number 310 Chairman Sund asked if the bonds will be tax exempt.
- Number 314 Mr. Elder answered that they would be, if possible, but that the IRS would have to rule on it. He added that they are fairly sure that the bonds for the port will be tax exempt, but less sure about the road.
- Number 330 Representative Cotten asked if it is unusual for AIDA to take an active role in promoting this kind of project.
- Number 335 Mr. Elder answered that is not unusual, but this is the first owner-operator project for AIDA.
- Number 340 Representative Cotten asked how the possibility of cost overruns is being considered.
- Number 344 Mr. Elder answered that the estimates have been reviewed by experts, and they feels comfortable that the estimates are accurate.
- Number 355 Representative Cotten said that there is always a good chance of cost overruns and asked how they would deal with a 25% overrun.
- Number 380 Mr. Elder answered that some contingency had been worked into the plan, and that a change in the estimate of cost could be handled by the bond financing.
- Number 390 Chairman Sund asked if there is a guarantee of completion with Cominco.
- Number 395 Mr. Elder answered that, as a part of the finance plan, there will be a contract that would obligate the users to meet the debt obligations of the authority.
- Number 402 Representative Frank asked why AIDA was chosen instead of DOTPF to build the

project.

- Number 410 Mr. Elder answered that AIDA was chosen because of their expertise in putting financing packages together. Number
- Number 420 Mr. Hank Giegerich, President of Cominco Alaska, introduced himself and Mr. Bob Stone, Vice President of Finance for Cominco, Ltd.
- Number 430 Representative Cotten noted that the finance plan may not be ready until May 1, even though originally they thought it would be available April 15.
- Number 435 Mr. Elder answered that there had been delays and that the first draft would be available on May 6, but that SRI would be available in mid to late April to discuss the plan.
- Number 460 Representative Cotten expressed concern that the legislature would only have one week to review the finance plan and make a decision.
- Number 465 Mr. Elder answered that what is being requested of the legislature is the tools for the finance plan, and that there has been a verbal promise of safeguards by Cominco. The committee might want to draft a letter of intent which addresses these safeguards and making the use of the \$18 conditional upon meeting the conditions of the letter.
- Number 480 Chairman Sund said that the committee will work on language for such a letter. He asked Mr. Giegerich when Cominco will start spending money.
- Number 485 Mr. Giegerich answered that Cominco would start spending money about the same time the state does, in order to get modules constructed.
- Number 495 Chairman Sund asked how much of Cominco's money would be spent in Alaska.
- Number 500 Mr. Giegerich answered that the modules would be built outside, but that all the on-site work would of course be in Alaska, and offered to provide the committee with a breakdown of where the money would be spent.

- Number 520 Chairman Sund asked how the congressional action to provide access across the monument is coming.
- Number 540 Mr. Don Argetsinger of the Nana Corporation answered that a land exchange agreement with the Department of Interior has been signed, requiring confirming legislation which was introduced early in February. He said that he expects passage by the time Congress recesses in early August. He added that if the bill does not pass by then, it will delay construction, but that there has been no significant objection to the bill so far.
- Number 556 Representative Duncan asked what Cominco would do if the legislature does not act this session on the requests for appropriations.
- Number 565 Mr. Giegerich answered that Cominco would not trash the whole project, but that Cominco is concerned that the mine be operational by the end of the decade because of the anticipated market opportunity at that time.
- Number 620 Representative Duncan expressed concern that the first draft of the finance plan would not be ready until May 6, hinting that the money should not be appropriated until 1986 when the plan has been completed. He asked if Cominco would use their own resources until that time.
- Number 630 Mr. Giegerich answered that Cominco must make a commitment to the construction of the modules early in 1986 and must have a contractor ready to go to work in July. He said that Cominco's board probably would not give the authority to proceed with the project if the state did not appropriate the money.
- Number 618 Mr. Stone added that Cominco had already spent about \$25 million by the end of 1984 and that the 1985 expenditures will be about \$12 million. He guessed that, if an agreement with the state is reached this session, it would be presented to the Board in the August meeting, after which the board would give the authority to proceed.

CHANGE TAPE #18, SIDE TWO

- Number 056 Mr. Elder said that, since this is being developed as a publicly owned and operated regional transportation system, the state would not want a private corporation to develop the road and port. He added that all the details would be worked out before the sale of any bonds.
- Number 108 Chairman Sund asked if the bond people would put a requirement of completion of the entire project on the bonds, since they will be paid off by toll fees after the mine is operational.
- Number 120 Mr. Elder answered that the bond people would probably require some sort of take or pay contract.
- Number 150 Ms. Mary Nordale, Commissioner of the Department of Revenue, said that the finance plan may not be complete in every detail when it comes out, and that they want a commitment from the legislature with the needed guarantees, so that AIDA can "fine tune" the finance plan.
- Number 155 Mr. Giegerich said that Cominco is prepared to make a guarantee that the mine will be operational within a definite time period after completion of the transportation system, providing they can work out an agreement with AIDA. He added that Cominco understands that AIDA is committed to working out the details of a financial arrangement with Cominco during the next month.
- Number 180 Representative Duncan asked Mr. Elder if they have talked to some bond people about the acceptability of the plan for bonding.
- Number 190 Mr. Elder answered that AIDA has run it by its own financial advisor.
- Number 200 Representative Duncan asked what would happen if the fund were capitalized but there was no appropriation this year.
- Number 212 Mr. Elder answered that there would be expenditures early in 1986, and that without the \$18 million appropriation, the project would probably be delayed.
- Number 237 Mr. Giegerich added that the \$18 million is

necessary to both AIDA and Cominco.

Number 250

Ms. Nordale said that the finance package must be put together by AIDA. The \$18 million would fund the preliminary work necessary to determine construction costs and the amount needed for the total financing of the project. Since AIDA, as an agency of the state, will own the transportation system, then they must borrow the money.

Number 290

Chairman Sund said that there is a \$100 million cap on loan programs this year, requiring \$30 million to be cut from existing loan programs. If \$18 million is appropriated to AIDA, then other programs will have to be chopped. He said that it is an important decision to be made with insufficient data.

Number 300

Mr. Giegerich said that it is his understanding that AIDA needs the \$18 million in order to put together the total financial plan, and Cominco must see the financial plan in order to make a commitment.

Number 310

Representative Duncan asked Mr. Elder how much money would be needed between January and May of 1986.

Number 312

Mr. Elder answered that he did not know, but that funds will be needed up front for construction of the project so that they can make commitments.

Number 338

Ms. Nordale said that the \$18 million will go for engineering for designing the project, and costs will not be determined until that is done.

Number 345

Representative Duncan asked why the cash flow from the loans could not be used instead of an \$18 million appropriation.

Number 350

Ms. Nordale offered to meet with Representative Duncan to explain it. She said that starting July 1 there will be no money, and if they wait until January 1 when there will be money, they will have lost a year on the project.

Number 375

Chairman Sund asked how much of the \$18

million and the \$141 million would ever come back to the General Fund.

Number 380

Mr. Elder answered that, if the mine is developed, taxes and avoided transfer payments would be worth \$210 million (present value), which goes to the General Fund.

Number 408

Representative Duncan asked if it would be possible to outline what the \$18 million will be used for. He also asked that they investigate how the \$18 million could be reduced.

Number 420

Mr. Elder answered that they would do as Representative Duncan requests and that they will not ask for more than is needed.

Number 437

Representative Uehling agreed with Representative Duncan that the legislature should know what the \$18 million will be spent for, and asked what is the time line for cost estimates, engineering the road, etc.

Number 450

Mr. Elder said that he did not know.

Number 465

Chairman Sund said that a meeting needs to be set to draft a letter of intent. The meeting was adjourned at 4:50 p.m.

HOUSE SPECIAL COMMITTEE ON LOANS
Joint meeting with House Resources Committee
February 8, 1985
8:30 a.m.

Members Present:

Loans: Representative John Sund, Chair
Representative Rick Uehling
Representative Jack Fuller

Resources: Representative Dick Shultz, co-chair
Representative Kay Wallis
Representative Dave Thompson
Representative Mike W. Miller
Representative Bette Cato
Representative Drue Pearce
Representative Roger Jenkins

Members Absent:

Loans: Representative Sam Cotten
Representative Jim Duncan

Resources: Representative Adelheid Herrmann

Also Present: Representative Steve Rieger
Representative Randy Phillips
Representative Steve Frank

COMMITTEE CALENDAR

Red Dog Mine: Cominco and Alaska Industrial Development Authority presentations.

WITNESS REGISTER

Bert Wagnon, Executive Director
Alaska Industrial Development Authority
1577 "C" Street, Suite 304
Anchorage, AK 99501
274-1651

Position Statement: Testified in favor of DeLong Mountains Transportation Project.

Hank Giegerich, President and General Manager
Cominco Alaska, Inc.
5660 "B" Street
Anchorage, AK 99502
563-3686

Position Statement: Testified in favor of Red Dog mine.

Bill Wilson, President
Cominco, Ltd.
Suite 2300

200 Granville St.
Vancouver, B.C. V6C2R2
No phone given
Position Statement: Testified in favor of Red Dog.

John Schaeffer, President
Nana Regional Corporation
4706 Harding Drive
Anchorage, AK
248-3030
Position Statement: Testified in favor of Red Dog

David S. Kennedy, Senior Geologist
GCO Minerals Co.
1031 W. 4th Ave.
Anchorage, AK
274-9541
Position Statement: Observer

Geoffrey Snow, President
Noranda Exploration, Inc.
139 E. 51st Ave.
Anchorage, AK
561-1036
Position Statement: Observer

ACTION NARRATIVE

Tape #5

Side 1

Recording

Number 001 Chairman Sund called the meeting to order at 8:35 a.m. Members present were Representatives Thompson, Jenkins, M.W. Miller, Cato, Shultz, Sund and Pearce. Representative Wallis arrived at 8:35, Representatives Uehling and Fuller arrived at 8:47. Chairman Sund introduced Bert Wagnon, Executive Director of AIDA.

