

LEGISLATIVE FINANCE-HOUSE / SENATE FINANCE COMM. FILES 8879

SB 172 cont. - SB 174 630 221

**STATE CONTRACT
FOR
LOW INCIDENCE HANDICAPPED OUTREACH
SERVICES**

BI-ANNUAL REPORT

**FOR THE PERIOD
JULY 1 - December 31, 1988**

**SPECIAL EDUCATION SERVICE AGENCY
2211-B ARCA DRIVE
ANCHORAGE, ALASKA 99508**

S

B

L

T

B

SENATE COMMITTEE REPORT

FURTHER

3/21/89

DATE TURNED INTO OFFICE 4/4/89

Mr. President:

Finance Committee considered SB 173

municipal petitions and elections, and to appointments to fill certain municipal offices and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS SB 173 (GARA)) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

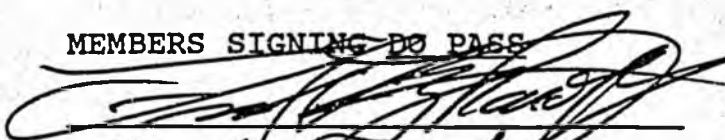
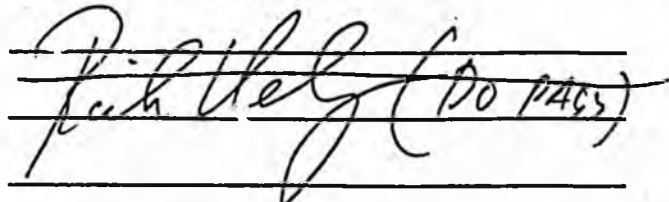
no recommendation

individual recommendations

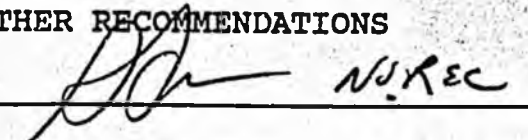
further referral to _____

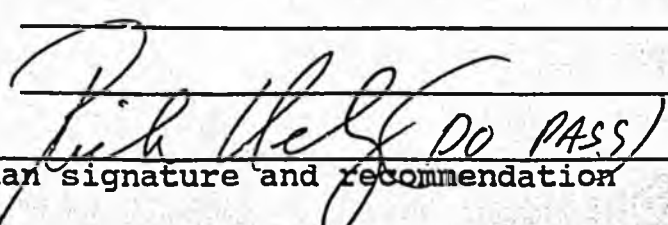
FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new Div of Elections updated previous
 same as previous fiscal note(s) published 3/28/89

MEMBERS SIGNING DO PASS


 Paul Thiel

 Rich Kelly (DO PASS)

OTHER RECOMMENDATIONS

 NR/EC


 Rich Kelly (DO PASS)

Chairman signature and recommendation

Committee Backup attached

R/O SFC 4-4-89

A/B

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSSB 173 (C&RA)
PUBLISH DATE: 3/8/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act..municipal petitions and elections..certain municipal offices."
Sponsor: Senator Adams
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: *Jim Plasman* Jim Plasman, Deputy Director Phone: 465-4750
 Division: Municipal & Regional Assistance Date: 3/7/89
 Approved by Commissioner: *David G. Hoffmann* Date: 3-7-89
 Agency: Community & Regional Affairs

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

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An act relating to municipal petitions & elections
Sponsor: Adams
Requestor: Adams

Agency Affected: Office of the Governor
BRU: Elections
Components: I - Elections

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Linda Edgeworth Phone: 465-4611
Division: Division of Elections Date: _____

Approved by Commissioner: [Signature] Date: 3/1/89
Agency: Division of Elections

Distribution (by preparer):

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

*See See
published
BUT FN not
addressed in
previous committee*

Original sponsor: Adams

1 IN THE SENATE BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 173 (C&RA)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to municipal petitions and elec-
7 tions, and to appointments to fill certain municipal
8 offices."

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

10 * Section 1. AS 04.11.502 is amended by adding a new subsection to
11 read:

12 (e) AS 29.26.110 - 29.26.160 applies to a petition under (a) of
13 this section in a general law municipality except the

14 (1) number of required signatures is determined under (a)
15 of this section rather than under AS 29.26.130;

16 (2) application filed under AS 29.26.110 shall contain the
17 question or combination of questions set out under AS 04.11.490 -
18 04.11.500 rather than an ordinance or resolution;

19 (3) petition shall contain the question or combination of
20 questions set out under AS 04.11.490 - 04.11.500 rather than material
21 required under AS 29.26.120(1) and (2).

22 * Sec. 2. AS 29.06.200 is amended by adding a new subsection to read:

23 (c) In a general law borough, a unification petition shall be
24 prepared by the borough clerk upon receipt of an application meeting
25 the requirements of AS 29.26.110, except that instead of the ordinance
26 or resolution the application shall contain the question under AS 29.-
27 06.210(a). The petition shall be prepared in accordance with AS 29.-
28 26.120, except material required under (a)(1) and (2) of that section
29 shall be replaced with the question under AS 29.06.210(a). The

1 signature requirements of AS 29.26.130(a), (c), and (d) apply to a
2 unification petition. The completed petition shall be submitted to
3 the clerk who shall deliver it to the assembly with a report of the
4 number of valid signatures determined by the clerk to be on the peti-
5 tion.

