

LEGISLATIVE FINANCE-HOUSE / SENATE FINANCE COMM. FILES 8879

HB 124 cont. - HB 138 466 57

fisherman's ability to obtain financing for the purchase of a permit and his fishing operation, and, therefore, established two State authorized loan programs. AS 16.10.333-16.10.377; 44.81.271; and 44.81.230-44.81.250.) Just as a fisherman could not, contrary to State law, create a security interest in his fishing privilege, neither can a creditor.

The legislature recognized that a fisherman's earnings were seasonal and subject to many variables from year-to-year beyond control (for example, weather, predation, and interception). If creditors with short term objectives were allowed to treat an entry permit as a fungible item of property and to seize and force its sale, a fisherman without other means of earning a living, together with those dependent upon him, could well be left destitute. In Alaska, where many communities in remote areas of the State depend upon commercial fishing as the primary basis for their cash economy, this is a very real possibility. [The legislature notes that the Social Security Administration has acknowledged the wisdom of Alaska's approach by recognizing that an entry permit is essential to self-support, and, therefore, by not considering the market value of a permit as an alternative resource in determining an individual's eligibility for Supplemental Security Income benefits. 50 Fed. Reg. 42683, 42685 (1985).]

Although the State of Alaska could not countenance a system that inexorably would sever fishermen from the source of their livelihood, nonetheless, as a privilege, the legislature has made clear that an entry permit is subject to forfeiture, if its holder fails to abide by the applicable laws. See, for example, AS 16.05.480; 16.05.665; 16.05.710; 16.43.960; 16.43.970. Ultimately, because it has granted to fishermen only a revocable privilege, the State retains the dominion and control necessary to protect and manage its fishery resources.

In conclusion, compelling State interests were served, when the legislature rejected the idea that an entry permit represent a property right belonging to the permit holder. Instead, the legislature chose to establish an entry permit as a mere privilege, subject to State control, and revocable at the will of the State without compensation. In order to reemphasize and to clarify its intent, the legislature amends AS 16.43.170(a) as set forth in Section 23 of CSHB 124 (Rules).

ALASKA'S LIMITED ENTRY PROGRAM
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IVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 27, 1989

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to sport fishing and hunting licenses. This bill would raise the cost of a resident sport fishing license by \$5. Making a new distinction, the cost of a resident hunting license would be raised \$3 for small game, and \$13 for big game. The combination hunting and trapping license fee would be raised by \$13. The cost of two other combination licenses covering both sport fishing and hunting would be raised by \$18.

The bill would also raise nonresident sport fishing and hunting license fees by amounts ranging from \$5 to \$39, establish a new nonresident small game hunting license and raise nonresident tag fees on 13 species of big game. Finally, the bill would establish new nonresident alien hunting licenses, with a fee of \$300, and establish nonresident alien big game tags for 14 species, at rates higher than the nonresident tag fees.

These increases would generate additional revenue to help offset the escalating costs of managing the State's fish and wildlife resources, and would provide for expansion of some existing programs. Present technology still requires labor-intensive activities to acquire the necessary data for proper, effective management, and operational costs of the Department of Fish and Game (ADF&G) are expected to rise in order to meet those demands.

Money received from the sale of state sport fishing and hunting licenses is deposited in the Fish and Game Fund, which was created at statehood and is described in AS 16.-05.100 and 16.05.110. As a dedicated fund, it is addressed

by the Alaska Constitution in art. IX, sec. 7:

The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article [the Permanent Fund] or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

(Emphasis added.) The Fish and Game Fund was created after the date of ratification of art. IX, sec. 7 of the Alaska Constitution. However, it is protected under the federal-government-requirement exemption. A federal regulation, 50 C.F.R. 80.2, adopted under the Pittman-Robertson Act, 16 U.S.C. 669 -- 777k, prohibits "diversion" of fees collected from the sale of fishing and hunting licenses to purposes other than administering the State's fish and wildlife agency. This is a precondition to participation in federal fish and game grant programs. Since the federal law provides matching money for revenue from the sale of fishing and hunting licenses, and does not specify the cost of those licenses, no problem of inconsistency with the federal requirement and thus no problem with the constitutional provision on dedicated funds will be encountered if these license fees are raised. The fees for both types of resident licenses have been increased only once since statehood. In 1977, sport fishing license fees were increased from \$5 to \$10 and hunting license fees were increased from \$7 to \$12.

P.L. 98-369, July 18, 1984, expanded the Dingell-Johnson Act to make additional federal matching money available to the State. Some of this money will be earmarked for motor boating and support facilities, and additional State matching money will be required to optimize use of this three-for-one money for capital projects.

With respect to the proposed new license and tag fees for nonresident aliens, the significantly higher fees can be justified because United States citizens, as a class, bear a greater proportion of the costs of fish and game management through payment of federal taxes (including Pittman-Robertson matching grants) than do nonresident aliens, who for the most part do not make the same tax contributions. In addition, enforcement actions against nonresident alien hunters cost significantly more than enforcement actions against residents of the United States outside of Alaska.

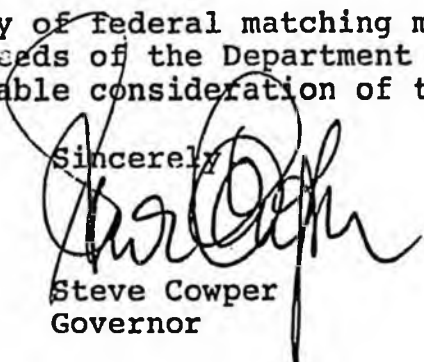
The Department of Law has advised that under the reasoning of Baldwin v. Fish and Game Comm., 436 U.S. 371 (1978), such fee differentials would be unlikely to pose equal protection problems under the Fourteenth Amendment to the United States Constitution, because the nonresident aliens are differently situated with respect to bearing both management and enforcement costs than are United States residents.

The higher fees for nonresident aliens will bring Alaska closer to other big game hunting areas of the world, which regularly charge much higher fees for individuals not resident in those countries. The proposed fees for nonresident aliens set out in this bill would thus still maintain Alaska's competitive edge, by being significantly less than fees charged by other countries to hunt similar species.

The bill has a delayed effective date of January 1, 1990, because hunting and fishing licenses are issued on a calendar-year basis.

In light of the availability of federal matching money, and the increasing management needs of the Department of Fish and Game, I urge your favorable consideration of this bill.

Sincerely,



Steve Cowper
Governor

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "An Act relating to sport fishing and hunting licenses. . ."
 Sponsor: Rules
 Requestor: Governor

Agency Affected: Fish and Game
 BRU: Wildlife Conservation, Sport Fish Administration
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE	343.1	2236.2	2240.0	2240.0	2240.0	2240.0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER Fish & Game	343.1	2236.2	2240.0	2240.0	2240.0	2240.0
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

No FY 90 impact.

Prepared by: Beverly Reaume
 Division: Administration
 Approved by Commissioner: *William W. Wiley*
 Agency: _____
 Phone: 465-4120
 Date: 5/2/90
 Date: 5/2/90

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

CSHB124
 * ASSUMPTIONS FOR LICENSE FEE FISCAL NOTE

5/2/90

RESIDENT	1989 ACTUALS %JAN-JUN		ANNUAL VALUE AT CURRENT FEE	ANNUAL VALUE AT INCREASED FEE	FY91 INCREASE (PARTIAL YEAR)	FY92 INCREASE
HUNT	23189	42.1%	278268	278268	0	0
HUNT/TRAP	1516	62.4%	33352	33352	0	0
TRAP	1032	52.6%	10320	10320	0	0
SF/HUNT/TRAP	6363	52.6%	203616	203616	0	0
SF/HUNT	43548	42.0%	958056	958056	0	0
FISH	115332	41.7%	1153320	1153320	0	0
FISH FARM	1	0	200	200	0	0
FUR DEALER	45	48.6%	4500	4500	0	0
TAXIDERMY	51	75.0%	7650	7650	0	0
GAME BIRD FARM	4	100.0%	80	80	0	0
DIP NET FISHING				155000	65100	155000
NONRESIDENT						
HUNT	8543	15.1%	512580	696155	27742	183575
HUNT/TRAP	35	15.1%	7000	10500	529	3500
FUR DEALER	1	0.0%	400	500	0	100
TAXIDERMY	4	66.7%	1600	2000	267	400
ALIEN HUNT	-	15.1%	-	90000	13590	90000
ALIEN TAGS	-	15.1%	-	162100	24477	162100
TAGS	-	16.4%	2936580	3490900	79822	554320
FISH	23338	23.7%	840168	1166900	77337	326732
FISH 14 DAY	63760	7.8%	1275200	1912800	49458	637600
FISH 3 DAY	64143	9.5%	641430	721609	7605	80179
FISH 1 DAY	0	9.5%	0	160358	15209	160358
TOTALS			8864320	11218183	361135	2353863
					(18056)	(117693)
					139105	944295
					203973	1291875

* LOW INCOME LICENSES AND DUPLICATES WERE LEFT OUT OF THESE CALCULATIONS
 ASSUME THERE WILL BE 15500 DIP NET LICENSES SOLD

H

B

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8

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 31, 1989

FURTHER REFERRALS:

Date of Committee Action: 4/19/89

The FINANCE Committee considered:

HB 128

HOUSE BILL NO. 128

[OIL & GAS LEASES & ROYALTY REDUCTION]

"An Act relating to state oil and gas and geothermal leasing practices and adjustments of state royalties to encourage commercial production."

RECOMMENDATIONS:

- be replaced with CS HB 128 (Finance) the same title
- have 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):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact _____
- zero fiscal note _____
- zero with analysis _____

- fiscal note(s) _____
- zero fiscal note(s) DNR
- zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not
Pass No Rec Amend

Donald J. Larson Larson
Ed Swackhammer Swackhammer
Jim Brown Brown
Harold Koponen Koponen
Ulmer Ulmer
Barnes Barnes
Shultz Shultz
Phillips Phillips
Rieger Rieger

Chairman's Signature
 co-Donald J. Larson

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HB 128
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: 13-Mar-89 Agency Affected: Natural Resources
Title: An Act relating to oil & gas & geothermal leasing practices. BRU: Petroleum Management
Sponsor: Brown, M. Davis, Gruenberg, Ellis Components: Petroleum Mgmt
Requestor: House Resources

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0					

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Carol Wilson Phone: 465-2400
Division: Commissioner's Office Date: 13-Mar-89
Approved by Commissioner: Lennie Gorsuch Date: 13-Mar-89
Agency: Department of Natural Resources

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

Adopted

Original sponsors: Brown, M. Davis,
Gruenberg, and Ellis

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 128 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state oil and gas and geothermal
7 leasing practices and adjustments of state royalties
8 to encourage commercial production."

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

10 * Section 1. AS 38.05.035(e) is amended to read:

11 (e) Upon a written finding that the interests of the state will
12 be best served, the director may, with the consent of the commis-
13 sioner, approve contracts for the sale, lease, or other disposal of
14 available land, resources, property or interests in them, and, in
15 addition to the conditions and limitations imposed by law, may impose
16 additional conditions or limitations in the contracts as the director
17 determines, with the consent of the commissioner, will best serve the
18 interests of the state. A contract for the sale, lease, or other
19 disposal of available land or an interest in land is not legally
20 binding on the state until the commissioner approves the contract but
21 if the appraised value is not greater than \$50,000 in the case of the
22 sale of land or an interest in land, or \$5,000 in the case of the
23 annual rental of land or interest in land, the director may execute
24 the contract without the approval of the commissioner. Before a
25 public hearing, if held, or in any case no less than 21 days before
26 the sale, lease, or other disposal of available land, property, re-
27 sources, or interests in them, the director shall make available to
28 the public a written finding that sets out the facts and applicable
29 law upon which the determination that the sale, lease, or other

1 disposal will best serve the interests of the state was based. A
2 written finding is not required before the approval of

3 (1) a contract for a negotiated sale authorized under
4 AS 38.05.115;

5 (2) a lease of land for a shore fishery site under AS 38.-
6 05.082;

7 (3) a permit or other authorization revocable by the com-
8 missioner;

9 (4) a mineral claim located under AS 38.05.195;

10 (5) a mineral lease issued under AS 38.05.205; [OR]

11 (6) a production license issued under AS 38.05.207; [OR]

12 (7) an exempt oil and gas sale under AS 38.05.180(d) of
13 acreage offered in a sale that was held within the previous five years
14 if the sale was subject to [FOR WHICH] a written best interest find-
15 ing, [HAS BEEN ISSUED FOR THE AREA OF THE SALE WITHIN THE 36 MONTHS
16 BEFORE THE DATE OF THE SALE] unless the commissioner determines that
17 new information has become available that justifies a revision of the
18 best interest finding; or

19 (8) a lease sale under AS 38.05.180(w) of acreage offered
20 in a sale that was held within the previous five years if the sale was
21 subject to a best interest finding, unless the commissioner determines
22 that new information has become available that justifies a revision of
23 the best interest finding.