Number 020 Mr. Wagnon testified on behalf of AIDA in favor of the DeLong Mountains Transportation Project, including a port and a 55 mile long road in Western DeLong Mountains area near Kevalina. Estimated costs are \$65 million for the port and \$85 million for the road. Proposed mineral development in the region includes Red Dog Mine. He added that the entire region is heavily mineralized with good potential for future development. AIDA is proposing to construct the transportation project and then charge user fees to all users. Initially, Cominco would be the only significant user. Mr. Wagnon said that the \$150 million to build the project can come from tax exempt revenue bonds, loans to AIDA and possibly state grants. So far the \$3.4 million appropriation to AIDA by the legislature in 1984 has been used to pay for financial plan costs, engineering services, and miscellaneous AIDA expenses. An additional \$18 million state loan is in the governor's FY 86 budget request. Mr. Wagnon justified the project on the grounds that it would bring jobs, tax revenues and increase economic stability to Alaska. He added that there has been a resolution of intent

between the Department of Commerce and Cominco. A RFP for the finance plan has been distributed (deadline 2/15/85,) as well as a RFP for civil engineering services.

Number 150 Representative Thompson asked Mr. Wagnon if the cost estimates for the port and road were AIDA's or Cominco's.

Number 154 Mr. Wagnon responded that they are Cominco's figures, stated in 1985 dollars.

Number 156 Chairman Sund asked if the finance plan will have to be submitted to the legislature.

Number 158 Mr. Wagnon answered that it must be submitted to the legislature, governor and State Bond Committee, but does not require legislative approval.

Number 208 Representative Frank asked if the debt to AIDA would be retired by fees from the initial user (Cominco).

Number 216 Mr. Wagnon responded that fees from future users would be required, and that about a \$10 million tariff is expected from the first significant user of the project.

Number 240 There was discussion regarding the use of tax exempt bonds to finance the project beyond the \$18 million in direct loan from the state.

Number 258 Representative Uehling asked what the projected costs of the project for the next several years would be.

Number 262 Mr. Wagnon answered that AIDA anticipates bonding for at least a portion of the remainder of the project beyond the \$18 million loan for FY 86, but that if general funds were to be used for the entire project, the requirement would be \$18 million in FY 86, \$50 million for the second year, \$50 million for the third year, and \$10 or \$20 million for the fourth year. He said that AIDA feels that that would be an unacceptable burden for the general fund to bear. Therefore, AIDA is working on alternative finance plans.

Number 313 John Schaeffer, president of Nana Regional Corporation, owner of the Red Dog deposit, testified in favor of the project. The reasons he cited are that the project would provide about 400 jobs, more than half of which would be filled locally. Nana Regional Corporation would also get 4% of the net smelter return until Cominco recovers its investment, then 25% of net profits after that, increasing by 5% every 5 years to a maximum of 50%. Of this money, Nana would get one third and the remaining two thirds would be distributed among eleven other regional corporations state-wide.

Number 465 Mr. Bill Wilson, president of Cominco, Ltd., summarized Cominco's activities world wide, discussed shifts in markets for zinc in recent years, and said that Cominco wants to bring Red Dog into production by the end of the decade. He said that Cominco was prepared to make guarantees covering repayment of the state financing and start-up of the

mine, backed by \$2 billion in Cominco assets (Canadian dollars). He said that the current price of zinc is \$.43 per pound.

Number 585 Mr. Giegerich gave a slide presentation to emphasize what Cominco believes the Red Dog development would mean to Alaska. He emphasized that 300 people would be employed during the construction phase, and about 400 when the mine is in operation and about 230 in the service industries. Cominco anticipates expenditures in Alaska of about \$100 million yearly: \$20 million in wages, \$5 million in Alaskan purchases (services and materials,) \$20 million in transportation payments, and \$30 million in royalty payments. He emphasized that timing is critical because the world zinc industry is competitive and that a commitment is needed from the legislature in 1985 so that Red Dog can be brought into production by the end of the decade. He said that the capital cost of Red Dog is estimated at \$400 million in 1985 dollars, \$250 million of which is for the mine facilities and \$150 million for transportation. He said that Cominco's proposal provides for a 30 year payback of the state's investment: \$260 million in toll fees and taxes of \$360 million (shared by Cominco and the Regional Corporations.) He said that Cominco has invested \$25 million in the project to date, and will reach \$40 million by the end of 1985.

Side 2

Recording

Number 106 Chairman Sund asked how Cominco feels about the risk involved in going ahead with the project before getting a commitment from the state.

Number 110 Mr. Wilson answered that Cominco's willingness to go ahead with the project depends on obtaining the AIDA loan, settling on an appropriate route to the sea, and location of the mine in terms of management. Currently, the proposed mine site is in the North Slope Borough, and there is talk of moving boundaries and organizing a borough in the Nana Region.

Number 167 Representative Pearce asked Mr. Giegerich about the length of the shipping season.

Number 170 Mr. Giegerich responded that the shipping season is about 100 days, but the mine would operate year-round. He added that working capital (what it takes until the mine is operational and product is sold) is 35-50% of the capital cost. This compares with about 10% for a non-arctic project.

Number 180 There was some discussion regarding the marketing of ore when the shipping season is short.

Number 205 Representative Frank asked how the \$10 million tariff was determined.

Number 208 Mr. Giegerich said that \$10 million is based on the \$150 million estimated capital cost, plus the payment schedule Cominco felt they could afford.

Number 215 There was some discussion regarding the price of zinc and what it would take for Cominco to recover its investment, and also about the

quality of ore, the stripping ratio and cost of transportation as those variables affect the cost of operation.

Number 306 There was some discussion regarding the average mining rate of return on investments and Cominco's expectation of a 20% return.

Number 350 Chairman Sund expressed doubts about the state becoming a risk taker in a private enterprise, unless the risk factors are identified, and concern about the cost of the state being a facilitator in financing the project. He said he would want to see the financial plan.

Number 357 Representative Frank asked when the financial plan would be ready.

Number 368 Mr. Wagnum answered that it should be ready by April 15th.

Number 372 The meeting was adjourned at 9:45 a.m.

Article 3. International Airports Revenue Bonds.

Section	Section
410. Bond authorization	490. Bond negotiability
420. Construction fund	500. Airport charges
430. Revenue fund	510. State improvements to airports
440. Redemption fund	520. Refunding
450. Bond terms	530. Bonds as legal investments
460. Bond resolution	540. Statutory construction
470. Enforcement by holder	550. Definitions
480. Amounts required for payments	

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

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

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

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

The 1983 amendment substituted

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

§ 37.15.450

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PUBLIC FINANCE

§ 37.15.450

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chapter 20. Acceptance of Federal Funds.

Section

10. Acceptance of federal grants and transfers of property
20. Federal Transitional Grants Account

Section

30. Jurisdiction of accepted property
40. Alaska Native Fund

Sec. 37.20.010. Acceptance of federal grants and transfers of property. The governor is authorized to accept on behalf of the state all federal grants and transfers of property of an emergency, transitional or omnibus nature upon conditions imposed by the federal government. (§ 1 ch 176 SLA 1959)

Sec. 37.20.020. Federal Transitional Grants Account. There is established in the general fund a special account designated the Federal Transitional Grants Account. All grants of money accepted under this chapter shall be deposited in this special account. (§ 2 ch 176 SLA 1959)

Sec. 37.20.030. Jurisdiction of accepted property. (a) All chattels accepted under the provisions of AS 37.20.010 and 37.20.020 are subject to the jurisdiction of the Department of Administration for distribution to the appropriate department.

(b) All land accepted under the provisions of AS 37.20.010 and 37.20.020 is subject to the jurisdiction of the Department of Natural Resources.

Offered: 4/19/85
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS
2 CS FOR HOUSE BILL NO. 105 (Loans)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act relating to the authorization of bonds or
7 notes, establishing conditions under which the bonds
8 or notes for the DeLong Mountain transportation
9 project may be issued; and providing for an effective
10 date."
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
12 * Section 1. AS 37.15.410 is amended to read:
13 Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of provid-
14 ing part or all of the money to be used, with or without any grants or
15 other money that [WHICH] may become available, the issuance and sale
16 of revenue bonds of the state in the total principal sum of not to
17 exceed \$86,525,000 [\$62,825,000] is authorized to acquire, equip,
18 construct, and install the additions, improvements, extensions, and
19 facilities authorized in AS 37.15.510. The principal of and interest
20 on these bonds shall be paid out of and secured by the gross revenues
21 derived by the state from the ownership, lease, use, and operation of
22 the airports, and of all the facilities of them and out of any other
23 revenues or money that [WHICH] the state legislature may provide
24 exclusive of any state tax or license.
25 * Sec. 2. The Alaska Industrial Development Authority is authorized to
26 issue bonds or notes in a principal amount not to exceed \$175,000,000 to
27 provide financing for the DeLong Mountain transportation project.
28 * Sec. 3. Before bonds or notes authorized under sec. 2 of this Act may
29 be issued the Alaska Industrial Development Authority shall comply with

1 AS 44.88.173 and shall incorporate into the final finance plan for the
2 DeLong Mountain transportation project the following terms and conditions:

3 (1) Cominco, Ltd. is required to agree in writing that

4 (A) Cominco, Ltd. will pay for all or a portion of the
5 operation and maintenance of facilities constructed as part of the
6 project based on the use Cominco Alaska makes of the facilities com-
7 pared to the use made by others;

8 (B) if Cominco Alaska ceases to develop the Red Dog Mine
9 after costs or debts have been incurred for the project, Cominco, Ltd.
10 will repay the Alaska Industrial Development Authority for those costs
11 and debts;

12 (C) toll fees paid by Cominco Alaska for the use of facil-
13 ities constructed as part of the project to the Alaska Industrial
14 Development Authority may be periodically adjusted if the price of
15 zinc rises above a level that yields a return on investment commensurate with risk;

17 (2) land in the Cape Krusenstern National Monument is conveyed
18 to NANA Regional Corporation by the United States Department of the In-
19 terior;

20 (3) NANA Regional Corporation is required to agree in writing to
21 make available to the Alaska Industrial Development Authority, at no more
22 than fair market value, land needed for the port and road constructed as
23 part of the project and land needed for future expansion of the road and
24 port;

25 (4) tax exempt financing for the project is used to the maximum
26 extent possible;

27 (5) a toll schedule, that may be periodically adjusted, is
28 established for use of facilities constructed as part of the project that

29 (A) ensures a reasonable return on the state's investment

1 in the project; and

2 (B) guarantees equitable access to the facilities by all
3 users.

