

LEGISLATIVE FINANCE-HOUSE / SENATE FINANCE COMM. FILES 8879

SB 119 cont. ; SB 128 614 205

No. 113 / October 1988

— BIMONTHLY —

KEIDANREN

on Japanese Economy

REVIEW

In This Issue:

Strengthening the Multilateral Free Trade System

A Keidanren proposal to the government calls for steps to reduce Japan's trade surplus, improve the quality of life, promote free trade and prevent investment friction.

Japanese Direct Investment In U.S. Gains Momentum

The Council for Better Investment in the U.S. report discusses trends in Japanese direct investment in the U.S. and related problems.

Investment from Japan Essential to Diversification of State Economies

Hideo Ishihara, leader of Keidanren investment mission to the U.S., reports on the investment climates and prospects in Alaska and Hawaii.



Published by Public
Affairs Department,
KEIDANREN
(Japan Federation of Economic Organizations)

9-4, Otemachi 1-chome, Chiyoda-ku,
Tokyo 100, JAPAN

Telephone: 03-279-1411
Telex: 0222-2188 KDR TOK J
Facsimile: 03-248-0574

KEIDANREN is a private and non-profit economic organization which represents virtually all branches of economic activities in Japan. Keidanren, maintaining close contact with both public and private sectors at home and abroad, endeavors not only to find practical solutions to economic problems but also to contribute to the sound development of the economies of Japan and other countries around the world. Its membership counts 119 association members and 913 corporations as of October 1988. The association members include trade associations and regional economic organizations. The corporate members are leading Japanese enterprises and foreign companies operating in Japan.

Investment From Japan Essential to Diversification of State Economies

—A Report on Keidanren Investment Mission to the U.S. (Alaska, Hawaii)—

By Hideo Ishihara

Leader of Keidanren Investment Mission to the U.S.
Managing Director, Industrial Bank of Japan

1. Background and Purpose

Japanese direct investment in the United States has increased sharply in the past few years against a background of the rapid and steep appreciation of the yen. In fiscal 1987, such investment reached \$14.7 billion, accounting for 44 percent of Japan's total overseas direct investment, according to the statistics compiled on the basis of reports submitted by investing entities, although the rate of growth fell to 45 percent from 88 percent in fiscal 1986.

Keidanren has been making efforts over the years to promote overseas direct investment, in the belief that such investment will help to correct trade imbalances in the long run and mitigate trade frictions with the U.S. and other countries. As part of these efforts, this organization sent investment missions to 23 states of America in 1984, to 16 states in 1986 and to five in 1987. In addition, we have made consistent efforts to seek abolition of the worldwide unitary tax, a major impediment to direct investment in the U.S. Substantial progress was made toward the resolution of this problem in 1986 when the state legislature of California passed an amendment bill.

The rapid rise in investment in the U.S., however, is causing concern about possible frictions related to investment, such as lack of harmony between investing corporations and

local communities. In these circumstances, the Council for Better Investment in the U.S. was created in April this year by succeeding to the Worldwide Unitary Tax Council. The new council aims to deal with the remaining problems related to the unitary tax and to identify problems related to U.S. investment and study ways to cope with such problems.

The latest mission visited Alaska and Hawaii from September 4 to September 13 to obtain firsthand information on the investment climate in the two states and on problems related to investment in these states. Another purpose of the mission was to find out how these states perceived the growing concerns of Japanese investment in the U.S. generally — a sentiment that had intensified since the year before.

2. Impressions of the States Visited

(1) General Impressions

The states of Alaska and Hawaii are very different, when compared in terms of the level of Japanese direct investment. In Alaska, only a small number of investments have been made in the field of natural resources. In Hawaii, by contrast, a considerable number of investments have been made, particularly in the area of tourism.

We were impressed during the visits, however, by the fact that the two states have a number of ex-



tremely important things in common. First, both states are geographically separated from the other 48 states. Second, both are the newest states of America, Alaska being the 49th state and Hawaii the 50th. People in Alaska call the 48 states the "lower (southern) 48 states." In Hawaii, these states are collectively called the "mainland." These characteristics of Alaska and Hawaii have had significant effects on economic activities in these states. In particular, they have a strong desire to expand economic exchanges not only with the other 48 states but also with countries in the Pacific economic region, especially Japan. The warm welcome we received in the two states was an expression of this desire. We believe that now is the time for Japan to strengthen its economic relations with both states.

Industrial development needs to be promoted both in Alaska and Hawaii by taking advantage of their geographical characteristics. Alaska is situated at an almost equal

distance from Tokyo, New York and major cities in Europe, while Hawaii is located in the center of the Pacific. To cite a specific example, Federal Express has decided to use Anchorage as the hub of its international parcel delivery services. In addition, a plan to open a securities market in Hawaii is being studied since such trading can be conducted on the basis of time differences between Tokyo and New York. Hawaii also has the potential to develop an education industry since it can serve as the cultural bridge between East and West.

Both states are aiming to "diversify" their economies — an important fact which should be taken into account when Japan's economic relations with them are considered. Alaska, whose economic structure is traditionally oriented toward oil and other natural resources, has been hit hard by the fall in crude oil prices. Consequently, a major challenge for that state is to correct the excessive dependence on oil and other natural resources. Alaska's efforts toward economic diversification are evident in, for example, the fact that the governor of the state is taking the initiative to review the worldwide unitary tax and thereby facilitate foreign direct investment in the state.

In Hawaii, although the importance of promoting the tourism industry is recognized, efforts are being made to strengthen the economic structure through diversification of the economy, specifically through development of high-technologies such as oceanic technologies, in light of the state's geographical and other advantages. Although investment in real estate has elicited some criticism, we obtained the impression that the state government believes that investment from Japan has a large role to play in the development of the Hawaiian economy, and that continued expansion of such investment is to be

welcomed.

(2) Impressions in Each State

Some of the impressions we gained during our visits to the two states will be described in more detail on a state-by-state basis:

1) Alaska

The purpose of our visit to Alaska was to conduct a survey on the investment climate there, including the worldwide unitary tax problem.

Regarding the worldwide unitary tax, we were encouraged by the fact that the state government, from the governor on down, is very positive about reviewing it. In fact, the government is already drafting an amendment bill. At a luncheon he hosted, Governor Cowper stated that Alaska has made efforts to expand trade and investment relations with Japan ever since it became the first state of America to open a representative office in Japan in 1964. As for the worldwide unitary tax, he expressed an intention to review it by taking into account the views of Japanese business leaders including Mr. Akio Morita, Vice Chairman of Keidanren and Chairman of the Council for Better Investment in the U.S.

However, the situation surrounding this tax problem does not warrant optimism since some members of the state legislature are said to be reluctant to change the current system. In the background of such negative attitudes is the fact that the current unitary tax system makes it possible for oil companies making large profits in the state to reduce their tax burden. The state government wants to lure more investment from abroad by introducing the water's edge method. At the same time, however, it is concerned about the possible impact of a tax change on the oil industry, which is playing a key role in the state economy. Under the present circumstances, the government is studying a revision on the condition that the tax would apply to the oil industry as an

exception to the rule. Since the amendment bill now in the works is likely to come up for debate in the state legislature opening in January next year, we need to keep a close watch over future developments concerning the bill.

During the discussions on the unitary tax, the following question was often asked: Will Japanese investment in Alaska increase if the tax is changed? Our answer to the question was that not only the tax system but also various other factors are taken into account in the making of investment decisions. We believe that the Alaskan side understood our position, at least to some extent. However, since a change in the unitary tax would cause a drop in tax revenue, it is necessary for us to work out a more convincing answer to this question, which is expected to be asked time and again in future discussions on this problem.

In the past, economic relations between Japan and Alaska have centered on trade in mineral and fishery resources, forestry products, paper and pulp. The only notable case of Japanese direct investment is Alaska Pulp. Currently, there are several Japanese investment projects in the fields of coal exploration and resort development, and there are great expectations for these projects.

However, close attention must be paid to the question of environmental regulation in the implementation of these projects since local residents have a keen interest in the protection of the natural environment, one of the great physical assets of the state. On this point, Ms. Brady, the commissioner for natural resources, stated that no development project can be initiated without the consent of local residents. In order to obtain such consent, the state government holds public hearings. Only after the understanding of residents is obtain-

ed, can the legislature proceed to take action. This process of building a consensus naturally takes time.

During the visit to Alaska the mission conducted a tour of the Alaska Pulp plant in Sitka, a small coastal city. The plant, a pioneering example of Japanese direct investment in the U.S., has been in operation since 1959. The company has as many as 360 local people on its payroll and thus maintains close relations with the local community. However, it experienced a labor dispute and learned valuable lessons in the process. We also had much to learn from its experience regarding labor problems, relations with the local community and other relevant matters. The knowledge we obtained during the tour will help greatly, we believe, to promote activities of the Council For Better Investment in the U.S.

2) Hawaii

Hawaii has deep historical relations with Japan, as shown by the factor that about one-fourth of the state's population (about 1 million) are of Japanese descent. Also, one in five tourists from outside Hawaii is Japanese, and Japanese visitors account for one-third of the total revenue from tourism.

Thus Japan maintains a conspicuous presence in Hawaii, as compared with other states of America. Regarding Japanese investment in the state, the reaction was generally favorable except in a few cases, and most people we met expressed hope that investment would be expanded. Governor Waihee, stated during a meeting with us that Hawaii always welcomes foreign investment and that investment from Japan is making a material contribution to economic development in the state. Concerning real estate investment aimed at speculation, the governor stated that it is a matter of concern, as in Japan, and expressed hope that investment would increase in ways

that would promote the development of the state economy.

Japanese enterprises, including their affiliates, already occupy an important position in the Hawaiian economy, and they have paid close attention to relations with the local community since they expanded into the state. We were informed that the Japan Club was making greater contributions to the local community, including a \$500,000 donation made last year to the Aloha United Way, the Hawaiian branch of the United Way, a nonprofit organization whose business it is to collect donations from across the U.S. The visit to Hawaii was of great significance to the activities of the Council For Better Investment in the U.S. since maintaining harmonious relations with local communities is one of the key objectives of the council.

The state of Hawaii welcomes foreign direct investment in a range of fields from the point of view of promoting the diversification of the local economy. For example, Hawaii is promoting projects to build communications facilities taking advantage of its geographical position as the state situated in the center of the Pacific, to construct a base for space facilities on Hawaii Island and to develop oceanic technologies on Oahu and Maui islands.

In addition, a waterfront redevelopment project is under way in Honolulu Bay and adjacent areas. Members of the mission had the opportunity to observe some of the redevelopment work in progress on a boat tour of the bay. The project is designed to develop a bay area of 1,550 acres stretching along a 6-mile coastline by 1989 with the state government taking the initiative.

It needs to be noted, however, that development projects in Hawaii are subject to various restrictions as in Alaska. To take the waterfront development project as an example, efforts are being made to obtain the

understanding of the local community. We learned that because of stringent restrictions, new development projects are avoided and acquisitions of existing areas and facilities are preferred in many cases.

The education industry is another area that seems to hold out much promise. In this connection, the mission visited the Japan America Institute of Management Science (JAIMS), which is managed with the support of Fujitsu Ltd. The institute is conducting a Japanese language program for Americans and scholarship students from Southeast Asia, in addition to a reorientation program for employees taking up overseas assignments. Considering that Hawaii is a cross-cultural center where people from the East and West mingle, it is expected that such global educational activities will produce highly satisfactory results.

3. Future Prospects

The growth of Japanese direct investment in the U.S. has elicited criticism from some Americans since late last year. At the level of individual states, however, such investment is generally welcomed. In Alaska, as described above, foreign investment, particularly from Japan, is being encouraged as an essential means of achieving economic diversification. In Hawaii, too, Japanese investment is appreciated generally from the same standpoint, although there have been some undesirable cases of speculative real estate investment. In the case of Alaska, however, information on the state as host to foreign investors is not yet sufficiently available since it is relatively recently that the state showed a positive attitude toward foreign investment. The move to revise the unitary tax is a manifestation of the positive attitude which the state government takes toward Japanese

corporations. We believe that Alaska will be cited more often as a candidate for Japanese investment if a tax change leads to a better understanding of the investment climate on the part of Japanese corporations.

One thing notable about Alaska is that the state is rich in undeveloped tourism resources as well as in natural resources. With the Japanese people becoming increasingly aware of the need to improve the quality of life, the natural environment in Alaska is a great attraction. A plan to hold various international conferences in the state is worth considering, since it is located at an almost equal distance from Japan, the continental U.S. and Europe. Through such moves the Japanese will have a deeper understanding of and a greater sense of affinity toward Alaska and, as a result, possibilities for investment in a variety of fields will likely increase.

