

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

CSSB 500 thru SB 505 159

CSSB

500

Date referred: 5/3/88

FURTHER REFERRALS:

DATE: 5/4/88

The Finance Committee has considered CSSB 500(R1s)

"An Act relating to an exemption from municipal taxation for certain interests in federally funded low-income housing; and providing for an effective date."

RECOMMENDS:

- replace with \_\_\_\_\_  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

ADOPTS:  \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published Sen. 5/2/88
- zero with analysis

SIGNING DO PASS:

ADAMS Ad Adams

CHASE [Signature]

GILL Peter Gill

RIEGER [Signature]

FRANK [Signature]

WALLIS Wayne Wallis

SIGNING OTHER RECOMMENDATIONS:

POURCHOT [Signature] no rec

SWACK [Signature] no rec

BOYER [Signature]

BROWN [Signature]

DAVIS [Signature]

Ad Adams  
Chairman's signature

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: exempting certain interests  
from municipal taxation.  
Sponsor: Community & Regional Affairs  
Requestor: Senate Finance

Agency Affected: Education  
BRU: K-12 Support  
Components: Foundation Program

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

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0

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

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

**FUNDING: (Thousands of Dollars)**

GENERAL FUND		0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS : (Attach a separate page if necessary)**

Prepared by: Steve Hole  
Division: Commissioner's Office

Phone: 465-2800  
Date: 4/30/88

Approved by Commissioner: William G. Demmert  
Agency: Department of Education

Date: 4/30/88

**Distribution (by preparer):**

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

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: SB 500  
PUBLISH DATE: SENATE 4/13/88

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: "An Act exempting low-income housing from municipal taxation."  
Sponsor: Senate C&RA Committee  
Requestor: Senate C&RA Committee

Agency Affected: Department of Education  
BRU: K-12 Support  
Components: Foundation Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	-0-	-0-	-0-	355.4	373.2	391.9
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	355.4	373.2	391.9

CAPITAL	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93

REVENUE	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	355.4	373.2	391.9
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	355.4	373.2	391.9

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

It is estimated the property tax exemptions required under SB 500 would reduce the Full Value Determination statewide by \$88,841,750. At the four mill requirement for education funding under AS 14.17.025, local effort would subsequently be reduced by \$355,400.

Prepared by: David R. [Signature] Phone: 465-4750  
Division: Municipal & Regional Assistance Date: \_\_\_\_\_

Approved by Commissioner: Mark K. [Signature] Date: 4/11/88  
Agency: Community & Regional Affairs

Distribution (by preparer):

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

MUNICIPALITY	POPULATION	REAL PROPERTY ONLY FULL VALUE DETERMINATION INCLUDING	OBLIGATION FOR EDUCATION	REAL PROPERTY ONLY FULL VALUE DETERMINATION EXCLUDING	OBLIGATION FOR EDUCATION	DIFFERENCE
		ASBA OR NRHA		ASBA OR NRHA		
ANCHORAGE	248,263	\$11,768,570,800	\$47,074,283	\$11,761,689,000	\$47,046,756	\$27,527
BRISTOL BAY BOROUGH	1,326	\$63,258,700	\$253,035	\$62,558,860	\$250,235	\$2,799
FAIRBANKS NORTH STAR BORO	75,079	Apply average per capita difference				\$10,167
HAINES BOROUGH	1,991	\$79,043,000	\$316,172	\$77,954,360	\$311,817	\$4,355
C&B OF JUNEAU	29,370	Apply average per capita difference				\$3,977
KENAI PENINSULA BOROUGH	43,612	\$3,012,330,700	\$12,049,323	\$3,011,145,500	\$12,044,582	\$4,741
KETCHIKAN GATEWAY BOROUGH	12,982	\$663,563,300	\$2,654,253	\$662,330,300	\$2,649,321	\$4,932
KODIAK ISLAND BOROUGH	14,127	\$398,049,400	\$1,592,198	\$394,589,032	\$1,578,356	\$13,841
NATAMUSKA-SUSITNA BOROUGH	44,280	Apply average per capita difference				\$5,997
NORTH SLOPE BOROUGH	8,308	\$187,163,100	\$748,652	\$157,163,100	\$628,652	\$120,000
NORTHWEST ARCTIC BOROUGH	6,696	\$163,045,800	\$652,183	\$160,017,470	\$640,070	\$89,500
C&B OF SITKA	8,160	Apply average per capita difference				\$1,105
DILLINGHAM	2,153	\$79,064,200	\$316,257	\$77,120,200	\$308,481	\$7,776
GALENA	998	Apply average per capita difference				\$8,941
HOOKAH	906	\$14,472,000	\$57,888	\$11,672,640	\$46,691	\$11,197
HYDABURG	475	\$6,854,600	\$27,418	\$5,493,800	\$21,975	\$5,443
KING COVE	713	Apply average per capita difference				\$6,388
KLAMOCK	760	\$8,199,200	\$32,797	\$5,749,760	\$22,999	\$9,798

NOME	3,876	Apply average per capita difference	\$34,725
PELICAN	273	Apply average per capita difference	\$2,446
ST. MARY'S	458	Apply average per capita difference	\$4,103
SAND POINT	890	Apply average per capita difference	\$7,974
SKAGWAY	712	Apply average per capita difference	\$6,379
TANANA	418	Apply average per capita difference	\$3,745
UNALASKA	1,331	Apply average per capita difference	\$11,924
YAKUTAT	456	Apply average per capita difference	\$4,085
			<hr/>
			\$355,367

Original sponsor: Community and Regional  
Affairs Committee

1 IN THE SENATE

BY THE RULES COMMITTEE

2

CS FOR SENATE BILL NO. 500 (Rules)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to an exemption from municipal  
7 taxation for certain interests in federally funded  
8 low-income housing; and providing for an effective  
9 date."

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

11 \* Section 1. AS 29.45.050 is amended by adding a new subsection to  
12 read:

13 (1) A municipality may by ordinance exempt from taxation an  
14 interest, other than record ownership, in real property of an indi-  
15 vidual residing in the property if the property has been developed,  
16 improved, or acquired with federal funds for low-income housing and  
17 is owned or managed as low-income housing by the Alaska State Building  
18 Authority or a regional housing authority formed under AS 18.55.996.  
19 This section does not prohibit a municipality from receiving payments  
20 in lieu of taxes authorized under federal law.

21 \* Sec. 2. This Act takes effect January 1, 1989.



Copy is in ASIA with 18. 55. 996

## Tlingit-Haida Regional Housing Authority

P. O. Box 2237 • Juneau, Alaska 99803 • (907) 780-6442



### COOPERATION AGREEMENT

THIS AGREEMENT made this \_\_\_\_ DAY of \_\_\_\_\_, 19 \_\_\_\_

BY AND BETWEEN Tlingit-Haida Regional Housing Authority herein called the "Authority".

AND City of Juneau, herein called the "City".

#### WITNESSETH:

In consideration of the mutual covenants hereinafter set forth, the parties hereto do agree as follows:

1. Whenever used in this agreement:
  - (a) The term "Project" shall mean any low-rent housing hereinafter developed or acquired by the Authority with financial assistance of the United States of America acting through the Secretary of Housing and Urban Development (herein called the "Government"); excluding, however, and low-rent housing project covered by any contract for loans and annual contributions entered into between the Authority and the Government, or its predecessor agencies, prior to the date of this Agreement;
  - (b) The term "Taxing Body" shall mean the State or any political subdivision or taxing unit thereof in which a Project is situated and which would have authority to assess or levy real or personal property taxes or to certify such taxes to a taxing body or public officer to be levied for its use and benefit with respect to a Project if it were not exempt from taxation;
  - (c) The term "Shelter Rent" shall mean the total of all charges to all tenants of a Project for dwelling rents and nondwelling rents (excluding all other income of such Project), less the cost to the Authority of all dwelling and nondwelling utilities;
2. The Authority shall endeavor to secure a contract with the Government for loans and annual contributions covering one or more Projects consisting of approximately 50 units. The Authority shall plan, develop or acquire and administer the Project which shall be located within the corporate limits of the City. The obligations of the parties hereto shall apply to each such Project and the City shall have no contractual responsibility with respect to the Project other than as expressly provided in this Agreement.
3. (a) Under the Constitution and laws of the State of Alaska, the Project is exempt from all real and personal property taxes and special assessments levied or imposed by any Taxing Body. So long as either (i) the Project is owned by a public body or governmental agency and is used for low rent housing purposes, or (ii) any contract between the Authority and the Government for loans or annual contributions, or both, in connection with such Project remains in force and effect, or (iii) any bonds issued in connection with such Project or any monies due to the Government in connection with such Project remain unpaid, whichever period is the longest, the City agrees that it

Cooperation Agreement  
Page 2

will not levy or impose any real or personal property taxes or special assessment upon such Project or upon the Authority with respect thereto. During such period, the Authority shall make annual payments (herein called "Payments in Lieu of Taxes") in lieu of such taxes and special assessments and in payment for the public services and facilities furnished from time to time without other cost or charge for or with respect to such Project.