4 * Sec. 4. Before bonds or notes authorized under sec. 2 of this Act may
5 be issued the Alaska Industrial Development Authority shall

6 (1) report in writing to the legislative budget and audit
7 committee that the conditions under sec. 3 of this Act have been met; and

8 (2) agree with the Department of Revenue in writing to deliver
9 all money generated by the DeLong Mountain transportation project, other
10 than money necessary for payment of the principal and interest on bonds or
11 notes issued under sec. 2 of this Act, to the Department of Revenue for
12 deposit in the general fund.

13 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
14 10.070(c).

Offered: 4/19/85
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE
2 CS FOR HOUSE BILL NO. 105 (Loans)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act relating to the authorization of bonds or
7 notes, establishing conditions under which the bonds
8 or notes for the DeLong Mountain transportation
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10 date."
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
12 * Section 1. AS 37.15.410 is amended to read:
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14 ing part or all of the money to be used, with or without any grants or
15 other money that [WHICH] may become available, the issuance and sale
16 of revenue bonds of the state in the total principal sum of not to
17 exceed \$86,525,000 [\$62,825,000] is authorized to acquire, equip,
18 construct, and install the additions, improvements, extensions, and
19 facilities authorized in AS 37.15.510. The principal of and interest
20 on these bonds shall be paid out of and secured by the gross revenues
21 derived by the state from the ownership, lease, use, and operation of
22 the airports, and of all the facilities of them and out of any other
23 revenues or money that [WHICH] the state legislature may provide
24 exclusive of any state tax or license.
25 * Sec. 2. The Alaska Industrial Development Authority is authorized to
26 issue bonds or notes in a principal amount not to exceed \$175,000,000 to
27 provide financing for the DeLong Mountain transportation project.
28 * Sec. 3. Before bonds or notes authorized under sec. 2 of this Act may
29 be issued the Alaska Industrial Development Authority shall comply with

1 AS 44.88.173 and shall incorporate into the final finance plan for the
2 DeLong Mountain transportation project the following terms and conditions:

3 (1) Cominco, Ltd. is required to agree in writing that

4 (A) Cominco, Ltd. will pay for all or a portion of the
5 operation and maintenance of facilities constructed as part of the
6 project based on the use Cominco Alaska makes of the facilities com-
7 pared to the use made by others;

8 (B) if Cominco Alaska ceases to develop the Red Dog Mine
9 after costs or debts have been incurred for the project, Cominco, Ltd.
10 will repay the Alaska Industrial Development Authority for those costs
11 and debts;

12 (C) toll fees paid by Cominco Alaska for the use of facil-
13 ities constructed as part of the project to the Alaska Industrial
14 Development Authority may be periodically adjusted if the price of
15 zinc rises above a level that yields a return on investment commen-
16 surate with risk;

17 (2) land in the Cape Krusenstern National Monument is conveyed
18 to NANA Regional Corporation by the United States Department of the In-
19 terior;

20 (3) NANA Regional Corporation is required to agree in writing to
21 make available to the Alaska Industrial Development Authority, at no more
22 than fair market value, land needed for the port and road constructed as
23 part of the project and land needed for future expansion of the road and
24 port;

25 (4) tax exempt financing for the project is used to the maximum
26 extent possible;

27 (5) a toll schedule, that may be periodically adjusted, is
28 established for use of facilities constructed as part of the project that

29 (A) ensures a reasonable return on the state's investment

1 in the project; and

2 (B) guarantees equitable access to the facilities by all
3 users.

4 * Sec. 4. Before bonds or notes authorized under sec. 2 of this Act may
5 be issued the Alaska Industrial Development Authority shall

6 (1) report in writing to the legislative budget and audit
7 committee that the conditions under sec. 3 of this Act have been met; and

8 (2) agree with the Department of Revenue in writing to deliver
9 all money generated by the DeLong Mountain transportation project, other
10 than money necessary for payment of the principal and interest on bonds or
11 notes issued under sec. 2 of this Act, to the Department of Revenue for
12 deposit in the general fund.

13 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
14 10.070(c).

Alaska House of Representatives

MEMO



Phone: 465-3725
Room: 214 Capitol

From the desk of CHIEF CLERK

TO: FINANCE

DATE: 4/10/85

Please return HB 105 to the Chief Clerk--
IT has been referred to Loans- will return
to Finance later.

Thanks, Kris

Introduced: 1/23/85
Referred: Transportation and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 105

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the international airports reve-
7 nue bonds authorization; and providing for an effec-
8 tive date."

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

10 * Section 1. AS 37.15.410 is amended to read:

11 Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of provid-
12 ing part or all of the money to be used, with or without any grants or
13 other money which may become available, the issuance and sale of
14 revenue bonds of the state in the total principal sum of not to exceed
15 \$86,525,000 [\$62,825,000] is authorized to acquire, equip, construct,
16 and install the additions, improvements, extensions, and facilities
17 authorized in AS 37.15.510. The principal of and interest on these
18 bonds shall be paid out of and secured by the gross revenues derived
19 by the state from the ownership, lease, use, and operation of the
20 airports, and of all the facilities of them and out of any other
21 revenues or money which the state legislature may provide exclusive of
22 any state tax or license.

23 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
24 10.070(c).

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Introduced: 1/23/35
Referred: Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

HOUSE BILL NO. 106

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

6 For an Act entitled: "An Act making technical amendments relating to state
7 taxation; and providing for an effective date."

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

9 * Section 1. AS 43.05.220(a) is amended to read:

10 (a) Five percent must [SHALL] be added to a tax for each 30-day
11 period or fraction of the period during which the taxpayer fails to
12 file at the time or times required by law or regulation a return or
13 report, [OR PAY THE FULL AMOUNT OF THE TAX, OR A PORTION OR A DEFICI-
14 CIENCY OF THE TAX, AS FINALLY DETERMINED BY THE DEPARTMENT AND
15 REQUIRED BY THIS TITLE,] unless it is shown that the failure is due to
16 a reasonable cause and not to wilful neglect. If a taxpayer fails to
17 pay the full amount of the tax, or a portion of a deficiency of the
18 tax, as finally determined by the department and required by this ti-
19 tle, the provisions of 26 U.S.C. sec. 6651(a)(2) (Internal Revenue
20 Code) apply, except that the rate is one percent for each 30-day peri-
21 od during which the taxpayer fails to pay the required amount. The
22 total failure-to-file penalty may not exceed 25 percent of the amount
23 due; the total failure-to-pay penalty may exceed 25 percent of the
24 amount due. However, the total of all penalties under this section
25 may [THE PENALTY SHALL] not exceed 50 [25] percent in the aggregate.
26 The penalty is computed only on the unpaid balance of the tax liabil-
27 ity as determined by the department. The department shall prescribe
28 by regulation circumstances that [WHICH] constitute reasonable cause
29 for purposes of this section.

1 * Sec. 2. AS 43.05.220(e) is amended to read:

2 (e) A penalty imposed by this section must [SHALL] be collected
3 at the same time, in the same manner, and as a part of the original
4 tax. However, if the original tax is paid before neglect or fraud is
5 discovered, the penalty must [SHALL] be collected in the same manner
6 as the original tax. Except on penalties assessed under (d) of this
7 section, interest [INTEREST] may not be collected on a penalty imposed
8 by this section.

9 * Sec. 3. AS 43.20.030(a) is amended to read:

10 (a) If a corporation, or a partnership which has a corporation
11 as a partner, [OR A CORPORATION] is required to make a return under
12 the provisions of the Internal Revenue Code, it shall, within 30 days
13 after the federal return is due, [AT THE SAME TIME] file with the de-
14 partment a return setting out

15 (1) the amount of tax due under this chapter, less credits
16 claimed against the tax; and

17 (2) other information for the purpose of carrying out the
18 provisions of this chapter which the department requires.

19 * Sec. 4. AS 43.31.310 is amended to read:

20 Sec. 43.31.310. PRIMA FACIE LIABILITY FOR TAX. The estate of
21 each decedent whose property is subject to the laws of the state is
22 [CONSIDERED] prima facie liable for estate taxes under this chapter,
23 and is subject to a lien for estate taxes under this chapter [THEM] in
24 an amount that [WHICH] may be later determined to be due [AND PAYABLE]
25 on the estate as provided in this chapter. The presumption of liabil-
26 ity begins on the date of the death of the decedent and continues un-
27 til the full settlement of all taxes that [WHICH] may be found to be
28 due under this chapter, the settlement to be shown by receipts [FOR
29 ALL TAXES DUE TO BE] issued by the department for all taxes due as

1 provided for in this chapter. If [WHENEVER] it appears to the depart-
2 ment that an estate is not subject to a tax under this chapter the de-
3 partment shall issue to the executor, administrator, curator or other
4 personal representative, or to the heirs, devisees, or legatees of the
5 decedent, a certificate in writing to that effect, showing nonliabil-
6 ity for [TO] tax. A [, WHICH] certificate of nonliability has the
7 same effect as a receipt showing payment. A [THE] certificate of non-
8 liability may be recorded [IS SUBJECT TO RECORD] and is admissible in
9 evidence in like manner as receipts showing payment of taxes. [THERE
10 SHALL BE PAID TO THE DEPARTMENT A FEE OF \$2.50 FOR EACH CERTIFICATE SO
11 ISSUED.]