6 * Sec. 3. AS 29.10.010(e) is amended to read:

7 (e) A proposed charter for an existing municipality is prepared
8 by a charter commission of seven elected members. A charter commission
9 election is called by filing a petition with the governing body or by
10 resolution of the governing body. The petition shall be signed by a
11 number of voters equal to 15 percent of the votes cast in the last
12 regular election in the municipality. The petition shall be prepared
13 by the municipal clerk upon receipt of an application meeting the
14 requirements of AS 29.26.110 except that instead of the ordinance or
15 resolution the application shall request a charter commission elec-
16 tion. The petition shall be prepared in accordance with AS 29.26.120,
17 except material required under AS 29.26.120(a)(1) and (2) shall be
18 replaced with the question of whether a charter commission shall be
19 formed. The signature requirements of AS 29.26.130(a), (c), and (d)
20 apply to the petition. The completed petition shall be submitted to
21 the clerk who shall deliver it to the governing body with a report of
22 a number of valid signatures determined by the clerk to be on the
23 petition.

24 * Sec. 4. AS 29.20.460 is repealed and reenacted to read:

25 Sec. 29.20.460. MANAGER PLAN. (a) A municipality may adopt a
26 manager plan of government. Adoption of a manager plan may be initi-
27 ated either by petition or by motion of the governing body.

28 (b) A petition for the adoption of a manager plan shall meet the
29 requirements of AS 29.26.110 - 29.26.160 except, instead of an

1 ordinance or resolution, the application submitted under AS 29.26.-
2 110(a) must contain the question of whether a manager plan for the
3 municipality should be adopted and material required under AS 29.26.-
4 120(a)(1) and (2) shall be replaced with the same question.

5 (c) If the clerk certifies under AS 29.26.140 that a petition is
6 sufficient, the petition shall be submitted to the governing body.

7 * Sec. 5. AS 29.20.470 is amended to read:

8 Sec. 29.20.470. ELECTION ON ADOPTION OF MANAGER PLAN. On
9 receipt of a sufficient petition to submit to the voters the question
10 whether to adopt a manager plan or on its own motion to adopt a man-
11 ager plan, the governing body shall provide by ordinance or resolution
12 for a vote on the question at the next election.

13 * Sec. 6. AS 29.20.520 is amended to read:

14 Sec. 29.20.520. REPEAL OF MANAGER PLAN. A municipality may
15 repeal a manager plan by following the procedures under AS 29.20.460 -
16 29.20.480 [IN THE SAME MANNER USED] for [ITS] adoption of a manager
17 plan, except the question shall be whether the manager plan should be
18 repealed. Within 60 days after certification of the election approv-
19 ing repeal of a manager plan, the governing body shall enact pro-
20 visions for the reorganization of the municipal executive and adminis-
21 trative functions.

22 * Sec. 7. AS 29.26.050(a) is amended to read:

23 Sec. 29.26.050. VOTER QUALIFICATION. (a) A person may vote in
24 a municipal election only if the person

25 (1) is [A UNITED STATES CITIZEN WHO IS] qualified to vote in
26 state elections under AS 15.05.010;

27 (2) has been a resident of the municipality for 30 days
28 immediately preceding the election;

29 (3) is registered to vote in state elections at a residence

1 address within a municipality at least 30 days before the municipal
2 election at which the person seeks to vote; and

3 (4) is not disqualified under art. V of the state constitution.
4

5 * Sec. 8. AS 29.26.050(b) is amended to read:

6 (b) Voter registration by the municipality may not be required.
7 However, a municipality may by ordinance require that a person be
8 registered, at least 30 days before a municipal election, to vote in
9 state elections at the address in the municipality claimed as the
10 residence [IN THE PRECINCT IN WHICH THAT PERSON SEEKS TO VOTE IN
11 MUNICIPAL ELECTIONS].

12 * Sec. 9. AS 29.26.050 is amended by adding a new subsection to read:

13 (d) A municipality may by ordinance require that a person whose
14 registration has been cancelled under AS 15.07.130 must reregister and
15 meet the qualifications under (a) of this section to vote in a municipal
16 election.

17 * Sec. 10. AS 29.26.110(a) is amended to read:

18 (a) An initiative or referendum is proposed by filing an applica-
19 tion with the municipal clerk containing the ordinance or resolution
20 to be initiated or the ordinance or resolution to be referred and the
21 name and address of the prime sponsor to whom [WHICH] all correspon-
22 dence relating to the petition may be sent. An application shall be
23 signed by a least 10 voters who will sponsor the petition. An addi-
24 tional sponsor may be added at any time before the petition is filed
25 by submitting the name of the sponsor to the clerk. Within two weeks
26 the clerk shall certify the application if the clerk finds that it is
27 in proper form and, for an initiative petition, that the matter

28 (1) is not restricted by AS 29.26.100;

29 (2) includes only a single subject;

1 (3) relates to a legislative rather than to an administra-
2 tive matter; and

3 (4) would be enforceable as a matter of law.

4 * Sec. 11. AS 29.26.120(c) is amended to read:

5 (c) The clerk shall notify the prime sponsor when the petition
6 is available and the prime sponsor is responsible for notifying other
7 sponsors. Copies of the petition shall be provided by the clerk to
8 each sponsor who appears in the clerk's office and requests a peti-
9 tion. The clerk shall mail the petition in a borough if a sponsor

10 (1) resides more than 15 miles from the clerk's office or
11 resides in a place not connected by road to the clerk's office;

12 (2) has requested the petition in writing; and

13 (3) has submitted a signed statement that the sponsor
14 intends to circulate the petition [BY THE CLERK].