- (b) Each such annual Payment in Lieu of Taxes shall be made after the end of the fiscal year established for such Project, and shall be in an amount equal either (i) ten percent (10%) of the Shelter Rent charged by the Authority in respect to such Project during such fiscal year or (ii) the amount permitted to be paid by applicable State law in effect on the date such payment is made, whichever amount is the lower.
  - (c) No payment for any year shall be made to the City in excess of the amount of the real property taxes which would have been paid to the City for such year if the Project were not exempt from taxation.
  - d) Upon failure of the Authority to make any Payment in Lieu of Taxes, no lien against any Project or assets of the Authority shall attach, nor shall any interest penalties accrue or attach on account thereof.
4. During the period commencing with the date of the acquisition of any part of the site or sites of any Project and continuing so long as either (i) such Project is owned by a public body or governmental agency and is used for low-rent housing purposes, or (ii) any contract between the Authority and the Government for loans or annual contributions, or both, in connection with such Project remains in force and effect, (iii) any bonds issued in connection with such Project or any monies due to the Government in connection with such Project remain unpaid, whichever period is the longest, the City, without cost or charge to the Authority or the tenants of such project (other than the Payments in Lieu of Taxes), shall:
- (a) Furnish or cause to be furnished to the Authority and the tenants of such Project public services and facilities of the same extent as are furnished from time to time without cost or charge to other dwelling and inhabitants in the City;
  - (b) Notwithstanding the date of acquisition the City shall vacate such streets, roads, and alleys within the area of such Projects as may be necessary in the development thereof, and convey without charge to the Authority, such interest as the City may have in such vacated areas; and insofar as the City is lawfully able to do so without cost or expense to the Authority or to the City, cause to be removed from such vacated areas, insofar as it may be necessary, all public or private utility lines and equipment;
  - (c) Insofar as the City may lawfully do so, (i) grant such deviation from the building code as is reasonable and necessary to promote economy and efficiency in the development and administration of such Project, and at the same time, safeguard health and safety; and (ii) make such changes in any zoning of the site and surrounding territory of such Project as are reasonable and necessary surrounding territory;

Cooperation Agreement  
Page 3

- (d) Accept grants of easements necessary for the development of such Project; and
  - (e) Cooperation with the Authority by such other lawful action or ways as the City and the Authority may find necessary in connection with the development and administration of such Project.
5. In respect to any Project, the City further agrees that within a reasonable time after receipt of a written request therefor from the Authority:
- (a) It will accept the dedication of all interior streets, roads alleys, and adjacent sidewalks within the area of such Project, together with all storm and sanitary sewer mains in such dedicated areas, after the Authority or its Developer has completed the grading, improvements, paving and installation thereof, in accordance with specification acceptable to the City;
  - (b) It will accept necessary dedications of land for, and will grade, improve, pave and provide sidewalks for, all streets bounding such Project or necessary to provide adequate access thereto (in consideration whereof the Authority or its Developer shall pay to the City such amounts as would be assessed against the Project sites for such work if such sites were privately owned); and
  - (c) It will provide, or cause to be provided, water mains and storm and sanitary sewer mains, leading to such Project and serving the bounding streets thereof (in consideration whereof the Authority or its Developer shall pay to the City such amounts as would be assessed against the Project site for such work if such site were privately owned).
6. If by reason of the City's failure or refusal to furnish or cause to be furnished any public services or facilities which it has agreed hereunder to furnish or cause to be furnished to the Authority or to the tenants of any Project, the Authority incurs any expense to obtain such services or facilities, then the Authority may deduct the amount of such expenses from any Payment in Lieu of Taxes due or to become due to the City in respect to any Project or any other low-rent housing projects owned or operated by the Authority.
7. The City agrees to exempt the tenants of the Project and the Authority from the payment of sales taxes in conjunction with rents.
8. No Cooperation Agreement heretofore entered into between the City and the Authority shall be construed to apply to any Project covered by this Agreement.
9. No member of the governing body of the City or any other public official of the City who exercises any responsibilities or functions with respect to any Project during his tenure or for one year thereafter shall have any interest, direct or indirect, in any project or any property included or planned to be included in any Project, or any contracts in connection with such Projects or property. If any such governing body member or such other public official of the City involuntarily acquires or had acquired prior to the beginning of his tenure any such interest, he shall immediately disclose such interest to the Authority.

# DRAFT

Hon. David G. Hoffman  
Commissioner  
Department of Community &  
Regional Affairs  
AND  
Mike Worley, State Assessor

January 21, 1988

663-88-0103

465-3600

Taxation of privately  
held possessory interests  
in RNHA property

Marjorie L. Odland  
Assistant Attorney General  
Governmental Affairs-Juneau

You have asked us to review and expand on our opinion of July 24, 1985 (1985 Inf. Op. Att'y Gen. (663-85-0449; July 24)), and address the state constitutional issue as to whether private possessory interests in regional Native housing authorities (RNHA) projects, particularly those private interests created when a person enters into a federally-authorized homeownership incentive program (homebuyer agreement), are subject to municipal property taxation and, if so, whether the federal requirement that "low income projects" be exempt from municipal taxation applies to projects that encompass homeownership incentive programs. In short, it is the opinion of this office that the homebuyer agreements create private possessory interests that are subject to taxation by a municipality. Furthermore, we believe there is a possibility that federal law requires that the private interests created under homebuyer agreements are to be exempt from local taxation in order to receive federal aid because they are assisted by annual contributions until such time the homebuyer has fee simple title in the property.

## I. ALASKA CONSTITUTIONAL ISSUES

In your opinion request, you made reference to article IX, section 5, of the Alaska Constitution, as being a mandate that private interests in RNHA property must be taxed to the extent of the interests. Article IX, section 5 reads as follows:

Interests in Governmental Property. Private leaseholds, contracts, or interests in land or property owned or held by the United States, the State, or its political subdivisions, shall be taxable to the extent of the interests.

This section of the constitution refers solely to "governmental" property. It requires that if the United States, the state, or a political subdivision, in its proprietary capacity, conveys an interest in its land for private use (e.g., lease of state owned airport property) that the holder of the interest in

the property must be taxed to the extent of the interest the same as other private property that is taxed by the government. However, this section of the constitution is inapplicable to property of an RNHA. This office has previously opined that RNHA's are not state agencies. 1982 Inf. Op. Att'y Gen. (J66-220-82A; June 8) (RNHA's do not have any characteristics common to a state agency even though RNHA's are established pursuant to statutory authority: (1) they are not placed in a department in the executive branch; (2) their members of the board are not appointed nor serve at the pleasure of the governor; and (3) no annual report of the RHNA is required to be given to the state government.). Therefore, the property at issue is not "governmental property" and the mandate that private interests in the property is taxable is not governed by article IX, section 5 of the Alaska Constitution.

Under article X, section 2 of the Alaska Constitution, taxing powers may be delegated to cities and boroughs. Additionally, article X, section 11 states that "a home rule borough or city may exercise all legislative powers not prohibited by law or by charter." In spite of the broad grant of legislative powers given by the constitution, it is a general rule that a municipality has no inherent power to exempt from taxation property which it is authorized by statute or charter to tax. However, the legislature may delegate to municipalities the power to exempt certain property from taxation, or it may itself exempt certain property from taxation. 16 E. McQuillin, The Law of Municipal Corporations § 44.65 (3d ed. rev. 1984). In Alaska, the statutory provisions concerning exemptions are found in AS 29.45, et seq. The established rules of statutory construction are, for the most part, applicable to laws prescribing exemptions from municipal taxation. Such laws are to be strictly construed. Id., § 44.66. A grant of exemption is never presumed. On the contrary, no presumption in favor of exemptions will be made unless plainly or unmistakably warranted by the letter and spirit of the law granting the exemption. Id., § 44.67.

At present, there is no express law exempting private property interests held in property of a housing authority, and more particularly, property of an RNHA. Therefore, for a borough or city to exempt by ordinance such private interests in property, an express, enabling law would have to be enacted by the legislature.

A discussion of the private possessory interests in RNHA property created by the homebuyer agreements occurs in section III of this memorandum.

## II. FEDERAL LAW

Federal statute regulates the taxability of low income housing projects as it concerns the taxability of the property of a housing authority and whether the federal government will provide aid to the housing authority. 42 U.S.C. § 1437d(d) reads, in pertinent part:

(d) EXEMPTION FROM PERSONAL AND REAL PROPERTY; PAYMENTS IN LIEU OF TAXES; CASH CONTRIBUTION OR TAX REMISSION. Every contract for annual contributions with respect to a lower income housing project shall provide that no annual contributions by the Secretary shall be made available for such project unless such project (exclusive of any portion thereof which is not assisted by annual contributions under this chapter) is exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivision; and such contract shall require the public housing authority to make payments in lieu of taxes equal to 10 per centum of the sum of the annual shelter rents, .... If any such project is not exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivision, such contract shall provide, in lieu of the requirement for tax exemption and payments in lieu of taxes, that no annual contributions by the Secretary shall be made available for such project unless and until  
....

(Emphasis added.)

42 U.S.C. § 1437d(c)(4)(D) is the enabling statute to establish homeownership opportunity programs, and reads as follows:

(D) the development of local housing authority managements of viable homeownership opportunity programs for low-income families capable of assuming the responsibilities of homeownership.

An important question arises as to the definition of "project" in 42 U.S.C. § 1437d(d), and whether a project is of the type required to be exempt from local taxation in order for the RNHAs to receive funding from the federal government. 42

U.S.C. § 1437d(d), states that "such project ... (exclusive of any portion thereof which is not assisted by annual contributions under this chapter), must be exempt from taxation to qualify for federal aid." It is evidently not at issue, for the purposes of this opinion, whether "low income rental RNHA housing projects are exempt from local taxation under this federal statute, since title to the property is considered to be held by the RNHA. At issue is whether "project" includes the homeownership incentive programs authorized under 42 U.S.C. § 1437d(c)(4)(D) since they are programs "assisted by annual contributions."

According to counsel from HUD, virtually all of the homeownership incentive programs in the state are under the Mutual Help Ownership Opportunity Program. 24 C.F.R. 905, et seq. The other type of program in Alaska is Turnkey III. 24 C.F.R. 904, et seq. Both programs are assisted by annual contributions on the property which is the subject of a homebuyer agreement. The benefit of the annual contributions assists the potential "homebuyer" in achieving homeownership; the contributions do not just benefit the RNHA.

Therefore, under a literal interpretation of 42 U.S.C. § 1437d(d), it appears likely that the federal government would discontinue aid to RNHA homeownership incentive programs if a municipality taxed the privately held interest in the property.

### III. PRIVATE INTERESTS IN RNHA PROPERTY

You have requested our opinion as to whether the "homebuyer agreements" used under the Mutual Help Homeownership Opportunity Program (MHHOP) and the Turnkey III program create a private possessory interest in the property that is taxable by a municipality. As stated earlier, it is our opinion that the agreements create such a private interest in the property.

Counsel for Housing and Urban Development (HUD) has stated that the federal government considers both the MHHOP and Turnkey III homebuyers' agreements to be "lease-purchase" agreements that do not create any taxable interest in the property until such time the homebuyer is deeded the property in fee. However, HUD has not cited any federal law or regulation that supports this conclusion.

A taxing authority may penetrate the form of a transaction to determine its substance. Sisters of Providence in Washington v. Municipality of Anchorage, 672 P.2d 446 (Alaska 1983). A review of the homebuyer agreements approved by HUD (whether MHHOP or Turnkey III programs), provide that the home-

Page #5

buyer will achieve "homeowner" status and fee simple title to the property if the homebuyer satisfies certain contractual conditions.

±

In our opinion, it is insignificant that HUD refers to the agreements as lease-purchase agreements. It is also irrelevant that the homebuyer may never build up any actual "monetary" equity in the property since that is not an absolute requirement to achieving title to the home. If contractual conditions are met, the homebuyer will be deeded the property in the future, and, similar to a mortgagor, he has possessory rights to the property pending satisfaction of the conditions of a contract to be deeded the property.

MLO/pjg

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April 11, 1988

Statement in Support of Senate Bill 500  
 "An Act exempting certain interests in  
 low-income housing from municipal taxation;  
 and providing for an effective date."