12 * Sec. 5 AS 43.50.060 is amended to read:

13 Sec. 43.50.060. REFUNDS. The department may not refund the li-
14 cense fee upon the surrender or revocation of a license. The depart-
15 ment may refund a license fee that is paid or collected in error. If
16 a license is lost, destroyed, or defaced, the department may issue a
17 duplicate license [UPON PAYMENT OF A FEE OF 50 CENTS].

18 * Sec. 6. AS 43.75.055 is amended to read:

19 Sec. 43.75.055. SECURITY FOR COLLECTION OF TAXES. Each appli-
20 cant for a license under this chapter shall, in or with the applica-
21 tion, state under oath the amount of each of the products that [WHICH]
22 the applicant expects to produce during the license year. The appli-
23 cant shall further state the extent of lienable real property owned by
24 the applicant in the state against which the tax may be collected and
25 other information regarding the [WITH RESPECT TO] description, loca-
26 tion and value of the property that [WHICH] the department prescribes.
27 If the lienable value of the property is not equal to three times the
28 amount of the tax for which the applicant will probably be liable un-
29 der this section, the department may not issue the license until the

1 applicant files with the department a surety bond approved by the at-
2 torney general in a penal sum equal to twice the probable amount of
3 the tax for which the applicant will be liable, conditioned upon pay-
4 ment of the tax in full when due, with interest if not paid before de-
5 linquency. [HOWEVER, IF THE APPLICANT PURCHASES SALMON FOR EXPORT
6 FROM ALASKA IN THE ROUND, THE AMOUNT OF THE BOND IS \$50,000 UNLESS THE
7 APPLICANT IS THE OWNER OF LIENABLE REAL PROPERTY IN THE STATE OF A
8 VALUE OF AT LEAST \$50,000, AND THE BOND MUST BE CONDITIONED UPON PAY-
9 MENT TO THE FISHERMAN OF THE FULL PURCHASE PRICE FOR THE SALMON AND
10 THE PAYMENT OF THE TAX IN FULL WHEN DUE.] The department may waive
11 the bond requirement if the applicant posts other security in the form
12 of collateral acceptable to the department or prepays the estimated
13 tax.

14 * Sec. 7. AS 43.56.160 is repealed.

15 * Sec. 8. This Act takes effect immediately in accordance with AS 01.-
16 10.070(c).



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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 23, 1985

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to make a number of technical amendments to Title 43, the Revenue and Taxation Code.

A section-by-section analysis, explaining the bill in more detail, follows.

SECTION-BY-SECTION ANALYSIS

Section 1:

Section 1 reduces the late payment penalty to one percent for each 30-day period. The penalty is currently five percent. It also increases the total late payment and late filing penalty to 50 percent in the aggregate from 25 percent in the aggregate.

This amendment is needed to bring the penalties assessed by the state more in line with those assessed by the Internal Revenue Service (IRS). By reducing the payment penalty rate, taxpayers with financial problems are given a break. However, ultimate payment incentives are increased by the increased penalty maximums.

Section 2:

Section 2 reinstates interest accruals on trust fund penalty assessments, specifically withholding, salmon enhancement, and motor fuel taxes, against the responsible individuals. The federal court in Matter of Sotelo, 551 F.2d 1090 (7th Cir. 1977), has determined that this is not a penalty per se but represents the actual tax evaded or defeated. As a tax, it would bear interest. Under IRC sec. 6672, the IRS

charges interest, but not accruing-type penalties, on these assessments. The state was able to charge interest under the old statutory authority of AS 43.20.335(g) and (j) before all penalty statutes were consolidated by ch. 113, SLA 1980. The current provisions eliminate any incentive the taxpayer may have for prompt payment. The amendment will restore that incentive.

Section 3:

Section 3 amends AS 43.20.030(a) to allow corporations 30 days after the federal due date to file their Alaska income tax returns.

Since Alaska taxable income is closely tied to federal taxable income, it is important that the federal taxable income be finally determined before the Alaska return is prepared. This additional 30 days will give tax preparers the time necessary to complete the Alaska return after they complete the federal return. This change will not affect the due dates for tax payments.

Section 4:

Section 4 amends AS 43.31.310. Currently a \$2.50 fee is charged for each certificate issued by the department declaring that an estate is not subject to tax under AS 43.31. The \$2.50 fee is a nuisance and its elimination would result in only a negligible loss of revenue. Section 4 also makes several minor style amendments in AS 43.31.310.

Section 5:

Section 5 amends AS 43.50.060. If a cigarette business license is lost, the department may issue a duplicate license only upon payment of a fee of \$.50. The handling of the \$.50 fee is also a nuisance. The amendment to AS 43.50.060 eliminates the \$.50 fee requirement.

Section 6:

Section 6 would reestablish bonding equity for fisheries business entities.

Under the current provisions, the small processor is required to file a \$50,000 bond, which may greatly exceed any potential liability. Accordingly, this is an undue burden on the small operator.

Current provisions also contain a "loophole" for large operators. Some operators do a small amount of salmon in-the-round business in order to qualify for the \$50,000 bonding requirement. This requirement is often substantially less than the amount of the bond which would have to be posted under the general provisions. The general provisions require a bond of three times the probable tax liability.

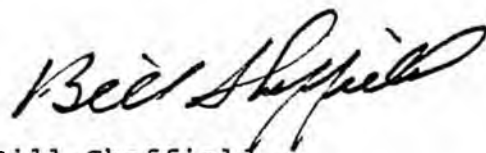
By amending this section, the general provisions would apply in all cases.

Section 7:

Section 7 repeals AS 43.56.160. This action would make the interest and penalty provisions for oil and gas exploration, production and pipeline transportation property taxes consistent with interest and penalties charged for other taxes under AS 43.05.220. The repeal of AS 43.56.160 would mean that AS 43.05 provisions for penalty and interest would also apply to AS 43.56 taxes.

Penalty maximums would increase, and the interest would increase to 12 percent from 8 percent. This would result in a minimal increase in revenues since there are very few property tax delinquencies. However, in those few cases, the incentives for payment would increase.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

supp

1 of 2

106

Revision Date 12/5/84

REQUEST

Bill/Resolution No: HB
Title: An Act making technical amendments related to state taxation
Sponsor: _____
Requestor: _____
Date of Request: _____

FISCAL DETAIL

Agency Affected: Revenue
Program Category Affected: General Government
BRU, Program or Subprogram(s) Affected: Enforcement, Audit, Public Services, Petroleum Revenue

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-0-	-0-	-	-	-	-
CAPITAL	-0-	-0-	-	-	-	-
REVENUE	-0-	-0-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Thomas C. Williams, Director
Division: Enforcement Division

Phone: 465-2366
Date: December 5, 1984

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):

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

Department of Revenue
Analysis of Technical Amendments Bill

December 5, 1984

HB 106 - 292

This bill amends and repeals miscellaneous revenue statutes (AS 43) relating to penalties, interest, filing deadlines, fees charged, and bonding requirements. The various sections of this legislation effect four operating divisions within the Department; Enforcement (sections 1 and 2), Audit (sections 1, 2, and 3), Public Services (sections 4, 5, and 6), and Petroleum Revenue (section 7). Please refer to the Governor's transmittal letter for a section by section analysis.

Program Summary

No new positions are created by any of the sections. No additional funding or expenditures are required. Computer capability already exists for all updating of proposed penalty and interest changes, with only minor in-house adjustment needed.

The changes in revenue are indeterminable, but relatively insignificant.

Economic Impact

This legislation has no impact on the State's economy.

Impact on Local Governments

This legislation has no impact on local government.

ALASKA STATE LEGISLATURE

14th ... Legislature **FIRST** ... Session

BILL
HOUSE NO. ...106..

By ..**THE RULES COMMITTEE**..BY...
REQUEST OF THE GOVERNOR

"An Act making technical amendments relating to state taxation; and providing for an effective date."

Amend. State Taxation

Introduced in the House ...1/23....., 19.85.

HISTORY IN THE HOUSE

19	85	Read first time and referred to Committee on
Jan.	23	FINANCE
		Reported back with recommendation that
		Read second time and
		Read third time and
		PASS Effective Date
		Yeas Yeas
		Nays Nays
		Absent Absent
		Excused Excused
		Reconsideration
		PASS Effective Date
		Yeas Yeas
		Nays Nays
		Absent Absent
		Excused Excused
		Reported correctly engrossed
		Signed by Speaker
		Sent to Senate
CHIEF CLERK OF THE HOUSE		

HISTORY IN THE SENATE

19		Read first time and referred to Committee on
		Reported back with recommendation that
		Read second time and
		Read third time and
		PASS Effective Date
		Yeas Yeas
		Nays Nays
		Absent Absent
		Excused Excused
		Reconsideration
		PASS Effective Date
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		Nays Nays
		Absent Absent
		Excused Excused
		Reported correctly engrossed
		Signed by President
		Returned to House
SECRETARY OF THE SENATE		

HISTORY IN THE HOUSE

19		Received from Senate
		Concurred in Senate amendment thus adopting: VOTE
		Failed to concur in Senate amendment; asked Senate to recede VOTE
		Senate receded from amendment VOTE
		Senate failed to recede from amendment VOTE
		CC appointed by House
		CC appointed by Senate
		CC adopted by House VOTE
		CC adopted by Senate VOTE
		To enrolling Reported correctly enrolled Sent to Governor by Governor
		Filed with Lt. Governor
		Chapter No.

Introduced: 1/23/85
Referred: Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 106

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making technical amendments relating to state
7 taxation; and providing for an effective date."