As for Hawaii, possibilities for investment in areas other than tourism have tended to be overlooked because the image of the state as a tourist resort is too strong. One interesting possibility is the establishment of a securities market in Hawaii, which is situated between Tokyo and New York. Given such prospects, it is important, we believe, for the state to select certain priority areas and publicize their strong points to would-be foreign investors.

There is also a growing need to maintain harmonious relations with local communities, at a time when Japanese direct investment in the U.S. is expanding rapidly. Hawaii has an important role to play in this. If Japanese businesses learn from their experience in this friendly state and apply the lessons they have learned to their activities in other parts of the U.S., then such efforts will produce useful and beneficial results. In this sense, the JAIMS we

visited is a good example of global educational institutions where people from various parts of the world can learn about the economies and cultures of the U.S. and Japan.

4. Acknowledgements

In sending the mission to Alaska and Hawaii we received generous cooperation and support from the governors of the two states, other officials of the state and municipal governments, private economic organizations, the Japanese Consulate General, Japanese corporations in the two states and their representative offices in Japan. We also obtained the cooperation of representatives from member companies who participated actively and enthusiastically in the mission throughout the tightly scheduled trip. I would like to express my deep gratitude for the cooperation and support extended to us and look forward to continued guidance and support.

Japan Travel-Phone

When you need English-language assistance or travel information.

call the Travel-Phone

Tokyo 502-1461
Kyoto 371-5649

WHAT IS THE TRAVEL-PHONE?

While traveling in Japan, you might have some difficulty in communicating with local people or need more detailed information on the places or attractions you want to see. The Japan Travel-Phone is your helping hand to an English-speaking travel expert, ready to help you solve a language problem or offer any travel information.

SERVICE HOURS: 9:00 a.m. through 5:00 p.m. EVERY DAY THROUGHOUT THE YEAR

HOW TO USE THE TRAVEL-PHONE

Travel-Phone can be used in two ways — as a toll-free service anywhere in Japan outside Tokyo or Kyoto, and by regular phone charge (¥10 per 3 minutes) within Tokyo and Kyoto.

Outside Tokyo or Kyoto

Travel-Phone is toll-free outside these two major centers. All you have to do is dial 106 and tell the operator, in English, "Collect Call, T.I.C." (pronounced "Tee-Aye-See"). Please speak slowly and clearly.

- Travel-Phone is available through the yellow or blue public phones (not the red phones) and through private telephones.
- When using a public phone, insert a ¥10 coin and dial 106. The coin will be returned to you after your call.

In Tokyo or Kyoto Areas

While you are in Tokyo or Kyoto areas, as indicated on the maps (upper right), please dial the appropriate number. You will be connected directly to T.I.C.

Tokyo Area — 502-1461 for Tokyo TIC
Kyoto Area — 371-5649 for Kyoto TIC

Remarks:

- When you use a public phone, the charge is ¥10 per three minutes.

TOURIST INFORMATION CENTERS (TIC)

The Tourist Information Centers shown below offer various services ranging from travel information on Japan, free literature and arrangements for home visiting to suggestions on tour itineraries. They are open from 9 a.m. to 5 p.m. on weekdays and from 9 a.m. to 12 noon on Saturdays. Closed on Sundays and national holidays.

Tokyo Office:
Kotani Bldg. 6-8,
Yurakucho 1-chome,
Chiyoda-ku, Tokyo
Tel. (03) 502-1461

Kyoto Office:
1st fl., Kyoto Tower Bldg.,
Higashi-Shiojicho,
Shimogyo-Fu, Kyoto
Tel. (075) 371-5648

Japan National Tourist Organization

Keidanren Investment Mission to U.S.A. Purpose and Back Ground

Japan's direct investment in the United States has been rapidly expanding since the early 1980s, far outpacing the high growth of its global overseas investment. The United States has always been ranked as the number one host of Japan's direct investment. According to the figures released annually by the Ministry of Finance, 1,816 cases of direct investment, amounting to \$14.7 billion (44.1% of Japan's global investment of the year), in the United States were made by Japanese companies in fiscal year 1987. This registered a vigorous 44.7% increase over 4.5 billion of the previous fiscal year. The cumulative (FY1951-87) total of Japan's direct investment in the U.S. now amounts to 50.2 billion dollars.

Keidanren believes Japanese direct investments into the U.S. will contribute to the economic development of both the U.S. and Japan, and has helped its member companies explore investment opportunities.

In this context, Keidanren sent three investment study missions covering 23 states in order to obtain firsthand information on economic and social environment of the respective state in June 1984. For the same purpose Keidanren sent similar missions to 16 states in 1986, and to 5 states in 1987. These missions exchanged views with the Governors, members of the state legislature, Mayors, leaders of the state and municipal governments, business community, as well as Japanese companies who already operate locally and visited major industrial sites as well.

With the fast increasing direct investment, Japanese companies are bound to face various new problems caused by their direct investment in the U.S., including such issues as fostering better community relations and avoiding movements towards greater investment restriction. In order to cope with these problems, a new council named "Council for Better Investment in the U.S." (CBIUS) was established on April 6, 1988.

Following these activities, another investment expansion mission was organized to visit the State of Alaska and the State of Hawaii from September 4 to 13.

The Mission will report its findings to the member companies of Keidanren and CBIUS and other Japanese corporations for reference in their future investment plans.

Though this mission will not engage in immediate business talks on investment, we are convinced that the visits by the mission, composed of representative corporations of major industrial sectors in Japan, will lead to a smooth expansion of Japan's direct investment, taking into account various social and economic concerns in the United States.

Keidanren Investment Mission to The United States of America Alaska, Hawaii

September 1988

Hideo ISHIHARA

Managing Director
The Industrial Bank of Japan, Ltd.

石原 秀夫

日本興業銀行常務取締役

3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo
100, Japan

**Members:****Yoshimi MIZUKAMI** (Alaska only)

Chairman of the Board
Hasegawa Komuten Co., Ltd.

水上 芳美

長谷川工務店代表取締役会長

32-1, Shiba 2-chome, Minato-ku, Tokyo
105, Japan

**Jiro HAYASHI** (Alaska only)

Director
General Manager, Energy Development Dept.
Idemitsu Kosan Co., Ltd.

林 二郎

出光興産取締役新燃料部長

1-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
100, Japan

**Katsuzo FURUDATE**

Director Accounting, Finance and
Information & Communication Systems Dept.
Taiyo Fishery Co., Ltd.

古館 一造

大洋漁業取締役経理・財務・情報通信システム部担当

1-2, Otemachi 1-chome, Chiyoda-ku, Tokyo
100, Japan

**Kunio UCHINO**

General Manager
Business Development Dept.
Building Construction Div.
Kajima Corporation

内野 邦夫

鹿島建設建築本部営業部長

2-7, Moto-Akasaka 1-chome, Minato-ku,
Tokyo 107, Japan

**Satoshi OGIHARA**

Manager, Business Planning Dept.
International Operations
Fujitsu Limited

荻原 諭

富士通海外事業本部営業推進統括部長

6-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
100, Japan

**Takehiko SUZUKI**

General Manager (Planning)
General Planning Dept.
The Tokyo Electric Power Co., Inc.

鈴木 健彦

東京電力企画部部長

1-3, Uchisaiwaicho 1-chome, Chiyoda-ku,
Tokyo 100, Japan

**Hiroyuki HOTTA**

Vice President
Associated Business Administration
and Development.
Japan Air Lines Co., Ltd.

堀田 寛行

日本航空関連事業本部付部長

7-3, Marunouchi 2-chome, Chiyoda-ku
Tokyo 100, Japan

**Mitsuru MISAWA, Ph. D.**

General Manager
International Headquarters
General Manager
International Investment Services Div.
The Industrial Bank of Japan, Ltd.

三沢 満

日本興業銀行海外本部海外参事役兼国際投資情報室室長

3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo
100, Japan

**Yoshihiko SHOYAMA**

Manager
Project Dept.
Systems Engineering Div.
Hitachi, Ltd.

庄山 佳彦

日立製作所システム事業部プロジェクト室室長

6, Kanda-Surugadai 4-chome, Chiyoda-ku,
Tokyo 101, Japan



Shozo MIYAKAWA (Alaska only)
General Manager
Energy Group Administration Office
Nissho Iwai Corporation

宮川 尚三
新井ビルレジ部門総括室長

4-5, Yanaka 2-chome, Minato-ku, Tokyo
107, Japan



Hajime MORI (Alaska only)
President
Nippon Express Travel U.S.A., Inc.

森 一
本國日通旅行社長

49 Geary St., San Francisco,
CA 94132, U.S.A.



Heiji UEDA
General Manager
International Finance
Shimizu Corporation

上田 平治
清水建設財務担当部長

16-1, Kyobashi 2-chome, Chuo-ku, Tokyo
104, Japan



Sadami (Chiris) WADA
(Alaska only)

Senior Vice President
Sony Corporation of America

和田 貞実
米国ソニー副社長

9 West 57th Street, 43rd Fl., New York,
N.Y. 10019, U.S.A.



Shinichiro FUKUDA
Deputy General Manager
Business Development Division I
Chiyoda Corporation

福田 信一郎
千代田化工営業第1本部副部長

31-19, Shiba 2-chome, Minato-ku, Tokyo
105, Japan



Yoshimichi OHARA
Executive Vice President
Nippon Steel U.S.A., Inc.

尾原 嘉道
米国新日鐵副社長

611 West 6th Street, Suite 2900,
Los Angeles CA 90017, U.S.A.



irohisa MITSUCHI
Deputy General Manager
Overseas Dept.
Sumitomo Corporation

三土 裕久
住友商事海外業務部次長

2-2, Hitotsubashi 1-chome, Chiyoda-ku, Tokyo
100, Japan



Makoto SUNAGAWA (Alaska only)
Chief Representative
Representative Office in Washington
The Export-Import Bank of Japan

砂川 眞
日本輸出入銀行ワシントン首席駐在員

1707 H St., N.W., #801,
Washington, D.C., U.S.A.



Katsuaki TATOBE
General Manager
International Dept.
Kowa Real Estate Investment Co., Ltd.

田土部 勝昭
興和不動産海外事業部参事役

12-24, Nishi-Azabu 4-chome, Minato-ku,
Tokyo 106, Japan



Yoshio NAKAMURA (Coordinator)
Senior Assistant Director
International Economic Affairs Dept.
Keidanren

中村 芳夫 (幹事)
経団連国際経済部調査役

9-4, Otemachi 1-chome, Chiyoda-ku, Tokyo
100, Japan



Atsushi YAMAKOSHI

Staff Economist
International Economic Affairs Dept.
Keidanren

山越 厚志
経団連国際経済部



Yukito NAGATANI

International Travel Div.
Tokyo Air Service Branch
Nippon Express Co., Ltd.

永谷 幸人
日本通運東京航空支店国際旅行部



Interpreter:

Yaejoong KIM

金 礼 中(通訳)
サイマル・インターナショナル通訳

Keidanren (Japan Federation of Economic Organizations) is a private, non-profit economic organization representing virtually all branches of economic activities in Japan. Keidanren, maintaining close contact with both public and private sectors at home and abroad, endeavors not only to find practical solutions to economic problems but also to contribute to the sound development of the economies of Japan and countries around the world.

Through the merger of several economic and industrial organizations active since prewar days, Keidanren was established in August 1946.

Since then Keidanren has grown into a nationwide body with 120 association and 915 corporate members as of August 1988.

Headed by internationally acknowledged leaders of the Japanese business community, Keidanren plays an active and influential role in the achievement of harmonious economic prosperity for all mankind.

KEIDANREN

Japan Federation of Economic Organizations

9-4, Ohtemachi 1-chome,
Chiyoda-ku, Tokyo 100, Japan
Tel. (03) 279-1411
Telex: 222-3188 KDR TOKJ
Facs. (03) 246-0574

Sony Corporation of America
9 West 57th Street
New York New York 10019
Telephone (212) 418-9419
Washington D C (202) 775-1831

Sadami (Chris) Wada
Senior Vice President
Government Affairs

February 22, 1989

Testimony in support of
SB-119
Of Alaska State Senate
To modify
The Worldwide Unitary Tax
To Water's Edge Method

By

Sadami (Chris) Wada
Senior Vice President
Sony Corporation of America

U.S. Advisor to
The Council for Better
Investment in the U.S.
of KEIDANREN

My name is Sadami (Chris) Wada, Senior Vice President of Sony Corporation of America and I am also U.S. Advisor to the Council for Better Investment in the U.S. of KEIDANREN.

KEIDANREN is a Japanese name for Japan Federation of Economic Organizations. It is a private, non-profit economic organization representing virtually all branches of economic activities in Japan. It is certainly a nation-wide body with 120 association members and 921 corporate members as of September 1988.

KEIDANREN has sent a series of investment-related missions to various states since 1984, covering 23 states in the first year, 16 states in 1986, 5 states in 1987 and Alaska and Hawaii in September 1988.