24 * Sec. 2. AS 38.05.180(j) is amended to read:

25 (j) To prolong the economic life of an oil and gas field or to
26 reestablish commercial production of shut-in oil or gas that would not
27 otherwise be economically feasible, the commissioner shall adopt
28 regulations [FOR ALL BIDDING METHODS] to allow reduction of royalty on
29 leases [WITHIN THE FIELD TO COMPENSATE FOR INCREASING COSTS IN THE

1 LATER STAGES OF PRODUCTION DECLINE]. The commissioner may not grant a
2 reduction of royalty unless the [UNTIL TWO YEARS' INITIAL PRODUCTION
3 FROM THE FIELD HAS OCCURRED AND EACH] lessee requesting the reduction
4 makes [HAS MADE] a clear showing that the revenue from the lessee's
5 share of all hydrocarbons produced from the field is or is likely to
6 continue to be insufficient to produce a reasonable rate of return
7 with respect to the [THAT] lessee's total investment in the field.
8 The commissioner may condition a royalty reduction granted under this
9 subsection in any way necessary to protect the state's interest,
10 including restoration of the state's royalty share in the event of an
11 increase in the price of oil or gas. Before approving a royalty
12 reduction, the commissioner shall make a written finding that the
13 state has obtained the maximum possible economic return that is com-
14 patible with allowing a reasonable rate of economic return for the
15 lessee, and send copies of the finding to the president of the senate
16 and speaker of the house of representatives.

17 * Sec. 3. AS 38.05.180(w) is amended to read:

18 (w) Notwithstanding any other provisions of this section, land
19 which has been offered for lease within the previous five years and
20 which received no bids at competitive sale or for which no bid was
21 accepted may be, at the discretion of the commissioner, immediately
22 offered for lease, under regulations adopted by the commissioner, upon
23 terms appearing most advantageous to the state; however, noncompeti-
24 tive leasing is prohibited. The commissioner shall establish a royal-
25 ty determined to be in the public interest but not less than 12 1/2
26 percent. A lease must provide for payment to the state or rental but
27 need not adhere to the rental schedule in (n) of this section nor to
28 the 5,760-acres-per-lease limitation in (m) of this section. The
29 lease term may not exceed 10 [FIVE] years, except as provided in (m)

1 and (o) of this section.

2 * Sec. 4. AS 38.05.945(c) is amended to read:

3 (c) Notice [EXCEPT FOR OIL AND GAS LEASING UNDER AS 38.05.180
4 AND GEOTHERMAL LEASING UNDER AS 38.05.181, NOTICE] at least 30 days
5 before action under (a) of this section shall also be given to the
6 following:

7 (1) to a municipality if the land is within the boundaries
8 of the municipality, to a coordinating body established by community
9 councils in a municipality if the coordinating body or a community
10 council within the area served by a coordinating body requests notice
11 in writing; if there is no coordinating body within the municipality,
12 notice shall be provided to each community council established by the
13 charter or ordinance of the municipality if the land is located within
14 the boundaries of the municipality and if the community council re-
15 quests notice in writing;

16 (2) to a regional corporation if the boundaries of the
17 corporation as established by sec. 7(a) of the Alaska Native Claims
18 Settlement Act encompass the land and the land is outside a municipal-
19 ity;

20 (3) to a village corporation organized under sec. 8(a) of
21 the Alaska Native Claims Settlement Act if the land is within 25 miles
22 of the village for which the corporation was established and the land
23 is located outside a municipality;

24 (4) to the postmaster of a permanent settlement of more
25 than 25 persons located within 25 miles of the land if the land is
26 located outside a municipality, with a request that the notice be
27 posted in a conspicuous location;

28 (5) to a nonprofit community organization or a governing
29 body that has requested notification in writing and provided a map of

1 its boundaries, if the land is within the boundaries.
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Rep. Kay Brown
04/17/89

SECTIONAL ANALYSIS
CS HB 128 (Resources)
Oil and Gas Leasing Practices and State Royalties

Section 1

Amends existing law regarding the requirement to prepare a new "best interest finding" in the case of "exempt" oil and gas lease sales under AS 38.05.180(d) and AS 38.05.180(w). The proposed change would allow the Department of Natural Resources to lease lands under these statutes without preparing a new "best interest finding" if a finding had been prepared within the previous five years, unless the Commissioner determines that new information has become available that justifies revision of the prior finding.

Section 2

Would give the Commissioner of the Department of Natural Resources authority to reduce royalties in order to reestablish shut-in oil and gas production that would otherwise not be economically feasible. Before granting a royalty reduction, the lessee would be required to make a clear showing that the shut-in resources would not be economical to produce without a royalty reduction. Further, the Commissioner would have to find that the state was obtaining the maximum possible economic return compatible with a reasonable rate of return for the lessee.

Section 3

Amends AS 38.05.180(w) regarding the term of a lease that has been re-offered. Existing law stipulates that the term of a re-offered lease shall be limited to five years. The proposed change would increase the maximum term of a re-offered lease to ten years.

Section 4

Amends the Department of Natural Resources public notice requirements as they pertain to the leasing of hydrocarbon and geothermal resources. The proposed change would reestablish the requirement that the department provide broad public notice of leasing actions to potentially affected parties.

Amendment
page 37

By Phillippe

line 15, after "lessee" insert

", and shall send a copy ^{of the findings} to the

president of the senate and to the

speaker of the house of representatives"

Oil and Gas Lease Sale Options
Comparison of existing statutes with changes proposed in HB 128
to AS 38.05.035(e) and AS 38.05.180(w)
Prepared by Division of Oil & Gas

Regular Sales

Exempt Sales

Reoffering Sales

Regular Sales		Exempt Sales		Reoffering Sales	
Existing Statutes	HB 128 Proposed Change	Existing Statutes	HB 128 Proposed Change	Existing Statutes	HB 128 Proposed Change
<p>Must be on five-year leasing schedule. [AS 38.05.180(b)]</p> <p>Sales proposed by Div. of Oil & Gas; industry comments solicited each year.</p> <p>Acreage consists of new "frontier" areas and old areas offered in the past.</p> <p>New best interest finding required for each sale; public notices issued.</p> <p>Lease term up to ten years.</p>	<p>*No changes</p>	<p>Not required to be on five-year schedule. [AS 38.05.180(d)]</p> <p>Sales based on unsolicited industry nominations; several received each year.</p> <p>Acreage previously leased and now relinquished or expired; or, acreage adjacent to existing leases.</p> <p>Can use up to 3-year-old best interest finding if no new significant information; public notices issued.</p> <p>Lease term up to ten years.</p>	<p>*Allows use of up to 5-year-old best interest finding if no new significant information. All public notices will still be issued. [AS 38.05.035(e)(7)]</p>	<p>Not required to be on five-year schedule. [AS 38.05.180(w)]</p> <p>Sales based on unsolicited industry nominations; several received each year.</p> <p>Acreage previously offered but not leased.</p> <p>New best interest finding required for each sale; public notices issued.</p> <p>Lease term no more than five years.</p>	<p>*Allows use of up to 5-year-old best interest finding if no new significant information. All public notices will still be issued. [AS 38.05.035(e)(8)]</p> <p>*Allows lease term of up to ten years. [AS 38.05.180(w)]</p>

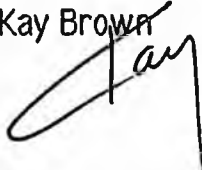
3/16/89

5075662754: # 2
 1-3-10-82
 DIVISION OF OIL & GAS
 5075662754: # 2

Kay Brown

Alaska State Legislature House of Representatives

TO: Representative Ron Larson, Co-Chair
Representative Lyman Hoffman, Co-Chair
House Finance Committee

FROM: Representative Kay Brown 

DATE: April 17, 1989

SUBJ: HB 128/Oil and Gas Leasing Practices and State Royalties

Thank you for scheduling a hearing on CS HB 128 (Resources). As indicated in the attached sectional analysis, the proposed legislation has several different provisions that collectively will:

- improve the efficiency of the state's oil and gas leasing program;
- encourage production from marginal oil and gas fields; and
- strengthen the Public Notice requirements for proposed state oil and gas lease sales.

I look forward to the opportunity to discuss this legislation with the Finance Committee.

attachment

STEVE COWPER, GOVERNOR

March 15, 1989

DEPARTMENT OF NATURAL RESOURCES

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400

OFFICE OF THE COMMISSIONER

The Honorable Cliff Davidson
Alaska State Representative
The Honorable Curt Menard
Alaska State Representative
Co-Chairmen
House Resources Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Davidson and Representative Menard:

Subject: House Bill 128, relating to state oil, gas and geothermal leasing practices, and adjustments of royalties to encourage commercial production.

Position: The Department of Natural Resources supports this bill. It would allow us to be more responsive to industry requests for oil and gas lease sales, would clarify existing public noticing requirements, and would enable us to grant a royalty reduction for shut-in oil and gas that makes resumption of production economically feasible.

Background: Sections one and three of this bill reflect administrative changes in the state's oil and gas leasing program that would lead to increased efficiency for the department, and would generate additional revenues for the state.

An "exempt" oil and gas lease sale consists of acreage that has already been leased at least once by the state, or acreage that is adjacent to already leased lands. A "reoffering" sale consists of acreage that was offered for lease at least once by the state but, for various reasons, was never purchased.

Existing statutes allow the department to hold an exempt oil and gas lease sale without preparing a new written finding, if a written finding has been prepared for the general area during the previous 3 years. This bill would increase the elapsed time before a new finding needs to be prepared to five years. The existing three year period is not enough time for us to offer eligible acreage, as requested by industry, for lease.

This bill would also make the five year exemption from a written finding available to us for reoffering sales, and would increase the lease term for a reoffering sale from five years to ten. Ten

years is the lease term used for other oil and gas lease sales.

Section two of the bill would assist owners of shut-in fields to reestablish commercial production by allowing the Commissioner, based on certain conditions, to reduce the required lease royalty. Royalty reductions granted under this bill would be conditioned to protect the state's interest.

Section four of this bill is an housekeeping measure that would clarify the public noticing requirements for state oil and gas lease sales.

Please let me know if you would like additional information related to this bill.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lennie Gorsuch", written in dark ink.

Lennie Gorsuch
Commissioner

cc: Committee members
Sponsor
Bob Evans
Denby Lloyd
Dennis Kelso
Don Collinsworth
Jim Eason

MEMORANDUM

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

TO: Pamela Rogers
Leasing Manager
Division of Oil and Gas
Department of Natural Resources

DATE: September 9, 1988

FILE NO.:

TELEPHONE NO.: 267 2342

SUBJECT: Proposed Changes
to Title 38
(Oil and Gas
Leasing)

FROM: Lance L. Trasky -
Regional Supervisor
Region II
Habitat Division
Department of Fish and Game

The Alaska Department of Fish and Game has reviewed your August 4 memorandum to Commissioner Brady regarding suggested changes to Title 38. We have no objections to the proposed revisions, provided that significant public opposition does not arise regarding the suggested change to Section AS 38.05.035(a)(7). It is very important to maintain a credible oil and gas planning process, even if this requires extra effort on the part of the state agencies. Should this revision be strongly opposed, and thereby compromise the credibility of the planning process for exempt and reoffering sales, we would encourage maintaining the 30 month timeframe rather than adopting the suggested 5-year time period.