15 * Sec. 12. AS 29.26.130(b) is amended to read:

16 (b) The clerk shall determine the number of signatures required
17 on a petition and inform the prime [EACH] sponsor. Except as provided
18 in (e) of this section, a [A] petition shall be signed by a number of
19 voters based on the number of votes cast at the last regular election
20 held before the date the petition was issued equal to

21 (1) 25 percent of the votes cast if a municipality has
22 fewer than 7,500 persons; or

23 (2) 15 percent of the votes cast if a municipality has 7,500
24 persons or more.

25 * Sec. 13. AS 29.26.130 is amended by adding a new subsection to read:

26 (e) If the ordinance or resolution that is the subject of an
27 initiative or referendum petition affects only an area that is less
28 than the entire area of a municipality, only voters residing in the
29 affected area may sign the petition. The number of signatures

1 required is equal to 25 percent of the votes cast in the area in the
2 last regular election in which all voters in the area had the oppor-
3 tunity to vote. The number shall be determined by the clerk.

4 * Sec. 14. AS 29.26.140(a) is amended to read:

5 (a) All copies of an initiative or referendum petition shall be
6 assembled and filed as a single instrument. Within 10 days after the
7 date the petition is filed, the municipal clerk shall

8 (1) certify on the petition whether it is sufficient; and

9 (2) if the petition is insufficient, identify the insuffi-
10 ciency and notify the prime sponsor [SPONSORS AT THE ADDRESS PROVIDED
11 UNDER AS 29.26.110(a)] by certified mail.

12 * Sec. 15. AS 29.26.260(a) is amended to read:

13 (a) An application for a recall petition shall be filed with the
14 municipal clerk and shall contain

15 (1) the signatures and residence addresses of a least 10
16 municipal voters who will sponsor the petition;

17 (2) the name and address of the prime sponsor to whom
18 [WHICH] all correspondence relating to the petition may be sent; and

19 (3) a statement in 200 words or less of the grounds for
20 recall stated with particularity.

21 * Sec. 16. AS 29.26.270(b) is amended to read:

22 (b) The clerk shall notify the prime sponsor when the petition
23 is available and the prime sponsor is responsible for notifying other
24 sponsors. Copies of the petition shall be provided by the clerk to
25 each sponsor who appears in the clerk's office and requests a peti-
26 tion. The clerk shall mail the petition in a borough if a sponsor

27 (1) resides more than 15 miles from the clerk's office or
28 resides in a place not connected by road to the clerk's office;

29 (2) has requested the petition in writing; and

1 (3) has submitted a signed statement that the sponsor
2 intends to circulate the petition [BY THE CLERK].

3 * Sec. 17. AS 29.26.280(b) is amended to read:

4 (b) The clerk shall determine the number of signatures required
5 on a petition and inform the prime [EACH] sponsor. If a petition
6 seeks to recall an official who represents the municipality at large,
7 the petition shall be signed by a number of voters equal to 25 percent
8 of the number of votes cast for that office at the last regular elec-
9 tion held before the date the petition was issued. If a petition
10 seeks to recall an official who represents a district, the petition
11 shall be signed by a number of the voters residing in the district
12 equal to 25 percent of the number of votes cast in the district for
13 that office at the last regular election held before the date the
14 petition was issued.

15 * Sec. 18. AS 29.26.290(a) is amended to read:

16 (a) The copies of a recall petition shall be assembled and filed
17 as a single instrument. A petition may not be filed within 180 days
18 before the end of the term of office of the official sought to be
19 recalled. Within 10 days after the date a petition is filed, the
20 municipal clerk shall

21 (1) certify on the petition whether it is sufficient; and

22 (2) if the petition is insufficient, identify the insuffi-
23 ciency and notify the prime sponsor [SPONSORS AT THE ADDRESS PROVIDED
24 UNDER AS 29.26.260(a)(2)] by certified mail.

25 * Sec. 19. AS 29.26.330 is amended to read:

26 Sec. 29.26.330. FORM OF RECALL BALLOT. A recall ballot shall
27 contain

28 (1) the grounds for recall as stated in 200 words or less on
29 the recall petition;

1 (2) a statement by the official named on the recall petition
2 of 200 words or less, if the statement is filed with the clerk for
3 publication and public inspection at least [WITHIN] 20 days before the
4 election;

5 (3) the following question: "Shall (name of person) be
6 recalled from the office of (office)? Yes [] No []".

7 * Sec. 20. AS 29.26.350(c) is amended to read:

8 (c) A person who has been recalled may not be appointed under
9 (a) or (b) of this section to the office from which the person was
10 recalled. A person appointed under (a) or (b) of this section serves
11 until a successor is elected and takes office.

12 * Sec. 21. AS 29.71.800(25) is amended to read:

13 (25) "voter" means a person who is qualified to vote under
14 AS 29.26.050 [UNITED STATES CITIZEN WHO IS QUALIFIED TO VOTE IN STATE
15 ELECTIONS, HAS BEEN A RESIDENT OF THE MUNICIPALITY FOR 30 DAYS IMMEDI-
16 ATELY PRECEDING THE ELECTION, IS REGISTERED TO VOTE IN STATE ELEC-
17 TIONS, AND IS NOT DISQUALIFIED UNDER ART. V OF THE STATE CONSTITU-
18 TION].