Last September the 21-member KEIDANREN investment study mission to Alaska visited a number of places and had a number of important meetings in the state. The meetings included the state legislature leaderships, business leaderships, the Administration leaderships and reporters from media world.

We were very much impressed by the beauty of Alaska and its short distance from Japan. Its abundant natural resources also impressed us. Even though the state lost competition for 1994 winter Olympic site, the state is rich in sites for skiing and other winter sports.

However, we were very much disappointed to learn that this rich and beautiful state has the notorious worldwide unitary tax system. The British, Dutch and other European nations united their efforts to appeal to the United States with their strong opposition against this unfair, unreasonable and internationally-rejected tax system. Prime Minister Margaret Thatcher repeatedly urged then president Ronald Reagan of the U.S. to stop the practice of the unitary tax on a worldwide basis.

We also found out the unfortunate nature of this worldwide unitary tax system, that results in unfair double taxation and in most onerous administrative burden that in most cases do not give any justice in the final tax assessment. We thought this is very ironic for Alaska, because this beautiful state was the first state to open its office in Tokyo, Japan in order to invite our investments in the state, but now it is the last state to eliminate it if it wants to see its Tokyo office succeed in inviting Japanese investments into the state.

In 1984 the following 12 states had the worldwide unitary tax system. They were Alaska, California, Colorado, Florida, Idaho, Indiana, Massachusetts, Montana, New Hampshire, North Dakota, Oregon and Utah. All except Alaska changed their tax system. The most important worldwide unitary tax state, California with its largest tax exposure among the 12 states, provided the water's edge choice by its state legislature and the governor's signature in 1986. The governor of California did support their water's edge and signed it into the law for their economic growth through greater international investment particularly in manufacturing. All of those states that modified their tax system did so in the same thought as California.

KEIDANREN, Sony and others from Japan, for greater investments in Alaska are all pleased to see SB-119 before the state legislature, and wish very much to support the passage of the bill. We are very happy to know that Governor Cowper took the initiative in this effort with the wide support from the Alaska state legislature. The worldwide unitary tax system penalizes investment. When one makes an investment in manufacturing, it takes time in purchasing land, building plant structures, machines, training workers, organizing plant operations to be efficient, debugging machine operations and also in securing and training material and parts suppliers. It takes easily a few years before you can have real profit on which you may pay income tax. Until you make profit, you have nothing to pay tax out of. The notorious worldwide unitary tax demands state tax payment out of global income from other countries, through what they call worldwide combination of income. Income made in other countries is of course taxed in each country. Why such income should be subjected to another tax. We oppose such double taxation. After invited to invest and to contribute to the economic activities and to the economic base, why one should be penalized by such double taxation.

Further, the worldwide unitary tax system requires combining of properties, sales and payroll of the whole world, in order to find out what percentage of the global income should be attributed to a certain state. Prices of one acre in the U.S. and Japan are very different, particularly when the one acre in Japan was bought three hundred years ago while the one in the U.S. was bought 1989. Those original book values of the each acre, make no basis for apportioning global income. It creates nothing but distortion. Sales in large and traditionally established market and in unstable and risky market would of course have different profit margin, therefore, such providing no rational basis to allocate global income. Wage levels are clearly known to be different country to country, once again, providing no reasonable basis for allocating global income. In Japan, no-lay off means very much beyond some wage differences and it can have important value. Country to country, fringe

benefits are different, that include housing in some countries where it could mean very much in value. Therefore, contribution to income creation cannot be direct translation of wages or salaries. There are in some cases, very important elements that enables contribution by employees to the corporate income, outside wages and salaries.

I am sure that state tax authorities are responsible to tax corporations without allowing them to hide income and evade due taxes. The Federal Government is very much responsible for making sure that they tax right and not allow international corporations to evade taxes. Their responsibilities may be even far greater, the stake being much larger compared to state level. The Federal tax authorities use "arm's length" method to test any suspicious transactions. IRS Code 482 gives the Secretary of Treasury such an authority to carry out their responsibility to tax. Why cannot a state use the same test, rather than rely upon the impossible worldwide unitary tax system.

Exchange rates among nations that have been changing so much not only over years but even within a year of twelve months. What exchange rate to use? What justification is there for choosing any exchange rate? What could have been the exchange rate of the Japanese currency of three hundred years ago to the U.S. dollar? Should we combine the result, whatever it may be, with the value of any U.S. property bought this year?

Japan has made about \$50 billion direct investment in the United States so far. As we make trade surplus with the U.S. we must get the money back to U.S. Unless we do so, the shortage of money in U.S. will drive the interest rate higher and economic activities lower. Japan should invest such U.S. money in manufacturing industries, rather than national bonds, considering productive and job-creating impact. Greater manufacturing has tremendous ripple effects in economic activities.

I am sure all the people in the world find Alaska beautiful and exciting with her natural beauty. She is rich in resources and attractive for recreational sports of different kinds. The KEIDANREN mission came and found this state very attractive but when we learned that unfortunately this state still keeps what we thought was something of the past, we were surprised and disappointed, because the worldwide unitary tax means a red flag for investment.

SB-119 eliminates the worldwide unitary tax from Alaska and removes fear of unfair double taxation from investing in Alaska. It ends the most cumbersome and onerous tax system.

Once the notorious worldwide unitary tax is removed from Alaska and the internationally accepted system is applied to investors from U.K., Holland, Germany or any other country certainly including Japan, I am sure Alaska is really ready for any international investments. KEIDANREN will remove the red flag from Alaska on the investment map.

I would like to express here my sincere appreciation for the opportunity to communicate our opposition against the worldwide unitary tax and our support to the Senate Bill SB-119.

I would also like to express here my appreciation for the January 25, 1989 opportunity to testify via telephone in support of the same SB-119 before the Senates's Committee on International Trade and Tourism under the chairmanship of Senator Szymanski.

***** end *****

ATTACHMENT A

Draft List of Possible Options

1. **Separate accounting for all corporate taxpayers.** This is nominally what the Japanese are asking for, and would remove the psychological barrier said to deter foreign investment. It could lose us up to \$2 million annually (depending on how implemented) in non-petroleum corporate tax revenue, but at current oil prices would increase petroleum tax revenue by at least \$150 million. Under separate accounting, production and pipeline profits earned in Alaska would be taxed at the full 9.4 percent nominal rate. See the table below for the effective rates under current law.

Net Income, Tax Paid, and Average Effective Rates
Petroleum Corporate Income Tax

-----millions-----

	Alaska Net Income	Tax Paid	Tax Rate
1983	\$5,771	\$236	4.1%
1984	\$6,639	\$265	4.0%
1985	\$5,083	\$169	3.3%
1986	\$3,452	\$134	3.9%

Net income calculated from data in Sohio annual reports and FERC filings.

2. **Water's edge for all corporate taxpayers.** Would also remove the psychological barrier said to deter foreign investment. Likely to have little impact on current non-petroleum corporate tax revenue (i.e. ± <\$1 million annually). The effect on petroleum revenue could be much larger, though difficult to predict. EXXON and Standard would probably pay more tax, and that ARCO would pay less, resulting in a net increase of \$10-40 million in annual corporate petroleum income tax revenue.

3. **Status quo for oil companies, separate accounting for everyone else.**

4. **Status quo for oil companies, water's edge for everyone else.**

5. **Status quo for oil companies, separate accounting or water's edge for everyone else, with a compensating rate change to make result "revenue neutral."** But has anyone figured out what we mean by "revenue neutral?"

6. **Separate accounting or water's edge for everyone, with a compensating rate change to make result "revenue neutral."** Theoretically, this could get the state the same

amount of money as it is currently getting, while cutting the nominal tax rate roughly in half. The oil companies would pay a tiny bit more than at present. Everyone else (at least everyone currently paying 9.4 percent) would have their corporate tax reduced by half. This would unequivocally have a positive economic diversification effect, a statement that can't be made about any of the options describe above. The problem, of course, is that the rate adjustment required for revenue neutrality this year (assuming we could figure that out in advance) would almost certainly not be revenue neutral in the following year.

7. **Abolish the non-petroleum tax, go to separate accounting for oil companies and adjust the rate to achieve "revenue neutrality."** We could probably reduce our nominal 9.4 percent rate (now paid only by ^{NEW-}oil companies) to 5.5 percent and expect the result to approximate the revenue from our current corporate tax structure. Like option 6, this would produce an unequivocal economic diversification impact.

8. **Abolish the non-petroleum tax, go to separate accounting for oil companies.** Like option 1, above, this would raise oil company taxes and state revenue. Unlike option 1, this would be certain to have a positive impact on economic diversification.

9. **Give corporations an option, a la California.** Any time we give the oil companies (or any other profit maximizers) an option, they will use it to lower their costs. Where the amounts at stake are large, as they are with in the case of Alaska oil, there is the risk of losing big bucks.

10. **Give non-petroleum corporations an option, a la California, but retain (and require) worldwide unitary for oil companies.** But some authorities have suggested that once you establish an option, it must be made available to all.

11. **Do nothing.** "Sorry, governor. It seemed like a good idea at the time, but further study suggests that it doesn't make sense. The reason it doesn't make sense is...."

12. **Study the question until it goes away.** A variation on the "do nothing" option, above. An easy option to justify because no matter how much analysis we devote to any proposed change, we will still face considerable uncertainty on the revenue effects of the change. And while it may not always be true, it can always be asserted that additional analysis will reduce the residual uncertainty.

**TABLE D-6
CORPORATE INCOME TAX
AS PERCENT OF STATE TAX COLLECTIONS
1985**

RANK	STATE	PERCENT
1	NEW HAMPSHIRE	22.0
2	MICHIGAN	16.0
3	CONNECTICUT	14.0
4	MASSACHUSETTS	12.9
5	CALIFORNIA	12.6
6	NORTH DAKOTA	12.2
7	NEW JERSEY	12.0
8	ALASKA	10.8
9	MONTANA	9.8
10	DELAWARE	9.4
11	NORTH CAROLINA	9.4
12	PENNSYLVANIA	9.3
13	GEORGIA	9.2
14	NEW YORK	9.0
15	TENNESSEE	8.6
16	KANSAS	8.3
17	RHODE ISLAND	8.2
18	WISCONSIN	8.2
19	OREGON	7.8
20	ILLINOIS	7.7
21	VERMONT	7.6
22	LOUISIANA	7.6
23	ARKANSAS	7.5
24	MINNESOTA	7.3
25	SOUTH CAROLINA	7.3
26	ALABAMA	7.3
27	KENTUCKY	7.0
28	ARIZONA	6.9
29	IOWA	6.7
30	VIRGINIA	6.4
31	MISSISSIPPI	5.9
32	IDAHO	5.8
33	MARYLAND	5.7
34	FLORIDA	5.5
35	MAINE	5.3
36	WEST VIRGINIA	5.3
37	OHIO	5.1
38	MISSOURI	4.8
39	SOUTH DAKOTA	4.8
40	NEBRASKA	4.7
41	NEW MEXICO	4.5
42	COLORADO	4.4
43	INDIANA	4.1
44	UTAH	3.9
45	HAWAII	3.6
46	OKLAHOMA	3.5
47	NEVADA	0.0
48	TEXAS	0.0
49	WASHINGTON	0.0
50	WYOMING	0.0
	50 STATE AVG.	8.2

ATTACHMENT B

The corporate tax is plays a bigger role in Alaska than in most states, though a smaller role than it did before the 1981 tax amendments (see Attachment D). Alaska would rank a little lower if the comparison were made against "all general revenues," which would then include our royalty income in the denominator. This is U.S. Census data.