Thank you for the opportunity to comment on the suggested changes to Title 38. If you would like to discuss this matter further, please do not hesitate to contact either me or Claudia Slater (267-2346).

cc: Frank Rue
Al Ott

FAX TRANSMITTAL MEMO
TO: Jay Nelson
DEPT: Oil & Gas FAX #: 465-2718
FROM: Frank Rue PHONE: 262-2584
CO: DNR/D&G FAX #
Post-it brand fax transmittal memo 7571

NO. OF PAGES
1

Tom Painter
Division Manager

Conoco Inc.
3201 C Street
Suite 200
Anchorage, AK 99503

March 16, 1989

The Honorable Kay Brown
Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

Dear Representative Brown:

RE: HB 128

We have reviewed with much interest the provisions of HB 128. Conoco believes enactment of this legislation would send a strong signal that the State of Alaska recognizes the current economic dilemma we all are in and is willing to make provisions to ensure the continued economic development and production of it's oil resources in times of volatile crude prices. Conoco foresees crude price volatility remaining the dominant factor effecting oil and gas investment decisions for some time to come. The following statement is offered in support of HB 128:

Section 1. Amendment to AS 38.05.035(e).

The proposed amendments to this statute will enable tracts offered for lease during the previous five years to be reoffered for lease through an expedited process. Removing both the two year scheduling requirement and a repeat best interest finding will remove some of the cumbersome detail currently necessary for leasing reoffered tracts. Continued effort to further streamline the present leasing system is needed and encouraged.

Section 2. Amendment to AS 38.05.180(i).

Conoco has been involved both legislatively and administratively with the interpretation of AS 38.05.180(j) for the past several years. We believe the changes proposed in HB 128 will clarify much of the confusion with the existing statute.

When Title 38 was rewritten in 1978, the legislature authorized royalty and net profits share to be included as bid variables. As we interpret the intent, subsection (j) was added to limit the circumstances under which a lessee could reduce its royalty below their bid value submitted to obtain a lease at a competitive lease sale. We believe it was not the legislature's intent at that time to prevent the Commissioner from utilizing authorities granted under subsection (p) which apply during the operation of a unit. The record shows specifically that the legislature rejected an amendment in 1978 that would have limited the Commissioner's authority under (p) by the provisions in (j).

The Honorable Kay Brown
March 16, 1989
Page 2

As applied however, the limitations of subsection (j) have apparently restricted the Commissioner's actions under subsection (p). The changes to 180 (j), as proposed in HB 128, will remove the interpretation conflicts between language originally intended for bidding provisions and the subsequent operation of a unit either producing or mechanically capable of production.

The late 1970's and early 1980's were "boom" times for both the oil industry and the State of Alaska. With oil prices in excess of \$30/bbl and forecasted to increase further, the perception and financial condition of both the State and industry were vastly different than under the economic realities of today. The realities of resource development today dictate changes by both the State and industry if continued economic development of the State's resources is to continue. Industry must reduce and optimize development and operational costs, and the State must institute royalty and taxing systems that preferentially attract and encourage continued private sector investment in Alaska.

Conoco views it's relationship with the State as a partnership, with each partner adhering to the implied and contractual obligations of the other. The partnership will be successful when both partners are able to work together, trust and respect each other, and perceive that they are receiving an equitable return from the partnership. By amending 180 (j) we believe the State would be contributing significantly towards a successful partnership.

Specifically the proposed amendments to HB 128 will:

- Remove the ambiguities between bidding methods and lease operations;
- Remove the arbitrary and poorly defined "two years initial production;"
- Give the Commissioner broader authority to protect the State's interests with crude price increases.

For these reasons, Conoco enthusiastically supports all of the proposed revisions.

Although we have made the decision to resume production from the Milne Point Unit, it should be noted that our anticipated income stream, while generating a small positive cash flow, remains insufficient to provide a positive rate of return on our total investment. Under existing statutes we are eligible to apply for a reduced royalty at Milne Point after approximately ten additional months of production. Although the proposed amendments to 180 (j) may not directly effect Milne Point at this time, we envision they may, given the volatility of crude prices, be of direct future benefit to Milne Point or any other smaller field in the State.

The Honorable Kay Brown
March 16, 1989
Page 3

Section 3. Amendment to AS 38.05.180(w).

Changing the proposed lease term from five years to ten years is very important for leases in frontier areas such as Alaska. With the long lead times for permitting and the potentially limited exploratory drilling seasons, five years is insufficient to adequately evaluate a lease. Increasing the term to ten years will make the leases more attractive to industry, which should also be reflected in lease bonuses to the state.

This concludes my statement supporting HB 128. If you have any questions or need additional clarification, please call me at 564-7601.

Very truly yours,


Tom Painter
Division Manager

AEH(jah)

HB

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SENATE FINANCE COMMITTEE REPORT

DATE: 3/8/90

FURTHER:

DATE TURNED INTO OFFICE: 4/27/90

The Finance Committee considered

CSHB 128 (FINANCE)

"An Act relating to state oil and gas and geothermal leasing practices and adjustments of state royalties to encourage commercial production."

and recommended:

replace with S CS CSHB 128 (Finance) same title
 or adopt _____ CS _____ new title
 attached amendment(s) technical
 _____ letter of intent adopted title change
(HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

APPROVES PREVIOUS:

fiscal note(s) _____ Dept/Date: _____

fiscal note(s) _____ Dept/Date: _____


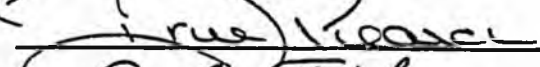
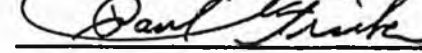
zero fiscal note(s) DNR 1/30/90

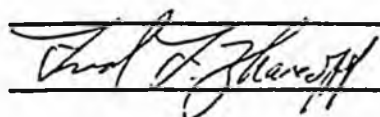
zero fiscal note(s) _____

appropriation-no fiscal note

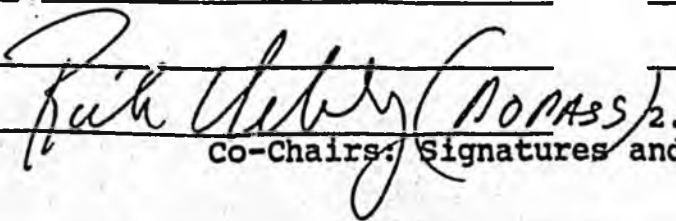
SIGNING DO PASS:

OTHER RECOMMENDATIONS:

 No Re-

1.

 (NO PASS) 2.

Co-Chairs: Signatures and Recommendations

FISCAL NOTE

REQUEST:

Revision Date: 30-Jan-90 Agency Affected: Natural Resources
 Title: An Act relating to oil & gas & geothermal leasing practices. BRU: Petroleum Management
 Sponsor: Brown, M. Davis, Gruenberg, Ellis Components: Petroleum Mgmt
 Requestor: Senate Oil & Gas Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0					

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Changes in SCS CSHB 128 (Fin) have no fiscal impact. This fiscal note is appropriate. 4/27/90 *mmw*

Prepared by: Carol Wilson Phone: 465-2400
 Division: Commissioner's Office Date: 30-Jan-90

Approved by Commissioner: Lennie Gorsuch Date: 30-Jan-90
 Agency: Department of Natural Resources

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

Changes in SCS CSHB 128 (Res) have no fiscal impact. This fiscal note is appropriate.

Adopted

Original sponsor(s): REP. BROWN, M.Davis, Gruenberg, Ellis

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 128 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state oil and gas and geothermal
7 leasing practices and adjustments of state royalties
8 to encourage commercial production."

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

10 * Section 1. AS 38.05.035(e) is amended to read:

11 (e) Upon a written finding that the interests of the state will
12 be best served, the director may, with the consent of the commis-
13 sioner, approve contracts for the sale, lease, or other disposal of
14 available land, resources, property or interests in them, and, in
15 addition to the conditions and limitations imposed by law, may impose
16 additional conditions or limitations in the contracts as the director
17 determines, with the consent of the commissioner, will best serve the
18 interests of the state. A written finding for an oil and gas lease
19 sale under AS 38.05.180 is subject to (g) of this section. A contract
20 for the sale, lease, or other disposal of available land or an inter-
21 est in land is not legally binding on the state until the commissioner
22 approves the contract but if the appraised value is not greater than
23 \$50,000 in the case of the sale of land or an interest in land, or
24 \$5,000 in the case of the annual rental of land or interest in land,
25 the director may execute the contract without the approval of the
26 commissioner. Before a public hearing, if held, or in any case no
27 less than 21 days before the sale, lease, or other disposal of avail-
28 able land, property, resources, or interests in them, the director
29 shall make available to the public a written finding that sets out the

1 facts and applicable law upon which the determination that the sale,
2 lease, or other disposal will best serve the interests of the state
3 was based. A written finding is not required before the approval of

4 (1) a contract for a negotiated sale authorized under
5 AS 38.05.115;

6 (2) a lease of land for a shore fishery site under AS 38.-
7 05.082;

8 (3) a permit or other authorization revocable by the com-
9 missioner;

10 (4) a mineral claim located under AS 38.05.195;

11 (5) a mineral lease issued under AS 38.05.205; [OR]

12 (6) a production license issued under AS 38.05.207; [OR]

13 (7) an exempt oil and gas sale under AS 38.05.180(d) of
14 acreage offered in a sale that was held within the previous five years
15 if the sale was subject to [FOR WHICH] a written best interest find-
16 ing, [HAS BEEN ISSUED FOR THE AREA OF THE SALE WITHIN THE 36 MONTHS
17 BEFORE THE DATE OF THE SALE] unless the commissioner determines that
18 new information has become available that justifies a revision of the
19 best interest finding; or

20 (8) a lease sale under AS 38.05.180(w) of acreage offered
21 in a sale that was held within the previous five years if the sale was
22 subject to a best interest finding, unless the commissioner determines
23 that new information has become available that justifies a revision of
24 the best interest finding.

25 * Sec. 2. AS 38.05.035 is amended by adding a new subsection to read:

26 (g) When the director prepares a written finding required under
27 (e) of this section for an oil and gas lease sale scheduled under
28 AS 38.05.180, the director shall consider and discuss in the finding

29 (1) facts that are known to the director at the time of

1 preparation of the finding and that are material to the following
2 matters or to issues that were raised during the period allowed for
3 receipt of public comment:

4 (A) property descriptions and locations;

5 (B) the petroleum potential of the sale area, in
6 general terms;

7 (C) fish and wildlife species and their habitats in
8 the area;

9 (D) the current and projected uses in the area, in-
10 cluding uses and value of fish and wildlife;

11 (E) the governmental powers to regulate oil and gas
12 exploration, development, production, and transportation;

13 (F) the reasonably foreseeable cumulative effects of
14 oil and gas exploration, development, production, and transporta-
15 tion on the sale area, including effects on subsistence uses,
16 fish and wildlife habitat and populations and their uses, and
17 historic and cultural resources;

18 (G) lease stipulations and mitigation measures, in-
19 cluding any measures to prevent and mitigate releases of oil and
20 hazardous substances, to be included in the leases, and a dis-
21 cussion of the protections offered by these measures;

22 (H) the method or methods most likely to be used to
23 transport oil or gas from the lease sale area, and the advan-
24 tages, disadvantages, and relative risks of each;

25 (I) the reasonably foreseeable fiscal effects of the
26 lease sale and the subsequent activity on the state and affected
27 municipalities and communities, including the explicit and im-
28 plicit subsidies associated with the lease sale, if any;

29 (J) the reasonably foreseeable effects of oil and gas

1 exploration, development, production, and transportation on
2 municipalities and communities within or adjacent to the lease
3 sale area; and

4 (K) the bidding method or methods adopted by the
5 commissioner under AS 38.05.180;

6 (2) a summary of agency and public comments received and
7 the department's responses to those comments; and

8 (3) the basis for the director's determination that, on
9 balance, leasing the area would be in the state's best interest.