Alaska State Legislature

Al Adams
District L

WHILE IN SESSION
P.O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-3707

OUT OF SESSION
P.O. Box 333
Kotzebue, Alaska 99752
(907) 442-3245

3111 C Street
Anchorage, Alaska 99503
(907) 561-7622



Official Business

March 23, 1989

TO: Senator Uehling, Co-Chairman
Senate Finance Committee

FROM: Senator Al Adams *AAA*

RE: SB 173

Thank you for scheduling SB 173, "An Act relating to municipal petitions and elections, and to appointments to fill certain municipal offices."

This bill clarifies procedures relating to municipal petitions and elections and was developed in response to concerns brought to my attention by the Alaska Municipal League.

In general, SB 173 clarifies petition procedures, requires a prime sponsor to be designated on petitions, establishes a 30 day registration requirement for voting in municipal elections, permits a municipality by ordinance to require a person whose registration has been cancelled to reregister in order to vote in municipal elections, provides special initiative or referendum requirements for ordinances or resolutions that affect only part of the municipality, and prohibits appointment of a recalled official to fill the vacancy created by the recall.

Attached is a sectional analysis and fiscal note for CSSB 173 (C & RA).

Alaska State Legislature

Al Adams
District L

WHILE IN SESSION
P.O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-3707

OUT OF SESSION
P.O. Box 333
Kotzebue, Alaska 99752
(907) 442-3245

3111 C Street
Anchorage, Alaska 99503
(907) 561-7622



Official Business

Memorandum

TO: Senate Community and Regional Affairs Committee
Members

FROM: Senator Al Adams, Chairman

RE: SB 173: An Act relating to municipal petitions and
elections, and to appointments to fill municipal offices.

DATE: February 28, 1989

This is basically a housekeeping bill. When we rewrote Title 29, we failed to clarify some of the procedures relating to municipal petitions and elections. This bill was developed with the help of the AML legislative committee in an effort to address these concerns.

As currently written SB 173 covers the following issues: 1) makes local option petitions, unification petitions, preparation of petitions calling for the election of a charter commission, and petitions for adoption of a manager plan subject to the same requirements as municipal initiative and referendum petitions; 2) requires the same procedure for repeal of a manager plan as adoption; 3) permits a person to vote in a municipal election only if the person is registered in state election at least 30 days before the municipal election; 4) permits a municipality to require a person be registered in state elections at the address in the municipality claimed as the residence; 5) delineates a prime sponsor and requires the municipality to notify only the prime sponsor (as opposed to each sponsor) of an initiative, referendum or recall petition about the sufficiency or availability of a petition and to provide the petition only to a sponsor who requests it in person or by mail under certain conditions; 6) provides special initiative or referendum requirements for ordinances or resolutions that affect only a part of a municipality; 7) does not allow a person who has been recalled from an office to be appointed to fill that vacancy.

STATE OF ALASKA
THE LEGISLATURE

PO BOX 75 - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 27, 1989

SUBJECT: Sectional summary of SB 173

TO: Senator Al Adams

FROM: Tamara Brandt Cook *TBC*
Director
Division of Legal Services

Sec. 1. Makes municipal initiative and referendum petition requirements applicable to local option petitions (regarding regulation or prohibitions on the use and possession of alcoholic beverages).

Sec. 2. Requires a unification petition to comply with requirements for a municipal initiative and referendum petition. The clerk submits the completed petition to the assembly with a report of the number of valid signatures determined by the clerk to be on it.

Sec. 3. Requires a petition calling for election of a charter commission to be prepared under requirements applicable to an initiative and referendum petition. The completed petition is submitted by the clerk to the governing body with a report of the number of valid signatures on it.

Sec. 4. Requires a petition for adoption of a manager plan to meet the requirements applicable to an initiative and referendum petition. If the clerk certifies that the petition is sufficient, it is submitted to the governing body.

Sec. 5. Reworded slightly, but no substantive change.

Sec. 6. Repeal of a manager plan requires the same procedures as adoption. The repeal is effective within 60 days after certification of the election approving repeal.

Sec. 7. Permits a person to vote in a municipal election only if the person is registered in state election at least 30 days before the municipal election.

Sec. 8. Permits a municipality to require that a person be registered to vote in state elections at the address in the municipality claimed as the residence.

Sec. 9. Requires the name and address of a prime sponsor to be included on an initiative or referendum application. Correspondence relating to the petition is sent to that prime sponsor.

Sec. 10. Copies of the petition are provided to sponsors at the clerk's office, although, special circumstances are listed under which a copy will be mailed.

Sec. 11. Adds a cross reference to an exception added in the next section.

Sec. 12. Provides special initiative or referendum requirements for ordinances or resolutions that affect only part of a municipality.

Sec. 13. The clerk need only notify the prime sponsor of an insufficient petition.

Sec. 14. A recall petition must identify a prime sponsor.

Sec. 15. Copies of a recall petition are to be made available to sponsors at the clerk's office. A copy will be mailed only in special circumstances.

Sec. 16. The clerk is required to inform only the prime sponsor of the number of signatures needed on a recall petition.

Sec. 17. The clerk is required to inform the prime sponsor if the petition is insufficient.

Sec. 18. Minor rewording.

Sec. 19. A person who is recalled may not be appointed to the same office to fill that vacancy until a successor is elected.