TABLE D-32
CORPORATE PROFITS TAX
ON ADDED DOLLAR OF PROFIT
(\$1,000,000 TO \$1,000,001)

1986

RANK	STATE	PERCENT
1	MINNESOTA	12.00
2	CONNECTICUT	11.50
3	NEW YORK	10.00
4	OHIO	9.70
5	CALIFORNIA	9.80
6	MASSACHUSETTS	9.50
7	PENNSYLVANIA	9.50
8	ALASKA	9.40
9	NEW JERSEY	9.00
10	VERMONT	9.00
11	MAINE	8.93
12	DELAWARE	8.70
13	NEW HAMPSHIRE	8.25
14	RHODE ISLAND	8.00
15	WISCONSIN	7.90
16	IDAHO	7.70
17	OREGON	7.50
18	KENTUCKY	7.25
19	MARYLAND	7.80
20	WEST VIRGINIA	7.00
21	KANSAS	6.75
22	MONTANA	6.75
23	NEBRASKA	6.65
24	ILLINOIS	6.50
25	IOWA	6.48
26	HAWAII	6.44
27	ARKANSAS	6.00
28	GEORGIA	6.00
29	NEW MEXICO	6.00
30	NORTH CAROLINA	6.00
31	SOUTH CAROLINA	6.00
32	TENNESSEE	6.00
33	VIRGINIA	6.00
34	ARIZONA	5.67
35	NORTH DAKOTA	5.67
36	FLORIDA	5.50
37	COLORADO	5.00
38	MISSISSIPPI	5.00
39	OKLAHOMA	5.00
40	UTAH	5.00
41	LOUISIANA	4.32
42	INDIANA	3.00
43	ALABAMA	2.70
44	MISSOURI	2.70
45	MICHIGAN	0.00
46	NEVADA	0.00
47	SOUTH DAKOTA	0.00
48	TEXAS	0.00
49	WASHINGTON	0.00
50	WYOMING	0.00

ATTACHMENT C

As this ranking shows, Alaska has a fairly high corporate tax rate. Large mining companies and others which historically pay virtually no income tax may not care. For small to medium corporations (annual sales less than \$50 million) studies suggest that the rate may be a significant factor in both location decisions and business success. The desire to reduce the nominal rate has been an element in tax "reform," both federally and in states like Minnesota and New York. For many, a quick and quantitative measure of income tax "reform" is the increase in collections per percentage point of rate: (Δ collections/1% tax/million \$ tax base).

ATTACHMENT D

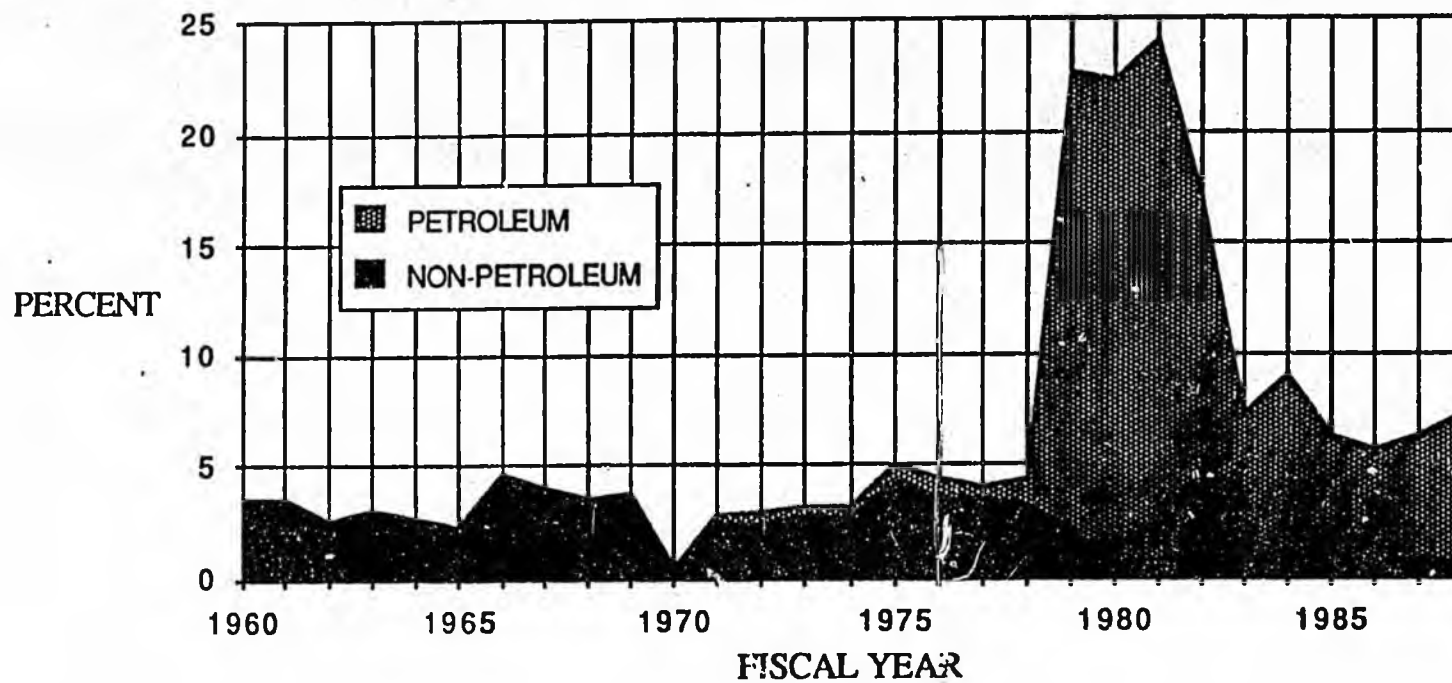
CORPORATE TAX AND TOTAL UNRESTRICTED REVENUE, FY 1959-88
(\$ Millions)

<u>FY</u>	<u>UNRESTRICTED GENERAL FUND REVENUE</u>	<u>CORPORATE INCOME TAX REVENUE</u>	
		<u>Petroleum</u>	<u>Non-petroleum</u>
59	25.4		1.4
60	48.0		1.7
61	40.5		1.4
62	68.9		1.8
63	71.6		2.2
64	67.0		1.8
65	83.0		1.9
66	86.5		4.1
67	86.6		3.5
68	112.7	0.1	3.8
69	112.4	0.1	4.2
70	1067.3	0.4	4.9
71	220.4	0.9	5.2
72	219.2	1.2	5.3
73	208.2	0.9	5.9
74	254.9	1.2	7.0
75	333.4	2.5	14.8
76	709.8	4.9	26.2
77	874.3	5.0	30.8
78	764.9	8.4	25.1
79	1133.0	232.6	24.8
80	2501.2	547.5	17.9
81	3718.2	860.1	34.8
82	4108.4	668.9	34.8
83	3631.0	236.0	30.1
84	3390.1	265.1	39.5
85	3260.0	168.6	36.0
86	2679.4	135.0	15.0
87	1741.3	95.0	14.0
88*	1716.1	110	15

*Forecast.

ATTACHMENT E

**CORPORATE INCOME TAX REVENUES
AS A SHARE OF TOTAL U.G.F. REVENUE**



STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 17, 1939

The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Kelly:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the methods of corporate income tax reporting for certain taxpayers. This bill requires that corporations that are members of affiliated groups owned by foreign corporate parents file returns based on the "water's edge" method, instead of the "worldwide" method of tax accounting. The "water's edge" method is a taxing method that takes into consideration only the domestic activities of foreign corporations and does not consider income from their non-American operations.

The "worldwide" method of tax accounting has many virtues, but it is intensely disliked by most potential investors overseas. Virtually every other state that used the "worldwide" method has repealed it in recent years in order to increase investment and trade opportunities. There is simply no reason why Alaska should keep this barrier to investment on the books when other states have repealed it.

The next century, it is said, will be the era of the Pacific Rim. Alaska is strategically placed to participate fully in the booming economies of the region. I believe that we must take every step possible to encourage trade and investment in Alaska. This bill will remove a major psychological barrier to investment in the state while having only a minimal fiscal impact. I urge your prompt and favorable consideration of this bill.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Steve Cowper".

Steve Cowper
Governor

Transmittal Letter

SECTION

D

Sunday
February 25, 1990

P-I Focus

A HEARST NEWSPAPER

Foreign firms taking massive U.S. tax cheat?

NEW YORK — A report this week that foreign companies doing business in the United States allegedly have cheated on their taxes on a large scale strikes me as a major scandal with far-reaching implications for American business.

As the investigation of the charges by the Internal Revenue Service proceeds, I hope the media will give the story the attention it clearly deserves.

I've always been in favor of unrestricted foreign investment in the United States, as long as American investors abroad received reciprocal treatment and there was fair play all around.

The alarm expressed in recent years that foreigners are "buying up" our country's assets struck me as exaggerated and somewhat hysterical in tone. It still does, although I fully agree that far too little has been done to make the Japanese open up to U.S. investment in the same way that we're open to investment by them.

Throughout our history, ours has been the nation where other people have been able to invest, not only their capital, but also their ideas and technology, with the greatest freedom and the fewest political or bureaucratic obstacles. It's a policy that has paid off handsomely for us — helping to make America the world's most flourishing economy for a century or more — and it shouldn't be changed.



W.R. Hearst Jr.

Editor's Report

\$544 billion in tax deductions against total income of \$543 billion . . . That looks pretty fishy to me.

But the disclosure that foreign corporations seem to have engaged in a tax fraud of huge proportions indicates that our hospitality has been badly abused. The Japanese make good cars, but Americans don't want to be taken for a ride by their tax accountants.

According to the IRS, more than half of 36,800 foreign-owned companies filing tax returns in 1986 reported no taxable income. All told, foreign-owned firms that year — the last for which the complete figures are available — took \$544 billion in tax deductions against total income of \$543 billion.

That looks pretty fishy to me. IRS officials were quoted by the New York Times last week as estimating that, in the past 10 years, the U.S. subsidiaries of foreign companies may have underpaid their taxes by \$12 billion.

The Search for the Beginning of TIME

Hubble space telescope promises astronomers revolutionary findings

By John Noble Wilford

Any spacecraft that inspires allusions to Alice of Wonderland cannot be meant for some ordinary excursion through the heavens.

The Hubble Space Telescope is, indeed, not just any spacecraft. Scheduled for launching this spring, after five years of delays, the spacecraft and its exquisitely polished 94 1/2-inch-wide telescopic mirror should enable astronomers to see farther and 10 times more clearly than they have before, out tantalizingly close to the edge of the universe and toward the very beginning of time.

Excited astronomers can hardly believe their good fortune to be living at a moment so rich in the promise of revolutionary discovery. One of them likens the anticipated adventures in astronomy to Alice stepping into Wonderland.

Analysis

Malcolm Longair, the Astronomer Royal of Scotland, has written, with respectful apologies to Lewis Carroll, a whimsical (though highly technical) book about the "world's most extraordinary looking glass" and titled it "Alice and the Space Telescope." His Alice encounters Humpty Dumpty, who has been put together again by the people at the National Aeronautics and Space Administration. She asks him why the telescope will revolutionize mankind's understanding of the universe. "The answer is



IRS officials were quoted by the New York Times last week as estimating that, in the past 10 years, the U.S. subsidiaries of foreign companies may have underpaid their taxes by \$12 billion.

The principal method of evading taxes apparently has been for U.S. branch companies to pay artificially inflated "book" prices for products and services they buy from their parent companies to sell here. In that way, of course, they're able to reduce the amount of their taxable income. One such case, involving the U.S. affiliate of Yamaha, the Japanese motorcycle manufacturer, is already pending in the United States Tax Court.

But indications that underpayments over many years have been widespread and systematic suggests to me that what is involved isn't simply a matter of individual companies trying to put one over on the tax collector.

Scams like this normally require the participation of a lot of people in order to be carried off successfully over a long period. Approval, almost certainly, has to come from a very high corporate level.

The fact that many companies seem to have adopted the same illicit strategy more or less simultaneously raises additional questions which, I hope, the IRS investigation and one announced last week by a subcommittee of the House Ways and Means Committee will find the answers to.

What's at stake here is far more than making sure that a number of foreign-controlled companies cough up what they owe to the U.S.

Of course, the IRS isn't everyone's most beloved government agency. Already, cries of "witch hunt" have gone up from companies that expect to come under scrutiny. But before the IRS probe came to light, Congress's Joint Committee on Taxation was on record as deploring the fact that "the level of tax payments of foreign-owned businesses in the United States is unusually low." So it doesn't look like a question of over-zealousness by the IRS, a tendency of which it is frequently accused.

What's at stake here is far more than making sure that a number of foreign-controlled companies cough up what they owe to the U.S. government.

Tax evasion on the scale that's being talked about distorts the whole competitive system and, consequently, the workings of the free market.

It appears to have given offending firms a big advantage over their American-owned rivals.

James Wheeler, a professor of accountancy at the University of Michigan, told the Times that the low level of profits habitually reported by many foreign-owned companies is "unbelievable."

As a result of this state of affairs, he noted, "on the average, foreign-owned U.S. corporations pay substantially less tax . . . than the American firms with which they compete."

If that's true, it is an intolerable situation. Something should be done about it forthwith.

William Randolph Hearst Jr. is editor in chief of The Hearst Newspapers.

Focus

The Seattle Post-Intelligencer Focus section presents a perspective on the news and the newsmakers. It offers analysis and background, debate and opinion, and is written and edited by the P-I staff. For views of the P-I Editorial Board, see the next page.

again by the people at the National Aeronautics and Space Administration. She asks him why the telescope will revolutionize mankind's understanding of the universe. "The answer is very short," Humpty Dumpty replies. "Space Telescope will revolutionize mankind's understanding of the Universe because it cost a billion dollars."

Actually, since construction began in 1977 \$1.5 billion have been spent on the space telescope, mostly by the United States, but with some critical help from the 13-nation European Space Agency. Hubble's costs escalated, in large part, because of early development difficulties and the four-year launching delay necessitated by the explosion of the space shuttle Challenger in January 1986. Just operating the Hubble, once it gets into space, will run \$200 million more a year.