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

9 * Section 1. AS 43.05.220(a) is amended to read:

10 (a) Five percent must [SHALL] be added to a tax for each 30-day
11 period or fraction of the period during which the taxpayer fails to
12 file at the time or times required by law or regulation a return or
13 report, [OR PAY THE FULL AMOUNT OF THE TAX, OR A PORTION OR A DEFICI-
14 CIENCY OF THE TAX, AS FINALLY DETERMINED BY THE DEPARTMENT AND
15 REQUIRED BY THIS TITLE,] unless it is shown that the failure is due to
16 a reasonable cause and not to wilful neglect. If a taxpayer fails to
17 pay the full amount of the tax, or a portion of a deficiency of the
18 tax, as finally determined by the department and required by this ti-
19 tle, the provisions of 26 U.S.C. sec. 6651(a)(2) (Internal Revenue
20 Code) apply, except that the rate is one percent for each 30-day peri-
21 od during which the taxpayer fails to pay the required amount. The
22 total failure-to-file penalty may not exceed 25 percent of the amount
23 due; the total failure-to-pay penalty may exceed 25 percent of the
24 amount due. However, the total of all penalties under this section
25 may [THE PENALTY SHALL] not exceed 50 [25] percent in the aggregate.
26 The penalty is computed only on the unpaid balance of the tax liabil-
27 ity as determined by the department. The department shall prescribe
28 by regulation circumstances that [WHICH] constitute reasonable cause
29 for purposes of this section.

1 * Sec. 2. AS 43.05.220(e) is amended to read:

2 (e) A penalty imposed by this section must [SHALL] be collected
3 at the same time, in the same manner, and as a part of the original
4 tax. However, if the original tax is paid before neglect or fraud is
5 discovered, the penalty must [SHALL] be collected in the same manner
6 as the original tax. Except on penalties assessed under (d) of this
7 section, interest [INTEREST] may not be collected on a penalty imposed
8 by this section.

9 * Sec. 3. AS 43.20.030(a) is amended to read:

10 (a) If a corporation, or a partnership which has a corporation
11 as a partner, [OR A CORPORATION] is required to make a return under
12 the provisions of the Internal Revenue Code, it shall, within 30 days
13 after the federal return is due, [AT THE SAME TIME] file with the de-
14 partment a return setting out

15 (1) the amount of tax due under this chapter, less credits
16 claimed against the tax; and

17 (2) other information for the purpose of carrying out the
18 provisions of this chapter which the department requires.

19 * Sec. 4. AS 43.31.310 is amended to read:

20 Sec. 43.31.310. PRIMA FACIE LIABILITY FOR TAX. The estate of
21 each decedent whose property is subject to the laws of the state is
22 [CONSIDERED] prima facie liable for estate taxes under this chapter,
23 and is subject to a lien for estate taxes under this chapter [THEM] in
24 an amount that [WHICH] may be later determined to be due [AND PAYABLE]
25 on the estate as provided in this chapter. The presumption of liabil-
26 ity begins on the date of the death of the decedent and continues un-
27 til the full settlement of all taxes that [WHICH] may be found to be
28 due under this chapter, the settlement to be shown by receipts [FOR
29 ALL TAXES DUE TO BE] issued by the department for all taxes due as

1 provided for in this chapter. If [WHENEVER] it appears to the depart-
2 ment that an estate is not subject to a tax under this chapter the de-
3 partment shall issue to the executor, administrator, curator or other
4 personal representative, or to the heirs, devisees, or legatees of the
5 decedent, a certificate in writing to that effect, showing nonliabil-
6 ity for [TO] tax. A [, WHICH] certificate of nonliability has the
7 same effect as a receipt showing payment. A [THE] certificate of non-
8 liability may be recorded [IS SUBJECT TO RECORD] and is admissible in
9 evidence in like manner as receipts showing payment of taxes. [THERE
10 SHALL BE PAID TO THE DEPARTMENT A FEE OF \$2.50 FOR EACH CERTIFICATE SO
11 ISSUED.]

12 * Sec. 5. AS 43.50.060 is amended to read:

13 Sec. 43.50.060. REFUNDS. The department may not refund the li-
14 cense fee upon the surrender or revocation of a license. The depart-
15 ment may refund a license fee that is paid or collected in error. If
16 a license is lost, destroyed, or defaced, the department may issue a
17 duplicate license [UPON PAYMENT OF A FEE OF 50 CENTS].

18 * Sec. 6. AS 43.75.055 is amended to read:

19 Sec. 43.75.055. SECURITY FOR COLLECTION OF TAXES. Each appli-
20 cant for a license under this chapter shall, in or with the applica-
21 tion, state under oath the amount of each of the products that [WHICH]
22 the applicant expects to produce during the license year. The appli-
23 cant shall further state the extent of lienable real property owned by
24 the applicant in the state against which the tax may be collected and
25 other information regarding the [WITH RESPECT TO] description, loca-
26 tion and value of the property that [WHICH] the department prescribes.
27 If the lienable value of the property is not equal to three times the
28 amount of the tax for which the applicant will probably be liable un-
29 der this section, the department may not issue the license until the

1 applicant files with the department a surety bond approved by the at-
2 torney general in a penal sum equal to twice the probable amount of
3 the tax for which the applicant will be liable, conditioned upon pay-
4 ment of the tax in full when due, with interest if not paid before de-
5 linquency. [HOWEVER, IF THE APPLICANT PURCHASES SALMON FOR EXPORT
6 FROM ALASKA IN THE ROUND, THE AMOUNT OF THE BOND IS \$50,000 UNLESS THE
7 APPLICANT IS THE OWNER OF LIENABLE REAL PROPERTY IN THE STATE OF A
8 VALUE OF AT LEAST \$50,000, AND THE BOND MUST BE CONDITIONED UPON PAY-
9 MENT TO THE FISHERMAN OF THE FULL PURCHASE PRICE FOR THE SALMON AND
10 THE PAYMENT OF THE TAX IN FULL WHEN DUE.] The department may waive
11 the bond requirement if the applicant posts other security in the form
12 of collateral acceptable to the department or prepays the estimated
13 tax.

14 * Sec. 7. AS 43.56.160 is repealed.

15 * Sec. 8. This Act takes effect immediately in accordance with AS 01.-
16 10.070(c).

COMMITTEE REPORT

2/18

HOUSE

(7)

FURTHER: FINANCE

1/25/85

Date:

2-12-85

The Committee on JUDICIARY has had HB 112

"An Act relating to confidentiality of Department of Revenue documents."

under consideration and recommends:

[] do pass [] do not pass

[] do pass with attached amendments(s)

[X] replace with CS for HB 112 (g.a.) [X] same title [X] new title and recommends PC PASS

[] AND attaches a "Letter of Intent" [X] New Fiscal Note REQUESTED for CS

[] reports it back without recommendation [] Zero Fiscal Note Attached

[] referred to the Committee

MEMBERS SIGNING DO PASS

Handwritten signatures of members signing do pass.

MEMBERS HAVING OTHER RECOMMENDATIONS:

Handwritten signatures and notes for other recommendations, including "NO REC" and "NO REC".

Handwritten signature of the Chairman.

CHAIRMAN

Offered: 2/18/85
Referred: Finance

*Gov
Bansulee*

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 112 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to confidentiality of Department of
7 Revenue documents."

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

9 * Section 1. AS 43.05.230(g) is amended to read:

10 (g) The information contained in a license or permit issued by
11 the commissioner of revenue under AS 43.35, AS 43.40, AS 43.50,
12 AS 43.60, AS 43.65, AS 43.70, and AS 43.75 is public information.

13 * Sec. 2. AS 43.05.230 is amended by adding a new subsection to read:

14 (h) The department may furnish information contained in the
15 applications filed under AS 43.23 to another state department or
16 agency for state governmental purposes, restricted to determining eli-
17 gibility for a state program or establishing residency. The depart-
18 ment shall adopt regulations under the Administrative Procedure Act
19 (AS 44.62) prescribing the information that may be released under this
20 subsection. The names and mailing addresses contained in applications
21 under AS 43.23 are public information.

Gov
08054

Intrdduced: 1/25/85
Referred: Judiciary and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 112

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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17 gibility for a state program and establishing residency. The depart-
18 ment shall adopt regulations under the Administrative Procedure Act
19 (AS 44.62) prescribing the information that may be released under this
20 subsection.

21
22
23
24
25
26
27
28
29 COMMITTEE COPY

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 112

January 23, 1985

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the confidentiality of Department of Revenue records. The bill amends current statutory provisions making documents in the possession of the Department of Revenue confidential.

Section 1 makes technical amendments to AS 43.05.240, making it clear that licenses and permits issued under certain tax statutes are public information.

Section 2 allows the department to release information contained in permanent fund dividend (PFD) applications to other state agencies for official purposes, such as the determination of residency or eligibility for a state program. Since PFD information is generally the most current and accurate data base available on state residents, it seems foolish not to allow other state agencies access to this information for legitimate state purposes. In the past, some agencies have been unable to gain access to PFD information even though obtaining it would have provided an efficient means of fulfilling their statutory obligations.

Sincerely,



Bill Sheffield
Governor

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 10/22/84

REQUEST

Bill/Resolution No: HB 112
 Title: An act relating to confidentiality of PFD apps. and license apps.
 Sponsor: _____
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: Revenue Collection and Management
 BRU, Program or Subprogram(s) Affected: Permanent Fund Dividend BRU and Public Services Division BRU

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	-	-	-	-	-	-
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: No fiscal impact.

Prepared By: Martin J. Richard
 Division: Public Services Division
 Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Phone: 465-2392
 Date: October 22, 1984
 Date: December 5, 1984

Distribution (by Agency preparing fiscal note):

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

ALASKA STATE LEGISLATURE

..14th. Legislature .. FIRST Session

HOUSE ... BILL NO. 112 ..