This proposed amendment to AS 29.45.030(a), governing municipal tax exemptions, states that interests in federally funded low-income housing projects are exempt from general taxation, so long as the projects are owned or managed by Regional Native Housing Authorities.

The need for the legislation arises as follows. In 1971, the legislature authorized the formation of 15 Regional Native Housing Authorities (RNHA's) to build, administer, and own public housing. Unquestionably, RNHA property is exempted from municipal taxation by statute.<sup>1</sup> However, the question of taxation has arisen in connection with certain home-ownership incentive programs designed and funded by the Department of Housing and Urban Development (HUD) and administered by RNHAs. This amendment is designed to prevent the occupants of such low-income ownership opportunity projects from being taxed prior to the time that they receive actual conveyance of the homes.

Under these programs, an occupant of a "Mutual Help" or "Turnkey III" RNHA project executes a lease agreement with a purchase option. Over a period of years, if the occupant complies with the agreement, making monthly income-based payments and maintaining the home, the cost of exercising the purchase option steadily decreases. Generally, the projects are designed to enable eligible participants to purchase the homes no later than 25 years from construction or acquisition of the project. Until the occupant successfully exercises the purchase option, the RNHA retains legal title to or legal control of the home. These homeownership opportunity programs are limited to low-

<sup>1</sup> AS 18.55.996(b), AS 18.55.250.

income participants, pursuant to HUD regulations and RNHA guidelines.

Although they are exempt from municipal taxation, RNHA's pay property tax equivalents, which, in accordance with federal law, are calculated at 10 per cent of the monthly payments made by project residents.<sup>2</sup>

Apparently, for several years the Department of Community and Regional Affairs has taken the position that while the RNHA --the legal owner of these homes -- is exempt from taxation, the low-income occupants may nevertheless be taxed by virtue of their possessory interest. Up til now, the Department has not ordered municipalities to levy taxes upon RNHA project occupants, due in part to a 1985 Attorney General's opinion concluding that taxation would be contrary to the intent of the RNHA enacting statute.<sup>3</sup> However, the Department recently asked for a second Attorney General's opinion regarding the taxability of occupants' interests. The draft version of that opinion states that an occupant's interest is taxable, comparing the occupant's interest to that of a mortgagor. Further, the draft opinion concludes that municipalities have no authority to exempt occupants' interests in RNHA property absent specific statutory authority. Once the opinion is finalized, the Department will require municipalities to assess taxes against participants in these low-income ownership opportunity programs.

The results of such a requirement would be disastrous. In addition to the fact that an unexpected tax burden would suddenly be cast upon project residents, taxation would cause the bankruptcy of every RNHA currently administering these projects. This is because HUD, the funding agency for these projects, will immediately withdraw its funds from any project that is taxed. Federal law prohibits HUD from funding any project that is not exempt from "all real or personal property taxes."<sup>4</sup> To HUD, it makes no difference that the municipality would be taxing the interest of the individual occupant, rather than the RNHA. HUD's regional counsel states that HUD is powerless to authorize the funding of taxed projects, regardless of the impact that withdrawal of funds would have on Alaska's low income housing. The moment a tax is assessed, HUD will withdraw its funds. Without HUD funds, the RNHAs cannot operate.

---

<sup>2</sup> 42 U.S.C. 1437d(d)

<sup>3</sup> Op. Attorney General, July 24, 1985, "Municipal property taxation of private leasehold interests."

<sup>4</sup> 42 U.S.C. 1437d(d).

To illustrate, Tlingit Haida Housing Authority owns and manages over 375 low-income ownership opportunity units in Southeast. Each of these households would suddenly be required to pay and to be personally liable, from an extremely limited income, for this unforeseen tax burden. Without HUD funds, THRHA could not maintain or operate its Turnkey III and Mutual Help projects. Across the state, the impact upon RNHAs and project residents would be the same.

Moreover, since the taxation issue has become known, municipalities have been hesitant to authorize the building or acquisition of new projects by RNHA's. As a prerequisite to applying to HUD for new housing units, the RNHA must obtain the municipality's agreement to exempt the proposed project from taxation. So long as the state advises that exemptions are not authorized for the occupants of such homes, municipalities are understandably reluctant to sign such agreements, no matter how desirable and necessary the new housing may be. For example, the application and municipal approval process for initiating a Juneau acquisition project is being delayed pending the decision on this bill. Until this question is resolved, new projects will be stalled, potentially lost through delay, or rejected by municipalities.

*This passed unanimously on 4/28/88.*

For Reading: April 26, 1988

Anchorage, Alaska  
AR No. 88- 105

**A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING  
SENATE BILL NO. 500 EXEMPTING CERTAIN INTERESTS IN  
LOW-INCOME HOUSING FROM MUNICIPAL TAXATION**

WHEREAS, Senate Bill No. 500 was introduced on April 7, 1988 by the Senate Community and Regional Affairs Committee;

WHEREAS, this Bill provides for the exemption of certain interests in low-income housing from municipal taxation;

WHEREAS, the past practice of the Department of Community and Regional Affairs has to date not ordered municipalities to levy taxes upon Regional Native Housing Authorities due in part to a 1985 Attorney General's opinion concluding that such taxation would be contrary to the intent of the RNHA enacting statute;

WHEREAS, the Department of Community and Regional Affairs has recently sought a second opinion on the taxation of occupant's interests and that opinion states that an occupant's interest is taxable and municipalities have no authority to exempt such interests in the RNHA property;

WHEREAS, the Department of Community and Regional Affairs will now require municipalities to assess taxes against participants in the low-income ownership opportunity programs;

WHEREAS, the results of such a requirement would be disastrous, because it would impose an unexpected tax burden upon project residents and would cause the bankruptcy of every RNHA

currently administering this projects;

WHEREAS, the United States Department of Housing and Urban Development will immediately withdraw its funds from any project that is taxed, because federal law mandates that HUD cannot fund any project unless that project is exempt from "all real or personal property taxes";

NOW, THEREFORE BE IT RESOLVED:

Section 1. The Anchorage Municipal Assembly strongly supports the passage of Senate Bill 500 as presently drafted.

Section 2. The Anchorage Municipal Assembly would request an effective date on this legislation of January 1, 1989.

PASSED AND APPROVED by the Anchorage Assembly this \_\_\_\_ day of \_\_\_\_\_, 1989.

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Municipal Clerk

a\bill500.res/pj

MUNICIPALITY OF ANCHORAGE  
 Summary of Economic Effects - General Government

AO Number: \_\_\_\_\_ Title: SB 500 - Exemption of Certain Interests in Low Income Housing

Sponsor: C.R.A. Affairs Committee

Preparing Agency: Finance - Property Appraisal Others Affected: \_\_\_\_\_

CHANGES IN EXPENDITURES AND REVENUES

(Thousands of Dollars)

Operating Expenditures	FY	FY	FY	FY	FY
1000 Personal Services	-0-				
2000 Supplies	-0-				
3000 Other Services	-0-				
4000 Debt Service	-0-				
5000 Capital Outlay	-0-				
TOTAL DIRECT COSTS:	-0-				
ADD: 6000 Charge from Others	-0-				
LESS: 7000 Charge to Others	-0-				
FUNCTION COST:	-0-				
REVENUES:	[10,500]*				
CAPITAL:					
POSITIONS: FT/PT and Temp.	none				

Public Sector Economic Effects:

\* Should SB500 not be passed by the Legislature, all municipalities will be forced into assessing possessory interests of the occupants of federally funded low income housing.

Based upon a preliminary review of these types of property within the Municipality it is estimated that approximately sixty-five properties would be affected at this time. In 1987 the Municipality received approximately \$13,500 for payment in lieu of taxes. If the possessory interests were to be assessed, the Municipality would receive less than \$3,000 in additional taxes. This is estimated using the State Assessor's format for computing possessory interests.

If HUD were to pull it's funding of these projects, it is possible that the \$13,500 P.I.L.T. could be terminated. For revenue projections, it was assumed that the P.I.L.T. was terminated and possessory interests were taxed, consequently, the Municipality would realize a reduction in revenue of approximately \$10,500.

If further explanation is necessary, a separate page may be attached.

Form ECON2

**Private Sector Economic Effects:**

If further explanation is necessary, a separate page may be attached.

Prepared by: Steve Van Sant, Assessor Telephone: 343-6697

Validated by OMB: \_\_\_\_\_ (Name, Title) Date: \_\_\_\_\_

Approved by: Bob Nelson Date: 4-25-88  
Director, Preparing Agency

Concurred by: Bob Nelson Date: 4-25-88  
Director, Affected Agency:

Approved by: \_\_\_\_\_ Date: 4-25-88  
Executive Manager

**Municipality  
of  
Anchorage**



P.O. BOX 196650  
ANCHORAGE, ALASKA 99519-6650  
(907) 264-4311

Joe Evans  
1127 West 7th Avenue, Anchorage, Alaska 99501 (Work)  
4741 Southpark Bluff Drive, Anchorage, Alaska 99516 (Home)  
Work (907) 263-7251; Home (907) 345-3688

April 18, 1988

Dear Assembly Members:

Re: SENATE BILL 500. "AN ACT EXEMPTING CERTAIN INTERESTS IN  
LOW-INCOME HOUSING FROM MUNICIPAL TAXATION."

On Tuesday, April 19, 1988, I intend to introduce a resolution for Assembly action supporting passage of Senate Bill 500. I would request your support of this resolution.

A copy of Senate Bill 500 is attached. In addition, I have attached a copy of a statement prepared in support of Senate Bill 500 and a copy of the testimony of Joseph G. Wilson, who testified on behalf of the Association of Alaska Housing Authorities. These materials explain the reason for Senate Bill 500. I believe they also provide justification for the resolution that I will introduce.

If you have any questions about my proposed resolution, please talk to me at your soonest possible convenience. I would hope that we could have unanimous support of this resolution. Thank you.

Sincerely,

MUNICIPAL ASSEMBLY,  
Seat 6-J

Joe Evans

a\all.ltr/pj

cc: Senator Arliss Sturgulewski ]  
Senator Tim Kelly ]  
Senator Rick Halford ]w/cc of proposed Resolution  
Senator Fred F. Zharoff ]  
Senator Mike Syzmanski ]

# Alaska State Legislature

ARLISS STURGULEWSKI, Chairman  
TIM KELLY, Vice Chairman  
RICK HALFORD  
MIKE SZYMANSKI  
FRED ZHAROFF



P O BOX V  
JUNEAU, ALASKA 99811  
(907) 465-4989

## Senate Community and Regional Affairs Committee

April 11, 1988

TO: Senator Halford  
Co-Chair, Finance Committee

FROM: Senator Sturgulewski <sup>(S)</sup>  
Chair, Community and Regional Affairs Committee

RE: SB 500 - "An Act exempting certain interests in low  
income housing from municipal taxation, Efd."