But astronomers reckon the value of their expensive eye in the sky not by cost, the cynical Humpty Dumpty notwithstanding, but by their own vision of impending discovery. Over the next 15 years or more, the Hubble's designed lifetime, the breadth and depth of view from the telescope's 380-mile-high orbit should open their minds to realms of knowledge once denied mere mortals. With it they expect to learn the age and size of the universe and to probe its origin, evolution and ultimate fate.

The telescope will search for planets around other stars, a key to the quest for extraterrestrial life, and examine interstellar dust and gases out of which stars are born. It will contribute to the heated dispute over the rate of the universe's expansion — and thus over its age — one of the most important measurements to be undertaken by astronomers operating the telescope. "In Wonderland, you get prizes for asking the questions, not for giving the answers," says Longair's Mad Hatter. "It's just like extragalactic astronomy."

With the spirit of Alice leading the way I set out on my own wide-eyed adventure, which landed me in Baltimore. Now, astrophysicists applying Einstein's general theory of relativity to three-dimensional space believe that the universe is curved and has no center. But try telling that to the engineers and scientists established in a beige brick building on a wooded hillside on the campus of Johns Hopkins University. This is the Space Telescope Science Institute, financed by NASA and operated by the Association of Universities for Research in Astronomy, a consortium of 20 institutions that also runs major observatories at Kitt Peak in Arizona and Cerro Tololo in Chile. Here astronomers are putting the finishing touches on mission plans and will be directing, by remote control, what the telescope looks at.


OVERSEEING THIS AMBITIOUS

undertaking is Riccardo Giacconi, an Italian-born astronomer and the institute's director. He was a professor of astronomy at Harvard and led the international scientific teams that developed and successfully operated the Uhuru and Einstein X-ray astronomy satellites in the 1970s. For the last eight years he has been planning how to make the most of the Hubble telescope's abilities.

"We are in a period of revolution in astronomy," Giacconi says with a heavy Italian accent. "Anything you really want to know about the universe we've found out in the last 50 or so years. If you want to know how stars form, produce their energy and then die — that was unknown until the theory of general relativity and the discovery of nuclear fusion in this century. If you want to know how big the universe is and how old — we started learning that in 1930."

It was the American astronomer Edwin P. Hubble who laid the groundwork for studying the age of the universe. In the 1920s he made two startling discoveries — that the universe is organized

John Noble Willford writes about science and space for The New York Times. His latest book, "Mars Beckons," will be published in May by Alfred A. Knopf, Inc. Excerpted from The New York Times Magazine.



into galaxies the galaxies. Moreover, the relationship between velocity became distant objects, conditions in the beginning of time that the age of the universe, as Glac Visible light, which magnify, tells only story. Radio, infra and gamma rays, a violent universe, human vision reach

Nothing deeper than the bi scientists, bordering asking it to

serenity of the night astronomy has dev for observing wave the eye.

One of the most astronomy has been murky and turbule blocks or attenuate including visible light, surpassing utility point. Thus, though size of that of the Palomar in California astronomy's premier Hubble should have

Nothing defines discovery better than scientists, with an are asking it to add Australian and form theoretical astroph to the chalkboard, big questions in the profession.

HO he scratches H (for Hubble) nature of the universe, that no one can estimate are twice uncertainty about cosmic distances as universe is as little billion years old.

By observing especially the lumin for surveying astro accurately determine much farther away Analysis of these di the galaxies are rec should determine o expansion of the ur 10 percent.

T0 is the symbol which has to do with clusters — dense as oldest stars that can Current estimates r billion years old. H

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: SB 119

PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Alaskan Corporate Taxpayers with Foreign Parent Corporations
Sponsor: Rules Committee
Requestor: Governor

Agency Affected: Revenue
BRU: Income & Excise Audit

Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	<500.>	<500.>	<500.>	<500.>	<500.>	<500.>

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel *Steven E. Kettel* Phone: (907) 465-2320
Division: Income and Excise Audit Date: March 1, 1990

Approved by Commissioner: Hugh Malone *Hugh Malone* Date: March 1, 1990
Agency: Department of Revenue

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

Prepared by:
Steven E. Kettel
Income and Excise Audit Division

Analysis

Legislation Affecting Alaska Corporate Taxpayers with Foreign Parent Corporations.

The proposed legislation would require corporate income taxpayers with foreign parents to file on a water's edge combined basis beginning in calendar year 1989. The legislation would not affect taxpayers who currently file under AS 43.20.072 (Oil and Gas Producers and Pipelines). Nor would it affect Alaska corporations which do not have foreign operations. The total number of taxpayers affected and the total tax liability of these taxpayers are small.

In order to derive an estimate of the possible revenue impact of the proposed legislation the Department analyzed tax returns filed for the most recent tax year available - 1986. For tax year 1986 staff identified the tax returns of taxpayers with foreign parents. This methodology was designed to determine the potential revenue impact from only those taxpayers currently operating in Alaska. The Department did not estimate the potential revenue impact of incremental business activity in Alaska by corporations with foreign parents which may be induced by this proposed legislation.

Based on an analysis of the taxpayers which were identified as possibly being affected by the proposed legislation, the maximum tax liability decrease for tax year 1986 would have been no greater than \$500,000.

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: SB 119 (a)
PUBLISH DATE: 1/17/89

FISCAL NOTE

REQUEST:

Revision Date: January 9, 1989
Title: Alaskan Corporate Taxpayers with Foreign Parent Corporations
Sponsor: Rules Committee
Requestor: Governor

Agency Affected: Revenue
BRU: Income and Excise Audit
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	0	(60.0)	(60.0)	(60.0)	(60.0)	(60.0)

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: See attached analysis.

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Carl Meyer, for

Phone: (907) 465-2320
Date: January 9, 1989

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

H Malone

Date: January 9, 1989

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

SB 119 (a)
1/17/89

Prepared by: John Larson and
Steve Kettel
Alaska Department of Revenue



Fiscal Note Analysis: Legislation Affecting Alaskan Corporate Taxpayers
with Foreign Parent Corporations

The proposed legislation would require corporate income taxpayers with foreign parents to file on a water's edge combined basis beginning in calendar year 1989. The legislation would not affect taxpayers who currently file under AS 43.20.072 (Oil and Gas Producers and Pipelines). Nor would it affect Alaska corporations which do not have foreign operations. The total number of taxpayers affected and the total tax liability of these taxpayers are small.

In order to derive an estimate of the possible revenue impact of this proposed legislation the Department analyzed tax returns filed for the most recent tax year available - 1986. For tax year 1986 staff identified the tax returns of taxpayers with foreign parents. This methodology was designed to determine the potential revenue impact from only those taxpayers currently operating in Alaska. The Department did not estimate the potential revenue impact of incremental business activity in Alaska by corporations with foreign parents which may be induced by this proposed legislation.

Based on an analysis of the taxpayers which were identified as possibly being affected by the proposed legislation, the maximum tax liability decrease for tax year 1986 would have been no greater than \$60,000.

S

B

L

2

8

HOUSE COMMITTEE REPORT

(11)

Date Referred: April 27, 1989

FURTHER REFERRALS:

Date of Committee Action: 5/1/89

The FINANCE Committee considered:

SB 128

SENATE BILL NO. 128 [EXTEND THE CODE REVISION COMMISSION]

"An Act extending the termination date of the Alaska Code Revision Commission; and providing for an effective date."

RECOMMENDATIONS:

- [] be replaced with _____ [] the same title
- [] have attached amendment(s) [] a new title
- [X] 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 _____

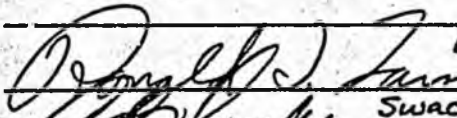
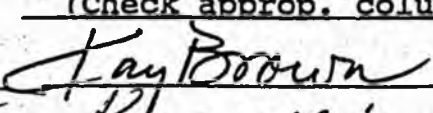
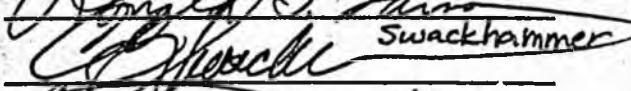
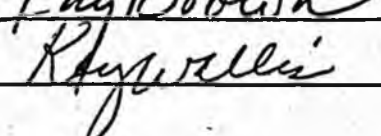
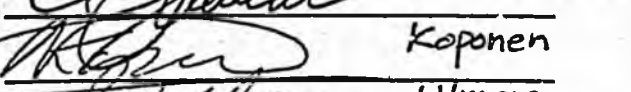
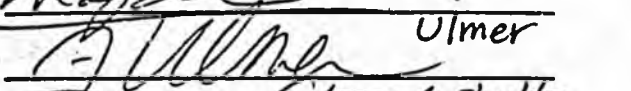
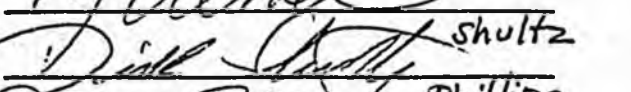
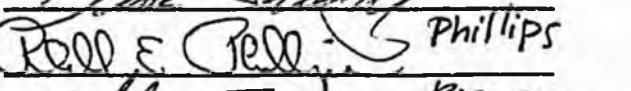
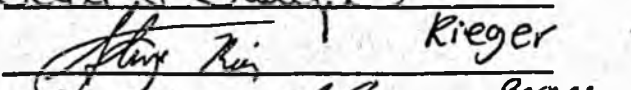
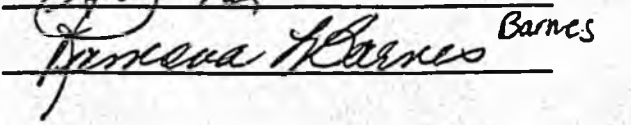
- [X] fiscal note(s) LAA 4/6/89
- [] zero fiscal note(s) _____
- [] zero fn/analysis _____

SIGNING DO PASS:

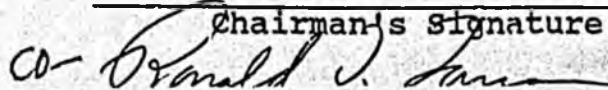
SIGNING:

(Check approp. column)

Do Not
Pass No Rec Amend

 Larson	 Brown		X	
 Swackhammer	 Walis		✓	
 Koponen				
 Ulmer				
 Shultz				
 Phillips				
 Krieger				
 Barnes				

Chairman's Signature



FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act extending the termination
date of the Alaska Code Revision Commission...
Sponsor: Senator Sturgulewski
Requestor: Senate Finance

Affecte Agency Legislative Affairs Agency
BRU: Legislative Council
Components Legal Services

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
Personal Services	0.0	26.5	26.5	26.5	26.5	0.0
Travel	0.0	15.0	15.0	15.0	15.0	0.0
Contractual	0.0	8.6	8.6	8.6	8.6	0.0
Supplies	0.0	1.0	1.0	1.0	1.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	0	51.1	51.1	51.1	51.1	0.0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (THOUSANDS OF DOLLARS)

General Fund	0	51.1	51.1	51.1	51.1	0
Federal Fund	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	51.1	51.1	51.1	51.1	0

POSITIONS:

Full-Time	0	0	0	0	0	0
Part-Time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Please note: 17.6 of FY 90 funding has already been requested in the Legislative Affairs Agency budget request. This fiscal note for FY 90 reflects the 17.6 plus the additional 33.5 to add additional staff months to support the Code Revision Commission.

Prepared By: Pamela Stoops, Director
Division: Administrative Services

Pamela Stoops

Phone: 465-3850
Date: 4/5/89

Approved By: Warren Endicott, Executive Director
Agency: Legislative Affairs Agency

Warren W Endicott

Date: 4/5/89

DISTRIBUTION (BY PREPARER)
LEGISLATIVE FINANCE
LEGISLATIVE SPONSOR

REQUESTOR
OFFICE OF MANAGEMENT & BUDGET
AGENCY (IES)

CONTINUATION OF FISCAL NOTE - SB 128

Funding for the Code Revision Commission has been under the Legal Services Division since FY 87.

Current FY 89 funding is as follows:

23.0 Travel	
17.0 Contractual (3.6 contractual--phones, advertising, etc., 14.0 Title 2 rewrite)	
1.0 Supplies	
<u>41.6</u>	

Senate Bill 128 extends the termination date of the Alaska Code Revision Commission.

A recent audit found the funding level of the Code Revision Commission to be inadequate to carry out their function.

The following funding is being requested to adequately support the Code Revision Commission within the Legal Services Division. Existing clerical and attorney time will be absorbed within the Division to provide year-round staff support for the Commission. The funding request for personal services will increase existing staff from 9 months to 12 months.