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act relating to confidentiality of Department of Revenue documents."

Dept. of Rev. Documents,

Introduced in the House .1./25, 19. 85

HISTORY IN THE HOUSE

19 85
Jan. 25

Read first time and referred to Committee on JUDICIARY AND FINANCE

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by Speaker
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
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Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by President
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Concurred in Senate amendment thus adopting:
VOTE

Failed to concur in Senate amendment; asked Senate to recede
VOTE

Senate receded from amendment
VOTE

Senate failed to recede from amendment
VOTE

CC appointed by House

CC appointed by Senate

CC adopted by House
VOTE

CC adopted by Senate
VOTE

To enrolling
Reported correctly enrolled
Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No.

Offered: 2/18/85
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2

CS FOR HOUSE BILL NO. 112 (Judiciary)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to confidentiality of Department of
7 Revenue documents."

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14 (h) The department may furnish information contained in the
15 applications filed under AS 43.23 to another state department or
16 agency for state governmental purposes, restricted to determining eli-
17 gibility for a state program or establishing residency. The depart-
18 ment shall adopt regulations under the Administrative Procedure Act
19 (AS 44.02), prescribing the information that may be released under this
20 subsection. The names and mailing addresses contained in applications
21 under AS 43.23 are public information.

Introduced: 1/25/85
Referred: Judiciary and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2

HOUSE BILL NO. 112

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

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18 ment shall adopt regulations under the Administrative Procedure Act
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20 subsection.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

280
HRB 112

Revision Date 10/22/84

REQUEST

Bill/Resolution No: _____
 Title: An act relating to confidentiality of PFD apps. and license apps.
 Sponsor: _____
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: Revenue Collection and Management
 BRU, Program or Subprogram(s) Affected: Permanent Fund Dividend BRU and Public Services Division BRU

EXPENDITURES/REVENUES: (Thousands of Dollars)

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200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>CAPITAL</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>REVENUE</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: No fiscal impact.

Prepared By: Martin J. Richard
 Division: Public Services Division

Phone: 465-2392
 Date: October 22, 1984

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: December 5, 1984

Distribution (by Agency preparing fiscal note):

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

HRB 112

COMMITTEE REPORT
HOUSE

(11)

FURTHER:

3/29/85

Date:

2/26/86

The Committee on FINANCE has had HR 113

"An Act providing for the payment of cash benefits for state employees; and providing for an effective date."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HR 113 (2m) same title
 new title
- and recommends DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
2/7/86
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Albert R. Adams

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature]

Albert R. Adams

CHAIRMAN

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 2/7/86

REQUEST	FISCAL DETAIL
Bill/Resolution No.: <u>HFCSHB 113</u>	Agency Affected: <u>A11</u>
Title: <u>An Act providing for a working</u>	BRU: _____
<u>reserve for the payment of claims and obliga-</u>	
<u>tions; and providing for an effective date</u>	
Sponsor: <u>Rules</u>	Components: <u>A11</u>
Requestor: <u>House Finance</u>	
Date of Request: _____	

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

See attached analysis.

Prepared By: Ken Bischoff Phone: 465-2240
 Division: Finance Date: 2/7/86

Approved by Commissioner: Eleanor Andrews Date: _____
 Agency: Department of Administration

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

CONTINUATION of FISCAL NOTE ANALYSIS

HFCSHB 113

SUBJECT OF PROPOSED BILL:

To establish a formally recognized reserve account within the General Fund into which agency charges for terminal leave, leave cash-ins, unemployment insurance, and workers' compensation general liability are deposited and from which all distribution payments are paid centrally by the Division of Finance via the reserve account.

SUMMARY/EXPLANATION OF INTENT:

Currently, budgeted amounts for employer charges concerning terminal leave, leave cash-in, unemployment insurance, and workers' compensation general liability have been budgeted as a uniform percentage in each agency's budget. The Division of Finance assesses each agency the budgeted percentage to cover the above items.

Problems inevitably arise during changes in administration when terminal leave payments run substantially higher than normal. During periods of heated labor contract negotiations, requests for leave cash-in also run significantly higher than normal. Estimates for insurance needs are based on historical data. When changes to the market take place causing higher than average employer charges, the amount budgeted remains fixed but the employer obligation still remains to pay all claims.

Until recently the effects of the above usually offset one another so that the net budgetary impact was minimal. Recently, all budgetary impact has been increasing with no offset elsewhere. Accordingly, we are placed in the position of analyzing and assessing agency lapsed balances to generate funding needed to cover these underbudgeted costs.

In an effort to smooth the budgetary impact caused by the factors described above, the central reserve account approach was recommended. The central reserve account mechanism would allow the State to continue budgeting a uniform percentage adjusted on an annual basis. If funding were underestimated, this mechanism would allow us to wait until the fiscal year-end before additional agency assessments were made when lapsed balances are better known. The additional funds required would be generated from known lapsing balances, thus producing a minimal impact on agency operating budgets. Payments for workers' compensation general liability would be excepted from this practice.

ESTIMATED FISCAL IMPACT:

Capital: NONE

Operating: NONE

This bill is basically a housekeeping effort and is intended to clean up and prevent the sloppy budgetary condition described above so that the process surrounding payment of terminal leave, leave cash-in and assessment of insurance charges runs smoothly and efficiently.

Original sponsor: Rules/governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 113 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing a working reserve for the payment
7 of claims and obligations arising from accrued leave,
8 unemployment compensation, workers' compensation and
9 general liability for state employees; and providing
10 for an effective date."

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

12 * Section 1. AS 37.05 is amended by adding a new section to read:

13 Sec. 37.05.156. WORKING RESERVE ACCOUNT. (a) There is estab-
14 lished in the general fund a working reserve account. The working
15 reserve account consists of amounts appropriated to state agencies for

16 (1) cash payment of accrued leave;

17 (2) cash payment of terminal leave;

18 (3) payment of the employer's contribution for unemployment
19 benefits of former employees; and

20 (4) payment of claims for workers' compensation and general
21 liability.

22 (b) The Department of Administration shall allocate to the
23 working reserve account amounts appropriated to all state agencies for
24 the benefits set out in (a) of this section after the appropriation
25 Act implementing the state operating budget is enacted. The depart-
26 ment shall charge the reserve account with all payments for the bene-
27 fits set out in (a) of this section. If payments for a fiscal year
28 exceed the unexpended balance of appropriations allocated to the
29 account, the department may, except for payments under (a)(4) of this

1 section, pay those benefits by charging the unencumbered balance of
2 any appropriation enacted to finance the payment of employee salaries
3 and benefits that is determined to be available for lapse at the end
4 of the fiscal year.

5 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
6 10.070(c).
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STATE OF ALASKA

Bill Sheffield, Governor

DEPARTMENT OF ADMINISTRATION

DIVISION OF FINANCE

POUCH C (MS 0204)
JUNEAU, ALASKA 99811
PHONE:

February 10, 1986

The Honorable Al Adams
Chairman
House Finance Committee
P.O. Box V (MS 3100)
Juneau, AK 99811

Dear Mr. Chairman:

This letter is intended to provide you and the House Finance Committee a brief background on the need for House Bill Number 113. We request that this bill be scheduled for review by the House Finance Committee.

SUBJECT OF PROPOSED BILL:

To establish a formally recognized reserve account within the General Fund into which agency charges for terminal leave, leave cash-ins, unemployment insurance, and workers' compensation general liability are deposited and from which all distribution payments are paid centrally by the Division of Finance via the reserve account.

SUMMARY/EXPLANATION OF INTENT:

Currently, budgeted amounts for employer charges concerning terminal leave, leave cash-in, unemployment insurance, and workers' compensation general liability have been budgeted as a uniform percentage in each agency's budget. The Division of Finance assesses each agency the budgeted percentage to cover the above items.

Problems inevitably arise during changes in administration when terminal leave payments run substantially higher than normal. During periods of heated labor contract negotiations, requests for leave cash-in also run significantly higher than normal. Estimates for insurance needs are based on historical data. When changes to the market take place causing higher than average employer charges, the amount budgeted remains fixed but the employer obligation still remains to pay all claims.

February 10, 1986

Until recently the effects of the above usually offset one another so that the net budgetary impact was minimal. Recently, all budgetary impact has been increasing with no offset elsewhere. Accordingly, we are placed in the position of analyzing and assessing agency lapsed balances to generate funding needed to cover these underbudgeted costs.

In an effort to smooth the budgetary impact caused by the factors described above, the central reserve account approach was recommended. The central reserve account mechanism would allow the State to continue budgeting a uniform percentage adjusted on an annual basis. If funding were underestimated, this mechanism would allow us to wait until the fiscal year-end before additional agency assessments were made when lapsed balances are better known. The additional funds required would be generated from known lapsing balances, thus producing a minimal impact on agency operating budgets. Payments for workers' compensation general liability would be excepted from this practice.

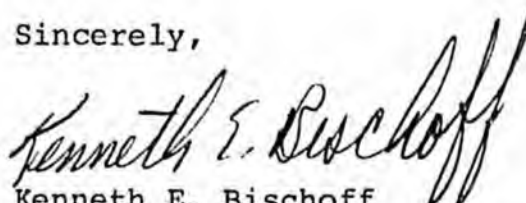
ESTIMATED FISCAL IMPACT:

Capital: NONE

Operating: NONE

This bill is basically a housekeeping effort and is intended to clean up and prevent the sloppy budgetary condition described above so that the process surrounding payment of terminal leave, leave cash-in and assessment of insurance charges runs smoothly and efficiently.

Sincerely,



Kenneth E. Bischoff
Director

KEB/rmm
5/3D1/0210-01

Introduced: 1/25/85
Referred: State Affairs
and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 113

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing a reserve for the payment of cash
7 benefits for state employees; and providing for an
8 effective date."