SB 500 is in the Senate Finance committee. I would appreciate it if you could schedule it for a hearing as soon as possible. I have tried to explain the need for the bill in the remainder of this memo and I have attached backup material for your information.

Both the Alaska State Building Authority and Native Regional Housing Authorities receive federal funds for the provision of low-income housing. Both of these programs transfer ownership to the residents if they live in the house for a designated number of years (usually 25), pay a monthly sum determined by their income, and abide by the other terms of the program.

While living in such housing, residents gradually acquire a possessory interest in the unit. Federal law states that if this possessory interest is taxed by the municipality the federal funds will be withdrawn. Municipalities have traditionally signed agreements with Regional Housing Authorities exempting these interests from taxation.

A draft AG's opinion has been prepared which says that without a specific statutory exemption, municipalities must tax this interest. The proposed CS, which is attached, provides an optional tax exemption for such possessory interests. This bill will allow the continuation of federal funding for low-income housing in Alaskan municipalities.

The Departments of Community and Regional Affairs and Education will deliver zero fiscal notes to your committee based on the proposed Finance CS. Thank you for your assistance.

# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

- P.O. BOX 8  
JUNEAU, ALASKA 99811-2100  
PHONE: (907) 465-4700
- 949 E. 38TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508-4302  
PHONE: (907) 563-1073

April 15, 1988

## POSITION PAPER

RE: CSSB 500: "An Act allowing exemptions for certain interests in low-income housing from municipal taxation; and providing for an effective date."

SPONSOR: Community & Regional Affairs Committee

### Program Effects of Bill

The bill would allow the exemption of the privately held property interests in Alaska State Building Authority (ASBA) and Regional Native Housing Authority (RNHA) from municipal property taxes.

The committee substitute (CS) for SB 500 resolves the concern with the original bill regarding fiscal impact to the State. By making the exemption optional rather than mandatory, the Full Value Determinations for affected municipalities will not be altered. As a result, the CS has eliminated any obligation of the Department of Education to provide additional education foundation funding to make up for decreased local contributions.

### Departmental Position

Support passage.

### Comments

In a draft legal opinion dated January 21, 1988, the Department of Law took the position that the privately held interests in RNHA property are currently taxable by municipalities under Alaska law. Although municipalities do not levy against those property interests at this time, it is certain they will begin doing so under that draft opinion. In the event CSSB 500 does not become law, and municipalities do begin to levy property taxes against those interests, the draft opinion stated further that the possibility exists that, under federal law, HUD would be required to withdraw funding for the RNHA projects.

CSSB. 500  
April 15, 1988  
Page Two

The department does not believe a tax should be levied against the low income occupants of RNHA or ASBA housing. Coupled with that belief, we are very concerned about the possibility that Alaska could lose federal funding for RHNA projects across the State. The CS for this bill would resolve those problems if it became law. The department is in full support of its passage.

  
Marty Rutherford  
Acting Deputy Commissioner



April 12, 1988

The Honorable Arliss Sturgulewski  
Alaska State Senate  
P.O. Box V  
Juneau, Alaska 99811

Re: Outstanding Debt Financed by HUD  
in Homeownership Programs (SB500)

Dear Senator Sturgulewski:

The Alaska State Building Authority has participated in the development and construction of several homeownership programs in rural Alaska. There remains considerable outstanding debt concerning two of these programs, Bethel and Nome. The debt is paid through annual contributions under contractual arrangement with the U.S. Department of Housing and Urban Development.

The remaining amount expected to be paid with federal funding for the Nome program is \$2,041,986. The remaining amount expected to be paid with federal funding at the current level for the Bethel program is \$5,642,661.

We have been informed by the U.S. Department of Housing and Urban Development that, if the property is not exempt from local taxation of possessory interests, HUD will be precluded from making the annual contributions necessary to retire these debts of the Authority. We, therefore, urge passage of SB500.

Sincerely,

ALASKA STATE BUILDING AUTHORITY

Barbara Morse-Quinn  
Executive Director

BMQ/laj

STATEMENT RE SB 500

My name is Joseph G. Wilson, and I am testifying today on behalf of the Association of Alaska Housing Authorities. That Association represents 14 regional Native housing authorities which together own and operate approximately 4,700 low income housing units throughout the State of Alaska. I wanted, at the outset, to thank both houses for holding a hearing on SB 500 so promptly. This action shows that your committees recognize the gravity of the situation that has developed over the past few weeks, and is very encouraging.

The purpose of SB 500 is to avert a crisis in low income housing in Alaska that has been caused by the apparent change in the Attorney General's position on whether municipalities are required to tax individual interests in low income housing projects. The purpose of this bill is to preserve the status quo by continuing the existing exemption for those interests. Without the bill,

the U.S. Department of Housing and Urban Development will not make any additional funds available for low income housing projects in the state, and will cease funding of existing projects.

All of the Association's low income housing projects are funded by HUD. Congress has required, as a condition of HUD funding of the construction or operation of these projects, that the project be exempt from municipal real and personal taxation. As a further condition of that funding, housing authorities are required to execute a so-called Cooperation Agreement with the city involved, in which the city agrees, and I quote, that it "will not levy or impose any real or personal property taxes or special assessment upon such project or upon the authority with respect thereto."

Until now, these requirements have not presented a problem. Unquestionably, housing authorities themselves are exempt from municipal property taxation. And, up until now, the interest of individual occupants of these homes has also been exempt. This is because, in 1985, Assistant Attorney General John Rubini concluded that individual interests were

exempt from taxation. Rubini said that because the whole purpose of the legislature's creation of regional housing authorities was to receive HUD financing, that it wouldn't make any sense to interpret those statutes in a way that would prevent those authorities from receiving federal grants.

As a result, until now, no municipality has ever levied a tax on whatever property interests individual residents might have in a low income housing project. That doesn't mean that municipalities aren't receiving direct revenues from these projects. Under federal law, municipalities receive payment in lieu of taxes equal to 10% of the total monthly payments that the housing authority receives for each low income project.

Now, however, the attorney general has issued a draft opinion saying that individual interests are taxable. HUD has made it clear to us that if this reversal becomes the law, and municipalities are forced to begin taxing individual interests, that low income housing funding in the state will cease. That means not only will there be no

funds for any new low income housing; it also means that no funds will be available to maintain existing units.

By "individual interests," I mean that, under federal law, people who reside in low income units have a portion of their monthly payment set aside in what is essentially a savings account. Eventually, that savings account may be used to purchase the home from the authority, and over time that account may grow to several thousand dollars. It is this savings account which the attorney general now says must be taxed. Of course, everyone recognizes that if the savings account were ever withdrawn, or if the home were ever purchased, that it would be fully taxable. What is at issue here is whether a tax should now be levied on that savings account while it remains in the custody and control of the housing authority.

The fiscal effect on the State of Alaska from this legislation is zero. In fact, the fiscal effect on the municipalities is zero, since no city currently taxes these individual interests. The economic and social consequences of not enacting this legislation, however, are severe. A number of regional housing authorities in the state are

considering new low income projects this year. My own housing authority has a proposal to convert 25 foreclosed, urban area homes into HUD financed low income units. This proposal will not only provide critically needed low income housing in a time of economic distress; it will also take about 25 housing units out of a glutted housing market. Unfortunately, the tendency of the attorney general's opinion has clouded the future of this project, as I am sure it has other projects in the state.

Let me say, in closing, that we are sorry to have to come to you so late in the session; however, this development is a very recent one, and we should be thankful, at least, that it arose while the legislature was still here to deal with it. We appreciate the speed with which you have taken on this issue, and hope this legislation can be enacted as soon as possible.

1 IN THE SENATE

BY THE COMMUNITY AND REGIONAL  
AFFAIRS COMMITTEE

2

SENATE BILL NO. 500

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act exempting certain interests in low-income  
7 housing from municipal taxation; and providing for an  
8 effective date."

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

10 \* Section 1. AS 29.45.030(a) is amended to read:

11 (a) The following property is exempt from general taxation:

12 (1) municipal, state, or federally owned property, except  
13 that a private leasehold, contract, or other interest in the property  
14 is taxable to the extent of the interest;

15 (2) household furniture and personal effects of members of  
16 a household;

17 (3) property used exclusively for nonprofit religious,  
18 charitable, cemetery, hospital, or educational purposes;

19 (4) property of a nonbusiness organization composed entire-  
20 ly of persons with 90 days or more of active service in the armed  
21 forces of the United States whose conditions of service and separation  
22 were other than dishonorable, or the property of an auxiliary of that  
23 organization;

24 (5) money on deposit;

25 (6) the real property of certain residents of the state to  
26 the extent and subject to the conditions provided in (e) of this  
27 section;

28 (7) real property or an interest in real property that is  
29 exempt from taxation under 43 U.S.C. 1620(d), as amended;

1           (8) an interest, other than record ownership, in real  
2 property of an individual residing in the property if the property has  
3 been developed or improved with federal funds for low-income housing  
4 and is owned or managed as low-income housing by the Alaska State  
5 Building Authority or a regional housing authority formed under  
6 AS 18.55.996; this paragraph does not prohibit a municipality from  
7 receiving payments in lieu of taxes authorized under federal law.

8       \* Sec. 2. This Act takes effect January 1, 1989.

SB

501



STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: SB 501  
PUBLISH DATE: 4/8/88

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Commerce & Economic Dev.  
Title: An Act placing the Exec. Officer BRU: Occupational Licensing  
of the State Medical Board in partially exempt service  
Sponsor: Senate HESS Components: \_\_\_\_\_  
Requestor: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		0	0	0	0	0
TRAVEL		0	0	0	0	0
CONTRACTUAL		0	0	0	0	0
SUPPLIES		0	0	0	0	0
EQUIPMENT		0	0	0	0	0
LAND & STRUCTURES		0	0	0	0	0
GRANTS, CLAIMS		0	0	0	0	0
MISCELLANEOUS		0	0	0	0	0
TOTAL OPERATING		0	0	0	0	0

CAPITAL		0	0	0	0	0
---------	--	---	---	---	---	---

REVENUE		0	0	0	0	0
---------	--	---	---	---	---	---

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Funding for this position is included in the department's FY 89 operating budget request.