SUGGESTED AMENDMENTS
SENATE BILL 173

The Division of Elections has reviewed the text of this bill and supports its general intent. It is important to note, however, that the Division of Elections is not directly affected by the main text of this bill. However, the Division serves municipalities in the conduct of local elections in a support capacity, specifically in maintaining voter registration rolls, providing voter lists and precinct registers, recording local voter history and determining precinct boundaries and polling sites. We, therefore, work with and lend our support to the Municipal League and local governments on these issues whenever possible. We support the general content of this bill because we agree with local officials that current laws regarding voter qualifications and petition processing do not adequately address the needs of local officials in the administration of these functions.

The Division wishes to focus its comments specifically on the sections regarding voter qualifications. It is our understanding that the purpose of this legislation is to resolve two major issues that, under current law, are unclear.

1. Under current law a voter must be a "resident" of the municipality in which he or she wants to vote for 30 days prior to an election. The law makes no requirement that they also be "registered" in the community. As long as they are registered somewhere to vote in state elections, local officials must count their vote.

2. Under existing provisions there is no clear statement as to the deadline by which a voter qualified in state elections must be registered for local elections.

The provisions of Section 7, are intended to clarify the requirements. Having discussed this issue with the Executive Director of the Alaska Municipal League, members of the League's legislative committee, and legal counsel for the league, the Division would like to recommend a friendly amendment to the bill which we believe more clearly fulfills the intent of the legislation. The text of that amendment is attached.

Sec. 7. AS 29.26.050(a) is amended to read:

Sec. 29.26.050. VOTER QUALIFICATION. (a) A person may vote in a municipal election only if the person

(1) is [A UNITED STATES CITIZEN WHO IS] qualified to vote in state elections[,] under AS 15.05.010;

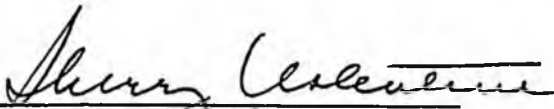
(2) has been a resident of the municipality for 30 days immediately preceding the election;

(3) is registered to vote in state elections at a residence address within the municipality at least 30 days before the municipal election in which the voter seeks to vote, and

(4) is not disqualified under art. V of the state constitution.

3/2/89

Date


Sherry Valentine
Deputy Director

Another issue that has been raised by municipal officials relates to the status of votes cast by voters who have been purged. Under Title 15, a voter whose registration has been canceled for non-activity, may still vote in an election as long as they have been registered at sometime during the 2 previous general elections. This approach works well for state elections because of the Division's immediate access to past records of cancelled voters. For some municipalities this a burden and it has been suggested that the provision be deleted. While the Division of Elections would not support such a repeal for state elections we are sensitive to the burden it puts on some municipalities.

Should the Municipal League and municipalities wish to pursue this issue, however, we offer the following suggestion which would allow each municipality the discretion to determine the procedures regarding purged voters which will be utilized for its elections, while not interfering with the procedures utilized by the State.

Add a new subsection to AS 29.26.050 to read:


(d) A municipality by ordinance may require that a person whose registration has been cancelled under AS 15.07.130 must reregister and meet the qualifications under (a) of this section to vote in the municipal election.

Alaska
MUNICIPAL
League

TELEPHONE
(907) 586-1325
FAX 463-5480

217 SECOND STREET, SUITE 200
JUNEAU, ALASKA 99801

TO: Senator Al Adams, Chair
Members of the Senate Community and Regional Affairs Committee

FROM: Scott A. Burgess, Executive Director 

DATE: March 1, 1989

SUBJECT: SB 173 - Municipal Petitions and Elections

The Alaska Municipal League supports SB 173. In November 1988, the AML Board identified amendments to the statutes governing municipal elections to correct inconsistencies in those statutes and, where appropriate, to allow for greater local control, efficiency and fairness as a top priority of the League for the 1989 legislative session. SB 173 addresses several of the individual issues outlined in the League's Municipal Platform.

Sections 1, 2, 3, 4, 5, and 6 clarify the petition process for elections on local liquor option under Title 4, and unification, charter commission formation, and the manager plan adoption or repeal under Title 29. The language in most cases adopts the existing petition process under Title 29 (AS 29.26.100 -.190) with some amendments.

A process for initiative and referendum petitions is established in AS 29.26.100-.190. The statutes governing adoption or deletion of the manager plan (AS 29.20.460), alteration of forms of government (AS 29.06), and the local liquor option (AS 4.11.502) currently contain vague references to "by petition" but do not specify that the procedures governing such petitions should be those in AS 29.26.100-.190.

Sections 7 and 8 of SB 173 amend the voter qualification criteria for municipal elections under Title 29. Municipal elections are carried out under Title 29, whereas state elections are governed by Title 15. Sections 7 and 8 clarify that an individual is required to be registered within the State of Alaska and the precinct, district, service area, or municipality in which they reside not less than thirty (30) days immediately preceding the date of the municipal election.

Most municipalities have addressed this requirement by incorporating state law into local ordinances; however, the requirements should be clarified. Votes should be registered within the area, precinct, or municipality in which they seek to vote. A person must be a resident and registered in the new area 30 days prior to voting in a local election. Thirty-day residency and registration requirements are standard conditions placed on an elector's entitlement to vote and are based upon substantial public policy reasons such as ensuring that electors are informed about the candidates and issues of the election, ensuring that an elector in the area has a stake in the election, administrative convenience, and elimination of fraud in elections.

Sections 9 - 11 and 13 - 17 address the initiative, referendum and recall petition by amending Title 29 to a) require the municipal clerk to notify the designated contact who submits an application for an initiative, referendum, or recall petition of the sufficiency of the application and the availability of the petition and b) require the clerk to provide petitions only to persons who request a petition in person, or in writing if located in a multi-community municipality, from the clerk's office.