10 * Sec. 3. AS 38.05.180(j) is amended to read:

11 (j) To prolong the economic life of an oil and gas field or to
12 reestablish commercial production of shut-in oil or gas that would not
13 otherwise be economically feasible, the commissioner shall adopt
14 regulations [FOR ALL BIDDING METHODS] to allow reduction of royalty on
15 leases [WITHIN THE FIELD TO COMPENSATE FOR INCREASING COSTS IN THE
16 LATER STAGES OF PRODUCTION DECLINE]. The commissioner may not grant a
17 reduction of royalty unless the [UNTIL TWO YEARS' INITIAL PRODUCTION
18 FROM THE FIELD HAS OCCURRED AND EACH] lessee requesting the reduction
19 makes [HAS MADE] a clear showing that the revenue from the lessee's
20 share of all hydrocarbons produced from the field is and is likely to
21 continue to be insufficient to produce a reasonable rate of return
22 with respect to the [THAT] lessee's total investment in the field.
23 The commissioner may condition a royalty reduction granted under this
24 subsection in any way necessary to protect the state's interest,
25 including restoration of the state's royalty share in the event of an
26 increase in the price of oil or gas. Before approving a royalty
27 reduction, the commissioner shall make a written finding that the
28 state has obtained the maximum possible economic return that is com-
29 patible with allowing a reasonable rate of economic return for the

1 lessee, and send copies of the finding to all members of the legisla-
2 ture.

3 * Sec. 4. AS 38.05.180(w) is amended to read:

4 (w) Notwithstanding any other provisions of this section, land
5 which has been offered for lease within the previous five years and
6 which received no bids at competitive sale or for which no bid was
7 accepted may be, at the discretion of the commissioner, immediately
8 offered for lease, under regulations adopted by the commissioner, upon
9 terms appearing most advantageous to the state; however, noncompeti-
10 tive leasing is prohibited. The commissioner shall establish a royalti-
11 ty determined to be in the public interest but not less than 12 1/2
12 percent. A lease must provide for payment to the state or rental but
13 need not adhere to the rental schedule in (n) of this section nor to
14 the 5,760-acres-per-lease limitation in (m) of this section. The
15 lease term may not exceed 10 [FIVE] years, except as provided in (m)
16 and (o) of this section.

17 * Sec. 5. AS 38.05.945(c) is amended to read:

18 (c) Notice [EXCEPT FOR OIL AND GAS LEASING UNDER AS 38.05.180
19 AND GEOTHERMAL LEASING UNDER AS 38.05.181, NOTICE] at least 30 days
20 before action under (a) of this section shall also be given to the
21 following:

22 (1) to a municipality if the land is within the boundaries
23 of the municipality, to a coordinating body established by community
24 councils in a municipality if the coordinating body or a community
25 council within the area served by a coordinating body requests notice
26 in writing; if there is no coordinating body within the municipality,
27 notice shall be provided to each community council established by the
28 charter or ordinance of the municipality if the land is located within
29 the boundaries of the municipality and if the community council

1 requests notice in writing;

2 (2) to a regional corporation if the boundaries of the
3 corporation as established by sec. 7(a) of the Alaska Native Claims
4 Settlement Act encompass the land and the land is outside a municipal-
5 ity;

6 (3) to a village corporation organized under sec. 8(a) of
7 the Alaska Native Claims Settlement Act if the land is within 25 miles
8 of the village for which the corporation was established and the land
9 is located outside a municipality;

10 (4) to the postmaster of a permanent settlement of more
11 than 25 persons located within 25 miles of the land if the land is
12 located outside a municipality, with a request that the notice be
13 posted in a conspicuous location;

14 (5) to a nonprofit community organization or a governing
15 body that has requested notification in writing and provided a map of
16 its boundaries, if the land is within the boundaries.

HB 128

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1798
PHONE: (907) 465-2400

April 27, 1990

The Honorable John Binkley
The Honorable Rick Uehling
Co-chairmen
Senate Finance Committee
P.O. Box V
Juneau, AK 99811

Subject: Senate CS for CS for House Bill 128

Dear Senator Binkley and Senator Uehling:

The Department of Natural Resources supports Senate CS for CS for House Bill 128 which is enclosed. The recent amendments to the CS for HB 128 reflect the results of several days of discussion and negotiation among interested members of the public, the Legislature, and the Departments of Law and Natural Resources regarding the issues which should be considered prospectively in determining whether it is in the state's best interest to conduct an oil and gas lease sale under the provisions of AS 38.05.035.

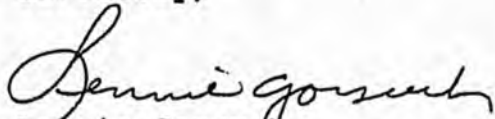
This set of amendments expressly identifies the subjects that DNR must discuss in an oil and gas best-interest finding by setting out the complete list of factors that must be addressed. The legislation is intended to preclude a court from determining the "important factors" that must be addressed before the executive decision is made concerning whether an oil and gas lease sale is in the best interest of the state. It is further intended to make clear that speculation concerning future activities that would be subject to independent permitting requirements is not necessary at the time of the lease sale decisions. By specifying that only "reasonably foreseeable cumulative effects" be discussed, it is intended that DNR need not speculate concerning the location and size of discoveries, the economic feasibility of ultimate development, the technological feasibility of production or transportation, future environmental or other laws that may apply at the time of any future development, or other such factors that cannot reasonably be foreseen at the time of leasing.

Senator Binkley and Senator Uehling -2-

April 27, 1990

These amendments are vital to the state's best interests, and I urge your prompt and favorable action on them.

Sincerely,

A handwritten signature in cursive script that reads "Lennie Gorsuch". The signature is written in dark ink and is positioned above the typed name.

Lennie Gorsuch
Commissioner

Enclosure



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

DATE: April 27, 1990

TO: Senator John Binkley, Co-Chairperson
Senator Rick Uehling, Co-Chairperson
Senate Finance Committee

FROM: Representative Kay Brown

RE: SCS CS HB 128 (Proposed Finance)

You will find a new Section 2 in the proposed committee substitute that would establish guidelines for the Director of the Division of Oil and Gas to follow when making a "best interest" finding for future oil and gas lease sales. The proposed language has been developed with the assistance of the Department of Natural Resources, Division of Oil and Gas, and other interested parties.

It is necessary, in light of the recent Supreme Court decision on the Camden Bay lease sale, to clarify the facts and issues a Director must discuss and balance in determining whether it is in the best interest of the state to proceed or not to proceed with an oil and gas lease sale. Because the decision to lease is a key decision that transfers valuable property rights and ultimately may lead to development and production, the public needs to understand the careful analysis undertaken by the Director.

The public interest is served by establishing a list of matters and issues to be discussed by the Director and by allowing the public to express concerns and have those concerns weighed in the decision making process.

I urge you to adopt and move the proposed CS for HB 128 from committee. Thank you for your consideration.

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 26, 1990

SUBJECT: Draft SCS CSHB 128 ()
TO: Senator Rick Uehling, Co-Chair
Senate Finance Committee
FROM: Jack Chenoweth
Legislative Counsel

Tally Johnson of Senator Pearce's staff asked me to provide your office an explanation of the differences between the draft SCS CSHB 128 () and the version recently reported by the Senate Resources Committee.

Bill sections 3, 4, and 5 of the draft SCS CSHB 128 () are exactly the same as bill sections 2, 3, and 4 of the Resources Committee version; there are no changes in this material.

Bill section 2 of this version (page 2, line 25 through page 4, line 9) is new material, not present in the earlier version. I was not privy to the deliberations that were conducted as regards that section. Rather, I was first asked to work from the language of a division of oil and gas draft. Then, following discussions among agency and interest group representatives, I was provided what was described as compromise language by Representative Kay Brown, asked to incorporate the changes substantially as offered into this CS, and did as I was requested. Representative Brown will have to provide other information concerning her efforts to find common agreement among the parties.

The underlined material on page 1, line 18 and 19 is also new in this version. It cross-references the changes noted in AS 38.05.180(g), added by bill section 2. In all other respects, bill section 1 of both versions is the same.

JBC:pl
WKP4/082

Representative Kay Brown
March 12, 1990

SECTIONAL ANALYSIS
SCS CS HB 128 (Resources)
Oil and Gas Leasing Practices and State Royalties

Section 1

Amends existing law regarding the requirement to prepare a new "best interest finding" in the case of "exempt" oil and gas lease sales under AS 38.05.180(d) and AS 38.05.180(w). The proposed change would allow the Department of Natural Resources to lease lands under these statutes without preparing a new "best interest finding" if a finding had been prepared within the previous five years, unless the Commissioner determines that new information has become available that justifies revision of the prior finding.

Section 2

Would give the Commissioner of the Department of Natural Resources authority to reduce royalties in order to reestablish shut-in oil and gas production that would otherwise not be economically feasible. Before granting a royalty reduction, the lessee would be required to make a clear showing that the shut-in resources would not be economical to produce without a royalty reduction. The Commissioner would have to find that the state was obtaining the maximum possible economic return compatible with a reasonable rate of return for the lessee. Further, the Commissioner would have to provide a written finding to all legislators before granting a royalty reduction.

Section 3

Amends AS 38.05.180(w) regarding the term of a lease that has been re-offered. Existing law stipulates that the term of a re-offered lease shall be limited to five years. The proposed change would increase the maximum term of a re-offered lease to ten years.

Section 4

Amends the Department of Natural Resources public notice requirements as they pertain to the leasing of hydrocarbon and geothermal resources. The proposed change would reestablish the requirement that the department provide broad public notice of leasing actions to potentially affected parties.

ИВ

В

1

3

8

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 1, 1989

FURTHER REFERRALS:

Date of Committee Action: 3/20/89

The FINANCE Committee considered:

HB 138

HOUSE BILL NO. 138 [STATE EMPLOYEES INCENTIVE AWARD SYSTEM]
"An Act establishing a state employee incentive award system."

RECOMMENDS:

- replacing with CS HB 138 (Fin) the same title
- the 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
- zero fiscal note
- zero with analysis

APPROVES PREVIOUS:

- fiscal note(s) published: _____
- zero fiscal notes(s) published: _____

SIGNING DO PASS:

[Signature] HOFFMAN
[Signature] BROWN
[Signature] KOPONEN
[Signature] ULMER

SIGNING OTHER THAN DO PASS: (Do Not Pass, No Recommendation, Amend)

[Signature] LARSON No Rec.
[Signature] SHULTZ Do Not Pass
[Signature] PHILLIPS No Rec.
[Signature] RIEBLER No Recommendation

[Signature]
 CG-Chairman's signature
[Signature]

FISCAL NOTE

REQUEST:

Revision Date: 3/15/89
Title: An act establishing a state
employee incentive award
Sponsor: Ulmer, Koponen, Ellis,
Requestor: _____

Agency Affected: Dept. of Administration
BRU: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	8.1	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	3.0	3.0	3.0	3.0	3.0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	11.1	3.0	3.0	3.0	3.0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	11.1	3.0	3.0	3.0	3.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	11.1	3.0	3.0	3.0	3.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	1	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

See attached

House Finance Committee
Rep. Hoffman, Rep. Larson, Co-Chairs

Prepared by: _____ Phone: _____
Division: _____ Date: 3/20/89

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):

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

Adopted

CONTINUATION OF FISCAL NOTE ANALYSIS

For CS House Bill 138 (FIN)

The specific cost of the program for years covered by this fiscal note are outlined below:

FY 90

PERSONAL SERVICES

Regulations Specialist, Range 16A, 3 months, Juneau. (42,702 x 3)	8.1
--	-----

CONTRACTUAL

Legal Services--Hearing Officer	3.0
---------------------------------	-----

Costs for FY 91-94 are the same less the one time FY 90 cost for a Regulations Specialist. Total cost per these years \$ 3.0.