Prepared by: Jennifer Strickler, Management Analyst Phone: 465-2144  
Division: Occupational Licensing Date: 4/13/88

Approved by Commissioner: J. Anthony Smith *Kathy Marshall for* Date: 4/15/88  
Agency: Commerce and Economic Development

Distribution (by preparer) :

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

1 IN THE SENATE

BY THE HEALTH, EDUCATION AND  
SOCIAL SERVICES COMMITTEE

2

SENATE BILL NO. 501

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act placing the principal executive officer of  
7 the State Medical Board in the partially exempt  
8 service."

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

10 \* Section 1. AS 39.25.120(c)(9) is amended to read:

11 (9) the principal executive officer of the following  
12 boards, councils, or commissions:

13 (A) Alaska Public Broadcasting Commission;

14 (B) Professional Teaching Practices Commission;

15 (C) Parole Board;

16 (D) Board of Nursing;

17 (E) Real Estate Commission;

18 (F) Alaska Royalty Oil and Gas Development Advisory

19 Board;

20 (G) Alaska Historical Commission;

21 (H) Alaska State Council on the Arts;

22 (I) Alaska Police Standards Council;

23 (J) [REPEALED

24 (K)] Older Alaskans Commission;

25 (K) [(L)] Alaska Mental Health Board;

26 (L) State Medical Board;

1 IN THE SENATE

BY THE HEALTH, EDUCATION AND  
SOCIAL SERVICES COMMITTEE

2

SENATE BILL NO. 501

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act placing the principal executive officer of

7

the State Medical Board in the partially exempt

8

service."

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

10 \* Section 1. AS 39.25.120(c)(9) is amended to read:

11

(9) the principal executive officer of the following

12

boards, councils, or commissions:

13

(A) Alaska Public Broadcasting Commission;

14

(B) Professional Teaching Practices Commission;

15

(C) Parole Board;

16

(D) Board of Nursing;

17

(E) Real Estate Commission;

18

(F) Alaska Royalty Oil and Gas Development Advisory

19

Board;

20

(G) Alaska Historical Commission;

21

(H) Alaska State Council on the Arts;

22

(I) Alaska Police Standards Council;

23

(J) [REPEALED

24

(K)] Older Alaskans Commission;

25

(K) [(L)] Alaska Mental Health Board;

26

(L) State Medical Board;

**ALASKA STATE MEDICAL BOARD**

Pouch D  
Juneau, Alaska 99811

RECEIVED APR 18 1988

April 15, 1988

Honorable Rick Halford  
PO Box V  
Juneau, Alaska 99811

Dear Senator Halford:

The State Medical Board would like to urge your support of SB 501 which would place the board's Executive Secretary in the partially exempt service.

It was assumed at the time of the passage of HB 70 creating the executive secretary position last year that it was a partially exempt one and such was reflected in the fiscal note. Unfortunately the specific language wasn't in the bill proper.

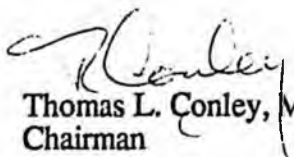
The board went through a time consuming and moderately expensive process of screening, interviewing and choosing an incumbent for the position. The potential evident in the candidate we selected has proved out and by dint of involving herself in extensive training she is at the point of becoming a really effective board administrator. This is particularly important as we prepare to launch the impaired physician program. The development of the program has been primarily her responsibility and the board is looking forward to her direction of it as it is implemented.

Unfortunately, since the position is not listed as partially exempt, the best that could be done was to make the position a temporary classified one that will shortly have to be readvertised. Given lay-off preferences we might well loose a now trained and effective executive. In the short run that will set the board back almost a year.

More importantly in the long run, the precedent of having the board's executive not serve at the pleasure of the board has significant potential for vitiating the effectiveness of the position. Mutual trust and a community of interest between the board and its executive is a must and it therefore seems logical that the position should be a partially exempt one.

Your support of this effort would be greatly appreciated. The board and I will be happy to answer any questions you might have on the matter.

Sincerely,

  
Thomas L. Conley, MD  
Chairman

TLC:ts

SB 501: An Act placing the principal executive officer of the State Medical Board in the partially exempt service.

The Department of Commerce and Economic Development is in support of SB 501 which places the State Medical Board's Executive Secretary position in the partially exempt service.

Currently, two (the Alaska Board of Nursing and the Alaska Real Estate Commission) of the three boards which have executive secretaries assigned to them have their positions listed under AS 39.25.120 as in the partially exempt service. Last session, the Medical Board was also granted an executive secretary position. Despite legislative intent that the position be classed partially exempt, because AS 39.25.120 was not specifically amended to exempt the position, the executive secretary to the Medical Board has had to be classed as a general government employee.

An executive secretary to a licensing board functions with a great deal of independence. The position, a Range 18, while hired by the Division of Occupational Licensing, is hired only with the concurrence of the applicable board and primarily serves the board in its policy making capacity. The licensing and examination of applicants is handled by a licensing examiner in Juneau (a Range 12), while responsibility for board meetings, board agenda, coordination of investigations and the development of policy issues is the sole responsibility of the executive secretary. The level of independence and professionalism required of the position justifies its PX status.

In addition, the position must meet the needs of the board and be very responsive to the policy directives and desires of the board it serves. As a representative of the board at major national meetings and at in-state meetings and conferences, the board must have full confidence that the employee both fully understands and represents the position and interests of the board. If not, the board, which is not a full-time agency, must have the latitude to remove the employee without having to be subjected to the lengthy, progressive discipline requirements that quite rightfully protect general government employees who are supervised on an ongoing basis.

Finally, the inconsistency of having two executive secretary positions classed PX and one position classed GGU makes for obvious administrative disparities that complicate the work environment.

The department supports this bill and urges its adoption.

*Kathy Marshall for*  
\_\_\_\_\_  
J. Anthony Smith, Commissioner  
Department of Commerce and Economic  
Development

*4/14/88*  
\_\_\_\_\_  
Date

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER:

FINANCE

\*\*FISCAL NOTE(S) ATTACHED \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

4/11/88

DATE TURNED INTO OFFICE

Mr. President:

Hess Committee considered SB 501

placing the principal executive officer of the State Medical Board  
in the partially exempt service.

and recommended:

- replace with CS \_\_\_\_\_  same title
- attached amendment(s) and  new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to \_\_\_\_\_
- letter of intent adopted and attached

\*\* Committee  attached or  adopted fiscal note(s)  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Chairman signature and recommendation

Committee Backup Attached

Hess Waived



S B

5 0 2

SENATE COMMITTEE REPORT

FURTHER

4/22/88

DATE TURNED INTO OFFICE \_\_\_\_\_

Mr. President:

FINANCE \_\_\_\_\_ Committee considered SB 502 \_\_\_\_\_

economic stabilization program; efd

and recommended

[ ] replace with \_\_\_\_\_ CS \_\_\_\_\_ ) [ ] same title  
[ ] or adopt \_\_\_\_\_ CS \_\_\_\_\_ ) [ ] new title

[ ] attached amendment(s) and

[ ] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] further referral to \_\_\_\_\_

[ ] letter of intent adopted \_\_\_\_\_

Committee [ ] attached or [ ] adopted fiscal note(s)

[ ] new [ ] updated or [ ] previous

[ ] zero [ ] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

\_\_\_\_\_  
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\_\_\_\_\_

\_\_\_\_\_  
Chairman signature and recommendation

[ ] Committee Backup attached

SENATE COMMITTEE REPORT

5-20956

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER:

finance

\*\*FISCAL NOTE(S) ATTACHED IN ACCORDANCE WITH AS 24.08.035 (see below)

4/11/83

DATE TURNED INTO OFFICE 4/21/88

Mr. President:

LABOR AND COMMERCE Committee considered SB 502

economic stabilization program; efd

and recommended:

- [ ] replace with CS SB 502 (LIC) (b) [X] same title [ ] new title
[ ] attached amendment(s) and + reports it back as follows
[ ] do pass
[ ] do not pass
[X] no recommendation
[ ] individual recommendations
[ ] further referral to
[ ] letter of intent adopted and attached

\*\* Committee [X] attached or [ ] adopted fiscal note(s) [X] zero [ ] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Subrenlong
[ ]
[ ]
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[ ]

Reclusion DO NOT PASS
[ ]
[ ]
[ ]
[ ]

No Recommendation
Tim Kelly -
Chairman signature and recommendation

[ ] Committee Backup Attached

Offered: 4/22/88  
Referred: Finance

5-2095B

Original sponsor: Finance Committee

BY THE LABOR AND  
COMMERCE COMMITTEE

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 502 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the economic stabilization pro-  
7 gram; and providing for an effective date."

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

9 \* Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that

10 (1) financial institutions that are chartered in the state and  
11 have a principal place of business in the state provide a substantial  
12 portion of consumer, housing, and small business loans in the state and are  
13 an important source of financing for the state's small businesses;

14 (2) these financial institutions have, in the last two years,  
15 lost a portion of their capital due to some circumstances not of their mak-  
16 ing;

17 (3) some of these financial institutions are having problems  
18 adequately serving the communities in which they maintain branches and  
19 fulfill their historic role of providing an alternative source of financing  
20 in the state's marketplace;

21 (4) the state can invest money in these financial institutions,  
22 thereby reducing the risk of future problems in the real estate market;

23 (5) these financial institutions will be able to increase their  
24 lending by a factor of at least 10 times the amount of money received by  
25 them from the state investments.

26 (b) The purpose of the legislature in establishing the economic  
27 stabilization program is to provide a source of money that can be invested  
28 in financial institutions that are chartered in the state and have a prin-  
29 cipal place of business in the state so that their capital can be in-

1 creased. The legislature intends to achieve this purpose by authorizing  
2 the Alaska Industrial Development and Export Authority to invest in inter-  
3 est-bearing debentures of these financial institutions which shall be  
4 repaid or redeemed at maturity.

5 \* Sec. 2. ECONOMIC STABILIZATION PROGRAM. (a) The economic stabi-  
6 lization program is established in the Alaska Industrial Development and  
7 Export Authority. Under this program the authority is authorized to use up  
8 to \$15,000,000 for investments in debentures issued by a financial institu-  
9 tion with

- 10 (1) a charter issued by the state;
- 11 (2) its principal office located in the state; and
- 12 (3) assets that totaled on December 31, 1987, less than  
13 \$150,000,000 when combined with assets of all its affiliates.

14 (b) The Alaska Industrial Development and Export Authority may not  
15 make an investment under this section until

- 16 (1) at least one public hearing has been held on the proposed  
17 investment; and
- 18 (2) the authority and the director of banking, securities and  
19 corporations make a written finding that the proposed investment is in the  
20 public interest.