The Title 29 revision of 1986 provided an entirely new format for initiative, referendum, and recall petitions. This format has been tested, and it is time for some revisions to "tighten up" some portions of it. First, it should be clarified that the burden of contacting the sponsors of applications for petitions should be on the designated contact sponsor, not on the clerk. Applications for petitions in larger municipalities may contain hundreds of names of sponsors, many of whom aren't even aware they have been listed.

Second, petitions should be given only to those who agree to circulate the petition and sign for it. This would make the initiative, referendum, and recall process more manageable for the public and the clerk.

Section 18 clarifies AS 29.26.330 on the form of a recall ballot.

Section 12 amends AS 29.26.110-.190 to make a distinction for initiative and referendum issues of non-areawide or service area powers. AS 29.26.100-.190, which outlines the standards and process associated with a referendum election, mentions only municipal voters and makes no distinction as to voters inside the city and those outside it. The statutes do not require that petitioners or voters on an initiative or referendum be within the proposed or existing service area. Repeal of a non-areawide or service area power would affect residents located outside cities, but under current statutes voters within cities could have a significant, and potentially dominant, role in determining whether residents outside the city receive services.

Section 19 amends Title 29 to prohibit a recalled elected official or a recalled official appointed to an elected office from being appointed to the vacancy created by the recall. If voters recall an elected official or an official appointed to an elected office, the voters have spoken, and their decision should stand. Prohibiting a recalled official from being reappointed also avoids pressure on other elected officials. Basically, allowing a recalled person to be appointed to the vacancy created by his or her recall is contrary to the whole recall process. AS 29.26.320(c) states that a person who resigns (during a recall process) may not be appointed to fill the vacancy. To be consistent, a recalled official should not be appointed to the vacancy created by the recall.

The AML supports SB 173 and urges the Committee and the Legislature to pass the bill to bring clarity and fairness to the municipal elections process.

Resolution of the Alaska Municipal League

Resolution No. 89-6

**A RESOLUTION URGING THE AMENDMENT OF MUNICIPAL
ELECTION STATUTES TO CORRECT INCONSISTENCIES
AND ALLOW FOR GREATER LOCAL CONTROL**

WHEREAS, several inconsistencies exist in the state laws governing municipal elections and the election process which are inappropriate, and

WHEREAS, these inconsistencies and incongruities impede the efficient management of the municipal elections process and introduce inequities into the election process, the foundation of our democratic system of government, and

WHEREAS, the limitations on staff and funding for the Alaska Public Offices Commission preclude the commission from adequately enforcing state statutes at the municipal level;

NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League urges the 16th Alaska Legislature and the Governor to pass legislation amending the statutes governing municipal elections to correct these inadequacies by adopting a package of election revisions proposed by the municipalities themselves through the Alaska Municipal League.

Adopted at Annual Business Meeting o November 18, 1988 o Fairbanks, Alaska

Alaska Municipal League Policy Statement

1989



Adopted at the Business Meeting
of the 38th Annual Local Government Conference
of the
ALASKA MUNICIPAL LEAGUE
Fairbanks, Alaska
November 18, 1988

-ALASKA MUNICIPAL LEAGUE POLICY STATEMENT-

Resolution of the Alaska Municipal League

Resolution No. 89-6

**A RESOLUTION URGING THE AMENDMENT OF MUNICIPAL
ELECTION STATUTES TO CORRECT INCONSISTENCIES
AND ALLOW FOR GREATER LOCAL CONTROL**

WHEREAS, several inconsistencies exist in the state laws governing municipal elections and the election process which are inappropriate, and

WHEREAS, these inconsistencies and incongruities impede the efficient management of the municipal elections process and introduce inequities into the election process, the foundation of our democratic system of government, and

WHEREAS, the limitations on staff and funding for the Alaska Public Offices Commission preclude the commission from adequately enforcing state statutes at the municipal level;

NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League urges the 16th Alaska Legislature and the Governor to pass legislation amending the statutes governing municipal elections to correct these inadequacies by adopting a package of election revisions proposed by the municipalities themselves through the Alaska Municipal League.

Adopted at Annual Business Meeting o November 18, 1988 o Fairbanks, Alaska

Revisions of the Municipal Election Code

The Alaska Municipal League urges the 16th Legislature to pass legislation amending the statutes governing municipal elections to correct inconsistencies in those statutes and, where appropriate, to allow for greater local control of issues affecting municipalities. The package of election law revisions proposed by the League includes the following:

Sec. 1, 2
3, 4, 6

- Specifying that the procedures for petitioning for adoption or deletion of the manager plan, alteration of government, and local liquor option are those established in AS 29.26.100-.190:

A process for initiative and referendum petitions is established in AS 29.26.100-.190. The statutes governing adoption or deletion of the manager plan (AS 29.20.460), alteration of forms of government (AS 29.06), and the local liquor option (AS 4.11.502) currently contain vague references to "by petition" but do not specify that the procedures governing such petitions should be those in AS 29.26.100-.190.

Sec. 7, 8

- Amending Title 29, the Municipal Code, to allow a municipality, by ordinance, to require persons to be registered within the State of Alaska and the precinct, district, service area, or municipality in which they reside not less than 30 days immediately preceding the date of the municipal election.