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 138 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a state employee incentive award
7 system."

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

9 * Section 1. AS 39.51 is amended by adding new sections to read:

10 ARTICLE 2. INCENTIVE AWARD PROGRAM.

11 Sec. 39.51.110. INCENTIVE AWARDS. The Incentive Awards Board
12 may authorize the commissioner of a department or the executive head
13 of an agency other than a department to pay an employee a cash award
14 and incur necessary expense for the honorary recognition of the em-
15 ployee if the employee has contributed to the efficiency, economy, or
16 other improvement of state operations by a superior suggestion, in-
17 vention, accomplishment, or other superior personal effort in con-
18 nection with or related to the employee's official employment.

19 Sec. 39.51.120. PAYMENT OF AWARDS. (a) A cash award under
20 AS 39.51.110 - 39.51.200 is in addition to the regular pay of the
21 recipient. Acceptance of a cash award constitutes an agreement that
22 the use by the state of an idea, method, or device for which the award
23 is made does not form the basis of a further claim of any nature
24 against the state by the employee.

25 (b) A department or agency may pay a cash award and the expense
26 for the honorary recognition of an employee from the appropriation
27 available to the activity or activities primarily benefiting from the
28 idea, method, or device that forms the basis for the award. The
29 commissioner of the department or head of the agency shall recommend

1 to the board the amount to be paid by each activity for an award.

2 (c) An employee may receive a cash award only if the board is
3 satisfied that a net savings has been realized by the department or
4 agency as a direct result of the employee's concept or idea.

5 (d) The board may not grant an award to an employee whose idea
6 or concept requires a change in law before it may be implemented.

7 Sec. 39.51.130. AMOUNT OF AWARDS. The board may not grant a
8 cash award under AS 39.51.110 - 39.51.200 that exceeds \$25,000. The
9 amount of the award is determined by multiplying each increment of the
10 state's actual cost savings during the first 12 months of implementa-
11 tion, as determined by the board, by the following percentages and
12 adding the results:

- 13 (1) five percent of the first \$10,000 in savings;
14 (2) four percent of the next \$20,000 in savings;
15 (3) three percent of the next \$30,000 in savings;
16 (4) two percent of the amount of savings that exceeds
17 \$60,000.

18 Sec. 39.51.140. MERITORIOUS ACHIEVEMENT. When the commissioner
19 of a department or the executive head of an agency certifies to the
20 board that an employee's superior suggestion, invention, accomplish-
21 ment, or other meritorious effort is highly exceptional and unusually
22 outstanding, but does not result in a direct savings to state govern-
23 ment, the board may approve an award consisting of a certificate of
24 merit issued by the Office of the Governor.

25 Sec. 39.51.150. LIMITATION ON AWARDS. The board may not make an
26 award to an employee

- 27 (1) for a suggestion that represents a part of the normal
28 duties of the employee;
29 (2) who has sole authority to implement the suggestion;

1 (3) whose duties include research or planning, unless the
2 subject matter of the suggestion is unrelated to the employee's normal
3 work assignments; or

4 (4) is developed by more than one person unless each person
5 is an employee eligible for an award under this section.

6 Sec. 39.51.160. AWARDS TO FORMER EMPLOYEES. Notwithstanding the
7 death or separation from state service of the employee concerned, a
8 department or agency may pay or grant an award under AS 39.51.110 -
9 39.51.200 if the award is based on events that happened while the
10 employee was in the employ of the state.

11 Sec. 39.51.170. INCENTIVE AWARDS BOARD. (a) The Incentive
12 Awards Board is established in the division of personnel in the De-
13 partment of Administration.

14 (b) The board consists of the director of the division of per-
15 sonnel in the Department of Administration, the directors of the
16 office of management and budget in the Office of the Governor, and a
17 public member from the private sector with experience in accounting
18 and management appointed by the governor. The board shall elect a
19 chair.

20 (c) The board shall meet as necessary at a time and place deter-
21 mined by the chair. The meetings are open to the public. A majority
22 of the membership of the board constitutes a quorum. The board may
23 not take action on a matter except by affirmative vote of a majority
24 of the board members.

25 (d) A member of the board may not act on a matter in which the
26 relationship of the member with another person creates a conflict of
27 interest.

28 (e) A member of the board may not receive an award under this
29 chapter.

1 (f) The board shall adopt regulations and conduct hearings under
2 the Administrative Procedure Act (AS 44.62).

3 Sec. 39.51.180. ANNUAL REPORT. The board shall submit a report
4 regarding the operation of the awards program to the governor by
5 January 15 of each year.

6 Sec. 39.51.200. DEFINITIONS. In AS 39.51.110 - 39.51.200

7 (1) "board" means the Incentive Awards Board;

8 (2) "employee" includes a permanent, probationary, season-
9 al, nonpermanent, temporary, or provisional employee of the executive
10 branch of state government whether in the classified, partially ex-
11 empt, or exempt service.

12 * Sec. 2. AS 39.35.680(8) is amended to read:

13 (8) "compensation" means the total remuneration earned by an
14 employee for personal services rendered to an employer, including
15 employee contributions under AS 39.35.160, cost-of-living differen-
16 tials only as provided in AS 39.35.675, payments for leave that is
17 actually used by the employee, the amount by which the employee's
18 wages are reduced under AS 39.30.150(c), and any amount deferred under
19 an employer-sponsored deferred compensation plan, but does not include
20 retirement benefits, severance pay or other separation bonuses, wel-
21 fare benefits, per diem, expense allowances, workers' compensation
22 payments, incentive cash awards under AS 39.51.120, or payments for
23 leave not used by the employee whether those leave payments are sched-
24 uled payments, lump-sum payments, donations, or cash-ins;

Items 6



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

March 30, 1987

MEMORANDUM

TO: Representative Niilo Koponen
ATTN: Lisa McLaren
FROM: Mary Jennings *mg*
Legislative Analyst
RE: Employee Suggestion Award Programs in Other States
Research Request 87.205 (Supplemental Information)

You requested that we provide a description of the appeal process used in three other states with employee suggestion award programs.

Florida

Although the Florida Department of Personnel administers the suggestion award program, each agency handles appeal cases internally. The state used to have a centralized committee for appeals, but had difficulty enforcing the committee's decisions. Currently, the Department of Personnel oversees the proceedings of any appeal within an agency, provides documentation and may make suggestions, but the case is ultimately decided by the particular agency. According to Derek Daniels of the department, the state had one past case of an employee who felt he had made a suggestion that was later implemented without any compensation to the employee. The employee appealed to the agency and was compensated for the suggestion.

Michigan

Each of the state departments in Michigan has a committee that accepts or rejects suggestions to the suggestion award program. Appeals are handled by the Suggestion Award Program Central Board. The board makes a decision based upon the employee's claim and documentation kept by the particular agency. The decision is then sent to the agency involved for comment. If the agency agrees, the process is complete. If the agency disagrees with the decision, the board reviews the case again and makes a final decision. Mr. Leo Bell, coordinator for the suggestion award program, stated that employees frequently appeal because they feel a suggestion has been implemented but they have not been compensated. Mr. Bell stated that the solution to this type of problem is to keep accurate records of all suggestions. Mr. Bell added that in Michigan, suggestion records are kept for five years.

Representative Koponen
March 30, 1987
Page 2

Connecticut

~~Last year, the Connecticut suggestion award program was opened to the public as well as state employees.~~ As a result, the Suggestion Award Oversight Panel was created to review suggestions and handle appeals. The panel, which represents the general public, meets monthly and receives no compensation. (Prior to last year, appeals were handled informally by the program coordinator.) Currently, if an appeal situation arises, the panel monitors the decision process of the involved agency as the suggestion is sent through the system again. The panel then accepts or rejects the decision of the agency. A decision of the panel may be appealed to the State Claim Commission. Tom Barnett, communications coordinator for the program, stressed that well maintained records of the suggestion award program are always helpful in an appeal situation. ✓

I hope you find this information useful. I have requested program regulations from Florida, Michigan and Connecticut and will forward them to you upon receipt. It should be noted that the National Association of Suggestion Systems recommends that a formal appeal process be adopted by states with award programs. Please contact me if you have any questions.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

March 27, 1987

MEMORANDUM

TO: Representative Niilo Koponen

ATTN: Lisa McLaren

FROM: Mary Jennings *mgj*
Legislative Analyst

RE: Employee Suggestion Award Programs in Other States and Inclusion
of Universities
Research Request 87.205

You requested that we determine if other states with employee suggestion award programs include state university employees in the program. You also requested that we determine the level of control that these states have over state university funding.

Conclusion

I contacted the states of California, Florida, Georgia, Missouri, New Jersey, New York and Washington--all of which have employee suggestion award programs. In California, New Jersey, and New York, where the level of legislative control over university funding is moderate to high, state university employees are included in the suggestion award program.¹ In Washington, where legislative control is relatively low, university employees are also included in the program, although these employees have a history of nonparticipation. The state university employees of Georgia, where funding control is low, are not eligible for participation. In Missouri, where legislative control is moderate, state agencies participate at their discretion and the university system has chosen not

¹The following criteria were used to determine the level of legislative control over university funding: the nature of the funding appropriation (e.g., lump sum; campus by campus; or line item); the university's ability to move funds among programs; and the percentage of state funds relative to total funds.

to participate. Florida, where control is also moderate, has a separate suggestion award program for university employees. The following section of this memorandum provides details of my conversations with state personnel departments and state university system budget offices.

California

California includes State University System employees in the suggestion award program. According to Dr. James Jenson, Legislative Analyst for the California State University System, the legislature has a fairly high level of control over the State University System. He stated that funding is received on a program by program basis, although the university has the discretion to transfer funds between programs. According to Mr. Jenson, state funds account for over 90 percent of total funds. He added that state university employees are unionized and that the personnel policies for state university employees are very similar to other state employees.

New Jersey

According to the New Jersey Department of Personnel, State University employees are included in the employee suggestion award program and are active participants. The majority of university employees are unionized and follow personnel policies similar to other state employees. Each institution within the State University System receives an appropriation which is then allocated by the institution. Institutions with more than one campus receive one appropriation which is allocated among the campuses. State funds account for approximately 70 percent of total funds.

New York

According to Carl Reynolds, coordinator for the New York employee suggestion award program, state university employees are included in the program. He added that university employees do not seem to participate as actively as other State employees. All University employees, except certain management personnel, are unionized. A major faction of employees are represented by the Civil Service Union, which represents other state civil service employees.

State universities in New York are funded on a campus-by-campus basis. Within each campus appropriation, the legislature makes four line item appropriations. Each university may make transfers among these line item appropriations. State funds account for approximately 57 percent of total funding.

Washington

According to Carolyn Smith of the Washington State Productivity Board, the State University System is included in the employee suggestion award program, although the employees do not participate at this time. Ms. Smith explained that, due to a lack of staff, it has not been possible to implement the program within the university system. She added that the board hopes to obtain funding this year that would allow for additional staff and a liaison that could work with the university system in order to implement the program. University civil service employees are unionized, although they do not have collective bargaining power.

The Washington State University System is funded by a single appropriation which is allocated among the institutions by the Board of Regents. According to Bill Robinson, Legislative Analyst for the State University System, the legislature may include some line item appropriations within the general appropriation but this does not happen on a regular basis. State funds account for approximately 85 percent of the funding for regional universities and approximately 33 percent of the funding for larger research-related universities.