21 (c) The Alaska Industrial Development and Export Authority may charge  
22 a fee in connection with investments under this section that the authority  
23 considers to be reasonable. The authority may only invest in debentures  
24 that

- 25 (1) pay interest quarterly or more often;
- 26 (2) bear interest at a rate established by the authority that is  
27 not less than one and one-half percent above the prime rate as determined  
28 by the authority; in establishing interest the authority shall consider the  
29 cost of brokered deposits;

1 (3) are due for repayment 10 years after the date of issue, but  
2 may be repaid sooner at the discretion of the issuer;

3 (4) are secured by the full faith and credit of the issuing  
4 institution;

5 (5) create rights of payment superior to rights of stockholders  
6 of the financial institution, as determined by the authority;

7 (6) will be fully repaid before any dividends are paid to stock-  
8 holders; and

9 (7) comply with other requirements that may be established by  
10 the authority.

11 (d) The amount of debentures that may be purchased by the Alaska  
12 Industrial Development and Export Authority under this section from an  
13 institution may not exceed the amount of that institution's capital, sur-  
14 plus, and undivided profits on December 31, 1985, as certified by the  
15 director of banking, securities and corporations. The combined amount that  
16 may be purchased from a holding company and its subsidiary bank may not  
17 exceed the amount of capital, surplus, and undivided profits of the sub-  
18 sidiary bank on December 31, 1985, as certified by the director of banking,  
19 securities and corporations.

20 (e) Notwithstanding AS 06.05.307(a), debentures purchased by the  
21 Alaska Industrial Development and Export Authority under this section may  
22 be issued without regard to the principal amount of the notes and debentures  
23 of the institution that are outstanding on the date of issuance. The  
24 authority may require the pledge of collateral to secure the debentures  
25 and, notwithstanding AS 06.05.307(c), bank assets may be pledged to secure  
26 debentures under this section. The authority may only purchase debentures  
27 under this section after the director of banking, securities and corpora-  
28 tions certifies that the issuance of the debentures otherwise complies with  
29 AS 06.05.307 and that the purchase meets the requirements of this section.

1 (f) The Alaska Industrial Development and Export Authority may pur-  
2 chase debentures under this section only from an institution that agrees to  
3 invest at least 15 percent of the purchase price in areas of the state  
4 outside of metropolitan areas within three years after receipt of the  
5 purchase price. The authority shall by regulation define "metropolitan  
6 areas" for purposes of this subsection.

7 \* Sec. 3. This Act is repealed July 1, 1990.

8 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).  
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Introduced: 4/11/88  
Referred: Labor and Commerce  
and Finance

5-2095A

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 SENATE BILL NO. 502

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the economic stabilization pro-  
7 gram; and providing for an effective date."

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

9 \* Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that

10 (1) financial institutions that are chartered in the state and  
11 have a principal place of business in the state provide a substantial  
12 portion of the housing and small business loans in the state and are an  
13 important source of financing for the state's small businesses;

14 (2) these financial institutions have, in the last two years,  
15 lost a major portion of their capital due to circumstances not of their  
16 making;

17 (3) these financial institutions can no longer adequately serve  
18 the communities in which they maintain branches and fulfill their historic  
19 role of providing an alternative source of financing in the state's market-  
20 place;

21 (4) the state can invest money in these financial institutions  
22 at minimum risk, thereby increasing banking competition and reducing the  
23 risk of future problems in the real estate market;

24 (5) these financial institutions will be able to increase their  
25 lending by a factor of at least 10 times the amount of money received by  
26 them from the state investments.

27 (b) The purpose of the legislature in establishing the economic  
28 stabilization program is to provide a source of money that can be invested  
29 in financial institutions that are chartered in the state and have a

1 principal place of business in the state so that their capital can be  
2 increased. The legislature intends to achieve this purpose by authorizing  
3 the Alaska Industrial Development and Export Authority to invest in inter-  
4 est-bearing subordinated debentures of these financial institutions which  
5 shall be repaid or redeemed at maturity.

6 \* Sec. 2. ECONOMIC STABILIZATION PROGRAM. (a) The economic stabi-  
7 lization program is established in the Alaska Industrial Development and  
8 Export Authority. Under this program the authority is authorized to use  
9 money in the Alaska Industrial Development and Export Authority revolving  
10 fund (AS 44.88.060) for investments in subordinated debentures issued by a  
11 bank, savings bank, or bank holding company with

- 12 (1) a charter issued by the state;  
13 (2) its principal office located in the state; and  
14 (3) assets that totaled on December 31, 1987, less than  
15 \$150,000,000 when combined with assets of all its affiliates.

16 (b) The Alaska Industrial Development and Export Authority may only  
17 invest in debentures under this section that

- 18 (1) pay interest quarterly or more often;  
19 (2) bear interest at a rate that is at least 50 basis points  
20 above the average cost of a bond of similar maturity issued by a municipal-  
21 ity at the time the debenture is issued, as determined by the authority;  
22 (3) are due for repayment 20 years after the date of issue, but  
23 may be repaid sooner at the discretion of the issuer; and  
24 (4) are secured by the full faith and credit of the issuing  
25 institution.

26 (c) The amount of debentures that may be purchased by the Alaska  
27 Industrial Development and Export Authority under this section from an  
28 institution may not exceed the amount of that institution's capital, sur-  
29 plus, and undivided profits on December 31, 1985, as certified by the

1 director of banking, securities and corporations. The combined amount that  
2 may be purchased from a holding company and its subsidiary bank may not  
3 exceed the amount of capital, surplus, and undivided profits of the sub-  
4 sidiary bank on December 31, 1985, as certified by the director of banking,  
5 securities and corporations.

6 (d) Notwithstanding AS 06.05.307(a), debentures purchased by the  
7 Alaska Industrial Development and Export Authority under this section may  
8 be issued without regard to the principal amount of the notes and deben-  
9 tures of the institution that are outstanding on the date of issuance. The  
10 authority may only purchase debentures under this section after the direc-  
11 tor of banking, securities and corporations certifies that the issuance of  
12 the debentures otherwise complies with AS 06.05.307 and that the purchase  
13 meets the requirements of this section.

14 (e) The Alaska Industrial Development and Export Authority may pur-  
15 chase debentures under this section only from an institution that agrees to  
16 invest at least 15 percent of the purchase price in areas of the state  
17 outside of metropolitan areas within three years after receipt of the  
18 purchase price. The authority shall by regulation define "metropolitan  
19 areas" for purposes of this subsection.

20 \* Sec. 3. This Act is repealed July 1, 1990.

21 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: CSB 502 (LSC)  
PUBLISH DATE: SENATE 4/22/88

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Commerce & Econ. Dev.  
Title: Relating to economic BRU: Banking, Securities & Corporations  
stabilization program  
Sponsor: Finance Committee Components: \_\_\_\_\_  
Requester: \_\_\_\_\_

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
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						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Willis F. Kirkpatrick, Director  
Division: Banking, Securities & Corporations

Phone: 465-2521  
Date: 4/20/88

Approved by Commissioner: J. Anthony Smith Jr  
Agency: Department of Commerce & Economic Development

Date: 4/20/88

Distribution (by preparer):

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

page \_\_\_\_ of \_\_\_\_

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**ALASKA STATE LEGISLATURE**

.15th. .Legislature . 2nd. .Session

SENATE...BILL..... NO. .502.

By .. THE FINANCE COMMITTEE .....

"An Act relating to the economic stabilization program; and providing for an effective date."

Introduced in the Senate .... 4/11 ....., 19 .88...

**HISTORY IN THE SENATE**

19 88	Read first time and referred to Committee on										
4 11	L&C, FINANCE										
4 20	Reported back with recommendation that <i>re replace w/CS, 1 do pass, 1 no vote, 1 do not pass. H to Fi</i>										
	Read second time and										
	Read third time and										
	<table border="0"> <tr><td>PASSED</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Excused</td><td>Excused</td></tr> <tr><td>Absent</td><td>Absent</td></tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
PASSED	Effective Date										
Yeas	Yeas										
Nays	Nays										
Excused	Excused										
Absent	Absent										
	Reconsideration Reconsideration not taken up										
	<table border="0"> <tr><td>PASSED</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Excused</td><td>Excused</td></tr> <tr><td>Absent</td><td>Absent</td></tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
PASSED	Effective Date										
Yeas	Yeas										
Nays	Nays										
Excused	Excused										
Absent	Absent										
	Reported correctly engrossed Signed by President Sent to House										

SECRETARY OF THE SENATE

**HISTORY IN THE HOUSE**

19	Read first time and referred to Committee on										
	Reported back with recommendation that										
	Read second time and										
	Read third time and										
	<table border="0"> <tr><td>PASSED</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Excused</td><td>Excused</td></tr> <tr><td>Absent</td><td>Absent</td></tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
PASSED	Effective Date										
Yeas	Yeas										
Nays	Nays										
Excused	Excused										
Absent	Absent										
	Reconsideration Reconsideration not taken up										
	<table border="0"> <tr><td>PASSED</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Excused</td><td>Excused</td></tr> <tr><td>Absent</td><td>Absent</td></tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
PASSED	Effective Date										
Yeas	Yeas										
Nays	Nays										
Excused	Excused										
Absent	Absent										
	Reported correctly engrossed Signed by Speaker Returned to Senate										

CHIEF CLERK OF THE HOUSE

**HISTORY IN THE SENATE**

19	Received from House
	To enrolling
	Reported correctly enrolled
	Sent to Governor
	..... by Governor
	Chapter No. ....
	Filed with Lt. Governor

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: Commerce & Econ. Dev.  
 Title: Relating to economic BRU: Banking, Securities & Corporations  
stabilization program  
 Sponsor: Finance Committee Components: \_\_\_\_\_  
 Requester: \_\_\_\_\_

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

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
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						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

**POSITIONS:**

FULLTIME	-0-	-0-	-0-	-0-	-0-	-0-
PARTTIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Willis F. Kirkpatrick, Director Phone: 465-2521  
 Division: Banking, Securities & Corporations Date: 4/20/88  
 Approved by Commissioner: J. Anthony Smith Date: 4/20/88  
 Agency: Department of Commerce & Economic Development

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

**RECEIVED**

APR 21 1988

LEGISLATIVE FINANCE

page \_\_\_\_ of \_\_\_\_

SR

505

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: Act establishing Alaska  
Children's Commission  
Sponsor: Senate Judiciary  
Requestor: Senate Finance Committee

Agency Affected: \_\_\_\_\_  
BRU: Office of the Governor  
Executive Operations  
Components: \_\_\_\_\_