Most municipalities have addressed this requirement by incorporating state law into local ordinances; however, the requirements should be clarified. Voters should be registered within the area, precinct, or municipality in which they seek to vote. A person must be a resident and registered in the new area 30 days prior to voting in a local election. Thirty-day residency and registration requirements are standard conditions placed on an elector's entitlement to vote and are based upon substantial public policy reasons such as ensuring that electors are informed about the candidates and issues of the election, ensuring that an elector in the area has a stake in the election, administrative convenience, and the elimination of fraud in elections.

Sec. 9, 10,
13, 14, 15, 16,
17

- Amending Title 29 to a) require the municipal clerk to notify the designated contact who submits an application for an initiative, referendum, or recall petition of the sufficiency of the application and the availability of the petition and b) require the clerk to provide petitions only to persons who request a petition in person, or in writing if located in a multi-community municipality, from the clerk's office:

The Title 29 revision of 1986 provided an entirely new format for initiative, referendum, and recall petitions. This format has been tested, and it is time for some revisions to "tighten up" some portions of it.

First, it should be clarified that the burden of contacting the sponsors of applications for petitions should be on the designated contact sponsor, not on the clerk. Applications for petitions in larger municipalities may contain hundreds of names of

sponsors, many of whom aren't even aware they have been listed.

Second, petitions should be given only to those who agree to circulate the petition and sign for it. This would make the initiative, referendum, and recall process more manageable for the public and the clerk.

Sec. 19

- Amending Title 29 to prohibit a recalled elective official or a recalled official appointed to an elective office from being appointed to the vacancy created by the recall:

If voters recall an elected official or an official appointed to an elective office, the voters have spoken, and their decision should stand. Prohibiting a recalled official from being reappointed also avoids pressure on other elected officials. Basically, allowing a recalled person to be appointed to the vacancy created by his or her recall is contrary to the whole recall process. AS 29.26.320(c) states that a person who resigns during a recall process may not be appointed to fill the vacancy; it is consistent with this that a recalled official should not be appointed to the vacancy created by the recall.

Sec. 12

- Amending AS 29.26.100-190 to make a distinction for initiatives and referendum issues of non-areawide or service area powers:

AS 29.26.100-190, which outline the standards and process associated with a referendum election, mention only municipal voters and make no distinction as to voters inside the city and those outside it. The statutes do not require that petitioners or voters on an initiative or referendum be within the proposed or existing service area. Repeal of a non-areawide or service area power would affect residents located outside cities, but under current statutes voters within cities could have a significant, and potentially dominant, role in determining whether residents outside the city receive services.

The Alaska Municipal League (AML) is a statewide, nonprofit, non-partisan organization of local governments. Its 123 municipal members include most of Alaska's cities, boroughs, and unified municipalities. The League serves as an advocate for municipal government in the Legislature and with the state executive departments, acts as a clearinghouse for information on federal and state actions affecting local governments, conducts training for local government officials, provides information through its newsletter, legislative bulletins, and other publications, and conducts an annual conference for policy development and training.

The Alaska Municipal League provides a forum through which local government officials can assist each other in the solution of municipal problems and can express their common concerns to state and federal officials. Through its members, the AML seeks to advance the interests and well-being of all Alaskans by supporting and advocating strong, cost-effective, and responsive local governments.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act..municipal petitions & elections, & to appointments.."
Sponsor: Senator Adams
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jam Plasman, Deputy Director Phone: 465-4750
Division: Municipal & Regional Assistance Date: 3-1-89
Approved by Commissioner: [Signature] Date: 3-2-89
Agency: Community & Regional Affairs

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

S

B

L

7

4

SENATE COMMITTEE REPORT

FURTHER

2/28/89
Mr. President:

DATE TURNED INTO OFFICE 3/2/89

FINANCE

Committee considered SB 174

letters of credit issued by banks

and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and _____ technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

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

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Paul T. Hurdy

John D. Walker

Frank

George

Paul Frank

Richard

Chairman signature and recommendation

Committee Backup attached

John P. Daley Co-CHAIR
 Do PASS

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: SB 174
PUBLISH DATE: 2/28/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Relating to letters of credit
issued by banks
Sponsor: Sturoulewski and Pearce
Requester: Senate Labor & Commerce

Agency Affected: Commerce & Econ. Dev.
BRU: Banking, Securities
and Corporations
Components: Banking

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	- FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

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

FUNDING: (Thousands of dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

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

Phone: 465-2521
Date: 2-22-89

Approved by Commissioner: Larry Merculief
Agency: Department of Commerce & Economic Development

Phone: _____
Date: 2/24/89

Distribution (by preparer):

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

page _____ of _____

3388D-2/022289a

1 IN THE SENATE

BY STURGULEWSKI AND PEARCE

2

SENATE BILL NO. 174

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to letters of credit issued by
7 banks."

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

9 * Section 1. AS 06.05.275(a) is amended to read:

10 (a) A bank may issue and confirm letters of credit authorizing
11 the principal or beneficiary to draw upon the institution or its
12 correspondents. [A LETTER OF CREDIT SHALL EXPIRE BY ITS TERMS WITHIN
13 ONE YEAR OF DATE OF ISSUANCE, BUT MAY BE RENEWED ON WRITTEN REQUEST OF
14 THE PRINCIPAL.]