Georgia

Georgia's State University employees are not included in the state's suggestion award program. According to Jacob Wamslee of the State University System, state university employees have personnel policies that are completely separate from other state employees. Mr. Wamslee said that the State University System receives an annual appropriation which is allocated among the various institutions by the Board of Regents. State funds account for approximately 65 percent of total funding. Mr. Wamslee stated that the university system has not considered adopting its own suggestion award program.

Missouri

Participation in the Missouri employee suggestion award program is at the option of each agency of the state. According to the State Personnel Department, the university system has chosen not to participate in the program. University employees and all other state employees are nonunion and have similar personnel policies. Appropriations to the State University System are made on a campus-by-campus basis and each campus may allocate these funds at their discretion. State funds account for approximately 69 percent of all funds.

Representative Koponen
March 27, 1987
Page 4

Florida

Florida State University employees have an employee suggestion program that is separate from the program for other state employees. According to Anna Gray of the State University Office of Human Relations, as a result of legislation adopted last year, the State University System was given an autonomous personnel department for programs such as employee suggestion award. Ms. Gray stated that her office is currently promulgating regulations for the suggestion award program, which is statutorily identical to the state program. She added that the program will differ in one major aspect because, beside career service employees, faculty will also be allowed to participate.

The Florida State Universities System is funded by a single appropriation to the Board of Regents which is then allocated among the institutions. The state legislature frequently designates line item appropriations within the general appropriation. State funds account for approximately 90 percent of total funding.

I hope you find this information useful. Please feel free to contact me if you have any questions.

Alaska State Legislature

Representative Fran Ulmer



P.O. Box V
Juneau, Alaska 99811
(907) 465-1947

HOUSE OF REPRESENTATIVES

MEMORANDUM

TO: Representative Ron Larson, Co-Chair
Representative Lyman Hoffman, Co-Chair
House Finance Committee Members

FROM: Rep. Fran Ulmer

DATE: March 14, 1989

RE: HB 138-State Employee Incentive Award System

HB 138 would establish a monetary incentive program to encourage state employees to improve state operations by promoting efficiency and reducing costs without decreasing services.

An incentive awards board would be established within the Division of Personnel in the Department of Administration. This board would review cost saving ideas and grant cash awards in accordance with the amount of money being saved by the state. Awards could total from a low of 5% of the first \$10,000 in savings, to an amount not to exceed \$25,000. Please see the attached chart for actual calculations of awards. This type of legislation has been established in many states, and the Federal government has had a similar program in place since 1954. Federal data shows a long term saving of over \$12 for every dollar awarded.

The one amendment accepted in the State Affairs Committee changed the board meetings from four times a year to meetings as necessary. In the CS before you, the make up of the Incentive Awards Board has been changed to include the Division Directors in OMB and one public member who has an accounting and management background, to be selected by the Governor. The Director of Personnel in the Department of Administration is also included on the Board.

A majority of the House State Affairs Committee members had expressed concerns regarding the stipulation that the commissioner or executive head of an agency had to demonstrate that a cost savings had occurred. In the draft in front of you, the savings has to be demonstrated to the board itself instead of to the commissioner.

EXPLANATION OF CALCULATION OF INCENTIVE AWARDS

The amount of the award is determined by multiplying each increment of the state's actual cost savings during the first 12 months of implementation by the percentages listed below:

5% of savings up to \$10,000

4% of savings between \$10,000 and \$30,000 = \$400 minimum

3% of savings between \$30,000 and \$60,000 = \$900 minimum

2% of savings between \$60,000 and \$1,250,000 = \$1,200 minimum

The maximum award would be \$25,000 for a savings to the state of \$1,250,000.

Example: if an employee saved the state \$27,500 in a 12 month period, the award would equal \$1,100. ($\$27,500 \times 4\%$)

STATE OF ALASKA

Public Employees' Retirement System
Teachers' Retirement System
Judicial Retirement System
Elected Public Officers Retirement System
National Guard Retirement System
Territorial Retirement System
Retirees' Voluntary Dental-Vision-Audio Plan
Supplemental Benefits System
Group Health/Life Insurance Benefits
Deferred Compensation Plan
Public Employers Social Security Contributions

DEPARTMENT OF ADMINISTRATION
DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

P.O. BOX CR
JUNEAU, ALASKA 99911-0203
PHONE: (907)465-4460

701 EAST TUDOR ROAD, SUITE 240
ANCHORAGE, ALASKA 99503-7445
PHONE: (907) 563-5885

STEVE COWPER, GOVERNOR

March 10, 1989

The Honorable Fran Ulmer
Alaska State Representative
P.O. Box V
Juneau, AK 99811

Dear Fran:

As we discussed, here is my suggestion:

Amend AS 39.35.680 (8) by adding incentive cash awards in the list of exclusions at the end of (8).

You may want to run this by Terry Cramer for exact placement.

Thanks!

Sincerely,


Sally Smith
Director

SS/cam/1

pg. A-1 Anchorage Times 2-17-89

Worker saves military \$7 million

MONTPELIER, Vt. (AP) — A military technician who was worried about the safety of a \$4,500 infrared light tester used on helicopters went to the local hardware store and built his own — for \$8.75.

Now, after saving the military more than \$6 million a year, John Ledoux is getting his reward: a check for \$25,000.

Ledoux, a part-time sergeant in the Vermont Army National Guard and a full-time civilian employee of an Army National Guard base in Burlington, Vt., received a \$10,000 incentive prize from the government more than a year ago.

Today he was to receive the larger prize from the federal Office of Personnel Management.

"I'm just kind of glad I'm finally getting the monetary award. It seems like it's a long time coming," said Ledoux, who explained that bureaucratic errors delayed the check.

"I feel like it's been put off for so long it's lost its glow," he said. "But I'm glad things are finally coming to a head."

The award is the maximum allowed by law and the largest given to a federal employee, said Joseph Jamele, press secretary for Sen. Patrick Leahy, D-Vt. He said only 20 such awards have

ever been granted.

Ledoux, 33 and father of five, said the money would come in handy.

"My wife and I have a big family so, of course, the money is nice," he said.

Ledoux said he developed his hand-held device in 1986 after watching engineers with the Lockheed Aircraft Corp. install infrared lights on helicopters using the standard-issue testing device, which was built into a pair of goggles.

Ledoux said the engineers often perched in precarious positions on the helicopters to test the lights. Concerned for their safety, he went down to a local electronics store and picked up a phototransistor, a light-emitting diode, a switch and a nine-volt battery. After fiddling around with the parts for a couple of days, he put the device together.

He said it took the Army a bit longer to realize the potential savings. First he sent a diagram of the device, but it was only after he sent the device itself that the Army congratulated him on his ingenuity.

Army officials are crediting the device with saving 987,000 hours of labor a year, for a total of \$6.85 million.

STATE OF ALASKA
1989 LEGISLATIVE SESSION

Bill Version: CSHB 138 (SA)
Publish Date: HOUSE 3/1/89

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Administration
 Title: An act establishing a State employee incentive award system. BRU: Personnel
 Sponsor: Ulmer, Koponen, Ellis, * Components: Centralized Administrative Services
 Requestor: _____
 * Hudson, Gruenberg

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	32.5	24.4	24.4	24.4	24.4
TRAVEL	0	4.7	4.7	4.7	4.7	4.7
CONTRACTUAL	0	12.0	12.0	12.0	12.0	12.0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	49.2	41.1	41.1	41.1	41.1
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)


GENERAL FUND	0	49.2	41.1	41.1	41.1	41.1
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	49.2	41.1	41.1	41.1	41.1

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	1	1	1	1	1
TEMPORARY	0	1	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared By: David K. F. Otto, Director  Phone: 465-4430
 Division: Personnel Date: _____

Approved by Commissioner: John M. Andrews  Date: 2/27/89
 Agency: Department of Administration

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

CONTINUATION of FISCAL NOTE ANALYSIS

For House Bill

SUBJECT OF PROPOSED BILL:

This legislation places the Incentive Award Board in the Division of Personnel and requires the Board to hold four hearings per year, draft and adopt regulations, and administer the program. The bill does not authorize the Board to employ a secretary or additional staff.

Section 39.51.170(f) requires the board to adopt regulations under the administrative procedure act. The Division of Personnel does not employ a regulations specialist. This fiscal note assumes that a regulations specialist would be employed for three months to draft proposed regulations, answer public inquiries regarding the regulations, explain the proposal to the board and the public at a public hearing, and draft the changes directed by the board after a hearing is held. Regulations specialists are paid at a range 16.

The bill places the Board in the Division of Personnel. The division does not have staff to administer the legislation. In a 1985 report, the Illinois Legislative Council surveyed ten state governments that had incentive award programs. That report contained the following recommendations:

States stress the importance of prompt handling of suggestions, computerized recordkeeping and continuing publicity with emphasis on recognition of winners and saving tax dollars.

Other advice included in the report is listed below:

- require one year of implementation before making the award;
- set a 60, 90, or 120-day time limit for agency review;
- keep a supply of suggestion forms and return envelopes at each agency;
- announce and promote the program with material inserted in pay envelopes;
- hold a training seminar for agency coordinators.

While not all of these individual recommendations may be desirable in Alaska it is logical to assume the program needs extensive publicity and timely processing of nominations to succeed. This fiscal note assumes that an Information Officer II, range 17, employed half-time would be sufficient to administer the program.

This is a modest proposal. Other states have employed small staffs and have budgeted \$100,000 to administer similar programs.

The legislation also requires the Board to hold four hearings per year. It will be appropriate to hold the hearing at the location closest to the work station of the employee or employees who made the cost savings suggestion. This note assumes that one hearing will be held in Fairbanks and one in Anchorage each year.

Finally, the bill makes the boards hearing procedures subject to the Administrative Procedure Act (APA). Under the APA contested cases must be heard by a hearing officer. We have assumed that one case will be heard before a hearing officer each year at a cost of \$3,000.00 per hearing.

The specific cost of the program for years covered by this fiscal note are outlined below:

FY 90

Personal Services

Regulations Specialist, Range 16A, 3 months, Juneau. (\$2,702 x 3)	8.1
Information Officer II, Range 17A, 6 months, Juneau	<u>24.4</u>
Personal services subtotal	32.5

Board Related Travel

Travel costs are based on (3) board members and one staff person, all from Juneau.

Travel to board meetings by board members and staff in the first year is based on one Anchorage and one Fairbanks meeting.

Travel	3.3
Per diem	<u>1.4</u>
Subtotal	4.7

Contractual

Printing (flyers, annual report, pamphlets, newsletters, bulletins)	5.0
Advertising (meetings, awards, and regulations)	2.0
Legal Services--Hearing Officer	3.0
Telephones, Postage	<u>2.0</u>
Contractual Subtotal	12.0

FY 91-FY 94

Costs for FYs 91-94 are the same as those for FY 90 less the one time FY 90 cost for a Regulations Specialist.