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

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>		0	0	0	0	0

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

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

**FUNDING:** (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		0	0	0	0	0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

Prepared by: \_\_\_\_\_ Phone: 465-3753  
Division: Senator Rick Halford, Co-chairman Date: May 9, 1988  
Senate Finance Committee  
Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

- Distribution (by preparer) :
- Legislative Finance
  - Legislative Sponsor
  - Requestor
  - Office of Management and Budget
  - Impacted Agency(ies)

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: Act establishing Alaska  
Children's Commission  
Sponsor: Senate Judiciary  
Requestor: Senate Finance Committee

Agency Affected: Office of the Governor  
BRU: Executive Operations  
Components: Executive Office

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

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>		0	0	0	0	0
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		0	0	0	0	0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

Prepared by: \_\_\_\_\_ Phone: 465-3753  
Division: Senator Rick Halford, Co-chairman Date: \_\_\_\_\_  
Senate Finance Committee  
Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

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

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: SB 505  
PUBLISH DATE: 4/12/88

4/20/88 # (3A)

FISCAL NOTE

REQUEST:

Revision Date: 4/12/88 Agency Affected: Office of the Governor  
Title: "An Act establishing the Alaska Children's Commission; ..." ARJ: Executive Operations  
Sponsor: Senate Judiciary Components: Executive Office  
Requestor: Senate State Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		51.1	158.4	163.3	98.3	
TRAVEL		14.2	42.6	42.6	21.3	
CONTRACTUAL		23.5	70.4	61.5	30.7	
SUPPLIES		.6	2.3	2.3	1.2	
EQUIPMENT		17.5	.5	.5	.5	
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		106.9	274.2	270.2	152.0	
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		106.9	274.2	270.2	152.0	
FEDERAL FUNDS						
OTHER						
TOTAL		106.9	274.2	270.2	152.0	

POSITIONS:

FULL-TIME		3	3	3	3	
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached analysis and correspondence.

Prepared by: Michael A. Nizich, Director Phone: 465-3616  
Division: Division of Administrative Services Date: 4/18/88

Approved by Commissioner: [Signature] Date: 4/19/88  
Agency: Office of the Governor

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

RECEIVED

APR 20 1988

LEGISLATIVE FINANCE

SB 505

## CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 505

SB 505 establishes the Alaska Children's Commission in the Office of the Governor. The Commission consists of thirteen members: representatives designated by the Governor from the Departments of Health and Social Services, Community and Regional Affairs, Public Safety, and Education; a member of the Senate appointed by the President of the Senate; a member of the House of Representatives appointed by the Speaker of the House; six public members appointed by the Governor who are involved with children and issues affecting children; and one member appointed by the Governor who is not more than 21 years of age and who serves until the member reaches the age of 22 years. Members of the Commission who are appointed by the Governor serve without compensation but are entitled to per diem and travel expenses authorized for commissions under AS 29.20.180. The effective date of this legislation is January 31, 1989, with an end date of December 31, 1991.

Work requirements include research, review, advocacy, and development of goals, strategies and progress reports for the Governor and Legislature regarding the needs of and problems facing children in Alaska. The Commission is required to meet and provide opportunities for public participation in the planning and development of children's programs; meet with and coordinate with State officials and other individuals on matters related to children; serve as a statewide clearinghouse for model programs and resources for technical assistance for children's programs; and inform the public of problems, issues, and elicit support from community leaders regarding the delivery of services to children.

The charge to this commission is considerable, and provisions are made within the legislation to allow for staff and other support to meet the needs of the Commission during its period of activity. Although it is expected that the departmental and legislative members will provide some financial and staff support to the Commission, a full time staff and budget will need to be provided in order for the Commission to fully meet its responsibilities.

The fiscal impact of SB 505 on the Office of the Governor is estimated as follows:

### Personal Services

Executive Director -	Range 24
Research Analyst -	Range 18
Secretary -	Range 10

SB 505

These positions provide administrative, research, and clerical support to the Commission. Salary figures assume a start-up date of January 31, 1989, through January 31, 1992, to allow for close out of the Commission office, archiving of files, and other wind-down activities, and include funding for merit increases.

<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>
51.1	158.4	163.3	98.3

Travel: Estimates are based on an average of six Commission meetings per year, and include travel for two staff members. It is assumed that the departmental and legislative representatives will cover travel and per diem costs from their respective agency budgets.

<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>
14.2	42.6	42.6	21.3

Contractual: Charges for telephone, teleconference fees, postage, advertising and printing, repairs, and copier fees. FY 89 and FY 90 figures also include lease costs for office space (404 sq. ft. based on Department of Administration standards, at \$1.85 per sq. ft.) for Commission staff. Funding for FY 91 and FY 92 lease costs will be appropriated to the Department of Administration.

<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>
23.5	70.4	61.5	30.7

Supplies: Office supplies required for Commission staff and members.

<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>
.6	2.3	2.3	1.2

Equipment: Office furniture (desks, chairs, file cabinets, bookshelves, transcribing equipment, typewriter, personal computers, printers, calculator) required for three-person office. It is anticipated that the bulk of expenditures will be made in FY 89. Funding for the remaining two and one-half years is for replacement or repair.

<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>
17.5	.5	.5	.5

Original sponsor: Judiciary Committee

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE  
2 CS FOR SENATE BILL NO. 505 (State Affairs)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FIFTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL  
6 For an Act entitled: "An Act establishing the Alaska Children's Commis-  
7 sion; and providing for an effective date."  
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
9 \* Section 1. AS 44.19 is amended by adding new sections to read:  
10 ARTICLE 14B. ALASKA CHILDREN'S COMMISSION.  
11 Sec. 44.19.270. ALASKA CHILDREN'S COMMISSION. (a) The Alaska  
12 Children's Commission is established in the Office of the Governor.  
13 (b) The commission consists of the following persons:  
14 (1) representatives designated by the governor from the  
15 Department of Health and Social Services, the Department of Community  
16 and Regional Affairs, the Department of Public Safety, and the Depart-  
17 ment of Education;  
18 (2) a member of the senate appointed by the president of  
19 the senate;  
20 (3) a member of the house of representatives appointed by  
21 the speaker of the house;  
22 (4) six public members appointed by the governor who are  
23 involved with children and issues affecting children;  
24 (5) one member appointed by the governor who is not more  
25 than 21 years of age and who serves until the member reaches the age  
26 of 22 years.  
27 (c) A vacancy on the commission shall be filled in the same  
28 manner as the original appointment or designation. The person ap-  
29 pointed shall serve for the unexpired portion of the term.

1 (d) The members of the commission appointed under (b)(4) of this  
2 section serve at the pleasure of the governor for staggered terms of  
3 four years.

4 (e) The members of the commission appointed under (b)(4) and (5)  
5 of this section serve without compensation for their service on the  
6 commission but are entitled to per diem and travel expenses authorized  
7 by law for commissions under AS 39.20.180.

8 (f) The members of the commission shall elect one of the members  
9 as chair and may elect other commission officers as necessary.

10 Sec. 44.19.272. DUTIES OF COMMISSION. (a) The commission shall

11 (1) engage in a continuing review of the needs of and  
12 problems facing children and develop effective, comprehensive, and  
13 coordinated strategies to address those needs and problems;

14 (2) serve as an advocate for the interests of children;

15 (3) define the immediate service needs of children;

16 (4) develop minimum standards for care available to chil-  
17 dren and families in the areas of child care, health, social services,  
18 parent and staff training, nutrition, mental health, safety, and  
19 employment of youth;

20 (5) identify specific goals and strategies to achieve a  
21 minimum standard for care of children, including state funding pri-  
22 orities for prevention and early intervention services to meet the  
23 needs of children;

24 (6) identify the current level of services available and  
25 gaps and overlaps in services to children;

26 (7) develop and recommend adoption of a process for moni-  
27 toring and evaluating children's programs, with emphasis on profes-  
28 sionally coordinated peer review and program enhancement;

29 (8) provide opportunities for the public to participate in

1 the planning and development of children's programs through public  
2 hearings, teleconferences, and local community programs;

3 (9) meet with state officials and members of advisory  
4 committees to state agencies that are responsible for the expenditure  
5 of state and federal funds or for other matters on behalf of children;

6 (10) receive from state officials, members of state advisory  
7 committees, legislators, representatives of the state court system,  
8 and providers of children's services requests for review and recommen-  
9 dations by the commission on matters related to children;

10 (11) serve as a statewide clearinghouse for model programs  
11 and resources for technical assistance for children's programs;

12 (12) advocate studies and basic data collection on children;

13 (13) inform leaders of the business community, education  
14 community, and municipalities and the communications media of the  
15 nature and scope of problems faced by children, in order to encourage  
16 their support for improving the delivery of services to children and  
17 state budgeting processes and state policies concerning children.

18 (b) In formulating the strategy to address the needs of and  
19 problems facing children, the commission shall seek advice and infor-  
20 mation from children's services providers with expertise in children's  
21 mental health, health care including prenatal care, adolescent drug  
22 and alcohol treatment, education including early childhood education,  
23 nonprofit funding sources, child abuse and neglect, domestic violence,  
24 child care, dependency, delinquency and the justice system, and family  
25 support systems.

26 (c) The commission shall submit a report each year by the 15th  
27 day of the legislative session to the governor and the legislature on  
28 the status of children in the state and recommendations for improve-  
29 ments for the delivery of children's services.

1           Sec. 44.19.274. REVIEW OF LAWS. The commission shall review the  
2 laws of the state with regard to matters involving children and shall  
3 make an annual report of its findings and recommendations to the  
4 governor and the legislature by January 1 of each year.

5           Sec. 44.19.276. TECHNICAL ASSISTANCE AND STAFF SUPPORT TO THE  
6 COMMISSION. The departments and agencies of the state shall cooperate  
7 with the commission and shall, subject to the availability of funding,  
8 provide technical assistance and staff support to the commission upon  
9 the request of the commission.

10          Sec. 44.19.278. POWERS OF THE COMMISSION. The commission may

11           (1) utilize legal, technical, secretarial, and administra-  
12 tive services as may be provided by the governor and the legislative  
13 council;

14           (2) utilize voluntary and uncompensated services of private  
15 persons and organizations as may be made available to the commission;

16           (3) hold public hearings;

17           (4) apply for and receive grants from public and private  
18 funding sources, as may assist the commission in fulfilling its  
19 duties;

20           (5) hire staff as necessary to perform the duties of the  
21 commission; and

22           (6) take other actions reasonably necessary to achieve the  
23 purposes of the commission.