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

10 * Section 1. AS 37.05 is amended by adding a new section to read:

11 Sec. 37.05.156. RESERVE FOR CASH BENEFITS ACCOUNT. (a) There
12 is established in the general fund the cash benefits reserve account.
13 The cash benefits reserve account consists of amounts appropriated to
14 state agencies for the following purposes:

- 15 (1) cash payment of accrued leave;
16 (2) cash payment of terminal leave; and
17 (3) payment of the employer's contribution for unemployment
18 benefits of former employees.

19 (b) The Department of Administration shall allocate to the cash
20 benefits reserve account amounts appropriated to all state agencies
21 for the benefits set out in (a)(1) -- (3) of this section immediately
22 after the appropriation Act implementing the state operating budget is
23 enacted. The department shall charge the reserve account with all
24 payments of cash benefits to which a state employee is entitled. If
25 cash benefits payable for a fiscal year exceed the unexpended balance
26 of appropriations allocated to the account, the department may pay
27 those benefits by charging the unencumbered balance of any appro-
28 priation, enacted to finance the payment of employee salaries and
29 benefits, which is determined to be available for lapse at the end of

1 the fiscal year.

2 * Sec. 2. Section 1 of this Act is retroactive to July 1, 1984.

3 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-

4 10.070(c).

COMMITTEE REPORT
SENATE

FURTHER:

3/4/86

Date 4/8/86

Mr. President

The Committee on FINANCE considered CSHB 113(FIN)

providing a working reserve for the payment of claims and obligations arising from accrued leave, unemployment compensation, workers compensation and general liability for state employees; 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 *to FIN Admin. Code*
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

D. Ferguson

MEMBERS HAVING
OTHER RECOMMENDATIONS

W. H. ... NO REC
Rick Halford NO REC

Cs - *Jan ...*
Chairman
do pass
Chairman recommendation

1/13

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 2/7/86

REQUEST Page 1 of 2 FISCAL DETAIL

Bill/Resolution No.: CSHB 113 (Fin) Agency Affected: A11

Title: An Act providing for a working BRU: _____
reserve for the payment of claims and obliga-
tions; and providing for an effective date

Sponsor: Rules Components: A11

Requestor: House Finance

Date of Request: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

See attached analysis.

Prepared By: Ken Bischoff Phone: 465-2240
Division: Finance Date: 2/7/86

Approved by Commissioner: Eleanor Andrews Date: _____
Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

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

CONTINUATION of FISCAL NOTE ANALYSIS

CSHB 113(Fin) Page 2 of 2

SUBJECT OF PROPOSED BILL:

To establish a formally recognized reserve account within the General Fund into which agency charges for terminal leave, leave cash-ins, unemployment insurance, and workers' compensation general liability are deposited and from which all distribution payments are paid centrally by the Division of Finance via the reserve account.

SUMMARY/EXPLANATION OF INTENT:

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Problems inevitably arise during changes in administration when terminal leave payments run substantially higher than normal. During periods of heated labor contract negotiations, requests for leave cash-in also run significantly higher than normal. Estimates for insurance needs are based on historical data. When changes to the market take place causing higher than average employer charges, the amount budgeted remains fixed but the employer obligation still remains to pay all claims.

Until recently the effects of the above usually offset one another so that the net budgetary impact was minimal. Recently, all budgetary impact has been increasing with no offset elsewhere. Accordingly, we are placed in the position of analyzing and assessing agency lapsed balances to generate funding needed to cover these underbudgeted costs.

In an effort to smooth the budgetary impact caused by the factors described above, the central reserve account approach was recommended. The central reserve account mechanism would allow the State to continue budgeting a uniform percentage adjusted on an annual basis. If funding were underestimated, this mechanism would allow us to wait until the fiscal year-end before additional agency assessments were made when lapsed balances are better known. The additional funds required would be generated from known lapsing balances, thus producing a minimal impact on agency operating budgets. Payments for workers' compensation general liability would be excepted from this practice.

ESTIMATED FISCAL IMPACT:

Capital: NONE

Operating: NONE

This bill is basically a housekeeping effort and is intended to clean up and prevent the sloppy budgetary condition described above so that the process surrounding payment of terminal leave, leave cash-in and assessment of insurance charges runs smoothly and efficiently.

Offered: 2/28/86
For Today's Calendar

Original sponsor: Rules/governor

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 113 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing a working reserve for the payment
7 of claims and obligations arising from accrued leave,
8 unemployment compensation, workers' compensation and
9 general liability for state employees; and providing
10 for an effective date."

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

12 * Section 1. AS 37.05 is amended by adding a new section to read:

13 Sec. 37.05.156. WORKING RESERVE ACCOUNT. (a) There is estab-
14 lished in the general fund a working reserve account. The working
15 reserve account consists of amounts appropriated to state agencies for

16 (1) cash payment of accrued leave;

17 (2) cash payment of terminal leave;

18 (3) payment of the employer's contribution for unemployment
19 benefits of former employees; and

20 (4) payment of claims for workers' compensation and general
21 liability.

22 (b) The Department of Administration shall allocate to the
23 working reserve account amounts appropriated to all state agencies for
24 the benefits set out in (a) of this section after the appropriation
25 Act implementing the state operating budget is enacted. The depart-
26 ment shall charge the reserve account with all payments for the bene-
27 fits set out in (a) of this section. If payments for a fiscal year
28 exceed the unexpended balance of appropriations allocated to the
29 account, the department may, except for payments under (a)(4) of this

1 section, pay those benefits by charging the unencumbered balance of
2 any appropriation enacted to finance the payment of employee salaries
3 and benefits that is determined to be available for lapse at the end
4 of the fiscal year.

5 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
6 10.070(c).

SECTIONAL ANALYSIS FOR HOUSE BILL 113

An Act providing a working reserve for the payment of claims and obligations arising from accrued leave, unemployment compensation, workers compensation and general liability for state employees and providing for an effective date

Section 1

Amends Title 37, Public Finance with the addition of a new section in the Uniform Accounting chapter. This section would establish a Working Reserve Account within the general fund into which agency charges for terminal leave, leave cash-ins, unemployment insurance and workers compensation general liability are deposited. It would also be the account from which all distribution payments are paid by the Division of Finance.

Section 2

Immediate effective date.

There is no fiscal impact.

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF ADMINISTRATION

DIVISION OF FINANCE

POUCH C
JUNEAU, ALASKA 99811
PHONE:

(907) 465-2240

March 20, 1986

The Honorable Jan Faiks
Co-Chairman
Senate Finance Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811-3100

Dear Senator Faiks:

Re: Group Health and Life Benefits
Fund (AS 39.30.095)

This letter is in response to Senator Halford's question during the Senate Finance Committee's hearing for Committee Substitute for House Bill No. 113 (Finance) on March 20. Senator Halford's question was whether it was necessary to retain the statutory authority for the Group Health and Life Benefit Fund (AS 39.30.095).

It is my understanding that this statute was enacted in order to allow the State to operate a self-insurance program. To date, the State has not exercised the authority established by this fund. If this statute was repealed, and the State later wished to establish a self-insurance program, then the legislation would likely need to be reenacted.

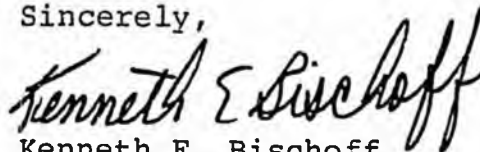
At the present time, we are aware of two bills currently before the Legislature that affect this statute. House Bill No. 589 which is an act relating to participation in the State group life and health policies by residents. Secondly, House Bill 696, an act relating to the provision of and charges for State services. A copy of both bills is enclosed for your reference.

Our conclusion is that if AS 39.30.095 is to be considered for deletion, such a policy question should be considered in view of what is trying to be accomplished with House Bill 589 and House Bill 696. The provisions of Committee Substi-

March 20, 1986

tute House Bill 113 are in no way related to AS 39.30.095. Accordingly, we recommend that Committee Substitute House Bill 113 not be modified.

Sincerely,



Kenneth E. Bischoff
Director

KEB/gyr

14/3D2/0320-03

Enclosures

cc: The Honorable Rick Halford
Senate Finance Committee
Alaska State Legislature
Pouch V
Juneau, AK 99811-3100

Commissioner Eleanor Andrews
Department of Administration

Introduced: 2/14/86
Referred: Labor & Commerce
Judiciary and Finance

BY SUND, M.M. MILLER, HURLEY,
DUNCAN, NAVARRE, AND DAVIS

1 IN THE HOUSE

2 HOUSE BILL NO. 589

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to participation in the state group
7 life and health insurance policies by residents; and
8 providing for an effective date."

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

10 * Section 1. AS 39.30.090 is amended to read:

11 Sec. 39.30.090. PROCUREMENT OF GROUP INSURANCE. The Department
12 of Administration may obtain a policy or policies of group insurance
13 covering state employees, persons entitled to coverage under AS 14.-
14 25.168, AS 22.25.090, AS 39.35.535 or former AS 39.37.145, [OR] em-
15 ployees of other participating governmental units, or eligible resi-
16 dents, subject to the following conditions:

17 (1) A group insurance policy shall provide one or more of
18 the following benefits: life insurance, accidental death and dismem-
19 berment insurance, weekly indemnity insurance, hospital expense insur-
20 ance, surgical expense insurance, dental expense insurance, audio-
21 visual insurance, or other medical care insurance.

22 (2) Each eligible employee of the state, the spouse and the
23 unmarried children chiefly dependent on the eligible employee for
24 support, and each eligible employee of another participating govern-
25 mental unit shall be covered by the group policy, unless exempt under
26 regulations adopted by the commissioner of administration.

27 (3) A governmental unit may participate under a group
28 policy if

29 (A) its governing body adopts a resolution authorizing

1 participation, and payment of required premiums;

2 (B) a certified copy of the resolution is filed with
3 the Department of Administration; and

4 (C) the commissioner of administration approves the
5 participation in writing.