Total cost per year \$41.1

Position Title Information Officer II		No. of Positions 1/2	Range/Step	Barg. Unit	
Time Status Hourly (PPT)	Staff Months 6	Location Juneau	Election District 4		
Type of Expenditure		Justification			
		Recommendations from other states that have employee incentive programs stress the importance of handling suggestions promptly and publicizing the program. This position will be necessary to:			
Amount		<ol style="list-style-type: none"> Develop a publicity campaign for the program to ensure that all employees and supervisors are aware of the programs requirements and the procedure used to nominate candidates for awards. Prepare the Boards agenda and advertise quarterly meetings. Schedule, coordinate, publicize and supervise award ceremonies. Prepare an annual report for the Governor. Respond to public inquiries regarding the program and its regulations. 			
1	2				3
Salary	17.4				
Benefits	7.0				
Premium Pay					
Other					
Total Personal Services					24.4
Travel					1.2
Contractual					0.0
Commodities					
Equipment					
Other					
Total Cost		34.6			
Funding Source for Total Cost					
Federal Receipts	1002				
G F Match	1001				
General Fund	1004				
GF Program Receipts	1005	34.6			
Other					

6/4/86/022417-5/5

Request For New Position

Agency Department of Administration
 BRU Personnel
 Component Centralized Administrative Services

Page 4 of 4
 Revised Date

FY 90

ИВ

В

1

3

8

SENATE COMMITTEE REPORT

FURTHER

4/22/89

DATE TURNED INTO OFFICE 5/3/89

Mr. President:

Finance

Committee considered CSHB 138 (FIN) am

establishing a state employee incentive award system
and recommended

replace with SCS CSHB 138 (Fin)) same title
 or adopt _____ CS _____) new title
 attached amendment(s) and technical title change (HB only)
 Senate Finance letter of intent adopted

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new SPB/DOA updated previous
 same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]
[Signature]
[Signature]

Frank T. Chung No Rec
Paul Hunt No Rec
[Signature] (No Rec)

Chair: signature and recommendation

Committee Backup attached

[Signature] Co-CHAIR



Official Business

Alaska State Legislature

SENATE

Committee on Finance

P.O. Box V
State Capitol
Juneau, Alaska 99811

LETTER OF INTENT

SENATE CS FOR CS FOR HOUSE BILL 138 (FINANCE)

It is the intent of the legislature that no awards be paid by an agency until the amount of the savings realized by the employee's idea or suggestion has been removed from the agency's budget and the legislature has appropriated the award amount from the savings realized.

Adopted

STATE OF ALASKA

BILL VERSION: SCS CSHB 138 (Fin)

1989 LEGISLATIVE SESSION

PUBLISH DATE: _____

FISCAL NOTE

REQUEST: _____

REVISION DATE: _____
TITLE: State employee incentive award program

AGENCY: Dept. of Administration
BRU: _____

SPONSOR: Ulmer, Koponen, Ellis
REQUESTOR: _____

COMPONENTS: _____

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERS. SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND/BUILD.	0	0	0	0	0	0
GRANTS/CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL	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 FUNDS	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS:

PREPARED BY: _____

Rick Uehling
SENATOR/RICK UEHLING, CO-CHAIRMAN
SENATE FINANCE COMMITTEE

DATE: May 3, 1989
PHONE NO.: 465-4821

Adopted

Original sponsors: Ulmer, Koponen,
Ellis, et al.

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 138 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a state employee incentive award
7 system."

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

9 * Section 1. AS 39.51 is amended by adding new sections to read:

10 ARTICLE 2. INCENTIVE AWARD PROGRAM.

11 Sec. 39.51.110. INCENTIVE AWARDS. The Incentive Awards Board
12 may authorize the commissioner of a department or the executive head
13 of an agency other than a department to pay an employee a cash award
14 and incur necessary expense for the honorary recognition of the em-
15 ployee if the employee has contributed to the efficiency, economy, or
16 other improvement of state operations by a superior suggestion, in-
17 vention, accomplishment, or other superior personal effort in con-
18 nection with or related to the employee's official employment.

19 Sec. 39.51.120. PAYMENT OF AWARDS. (a) A cash award under
20 AS 39.51.110 - 39.51.200 is in addition to the regular pay of the
21 recipient. Acceptance of a cash award constitutes an agreement that
22 the use by the state of an idea, method, or device for which the award
23 is made does not form the basis of a further claim of any nature
24 against the state by the employee.

25 (b) A department or agency may pay a cash award and the expense
26 for the honorary recognition of an employee from the appropriation
27 available to the activity or activities primarily benefiting from the
28 idea, method, or device that forms the basis for the award. The
29 commissioner of the department or head of the agency shall recommend

1 to the board the amount to be paid by each activity for an award.

2 (c) An employee may receive a cash award only if the board is
3 satisfied that a net savings has been realized by the department or
4 agency as a direct result of the employee's concept or idea, and the
5 proposal has been developed outside normal working hours.

6 (d) The board may not grant an award to an employee whose idea
7 or concept requires a change in law before it may be implemented.

8 Sec. 39.51.130. AMOUNT OF AWARDS. The board may not grant a
9 cash award under AS 39.51.110 - 39.51.200 that exceeds \$25,000. The
10 amount of the award is determined by multiplying each increment of the
11 state's actual cost savings during the first 12 months of implementa-
12 tion, as determined by the board, by the following percentages and
13 adding the results:

- 14 (1) five percent of the first \$10,000 in savings;
15 (2) four percent of the next \$20,000 in savings;
16 (3) three percent of the next \$30,000 in savings;
17 (4) two percent of the amount of savings that exceeds
18 \$60,000.

19 Sec. 39.51.140. MERITORIOUS ACHIEVEMENT. When the commissioner
20 of a department or the executive head of an agency certifies to the
21 board that an employee's superior suggestion, invention, accomplish-
22 ment, or other meritorious effort is highly exceptional and unusually
23 outstanding, but does not result in a direct savings to state govern-
24 ment, the board may approve an award consisting of a certificate of
25 merit issued by the Office of the Governor.

26 Sec. 39.51.150. LIMITATION ON AWARDS. The board may not make an
27 award to an employee

- 28 (1) for a suggestion that represents a part of the normal
29 duties of the employee;

1 (2) who has sole authority to implement the suggestion;

2 (3) whose duties include research or planning, unless the
3 subject matter of the suggestion is unrelated to the employee's normal
4 work assignments; or

5 (4) is developed by more than one person unless each person
6 is an employee eligible for an award under this section.

7 Sec. 39.51.160. AWARDS TO FORMER EMPLOYEES. Notwithstanding the
8 death or separation from state service of the employee concerned, a
9 department or agency may pay or grant an award under AS 39.51.110 -
10 39.51.200 if the award is based on events that happened while the
11 employee was in the employ of the state, and after the effective date
12 of this Act.

13 Sec. 39.51.170. INCENTIVE AWARDS BOARD. (a) The Incentive
14 Awards Board is established in the division of personnel in the De-
15 partment of Administration.

16 (b) The board consists of the director of the division of per-
17 sonnel in the Department of Administration, the directors of the
18 office of management and budget in the Office of the Governor, and a
19 public member from the private sector with experience in accounting
20 and management appointed by the governor. The board shall elect a
21 chair.

22 (c) The board shall meet as necessary at a time and place deter-
23 mined by the chair. The meetings are open to the public. A majority
24 of the membership of the board constitutes a quorum. The board may
25 not take action on a matter except by affirmative vote of a majority
26 of the board members.

27 (d) A member of the board may not act on a matter in which the
28 relationship of the member with another person creates a conflict of
29 interest.

1 (e) A member of the board may not receive an award under this
2 chapter.

3 (f) The board shall adopt regulations and conduct hearings under
4 the Administrative Procedure Act (AS 44.62).

5 Sec. 39.51.180. ANNUAL REPORT. The board shall submit a report
6 regarding the operation of the awards program to the governor and the
7 legislature by January 15 of each year. The report must include the
8 name of each person who received an award, the basis for making the
9 award, and the amount of the award.

10 Sec. 39.51.200. DEFINITIONS. In AS 39.51.110 - 39.51.200

11 (1) "board" means the Incentive Awards Board;

12 (2) "employee"

13 (A) includes a permanent, probationary, seasonal,
14 nonpermanent, temporary, or provisional employee of the executive
15 branch of state government whether in the classified, partially
16 exempt, or exempt service;

17 (B) but does not include a commissioner, deputy com-
18 missioner, assistant commissioner, director, or deputy director.

19 * Sec. 2. AS 39.35.680(8) is amended to read:

20 (8) "compensation" means the total remuneration earned by an
21 employee for personal services rendered to an employer, including
22 employee contributions under AS 39.35.160, cost-of-living differen-
23 tials only as provided in AS 39.35.675, payments for leave that is
24 actually used by the employee, the amount by which the employee's
25 wages are reduced under AS 39.30.150(c), and any amount deferred under
26 an employer-sponsored deferred compensation plan, but does not include
27 retirement benefits, severance pay or other separation bonuses, wel-
28 fare benefits, per diem, expense allowances, workers' compensation
29 payments, incentive cash awards under AS 39.51.120, or payments for

1 leave not used by the employee whether those leave payments are sched-
2 uled payments, lump-sum payments, donations, or cash-ins;

3 * Sec. 3. Section 1 of this Act is repealed July 1, 1993.

4 * Sec. 4. The directors of the office of management and budget in the
5 Office of the Governor and of the division of personnel in the Department
6 of Administration shall report to the legislature by January 15, 1994, on
7 the state's experience with the incentive awards program. The report must
8 include the name of each person who received an award during 1993, the
9 basis for making the award, and the amount of the award.

5/3/89
6-0662Da WJB lg
Cramer)
Fischer
Adapted

A M E N D M E N T

OFFERED IN THE SENATE

BY FISCHER

TO: SCS CSHB 138 (State Affairs)

Page 5, after line 2:

Insert new bill sections to read:

"* Sec. 3. Section 1 of this Act is repealed July 1, 1993.

* Sec. 4. The directors of the office of management and budget in the Office of the Governor and of the division of personnel in the Department of Administration shall report to the legislature by January 15, 1994, on the state's experience with the incentive awards program. The report must include the name of each person who received an award during 1993, the basis for making the award, and the amount of the award."

Alaska State Legislature

APR 26 1989

Representative Fran Ulmer



P.O. Box V
Juneau, Alaska 99811
(907) 465-4947

HOUSE OF REPRESENTATIVES

MEMORANDUM

TO: Senator John Binkley, Senator Rick Uehling
Co-chairs Senate Finance

FROM: Rep. Fran Ulmer

DATE: April 24 1989

RE: SCS HB 138 (SA)-State Employee Incentive Awards

I would appreciate your scheduling of SCS HB 138 (SA) for a hearing in the Senate Finance Committee as soon as possible.

HB 138 would establish a monetary incentive program to encourage state employees to improve state operations by promoting efficiency and reducing costs without decreasing services.

An incentive awards board would be established within the Division of Personnel in the Department of Administration. This board would review cost saving ideas and grant cash awards in accordance with the amount of money being saved by the state. These awards would not apply to a cost savings suggestion made by an employee in the course of their employment, so we would not be rewarding an employee for just doing their job.

Awards could total from a low of 5% of the first \$10,000 in savings, to an amount not to exceed \$25,000. This type of legislation has been established in many states, and the Federal government has had a similar program in place since 1954. Federal data shows a long term saving of over \$12 for every dollar awarded.

Two changes were adopted in Senate State Affairs. One regards the submittal of an annual report to the legislature to include the names of the persons who receive awards, the basis for making the award and the amount awarded. The second change would exclude commissioners, deputy commissioners, assistant commissioners, directors and deputy directors from receiving the incentive awards.

Thank you for your consideration of this request.

Alaska State Legislature

Representative Fran Ulmer



P.O. Box V
Juneau, Alaska 99811
(907) 465-4947

HOUSE OF REPRESENTATIVES

MEMORANDUM

TO: Senator Binkley, Senator Uehling, Co-chairs
Members
Senate Finance

FROM: Rep. Fran Ulmer

DATE: April 30, 1989

RE: SCS HB 138 (SA)-State Employee Incentive Awards

HB 138 would establish a monetary incentive program to encourage state employees to improve state operations by promoting efficiency and reducing costs without decreasing services.

An incentive awards board would be established within the Division of Personnel in the Department of Administration. This board would review cost saving ideas and grant cash awards in accordance with the amount of money being saved by the state. These awards would not apply to a cost savings suggestion made by an employee in the course of their employment, so we would not be rewarding an employee for just doing their job.

Awards could total from a low of 5% of the first \$10,000 in savings, to an amount not to exceed \$25,000. Please see the attached chart for actual calculations of awards. This type of legislation has been established in many states, and the Federal government has had a similar program in place since 1954. Federal data shows a long term saving of over \$12 for every dollar awarded. I have also attached news articles regarding other savings on the Federal and state level.