24       \* Sec. 2. INITIAL APPOINTMENT OF PUBLIC MEMBERS TO ALASKA CHILDREN'S  
25 COMMISSION. (a) Notwithstanding provisions of AS 44.19.270(d) relating to  
26 terms of public members, as enacted by sec. 1 of this Act, of the six  
27 public members first appointed to the Alaska Children's Commission by the  
28 governor, two shall each serve a term of two years; two shall each serve a  
29 term of three years; and two shall each serve a term of four years.

1           (b) In making the initial appointments of public members of the  
2 commission, the governor shall designate the expiration date of the terms  
3 of members appointed under this section.

4           \* Sec. 3. This Act takes effect January 31, 1989.

1 IN THE SENATE BY THE JUDICIARY COMMITTEE

2 SENATE BILL NO. 505

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Children's Commis-  
7 sion; and providing for an effective date."

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

9 \* Section 1. ALASKA CHILDREN'S COMMISSION. (a) The Alaska Children's  
10 Commission is established in the Office of the Governor.

11 (b) The commission consists of the following persons:

12 (1) representatives designated by the governor from the Depart-  
13 ment of Health and Social Services, the Department of Community and Region-  
14 al Affairs, the Department of Public Safety, and the Department of Educa-  
15 tion;

16 (2) a member of the senate appointed by the president of the  
17 senate;

18 (3) a member of the house of representatives appointed by the  
19 speaker of the house;

20 (4) six public members appointed by the governor who are in-  
21 volved with children and issues affecting children;

22 (5) one member appointed by the governor who is not more than 21  
23 years of age and who serves until the member reaches the age of 22 years.

24 (c) A vacancy on the ccmmission shall be filled in the same manner as  
25 the original appointment or designation.

26 (d) The members of the commission who are appointed by the governor  
27 under (b)(4) and (5) of this section serve without compensation for their  
28 service on the commission but are entitled to per diem and travel expenses  
29 authorized by law for commissions under AS 39.20.180.

1 (e) The members of the commission shall elect one of the members as  
2 chair and may elect other commission officers as necessary.

3 \* Sec. 2. DUTIES OF COMMISSION. (a) The commission shall

4 (1) engage in a continuing review of the needs of and problems  
5 facing children and develop effective, comprehensive, and coordinated  
6 strategies to address those needs and problems;

7 (2) serve as an advocate for the interests of children;

8 (3) define the immediate service needs of children;

9 (4) develop minimum standards for care available to children and  
10 families in the areas of child care, health, social services, parent and  
11 staff training, nutrition, mental health, safety, and employment of youth;

12 (5) identify specific goals and strategies to achieve a minimum  
13 standard for care of children, including state funding priorities for  
14 prevention and early intervention services to meet the needs of children;

15 (6) identify the current level of services available and gaps  
16 and overlaps in services to children;

17 (7) develop and recommend adoption of a process for monitoring  
18 and evaluating children's programs, with emphasis on professionally coor-  
19 dinated peer review and program enhancement;

20 (8) provide opportunities for the public to participate in the  
21 planning and development of children's programs through public hearings,  
22 teleconferences, and local community programs;

23 (9) meet with state officials and members of advisory committees  
24 to state agencies that are responsible for the expenditure of state and  
25 federal funds or for other matters on behalf of children;

26 (10) receive from state officials, members of state advisory  
27 committees, legislators, representatives of the state court system, and  
28 providers of children's services requests for review and recommendations by  
29 the commission on matters related to children;

1           (11) serve as a statewide clearinghouse for model programs and  
2 resources for technical assistance for children's programs;

3           (12) advocate studies and basic data collection on children;

4           (13) inform leaders of the business community, education com-  
5 munity, and municipalities and the communications media of the nature and  
6 scope of problems faced by children, in order to encourage their support  
7 for improving the delivery of services to children and state budgeting  
8 processes and state policies concerning children.

9           (b) In formulating the strategy to address the needs of and problems  
10 facing children, the commission shall seek advice and information from  
11 children's services providers with expertise in children's mental health,  
12 health care including prenatal care, adolescent drug and alcohol treatment,  
13 education including early childhood education, nonprofit funding sources,  
14 child abuse and neglect, domestic violence, child care, dependency, delin-  
15 quency and the justice system, and family support systems.

16           (c) The commission shall submit a report each year by the 15th day of  
17 the legislative session to the governor and the legislature on the status  
18 of children in the state and recommendations for improvements for the  
19 delivery of children's services.

20       \* Sec. 3. REVIEW OF LAWS. The commission shall review the laws of the  
21 state with regard to matters involving children and shall make a report of  
22 its findings and recommendations to the governor and the legislature by  
23 January 1, 1991.

24       \* Sec. 4. TECHNICAL ASSISTANCE AND STAFF SUPPORT TO THE COMMISSION.  
25 The departments and agencies of the state shall cooperate with the commis-  
26 sion and shall, subject to the availability of funding, provide technical  
27 assistance and staff support to the commission upon the request of the  
28 commission.

29       \* Sec. 5. POWERS OF THE COMMISSION. The commission may

1           (1) utilize legal, technical, secretarial, and administrative  
2 services as may be provided by the governor and the legislative council;

3           (2) utilize voluntary and uncompensated services of private  
4 persons and organizations as may be made available to the commission;

5           (3) hold public hearings;

6           (4) apply for and receive grants from public and private funding  
7 sources, as may assist the commission in fulfilling its duties;

8           (5) hire staff as necessary to perform the duties of the commis-  
9 sion; and

10          (6) take other actions reasonably necessary to achieve the  
11 purposes of the commission.

12       \* Sec. 6. This Act is repealed December 31, 1991.

13       \* Sec. 7. This Act takes effect January 31, 1989.

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

MEMORANDUM

TO: Chris Clark  
c/o The Honorable  
Virginia Collins  
Alaska State House of  
Representatives

DATE: April 11, 1988

PHONE: 465-3616

FROM: Michael A. Nizich *Man*  
Director, Division of  
Administrative Services  
Office of the Governor

SUBJECT: CSHB 501

This is in response to your memo of April 7, 1988, requesting that I revise the Office of the Governor's fiscal note for CSHB 501 ("An Act establishing the Alaska Children's Commission..."). After reviewing your memo and examining FY 88 expenditures and activities of the Governor's Interim Council on Children and Youth (GICCY), I have determined that the reductions you recommend are excessive and would seriously impact the ability of the Alaska Children's Commission (ACC) to fulfil its legislative charge.

Although the bill does not specify the number and level of staff the ACC may hire, the ACC is empowered to "hire staff as necessary to perform the duties of the commission." A review of staffing levels for other boards and commissions indicates that the majority of such groups have an executive director, and that they have technical and clerical staff. The Personal Services request in the fiscal note is comparable to that of other boards and commissions, and would enable the ACC to fulfil its charge without requiring extensive reliance on the resources of member agencies.

The GICCY has been able to function at its staffing level because it has received extensive professional and support staff assistance from its member agencies, the Office of the Governor, and the Legislature. CSHB 501 provides that the "departments and agencies of the state shall cooperate with the commission and shall, subject to the availability of funding, provide technical assistance and staff support to the commission upon the request

of the commission," and it is expected that such assistance will continue to be required; however, the Office of the Governor feels strongly that staffing at the level requested in the fiscal note is essential if the ACC is to have adequate resources to fulfil its charge.

With regard to other expenditures, you state that the FY 89 estimate of 106.9 exceeds FY 88 GICCY expenditures by "\$18,000." For your information, total expenditures to date for GICCY are \$119,222. Projected expenditures for the remainder of the fiscal year are \$37,000, for a total of \$156,222.

When comparing GICCY expenditures to those proposed for the ACC it is very important to remember that the GICCY has received a great deal of assistance from its member agencies and from the Office of the Governor. For example: office space and equipment have been provided free of charge; telephone, copier, and postage costs have largely been absorbed by other agencies; publication of one report and two newsletters was paid for entirely by the Legislature (approximately \$25,000); participating departments and agencies have absorbed their own travel costs; the contract for editing the report was paid for through a grant to the Department of Education (\$5,000); funding for speakers on child care issues was provided for by the National Legislative Council. It is not reasonable to assume that other agencies can continue to subsidize the work of the GICCY or of the ACC at this level.

The travel estimate for a full year of operation for the ACC is 42.6. FY 88 travel expenditures for the GICCY to date are \$50,216, with nearly three months remaining in the fiscal year. The GICCY plans to hold one more meeting prior to June 30, 1988. Based on this expenditure rate, I believe that the fiscal note amount is realistic given that the ACC will have four less public members than the GICCY.

The fiscal note includes funding in the contractual line for office space, postage, copier fees, communications, advertising, printing, and repair. As is noted above, the GICCY has received extensive support from its member agencies in these areas and has not had to rent office space. The figure in the note is for full funding for contractual services for the ACC including office space, and is realistic in light of actual expenditures by the GICCY and similar sized agencies.

Equipment funds have been requested for office equipment and furniture for ACC staff. Again, such purchases have not been required for the GICCY because equipment and furniture has been donated by other agencies on a short-term basis. It is not realistic to anticipate that such generosity can continue throughout the life of the ACC.

Chris Clark

-3-

April 11, 1988

I appreciate your concerns regarding the level of funding in the fiscal note; however, based on known GICCY expenditures and the requirements of the bill, it would not be prudent for me to reduce the request.

Attachments

cc: Bob Evans  
Sheila Gottehrer  
Caren Robinsor  
Carla Timpone

SENATE COMMITTEE REPORT

FURTHER

FINANCE

4/28/88

DATE TURNED INTO OFFICE \_\_\_\_\_

Mr. President:

HESS Committee considered SB 505

establishing the Alaska Children's Commission; efd

and recommended

replace with \_\_\_\_\_ CS \_\_\_\_\_ )  same title  
 or adopt \_\_\_\_\_ CS \_\_\_\_\_ )  new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new  updated or  previous

zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_  
Chairman signature and recommendation

Committee Backup attached

SENATE COMMITTEE REPORT

5-2140C

FIRST COMMITTEE OF REFERRAL

Date of 4/21/88 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER:

HESS  
FINANCE

\*\*FISCAL NOTE(S) ATTACHED  \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

4/12/88  
Mr. President:

DATE TURNED INTO OFFICE 4/27/88

State Affairs Committee considered SB 505

establishing the Alaska Children's Commission; efd

*Morgan*  
and recommended:

replace with CS SB 505 (SA)  same title  
 attached amendment(s) and + dopan  new title

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted and attached

\*\* Committee  attached or  adopted fiscal note(s)  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*Rich. Healy*

*J.P. Josephson*

*Sen. Mark Allen*  
Chairman signature and recommendation

Committee Backup Attached