Personal Services:

3 months at 12A - Admin Asst	9.0	
3 months at 23A - Attorney	<u>17.5</u>	
	26.5	26.5

Travel: Travel of 13.0 has already been requested in the FY 90 LAA budget request. An additional 2.0 is requested. 15.0

Contractual: Contractual of 3.6 has already been requested in the FY 90 LAA budget request. An additional 5.0 is requested for professional services for special projects. 8.6

Supplies: Supplies of 1.0 has already been requested in the FY 90 budget request. 1.0
51.1

LAA Request		+	SB 128 Fiscal Note		=	Code Revision FY 90 Request	
Travel	13.0		Pers Svcs	26.5		Pers Svcs	26.5
Contr.	3.6		Travel	2.0		Travel	15.0
Supplies	<u>1.0</u>		Contr.	5.0		Contr.	8.6
	17.6			<u>33.5</u>		Supplies	<u>1.0</u>
							51.1

1 IN THE SENATE

BY STURGULEWSKI

2

SENATE BILL NO. 128

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act extending the termination date of the Alaska

7

Code Revision Commission; and providing for an effective

8

date."

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

10 * Section 1. AS 44.66.010(a)(8) is amended to read:

11

(8) Alaska Code Revision Commission (AS 24.20.075) --

12

June 30, 1993 [1989];

13

* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

BOARD: CODE REVISION COMMISSION, ALASKA

TITLE: Alaska Code Revision Commission

DEPT: Legislature

AUTHORITY: AS 24.20.075

STATUS: 89/06/30

REQUIREMENTS:

PROHIBITIONS: Public members may not be employees of state government.

TERM: 6 years (public members and Bar Association member); terms of public members and Board of Governor's designee begin July 1 and end June 30 six years later (even-numbered years). ✓

DESCRIPTION: 8 members - 1 attorney employed by Executive Branch appointed by Governor; 3 public (not state government employees) appointed by Legislative Council; 1 legislator, appointed by each house's presiding officer; a designee of the Chief Justice of the Supreme Court, and a designee of the Alaska Bar Association Board of Governors appointed by the Board of Governors of the Alaska Bar; members may be reappointed or redesignated; commission selects chair.

SPECIAL FACTS: Serve at pleasure of appointing authority except 3 public members and designee of Alaska Bar Association who serve 6-year terms; quorum - 4 members; summary report to each Legislative Council, the Governor, all legislators, and the Chief Justice; commission selects chair and vice-chair.

FUNCTION: Reviews/recommends changes in statutes, judicial decisions for defects/anachronisms of the law; reviews/considers proposed changes in the law; receives/considers suggestions to review/remedy the law; may hold public hearings and other meetings throughout the state.

COMPENSATION: Standard travel/per diem for legislators.

MEETINGS: As determined by chair 10 times per year; 27 days maximum.

*FOR FURTHER INFORMATION CONTACT: Executive Secretary, Alaska Code Revision Commission, P.O. Box Y, Juneau, AK 99811 PHONE: 465-2450

ALASKA CODE REVISION COMMISSION

MEMBER	APPT	TERM
John W. Abbott P.O. Box 100588 Anchorage 99510 346-1039 Public - Chair	88/11/28	94/06/30
Dick L. Madson 712 8th Avenue Fairbanks 99701 (W) 452-4215 (H) 452-4254 Leg/Public	88/04/26	92/06/30
Wilson L. Condon 1121 Hillcrest Drive Anchorage 99503 (W) 276-2713 (H) 277-6137 Public	84/10/23	90/06/30
Peter Froehlich P.O. Box K Juneau 99811 (W) 465-3600 (CAP 412) Attorney/Executive	86/07/01	
Pat Rodey P.O. Box V Juneau 99811 (Cap. 113) (W) 465-3793 Legis/S	89/01/23	
Mary K. Hughes 509 West 3rd Ave. Anchorage 99501 (W) 274-7522 Bar Association	86/07/01	92/06/30
Thomas B. Stewart Pouch U Juneau 99811 (W) 463-4747 Supreme Court		
Fran Ulmer P.O. Box V Juneau 99811 (Cap. 421) (W) 465-4947 Legis/H	89/01/30	

THE FOLLOWING DOCUMENT HAS
NOT BEEN FILMED BUT IS
AVAILABLE IN THE ORIGINAL
FILE

A PERFORMANCE REVIEW
OF THE
ALASKA CODE REVISION COMMISSION

conducted by

ELGEE & REHFELD
Certified Public Accountants

Audit Control Number

30-1349-89-R

Members of the Alaska
Code Revision Commission

John W. Abbott, Chairman
Dick L. Madson
Wilson L. Condon
Peter Froehlich
Senator Rick Halford
Mary K. Hughes
Honorable Thomas B. Stewart
Representative John Sund

STATE OF ALASKA

AUDIT DIVISION
P.O. BOX W
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

October 25, 1988

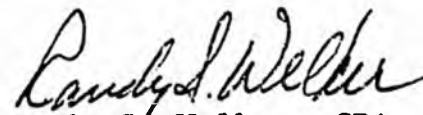
Members of the Legislative Budget
and Audit Committee:

According to the provisions of Titles 24 and 44 of the Alaska Statutes, the Division of Legislative Audit is required to conduct a "sunset" review of the Alaska Code Revision Commission.

Since this Division is part of the Legislative branch of the State, as is the Commission, we lack the apparent independence necessary to perform the review.

As a result, the audit of the Alaska Code Revision Commission was conducted, and this report has been prepared by Elgee & Rehfeld, Certified Public Accountants.

We feel this report discharges our responsibility under Titles 24 and 44. The report is submitted for your review.



Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit

ELGEE
& REHFELD

CERTIFIED PUBLIC ACCOUNTANTS

9220 Lee Smith Drive, Juneau, Alaska 99801 (907) 789-1692

September 26, 1988

LEGISLATIVE AUDIT DIVISION
State of Alaska
P.O. Box W
Juneau, Alaska 99811-3300

SEP 27 1988

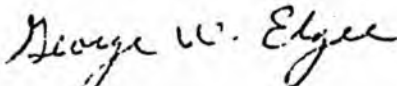
Att: Randy S. Welker, Legislative Auditor

Dear Mr. Welker:

In accordance with the Contract for Services between the Legislative Audit Division and our firm, we have completed a performance review of the Alaska Code Revision Commission using guidelines and standards established in Alaska Statutes for such "sunset" reviews.

The report, entitled A PERFORMANCE REVIEW OF THE ALASKA CODE REVISION COMMISSION, is hereby submitted.

Respectfully,



George W. Elgee, CPA
Partner

GWE/jb

TABLE OF CONTENTS

	<u>Page</u>
Purpose and Scope of the Review.	1
History, Organization and Function	3
Report Conclusion.	7
Findings and Recommendations	13
Analysis of Public Need.	17
Appendix A: Legislative Enactment of Recommendations of the Alaska Code Revision Commission 1985, 1986, 1987, 1988.	20
Appendix B: Schedule of Alaska Code Revision Commission Legislation submitted to the Legislature and Work In Process but not submitted to the legislature	22
Appendix C: Budgets of the Alaska Code Revision Commission, FY84, FY85, FY86, FY87, FY88.	24
Agency Response: Alaska Code Revision Commission.	27

PURPOSE AND SCOPE OF THE REVIEW

Purpose

In accordance with AS 24.20.271(1) and AS 44.66 (Sunset Legislation), a review of the Alaska Code Revision Commission was conducted to examine the commission's activities, operation, policies and accomplishments. The purpose of the review is to determine if the subject commission has operated in a fair, effective, efficient and economical manner in the performance of its statutory functions, duties and responsibilities.

As required by AS 44.66.050, this report shall be considered during the legislative oversight procedure in determining whether the Alaska Code Revision Commission should be continued or reestablished with changes. As currently specified in AS 44.66.010(a), this commission will terminate on June 30, 1989.

Scope

The major areas studied were the commission's operations, policies, administration and procedures; and the effectiveness of the commission in accomplishing its mandated objective of recommending changes needed to bring "the law into harmony with current needs and conditions." (AS 24.20.075(c)(4)).

The review consisted of examination, research, analysis and evaluation of the following:

- (1) Applicable Alaska Statutes and amendments thereto:

HISTORY, ORGANIZATION AND FUNCTION

The Code Revision Commission was established as a permanent commission of the legislature by an act of that body (CH 114 SLA-1976). The act creating the commission established its membership as consisting of two legislators (one from each house appointed by the presiding officer); a public member appointed by the governor; a designee of the chief justice of the supreme court, and a designee of the board of governors of the Alaska Bar Association. The director of legal services for the Legislative Affairs Agency or his designee serves as executive secretary for the commission.

The commission was created to:

- (1) examine the statutes of the state and judicial decisions to discover defects and anachronisms in the law;
- (2) review and consider proposed changes in the law recommended by the National Law Institute, the National Conference of Commissioners on Uniform State Laws, the Alaska Judicial Council, the Supreme Court, the state or local bar associations, principal departments, agencies, boards and commissions of the executive or judicial branch, and committees of the legislative branch;
- (3) receive and consider suggestions from the Alaska bench and bar, public officials, organizations and individuals as to areas of the law needing revision and remedy;
- (4) recommend changes in law needed to eliminate antiquated and inadequate rules of law and to bring the law into harmony with current needs and conditions.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

PURPOSE AND SCOPE OF THE REVIEW

Purpose

In accordance with AS 24.20.271(1) and AS 44.66 (Sunset Legislation), a review of the Alaska Code Revision Commission was conducted to examine the commission's activities, operation, policies and accomplishments. The purpose of the review is to determine if the subject commission has operated in a fair, effective, efficient and economical manner in the performance of its statutory functions, duties and responsibilities.

As required by AS 44.66.050, this report shall be considered during the legislative oversight procedure in determining whether the Alaska Code Revision Commission should be continued or reestablished with changes. As currently specified in AS 44.66.010(a), this commission will terminate on June 30, 1989.

Scope

The major areas studied were the commission's operations, policies, administration and procedures; and the effectiveness of the commission in accomplishing its mandated objective of recommending changes needed to bring "the law into harmony with current needs and conditions." (AS 24.20.075(c)(4)).

The review consisted of examination, research, analysis and evaluation of the following:

- (1) Applicable Alaska Statutes and amendments thereto:

- (2) Minutes of the commission from August 2, 1984 to June 17, 1988 (with exception of missing minutes).
- (3) Sunset review dated November 6, 1981.
- (4) Sunset review dated November 8, 1984.
- (5) Records and documents of the commission,
- (6) Contracts between the commission and its consultants,
- (7) Commission budgets for FY 86, FY 87 and FY 88,
- (8) Interviews conducted with:
Director of Legal Services, Legislative Affairs Agency
Members of the commission
- (9) Financial records
- (10) Relevant legislative intent and bill history.

HISTORY, ORGANIZATION AND FUNCTION

The Code Revision Commission was established as a permanent commission of the legislature by an act of that body (CH 114 SLA-1976). The act creating the commission established its membership as consisting of two legislators (one from each house appointed by the presiding officer); a public member appointed by the governor; a designee of the chief justice of the supreme court, and a designee of the board of governors of the Alaska Bar Association. The director of legal services for the Legislative Affairs Agency or his designee serves as executive secretary for the commission.

The commission was created to:

- (1) examine the statutes of the state and judicial decisions to discover defects and anachronisms in the law;
- (2) review and consider proposed changes in the law recommended by the National Law Institute, the National Conference of Commissioners on Uniform State Laws, the Alaska Judicial Council, the Supreme Court, the state or local bar associations, principal departments, agencies, boards and commissions of the executive or judicial branch, and committees of the legislative branch;
- (3) receive and consider suggestions from the Alaska bench and bar, public officials, organizations and individuals as to areas of the law needing revision and remedy;
- (4) recommend changes in law needed to eliminate antiquated and inadequate rules of law and to bring the law into harmony with current needs and conditions.

The commission is empowered to:

- (1) hold public hearings and other meetings as necessary throughout the state, and to determine an appropriate quorum for conducting business;
- (2) establish one or more subcommissions to assist it in the performance of its duties.

The staff of the Legislative Affairs Agency serves as staff for the commission, and (subject to appropriations for the purpose) contracts with other agencies or persons for the performance of necessary services for the commission.

Funds considered necessary for the commission (per diem, travel, contract expenses) are to be sought in a formal budget request to the legislative council. (Appropriated funds are dispersed and accounted for under procedures required by the Legislative Affairs Agency).

All branches of state government are directed to provide information and documents required by the commission necessary to the accomplishment of its work.

The commission is directed to submit its reports and recommendations, and draft legislation as to revision of law, to the Legislative Council, and shall distribute them to the governor, members of the legislature, and the chief justice of the supreme court.