Two changes were adopted in Senate State Affairs. One regards the submittal of an annual report to the legislature to include the names of the persons who receive awards, the basis for making the award and the amount awarded. The second change would exclude commissioners, deputy commissioners, assistant commissioners, directors and deputy directors from receiving the incentive awards.

EXPLANATION OF CALCULATION OF INCENTIVE AWARDS

The amount of the award is determined by multiplying each increment of the state's actual cost savings during the first 12 months of implementation by the percentages listed below:

- 5% of savings up to \$10,000 plus
- 4% of savings between \$10,000 and \$30,000 plus
- 3% of savings between \$30,000 and \$60,000 plus
- 2% of savings between \$60,000 and \$1,250,000

The maximum award would be capped at \$25,000.

Example: if an employee saved the state \$30,000 in a 12 month period, the award would equal \$1,300.

5% of the first \$10,000=	\$500
+	
4% of the next \$20,000=	<u>800</u>
Total	\$1,300 award

Example: Savings equal \$60,000-award would be \$2,200

5% of the first \$10,000=	\$500
+	
4% of the next \$20,000=	800
+	
3% of the next \$30,000=	<u>900</u>
Total	\$2,200 award

Example: Savings equal \$100,000-award would be \$3,000

5% of the first \$10,000=	\$500
+	
4% of the next \$20,000=	800
+	
3% of the next \$30,000=	900
+	
2% of the next \$40,000=	<u>800</u>
Total	\$3,000 award

Example: Savings equal \$200,000-award would be \$5,000

5% of the first \$10,000=	\$500
+	
4% of the next \$20,000=	800
+	
3% of the next \$30,000=	900
+	
2% of the next \$ 140,000=	<u>2800</u>
Total	\$5,000 award

Example: Savings equal \$1,000,000-award would be \$21,000

5% of the first \$10,000=	\$500
+	
4% of the next \$20,000=	800
+	
3% of the next \$30,000=	900
+	
2% of the next \$ 940,000=	<u>18.800</u>
Total	\$21,000 award

T H E
NEWS
LETTER
WASHINGTON STATE
EMPLOYMENT SECURITY

IN THIS ISSUE
Washington Employment Futures
Brown Bag Receipt Fund
Aberdeen . . . A "Can Do" Office
Letters From Clients
Volume 6 Number 1

Winter 1988/89

*** Happy Holidays ***

ES Employees
Save State
\$530,000

Georgia Van Amerongen's suggestion to modify the UI File and Record Retention System has netted her \$10,000 and pushed ES into first place among state agencies for total cost savings for 1988.

Her employee suggestion won the first maximum award for the department and is expected to save state taxpayers well over \$399,000.

"When I first started working on my suggestion, my motivation was to make my workers' and my job a little easier," said Amerongen, the new Acting JSC Administrator in Everett. "I didn't realize until later what a large impact it would have on the Department."

Amerongen's idea, which was implemented in 1987, eliminated the need for UI Core Files within JSCs. It established a much smaller system in its place to maintain mandatory UI validation information.

When asked about her suggestion and the substantial award, Amerongen said a celebration is definitely warranted.

"I never would have got my suggestion off the ground if it wasn't for all the help I received from my co-workers," said Amerongen. "I think it's only fitting that I have a party to let



Georgia Van Amerongen saves Washington tax payers over \$500,000.

them know I appreciated all their help."

Ten other suggestions by Job Service Specialists were approved in November. According to Commissioner Isiah Turner, these remaining suggestions gave ES what it needed to take the lead.

"I'm extremely proud that our department is leading the way in terms of total cost savings for 1988," said Turner. "But what's important is that these suggestions will save Washington taxpayers over \$500,000."

Jerry Staudenraus, Moses Lake, saved the department over \$18,000 by rewording the conditional pay statements sent to claimants. He will receive \$1,808 for his idea.

Three winners were from Bellingham.

Michael Riber saved the department over \$13,000 by combining three forms

into one. He will receive \$1,331 for his suggestion.

Tammy O'Neil will be awarded a total of \$1,585 for two suggestions. Her ideas to streamline a computer process are expected to save the department over \$15,000.

Catherine Kunamann came up with a computer modification that will save \$12,500. She will receive \$1,256 for her suggestion.

Joseph Jones, Tacoma, will receive \$834 for the modification of UI forms. His suggestion is expected to save over \$8,000 in duplication costs and will improve service.

Barbara Schmidt, Mt. Vernon, will receive \$814 for her idea to incorporate two forms into one. Her idea is expected to save the department \$8,000 in copy costs and storage requirements.

Anita Robinson, Spokane, will receive \$450 for streamlining a computer process. Her idea is expected to save the department over \$4,500.

Kathie Dolton, Everett, came up with the idea to automate the tallying of Appeals and Petitions for Review. She will receive \$336 for her idea, which is expected to save the department over \$3,000.

The Employee Suggestion Program, established by the 1982 Legislature, provides cash awards to employees who suggest workable ways to reduce costs and improve state operations. From January to November, the department has generated savings and cost reductions totaling \$530,208. ■

pg. A-1 Anchorage Times 2-17-89

Worker saves military \$7 million

MONTPELIER, Vt. (AP) — A military technician who was worried about the safety of a \$4,500 infrared light tester used on helicopters went to the local hardware store and built his own — for \$8.75.

Now, after saving the military more than \$8 million a year, John Ledoux is getting his reward: a check for \$25,000.

Ledoux, a part-time sergeant in the Vermont Army National Guard and a full-time civilian employee of an Army National Guard base in Burlington, Vt., received a \$10,000 incentive prize from the government more than a year ago.

Today he was to receive the larger prize from the federal Office of Personnel Management.

"I'm just kind of glad I'm finally getting the monetary award. It seems like it's a long time coming," said Ledoux, who explained that bureaucratic errors delayed the check.

"I feel like it's been put off for so long it's lost its glow," he said. "But I'm glad things are finally coming to a head."

The award is the maximum allowed by law and the largest given to a federal employee, said Joseph Jamele, press secretary for Sen. Patrick Leahy, D-Vt. He said only 20 such awards have

ever been granted.

Ledoux, 33 and father of five, said the money would come in handy.

"My wife and I have a big family so, of course, the money is nice," he said.

Ledoux said he developed his hand-held device in 1986 after watching engineers with the Lockheed Aircraft Corp. install infrared lights on helicopters using the standard-issue testing device, which was built into a pair of goggles.

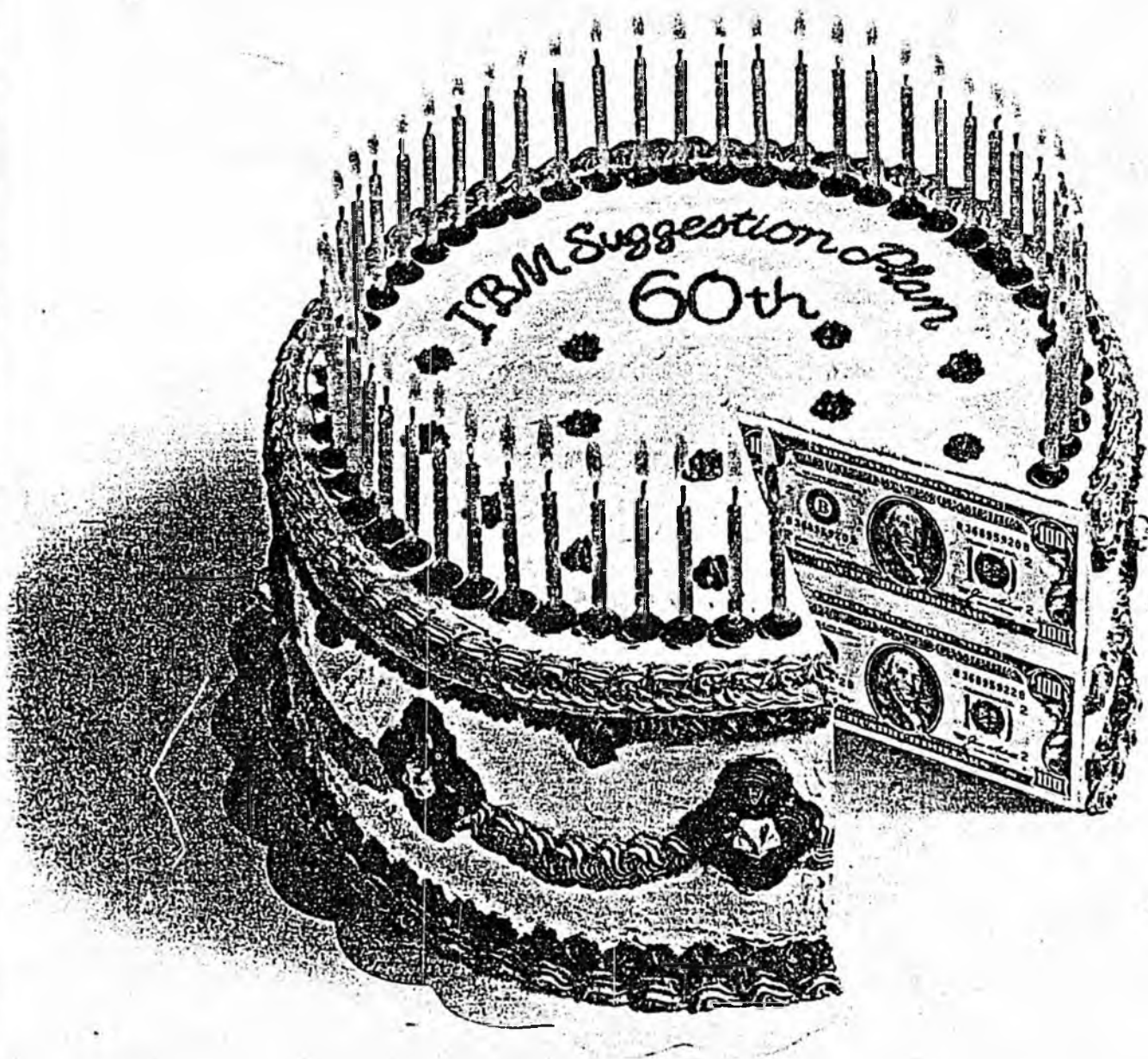
Ledoux said the engineers often perched in precarious positions on the helicopters to test the lights. Concerned for their safety, he went down to a local electronics store and picked up a phototransistor, a light-emitting diode, a switch and a nine-volt battery. After fiddling around with the parts for a couple of days, he put the device together.

He said it took the Army a bit longer to realize the potential savings. First he sent a diagram of the device, but it was only after he sent the device itself that the Army congratulated him on his ingenuity.

Army officials are crediting the device with saving 987,000 hours of labor a year, for a total of \$6.85 million.

What's An Idea Worth?

The Suggestion Plan. It's Worth Thinking About.



The IBM Suggestion Plan

Overview

Introduced in 1928 by Thomas J. Watson, Sr.

Goals then:

- Encourage employee creativity
 - Enhance quality throughout the business
 - Reduce costs
 - Provide monetary recognition
-

And now:

- Encourage employee participation in the business
- Eliminate unnecessary work
- Promote safety, health, security
- Increase productivity
- Enhance customer service

The IBM Suggestion Plan

Recognition Policy

Minimum \$50

Maximum \$150,000

Tangible awards – 25 percent of first and second years' savings

For suggestions that:

- Improve methods or operations
- Save time or materials
- Increase efficiency, productivity

Intangible awards – no direct measurable savings

For suggestions that:

- Improve job safety, health, security
- Improve product quality or reliability
- Enhance customer relations

The IBM Suggestion Plan

Suggester Responsibilities

Be knowledgeable of plan provisions

— Refer to “Your Ideas Have Value” brochure

Clearly state specific problem

Clearly state proposed solution

Identify expected benefits

Identify affected areas

Put yourself in the evaluator's place!