6 (4) The Department of Administration shall obtain the
7 insurance policy from an [ANY] insurer authorized to transact business
8 in the state under AS 21.09 and AS 21.90.

9 (5) The Department of Administration shall make available
10 bid specifications for desired insurance benefits to all insurance
11 carriers licensed in the state and qualified to provide the desired
12 benefits. The specifications shall be made available on or before
13 July 1, 1965, and at least once every succeeding five years. The
14 lowest responsible bid submitted by an insurance carrier with adequate
15 servicing facilities shall govern selection of a carrier under this
16 section.

17 (6) If the aggregate of dividends payable under the group
18 insurance policy exceeds the governmental unit's share of the premium,
19 the excess shall be applied by the governmental unit for the sole
20 benefit of the employees.

21 (7) A person receiving benefits under AS 14.25.110,
22 AS 22.25, AS 39.35, or former AS 39.37 may continue the life insurance
23 coverage that was in effect under this section at the time of termina-
24 tion of employment with the state or participating governmental unit.

25 (8) A person electing to have insurance under (7) of this
26 section shall pay the cost of this insurance.

27 (9) For each permanent part-time employee electing coverage
28 under this section, the state shall contribute one-half the state
29 contribution rate for permanent full-time state employees, and the

1 permanent part-time employee shall contribute the other one-half.

2 (10) A person receiving benefits under AS 14.25, AS 22.25,
3 AS 39.35, or former AS 39.37 may obtain auditory, visual, and dental
4 insurance for that person and eligible dependents under this section.
5 The level of coverage for persons over 65 shall be the same as that
6 available before reaching age 65 except that the benefits payable
7 shall be supplemental to any benefits provided under the federal old
8 age, survivors, and disability insurance program. A person electing
9 to have insurance under this paragraph shall pay the cost of the
10 insurance. The commissioner of administration shall adopt regulations
11 implementing this paragraph.

12 (11) An eligible resident may participate if the resident
13 applies on forms provided by the department, pays the cost of the
14 insurance and the administrative fee set by the department, and the
15 commissioner of administration approves the application in writing.

16 * Sec. 2. AS 39.30.095(a) is amended to read:

17 (a) The commissioner of administration shall establish the group
18 health and life benefits fund as a special account in the general fund
19 to provide for group life and health insurance under AS 39.30.090 and
20 39.30.160. The commissioner shall maintain accounts and records for
21 the fund. The fund consists of employer contributions, employee
22 contributions, resident contributions, appropriations from the legis-
23 lature, and interest earned on investment of the fund as provided in
24 (d) of this section.

25 * Sec. 3. AS 23.30.095(b) is amended to read:

26 (b) After obtaining the advice of an actuary, the commissioner
27 of administration shall determine the amount necessary to provide
28 benefits under AS 39.30.090 and 39.30.160 and shall set the rate of
29 employer contribution, resident contribution, and employee contri-

1 bution, if any. The commissioner of administration shall pay premiums
2 and claims in accordance with the insurance policies in effect under
3 AS 39.30.090 and 39.30.160 with money in the fund.

4 * Sec. 4. AS 39.30.100 is amended by adding a new paragraph to read:

5 (4) "eligible resident" means a person who is a resident
6 and who has been a resident, except for absences from the state for
7 military service or necessary medical care, for the 12 consecutive
8 months immediately preceding the date of application.

9 * Sec. 5. By January 1, 1987, the commissioner of administration shall
10 secure a group health and life policy or policies to provide coverage for
11 persons who will become eligible for coverage under amendments made by this
12 Act.

13 * Sec. 6. Sections 1 - 4 of this Act take effect on the date that the
14 commissioner of administration has secured coverage under sec. 5 of this
15 Act.

16 * Sec. 7. Section 5 of this Act takes effect immediately in accordance
17 with AS 01.10.070(c).

Introduced: 3/12/86
Referred: Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 696

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the provision of and charges for
7 state services; and accounting for and appropriation
8 of receipts earned by state agencies; and providing
9 for an effective date."

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

11 * Section 1. AS 37.10.050(a) is repealed and reenacted to read:

12 (a) A state agency may not charge for the provision of state
13 services unless the charge is authorized by law. Unless specifically
14 exempted by law, each state agency authorized to collect or receive
15 fees, licenses, taxes, or other money belonging to the state shall
16 account for and pay these receipts, less fees to which the collector
17 is entitled by law or regulation, to the Department of Revenue at
18 least once each month.

19 * Sec. 2. AS 02.15.130 is amended to read:

20 Sec. 02.15.130. ASSISTANCE TO THE FEDERAL GOVERNMENT, MUNICIPAL-
21 ITIES AND OTHER PERSONS. The department may make available its engin-
22 earing, maintenance, and other [TECHNICAL] services, with or without
23 charge, to the federal government, or to a [ANY] municipality or
24 person in connection with the planning, acquisition, construction,
25 improvement, maintenance, or operation of airports or air navigation
26 facilities. The commissioner of administration shall separately
27 account for money deposited in the general fund which is generated by
28 the provision of those services to nonstate entities deposited in the
29 general fund. The annual estimated balance in the account may be used

1 by the legislature to make appropriations to the department to carry
2 out the purposes of this section.

3 * Sec. 3. AS 06.01 is amended by adding a new section to read:

4 Sec. 06.01.045. ACCOUNTING AND DISPOSITION OF FEES. The commis-
5 sioner of administration shall separately account for all fees col-
6 lected under AS 06.01.010 -- AS 06.40.180 and deposited in the general
7 fund. The annual estimated balance in the account may be used by the
8 legislature to make appropriations to the department to carry out the
9 purposes of this title.

10 * Sec. 4. AS 08.01.065 is amended by adding a new subsection to read:

11 (d) The commissioner of administration shall separately account
12 for occupational licensing fees deposited in the general fund. The
13 annual estimated balance in the account may be used by the legislature
14 to make appropriations to the department to carry out the activities
15 of the division of occupational licensing.

16 * Sec. 5. AS 10.05.768 is amended by adding a new subsection to read:

17 (b) The commissioner of administration shall separately account
18 for all fees collected under this chapter and deposited in the general
19 fund. The annual estimated balance in the account may be used by the
20 legislature to make appropriations to the department to carry out the
21 purposes of this chapter.

22 * Sec. 6. AS 10.15 is amended by adding a new section to article 7 to
23 read:

24 Sec. 10.15.563. ACCOUNTING AND DISPOSITION OF FEES. The commis-
25 sioner of administration shall separately account for all fees col-
26 lected under this chapter and deposited in the general fund. The
27 annual estimated balance in the account may be used by the legislature
28 to make appropriations to the department to carry out the purposes of
29 this chapter.

1 * Sec. 7. AS 10.20 is amended by adding a new section to article 8 to
2 read:

3 Sec. 10.20.643. ACCOUNTING AND DISPOSITION OF FEES. The commis-
4 sioner of administration shall separately account for all fees col-
5 lected under this chapter and deposited in the general fund. The
6 annual estimated balance in the account may be used by the legislature
7 to make appropriations to the department to carry out the purposes of
8 this chapter.

9 * Sec. 8. AS 10.25.530 is amended by adding a new subsection to read:

10 (c) The commissioner of administration shall separately account
11 for all fees collected under this chapter and deposited in the general
12 fund. The annual estimated balance in the account may be used by the
13 legislature to make appropriations to the Department of Commerce and
14 Economic Development to carry out the purposes of this chapter.

15 * Sec. 9. AS 10.40.140 is amended by adding a new subsection to read:

16 (c) The commissioner of administration shall separately account
17 for all fees and penalties collected under this chapter and deposited
18 in the general fund. The annual estimated balance in the account may
19 be used by the legislature to make appropriations to the Department of
20 Commerce and Economic Development to carry out the purposes of this
21 chapter.

22 * Sec. 10. AS 14.07.030(10) is amended to read:

23 (10) enter into contractual agreements with school districts
24 to provide more efficient or economical education services; reasonable
25 fees may be charged by the department to cover the costs of providing
26 services under an agreement, including but not limited to professional
27 services, reproduction or printing costs, and for mailing and distri-
28 bution of educational materials;

29 * Sec. 11. AS 14.07.030 is amended by adding new paragraphs to read:

1 (13) apply for, accept, and spend endowments, grants, and
2 other private money available to the state for educational purposes in
3 accordance with the Executive Budget Act (AS 37.07);

4 (14) set student tuition and fees for educational programs
5 provided and schools operated by the department under the provisions
6 of AS 14.07.020(12) and 14.07.030(1).

7 * Sec. 12. AS 14.07 is amended by adding a new section to read:

8 Sec. 14.07.035. ACCOUNTING AND DISPOSITION OF RECEIPTS. (a)
9 The commissioner of administration shall separately account for educa-
10 tional service fees collected under AS 14.07.030(10) and deposited in
11 the general fund. The annual estimated balance in the account may be
12 used by the legislature to make appropriations to the Department of
13 Education to carry out the purposes of AS 14.07.030.

14 (b) The commissioner of administration shall separately account
15 for each endowment, grant, or other money from a private donor re-
16 ceived under AS 14.07.030(13) and deposited in the general fund. The
17 annual estimated balance in the account may be used by the legislature
18 to make appropriations to the Department of Education to carry out the
19 educational purposes intended by the endowment, grant, or gift.

20 (c) The commissioner of administration shall separately account
21 for student tuition and fees collected under AS 14.07.030(14) and
22 deposited in the general fund. The annual estimated balance in the
23 account may be used by the legislature to make appropriations to the
24 Department of Education to administer, maintain, and operate programs
25 and schools under AS 14.07.020(12) and 14.07.030(1).

26 (d) The commissioner of administration shall separately account
27 for money deposited in the general fund which derived from Department
28 of Education auxiliary services, including student services centers,
29 student activities, and events administered or operated by the