In 1977, membership on the commission was broadened to include a "designee of the governor who is an attorney employed by the executive branch of the state government." (CH 57 SLA 1977).

The enabling legislation was further amended by CH 44 SLA 1980 to:

- (1) clarify the name of the commission as the Alaska Code Revision Commission;
- (2) establish 6 year terms for the public members and the designee of the Alaska Bar Association Board of Governors , and prescribe the manner in which vacancies are filled;
- (3) clarify the per diem and travel allowances provided members of the commission;
- (4) prescribe the manner in which the public members and the designee of the Board of Governors shall determine the length of their respective terms of office;
- (5) bring the Alaska Code Revision Commission within the purview of the sunset law (AS 44.66.101)

In 1982, following consideration of the performance review of the Alaska Code Revision Commission conducted in accordance with the requirements of AS 44.66, the commission was continued until June 30, 1985. The enabling legislation was further amended by ch 65 SLA 1982 which provided for:

- (1) three public members (bringing total commission membership to eight), and specified the length of terms for the additional public members;
- (2) addition of the Alaska Legislative Council and the American Law Institute (formerly National Law Institute) to those organizations whose proposed changes in the law are to be reviewed and considered by the commission;

(3) a requirement that the commission's recommendations as to revisions of Alaska law shall be accompanied by a sectional analysis "using language that is understandable to a layman."

In 1986 AS 24.20.074 (b) was amended to have the three public members appointed by the Legislative Council instead of by the governor. An additional change was also made to continue the terms of commission members until a member's successor is appointed.

*

*

REPORT CONCLUSION

Policy Issues

This review discusses issues raised as a result of our analysis and evaluation of the commission's organization and structure, responsibilities, operations and procedures. Resolution of these policy matters will require legislative action. In debating these issues, the legislative oversight committees should consider the findings and alternatives presented in this report in reaching their decision.

Report Conclusion

In our opinion, the Alaska Legislature should continue the Alaska Code Revision Commission as a permanent commission of the legislature subject, however, to an increase in the commission's operating budget. Additionally some changes should be made to the statutes regarding commission membership and attendance.

The conclusion recommending continuation of the commission is supported by the following rationale:

- (1) The commission serves an important function that is not duplicated by any other agency; i.e. substantive review of entire bodies of state law.
- (2) The commission has the time, objectivity, experience and expertise to conduct research into the often complex areas of law that it seeks to improve.

(3)The commission conducts a continuing forum where interested parties are welcome to provide testimony and to participate in debate with respect to areas of the law in need of amendment or reform.

(4)The commission provides a valuable service to the legislature by its study, hearings and resulting recommendations to the legislative council concerning improvement of state statutes.

The conclusion recommending increases to the commission's budget and changes to the statutes regarding membership and attendance is supported by the following findings:

The budget of the Commission is not adequate to properly conduct its affairs. This is evidenced by the fact that the commission has not kept adequate minutes of its meetings and has not taken on any significant new legislative tasks in four years.

Attendance at meetings of the commission by specific members of the commission was as low as 25% over the period under review.

Discussion

The Alaska Code Revision Commission is a dedicated organization. The members of the commission for the most part are not paid to serve on the commission. The commission's membership is such that the State of Alaska receives thousands of hours of free legal advise and consultation from some of the best legal minds available. The individual members are so dedicated to their mission that even though the commission's budget was eliminated in FY86 they still made themselves available to testify before the legislature on statute changes they had recommended.

It would not be equitable to use the same criteria in judging the performance of the Code Revision Commission, whose job is to make recommendations to the legislature, as would be employed in the audit of an agency or board directly serving the citizens of Alaska. Thus, the focus of this review is not the number or importance of the commission's recommendations that have actually been enacted by the legislature-- but rather, the fairness, effectiveness and efficiency of the commission's procedures in arriving at its recommendations for improvement of Alaska's laws.

FAIRNESS

The commission's work is conducted under the open meetings act. The commission accepts public testimony at all of its meetings. The nature of the commission's work does not attract public attention and the work performed by the commission is such that the average lay person would not comprehend the significance of many of the changes recommended by the commission to modify the specific statutes under review. Additionally, it may be perceived by many that the need to testify before the commission is not urgent in that all work done by the commission is then submitted to the Legislature for further review at which time those concerned may testify.

EFFECTIVENESS

The effectiveness of the commission is not impressive for the period under review. In the four years since the last review, the commission has had only two recommended changes enacted into law (see Appendix A). These two bills were issues which had been before the commission for almost ten years. This lackluster accomplishment can be viewed in both

a positive and a negative light. The fact that the recommendations were eventually enacted after ten years of effort lends credence to the importance of the legislation as well as the diligence of the commission. Probably no other formal body could have maintained the continuity and determination to pursue passage of these bills. The downside is that it took the commission ten years to get legislation approved and that the conditions under which the commission operates are such that only two bills passed in a four year period.

EFFICIENCY

Since its last sunset review, the commission incurred a substantial reduction to its operating budget. From 1982 until 1985, the commission had an attorney with substantial state government experience as its research director and a secretary. This staff provided the commission with an ability to conduct its business in what appears to have been an extremely efficient and effective manner.

There appears to be a direct correlation between the commission's budget reduction and the amount of work produced by the commission. During the period from 1982 to 1984, when the commission had full funding, eight major

pieces of commission legislation were enacted by the legislature. From the period 1985 to 1988, only two pieces of commission legislation have been enacted. It is important to note that, the work on these two pieces of legislation had been substantially completed by the commission before 1985. It appears the lack of commission staff has dramatically affected its ability to efficiently deal with its work load.

Per statute, the staff of the Legislative Affairs Agency serves as staff for the commission. In practice, however, the staff of the Legislative Affairs Agency has only infrequently been able to serve as staff for the commission; and contracting with consultants has not been possible since the commissions budget has been reduced.

*

*

*

The findings and recommendations contained in the following section of this review are designed to improve the fairness, effectiveness and efficiency with which the commission conducts its service to the legislature.

FINDINGS AND RECOMMENDATIONS

Recommendation No.1

The commission's budget should be increased. If the commission's budget is not adequately funded then the commission should not be continued.

The drastic reduction of the commission's budget appears to have had a substantial affect on the committee's ability to perform its function. The commission presently appears to be dealing only with legislation which it had substantially completed before its budget was cut. There is no indication that the commission has taken on or completed and sent to the legislature any new legislation which was not already substantially completed from prior years.

The commission's budget appears to be below even that of a maintenance level. The commission no longer has funds for personal services and insufficient funds to contract for any significant professional services. The funds available to the commission are basically for travel and per diem. During the period reviewed, the commission did not have staff for basic duties such as keeping the minutes of their meetings, these duties being assigned to individual commission members on a meeting by meeting basis.

Consequently, some minutes were not kept and were not available for review.

It is recommended that the commission be funded at a level sufficient to enable the commission to properly function. It is suggested that at least a half time position in both the administrative and legal research areas be made available to the commission. These positions might best be placed in the, legal services section of the Legislative Affairs Division and be made available to the commission on an as needed basis.

If the commission does not receive adequate funding then it is suggested that the commission not be continued. An alternative to the commission would be to appoint a special commission with adequate funding to work on legislation on an as needed basis as the legislature determines necessary.

Recommendation No. 2

Commission members who are excessively absent from
commission meetings should be replaced.

In a review of the attendance by individual members of the commission, it was discovered that in some instances attendance was below 50%. The Legislature has recognized the importance of a commission whose makeup represents a broad range of legal and public interests. If a commission member is not able to attend meetings, then it is possible the commission is not getting sufficient input from the realm of legal and public areas of interests as envisioned by the legislature.

It is recommended that if attendance by an individual commission member falls below an acceptable level, that the member be replaced.

Recommendation No. 3

Legislative members of the commission should be allowed to designate a person to represent them at commission meetings should they not be able to attend.

A review of attendance by legislative members of the commission indicated that they attended less than 25% of commission meetings.

In interviews with commission members, it was agreed that participation by legislative members was both desirable and beneficial. Legislative members that have been actively involved in specific commission legislation have apparently been quite helpful in getting the commission's work enacted into law.

It is suggested that instead of replacing legislative members who have poor attendance, that they be allowed to designate a person to represent them at commission meetings. These designees should have full voting powers.

ANALYSIS OF PUBLIC NEED

The public need factors defined in the "Sunset" law pertain primarily to regulatory bodies, or to commissions, boards and agencies directly serving the public.

The following analysis of the Alaska Code Revision Commission addresses those factors deemed applicable to a permanent commission of the legislature that we were able to cover within the scope of our review.

A determination as to whether a board or commission or agency program has demonstrated a public need for its continued existence shall take into consideration the following factors.

I. The extent to which the board, commission or program has operated in the public interest;

1. The commission has recommended revisions to Alaska law which in its judgement were in the general public interest.

II. The extent to which the operation of the board, commission or agency program has been impeded or enhanced by existing statutes, procedures, and practices which it has adopted, and any other matter, including budgetary, resource, and personnel matters;

1. The commission's budget has dramatically decreased since its last sunset review. In FY86, the commission's budget was completely eliminated. (see Budget Information Appendix B). Yet despite reduced funding the commission has continued to operate. However, if the legislature is not going to appropriate adequate funding the commission should be eliminated (See Recommendation No.1).

III. The extent to which the board, commission or agency has recommended statutory changes which are generally of benefit to the public interest;

1. The commission has recommended statutory changes which in its judgement was of benefit to the public interest.

IV. The extent to which the board, commission or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service which it has provided;

1. The commission has accepted and encouraged testimony on its recommendations.

V. The extent to which the board, commission or agency has encouraged public participation in the making of its regulations and decisions;

1. The commission has consistently attempted to notify all parties of interest in topics that it was studying, and has encouraged their participation in its meetings.

VI. The efficiency with which public inquiries or complaints regarding the activities of the board, commission or agency filed with it, with the department to which a board or commission is administratively assigned, or with the office of the ombudsman have been processed and resolved.

1. No complaints have been filed with the ombudsman's office in a four year period.

VII. The extent to which a board or commission which regulates entry into an occupation or profession has presented qualified applicants to serve the public;

Not applicable to this commission.

VIII. The extent to which state personnel practices, including affirmative action requirements, have been complied with by the board, commission or agency to its own activities and the area of activity or interest;and

Not applicable to this commission.

IX. The extent to which statutory, regulatory, budgeting or other changes are necessary to enable the agency, board or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection.

Please refer to FINDINGS AND RECOMMENDATIONS section of this report.

*

*

*

*

APPENDIX A

LEGISLATIVE ENACTMENT OF THE
RECOMMENDATIONS OF THE ALASKA
CODE REVISION COMMISSION 1985, 1986, 1987, 1988

APPENDIX A

LEGISLATIVE ENACTMENT OF COMMISSION RECOMMENDATIONS 1985,
1986, 1987, AND 1988

1985

NO COMMISSION LEGISLATION WAS ENACTED

1986

NO COMMISSION LEGISLATION WAS ENACTED

1987

NO COMMISSION LEGISLATION WAS ENACTED

1988

CORPORATION CODE
CH 166 - SLA38

DOCUMENT RECORDING
CH 161 - SLA 88

APPENDIX B

SCHEDULE OF
ALASKA CODE REVISION COMMISSION
LEGISLATION SUBMITTED TO THE LEGISLATURE
AND
WORK IN PROCESS BUT NOT SUBMITTED TO THE LEGISLATURE

APPENDIX B

LEGISLATION SUBMITTED TO THE LEGISLATURE AND WORK IN PROCESS
BUT NOT SUBMITTED TO THE LEGISLATURE 1985, 1986, 1987,
1988.

14TH LEGISLATURE 1985-86.

LEGISLATION SUBMITTED TO THE LEGISLATURE

CORPORATION CODE
RECORDABLE DOCUMENTS (1)
SECURITY INTEREST IN REAL PROPERTY (2)

WORK IN PROCESS BUT NOT SUBMITTED TO THE LEGISLATURE

ADMINISTRATIVE PROCEDURE ACT
COOPERATIVE CORPORATION CODE REVISION

15TH LEGISLATURE 1987-88

LEGISLATION SUBMITTED TO LEGISLATURE

DOCUMENT RECORDING (1)
REAL PROPERTY SECURITY INTEREST (2)
CORPORATIONS CODE

WORK IN PROCESS BUT NOT SUBMITTED TO THE LEGISLATURE

ADMINISTRATIVE PROCEDURE ACT
REVISION OF TITLE 8 (BUSINESS & PROFESSIONS)
OCCUPATIONAL LICENSING

- (1) Same bill, different titles
(2) Same bill, different titles

APPENDIX C

BUDGET OF THE ALASKA
CODE REVISION COMMISSION
FY84, FY85, FY86, FY87, FY88

APPENDIX C

Budgets of the Alaska Code Revision Commission; FY84, FY85,
FY86, FY87, and FY88.

FISCAL YEAR 84

Appropriation received.	<u>\$245,600</u>
Personal Services	111,258
Travel and Per Diem	37,539
Contractual Services	91,345
Material and Supplies	<u>5,488</u>
	<u>\$245,600</u>

FISCAL YEAR 85

Appropriation received	<u>\$180,100</u>
Personal Services	115,175
Travel and Per Diem	20,080
Contractual Services	39,025
Material and Supplies	<u>5,820</u>
	<u>\$180,100</u>

FISCAL YEAR 86

Appropriation received.	<u>\$ -0-</u>
-------------------------	---------------

FISCAL YEAR 87

Appropriation received.	<u>\$ 27,600</u>
Personal Services	\$ -0-
Travel and Per Diem	23,000
Contractual Services	5,600
Materials and Supplies	<u>1,000</u>
	<u>\$ 27,600</u>

APPENDIX C (continued)

FISCAL YEAR 88

Appropriation received.	<u>\$ 27,600</u>
Personal Services	\$ -0-
Travel and Per Diem	23,000
Contractual Services	5,600
Materials and Supplies	<u>1,000</u>
	<u>\$ 27,600</u>

ALASKA CODE REVISION COMMISSION



COMMISSIONERS
JOHN W. ABBOTT - CHAIRMAN
WILSON L. CONDON
PETER FROELICH
RICK HALFORD
MARY HUGHES
DICK MADSON
JUDGE (RET.) THOMAS B. STEWART
JOHN SUND

ALASKA STATE LEGISLATURE
P.O. BOX Y - STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-2450

EXECUTIVE SECRETARY
TAMARA BRANDT COOK

December 19, 1988

DEC 22 1988

Randy S. Welker
Legislative Auditor
Division of Legislative Audit
State of Alaska
Budget and Audit Committee
P.O. Box W
Juneau, Alaska 99811-3300

Re: A Performance Review of the Alaska Code Revision Commission
for the years 1985 through 1988; Response of the Commission

Dear Mr. Welker:

This letter will constitute the response of the Alaska Code Revision Commission pursuant to your letter request under date of November 28, 1988. The Commission met in formal session on December 16, 1988 and the following response represents the consensus of the Commission following its review of the performance review performed by Elgee & Rehfeld.

The Commission agrees with most of the matters contained in the performance review. However, it is felt that some clarifications should be made and disagreement with certain conclusions should be stated. The following are clarifications to the report:

1) At page 8 (Report Conclusion), the review states that no new significant legislative projects have been taken under consideration by the Commission.

In fact, the Commission is currently preparing a draft bill on Occupational Licensing. This project was dropped by the Commission during the Sheffield administration when a representative of the governor's office requested that the Commission draft bill and work product be forwarded to the Governor so that the executive branch could pursue legislative updating Title 8. No

such action was undertaken and the Commission again took under consideration the complete overhaul of this title. Because of a new administration, a new director of Occupational Licensing and numerous changes enacted into law by the Legislature, a complete review of the Occupational Licensing draft bill has become necessary. Substantial work will be necessary to provide a draft bill that reflects recent changes by the Legislature. Such a review has been in process since 1987.

The same is true of the Administrative Procedures Act which was exposed to hours of public hearings and considerable written responses from agencies of the executive branch. Because of the new administration, it has been necessary to again solicit responses from all agencies affected by a new APA title. This fresh review of the APA began in 1987 and is expected to conclude with a draft bill within the next six months.

During the last legislative session, the Senate requested that the Commission review Title 2 in its entirety, providing additional funding (\$14,000.00) for the hiring of a consultant to assist the Commission in its review. The Commission will be providing the Legislature with its review and recommendations for changes to this title.

2) The audit report recognizes that the focus of the review should not be the "number or importance of the commission's recommendations that have actually been enacted by the legislature - but rather, the fairness, effectiveness and efficiency of the commission's procedures in arriving at its recommendations for improvement of Alaska's laws". (Page 9 of audit report). However, the report goes on to state at page 10 that the effectiveness of the commission is not impressive because only two recommended changes were enacted into law.

The Commission agrees that the number of bills passed should not be used to determine the effectiveness of its operation. It is important to note that other states that have concluded major overhauls of their statutes have taken from 10 to 15 years from consideration of a topic to enactment by the legislature. Ten years is probably an average amount of time to enact a bill such as the for-profit corporations code. Additionally, the Commission during the last legislative session worked on changes to the Security Interests bill and the Cooperative Corporations Code. Because it is necessary to prioritize the importance of its draft bills, emphasis was placed on those bills most likely to be given consideration by the Legislature. As such, the Commission expended most of its efforts on the for-profit corporations code and the recording act.

3) On page 12 of the report (Efficiency), the report states that "[t]here appears to be a direct correlation between the commission's budget reduction and the amount of work produced by the commission". While the Commission agrees with this proposition, it should also be understood that changes in the membership of the Legislature and the Executive branch of the government necessitate additional changes in the draft bill product of the Commission. This is true of all bills submitted for Legislative consideration and is unavoidable. Also, as previously stated, the scope of legislative change encompassed by the Commission's draft bills will always be reflected in the amount of time needed for enactment of such legislation. What work is not reflected in the "bill passage rate" includes work on Occupational Licensing, Administrative Procedures Act, the non-profit and cooperative corporations codes and updating the Security Interests in Real Property bill. Relatively minor legislative changes have been made in the past on a number of Commission bills which tend to distort the "bill passage rate". As such, it should be understood that the subject matter of the bill plays a significant role in how much time is spent in changes until enactment and how much time is required to get a bill passed into law.

Finally, it is necessary to focus on changes to any draft bill necessitated by a change in administration or recent changes in law enacted by the Legislature. Before a Commission draft bill can be introduced, it is always necessary to "update" the draft to correspond with legislative changes made since the bill was last considered. As such, it is misleading to speak of completion of "legislation" prior to its enactment by the Legislature. Any draft bill is actually complete when considered and enacted by the Legislature.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

First Paragraph: The Commission agrees that there is a relationship between the size of its budget and the time frame within which a particular draft bill is ready for introduction into the legislative process. The Commission disagrees with the analysis concerning completion of a particular draft bill. For the reasons previously stated, and because the laws of the State are continually changing, it will always be necessary to "update" draft legislation, regardless of the size of the budget. It is true, however, that an increase in the budget would allow this "updating" process to be speeded up considerably. It should also

be noted that the Commission has been provided with a substantial amount of assistance by the Legal Division of LAA, with the understanding that work must be prioritized by Legal Division to carry out its main function of serving the Legislature. Every effort has been made by Legal Division to provide the Commission with assistance in performing its function.

Second Paragraph: The Commission generally agrees with this paragraph with the following comments. First, the Commission has in the past operated at a maintenance level budget and has performed its statutory mandate. It is correct to state that not all minutes of the meetings have been kept (although there are few lapses in the minute records). All of the meetings have been recorded on tape so that the actions of the Commission have been memorialized. The recent practice of having personnel from Legal Division attend meetings and keep the minutes has helped the Commission considerably memorializing its actions.

Third Paragraph: The Commission agrees that a half time position in both administrative and legal research areas be made available to the Commission. It also agrees that these positions should be included in the Legal Division (LAA) rather than creating these positions in the Commission.

Fourth Paragraph: The Commission disagrees that it should be discontinued if a budget increase is not forthcoming. It believes that it can continue to provide a service not presently performed in any other sector of State government. It also believes that it can continue to provide draft legislation of high quality for consideration by the Legislature even with a maintenance level budget and assistance such as is currently available from Legal Division.

RESPONSE TO RECOMMENDATION NO. 1

The Commission agrees that its budget should be increased; that two half-time positions should be added to Legal Division for further assistance to the Commission. The Commission disagrees with that part of the recommendation that holds that it should be discontinued if additional funding is unavailable. It also disagrees with that part of the recommendation relating to the appointment of a special commission to work on legislation on an as needed basis.

The Commission has developed a particular expertise in reviewing existing laws and drafting new laws. Its composition is such that it represents the views of all three branches of State government. Furthermore, as the audit report recognizes,

the mandate of the Commission includes much more than just responding to specific legislative requests. The value of the Commission (and other similar commissions in other states) is the ability of the body to determine on its own areas of the law that require review. This is particularly true in Alaska where much of its statutory law was borrowed from other states in 1959. The Legislature does not normally perform a review of existing law except within the context of drafting an amendment to a particular statute. With the exception of Title 11 (the criminal code) and Title 29 (Municipal Government), the Legislature has never undertaken a wholesale review of a particular title. Performance of this function was one of the main reasons for the creation of the Commission in 1976. Additionally, the Legislature does not normally consider or review the many additional sources for change enumerated in AS 24.20.075 et seq. A special commission appointed to just consider a specific legislative request would not be in a position to perform the additional functions outlined in the enabling legislation nor would it maintain the continuity that a permanent commission enjoys. It is the Commission's belief that without a permanent commission, there will be little likelihood that the work presently performed by the Commission will be undertaken by the Legislature or by a special commission. The ability to continually review existing laws to determine a need for change or amendment is a function particularly unique to a permanent commission and is not something that will be done by the Legislature except in rare instances.

The Commission also disagrees with the underlying premises implicit in the recommendations contained in Recommendation No. 1: that is, that the Commission should be discontinued if it is unable to perform at maximum efficiency. It is the Commission's position that it provides a valuable service not provided by any branch of State government, including the Legislature (except in rare instances). Even though the Commission has operated with a drastically scaled-down budget, it has continued to consider needed changes in the law and has in fact gotten two major pieces of legislation considered by the Legislature in the past session. While the Commission would enjoy a return to its 1984 level of funding, such funding is highly unlikely given the present demands for legislative funding and the greatly reduced sources of revenue for the State. The Commission can continue with a maintenance level budget to hold regular meetings and provide testimony to the Legislature during the sessions. With the assistance now available from Legal Division, both administrative and legal duties can be fully performed. In short, the Commission can continue to function and to fully perform its legislative mandate, providing a service not otherwise provided in the State.

Recommendation No. 2

First Paragraph: The Commission agrees with the content of this paragraph.

Second Paragraph: The Commission agrees with the content of this paragraph.

RESPONSE TO RECOMMENDATION NO. 2

The Commission agrees fully with this recommendation and will recommend to the appropriate appointing authority that members whose attendance falls below the 50% level be replaced with a member who will meet the attendance requirements. The Commission will also amend its by-laws (which govern the procedures used by the Commission) to reflect a requirement of 50% attendance at Commission meetings (excluding legislative members who are considered under recommendation no. 3 in this report).

Recommendation No. 3

First Paragraph: The Commission agrees with this paragraph.

Second Paragraph: The Commission agrees with this paragraph.

Third Paragraph: The Commission agrees with this paragraph. Legislative members in the past have designated persons to attend Commission meetings when they were unable to attend. The practice has been helpful to the Commission. It will add considerably to the dialogue established by the Commission if the designees can also vote on the topics under discussion. The Commission will amend its by-laws to reflect the new procedure recommended by this third paragraph.

RESPONSE TO RECOMMENDATION NO. 3

The Commission agrees fully with this recommendation and believes that the designees of legislative members can contribute significantly to the work of the Commission if they are able to vote on matters being considered by the Commission.

Summary of Responses to Recommendations and Action by The Commission.

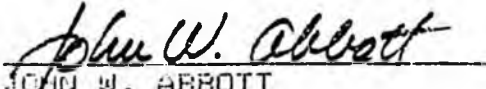
1. The Commission will submit a request for a budget increase to Legislative Council to increase the amount of funds available to contract for professional services. The Commission will also request that Legislative Council provide additional funding for two half-time positions to be included in the Legal Division of the Legislative Affairs Agency. Whether or not additional funding is available will be up to the Legislature. Funding increases would in all likelihood not be available until the next fiscal year. The Legislative Council would probably not request a supplemental appropriation on behalf of the Commission and additional funding would be available for the following fiscal year.

2. The Commission will adopt amendments to its by-laws to require a minimum of 50% attendance at all meetings by the members. The amendments will also require the Commission to notify any appointing authority of the failure of a member to meet this requirement and will request a replacement for the non-performing member. These amendments will be considered by the Commission at its next regularly scheduled meeting in January 1989.

3. The Commission will adopt amendments to its by-laws which will provide that any legislative members can appoint a designee to attend and vote at all Commission meetings. This amendment will be considered by the Commission at its next regularly scheduled meeting in January 1989.

Since the Commission has already agreed with the recommendations as set forth in this report (excepting therefrom those areas of disagreement), it is anticipated that the by-laws changes will be accomplished at the Commission's January 1989 meeting.

Very truly yours,


JOHN W. ABBOTT
Chairman, Alaska Code Revision
Commission