Alaska State Legislature



SENATOR
ARLISS STURGULEWSKI
Senate President Pro Tempore
Chairman, Senate Rules Committee

2957 SHELDON JACKSON STREET
ANCHORAGE, ALASKA 99508

While in Juneau
P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-3818

Senate

M E M O R A N D U M

March 2, 1989

TO: Senator Rick Uehling, Co-Chairman
Senate Finance Committee

FROM: Senator Arliss Sturgulewski, ^{AS} Chairman
Senate Rules Committee

RE: SB 174 "An Act relating to letters of credit issued by
banks."

Senate Bill 174 was heard in the Senate Labor and Commerce Committee and passed with no changes. I have enclosed background material for this bill and hope you can give it an early hearing.

Thank you.

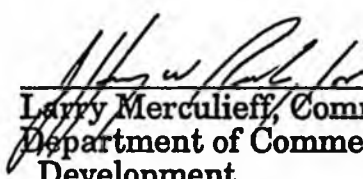
Attachments

SB 174: "An Act relating to letters of credit issued by banks."

The department urges passage of SB 174 as it will provide parity between state and nationally chartered banks in providing letters of credits. Banks operating with national charters have no time restrictions concerning letters of credit. SB 174 deletes the time restrictions from Alaska law.

Banks and their customers have been at a disadvantage when their business sometimes requires letters of credit for greater periods than one year. This may be a common requirement in governmental construction contracts and export transactions with long contract periods.

This type of bank function is considered lending and is regulated and examined for sound lending practices. Letters of credit do convey elements of risk but are generally provided to a bank's customers with long-term satisfactory credit history.



Larry Mercurieff, Commissioner
Department of Commerce and Economic
Development

Date: 2/24/89

LM/WFK/dgl3399D
022389a

Key Bank of Alaska*A KeyCorp Bank*

Post Office Box 100420
Anchorage, Alaska 99510-0420
(907) 582-8100

March 8, 1989

Senator Rick Uehling, Co-Chairman
Senate Finance Committee
Alaska State Legislature
Box V
Juneau, Alaska 99811

RE: Senate Bill #174 - Letters of Credit

Dear Mr. Uehling:

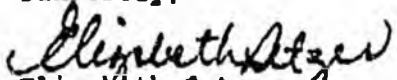
I am writing to express Key Bank of Alaska's support of SB 174 which proposes to amend Alaska Statute 06.05.275. The proposed amendment will be of great benefit to the bank because it eliminates the one year maturity requirement on letters of credit, a limitation which does not constrain our nationally chartered competitors.

In the past, Alaska Pacific Bank's ("APB") affiliate, 1st National Bank of Fairbanks issued letters of credit with a duration beyond one year on behalf of APB. With the merger of these two banks and the subsequent retention of a state charter, suddenly this issue became a problem for the bank, now known as Key Bank of Alaska.

Many situations arise wherein our customers require letters of credit extending beyond one year. Beneficiaries typically requiring terms beyond one year include government agencies, (ie. Corps of Engineers), municipalities, the Alaska Court System, bonding, surety and insurance companies, large oil companies (ie. Texaco, Exxon), and other banks or long term lenders. For example, the Municipality of Anchorage requires a performance bond or standby letter of credit guaranteeing the work of a contractor (our customer) for as much as a year after construction work has been completed. Generally, the letter of credit is less expensive than the performance bond. Often, the letter of credit language is presented to us on an "all or nothing" basis, with no negotiation with the beneficiary possible. Sureties and municipalities are the most inflexible with regard to this. Thus, without the ability to issue a letter of credit with a maturity extending beyond one year we are unable to meet our customers' needs, clearly placing us at a competitive disadvantage.

We are pleased to learn of a Senate hearing on this matter and would be more than happy to provide you with any further information or clarification on this issue if necessary.

Sincerely,


Elizabeth Setzer
Assistant Vice President

Key Bank of Alaska
A KeyCorp Bank



Post Office Box 100420
Anchorage, Alaska 99510-0420
(907) 562-6100

February 23, 1989

Mr. Frank Homan
Professional Assistant
Office of
Senator Arliss Sturgelewski
P.O. Box V
Juneau, Alaska 99811

Re: SB 174 - Letters of Credit

Dear Mr. Homan:

This letter will describe briefly letters of credit and explain why we support SB 174 which amends Alaska Statute 06.05.275(a) to remove its durational limit on letters of credit issued by state banks.

A letter of credit is the undertaking by a bank to pay the person to whom the letter of credit is issued (the beneficiary) upon presentation of a draft or other documentary demand specified in the credit. The bank's customer (the account party) requests issuance of the letter of credit and specifies the terms of the credit, based on the beneficiary's requirements. If the letter of credit is drawn upon, the account party (the bank's customer) has an unqualified obligation to pay the bank.

Letters of credit fall into two general categories. Commercial letters of credit are the type which are frequently used in foreign trade. There, the bank agrees to pay upon receipt of a draft and accompanying documents which often represent title to goods in shipment. The bank compares the documents with the requirements of the letter of credit and, if they are in conformity, pays the draft. A standby letter of credit is usually issued so that the beneficiary has a source of payment if the account party defaults on some obligation to the beneficiary. It acts as security for some performance by the account party. Once again, the bank does not make any decision about the facts of the transaction, but simply pays if it receives a draft and documents (frequently a certification by the beneficiary) as required by the terms of the letter of credit. In either type, the dollar amount of the credit is limited.

wag\pn.3
letters.cre

Involved Innovative Professional.

SPONSOR'S BACKGROUND MATERIALS

There exists a competitive inequality between national and state banks in durational limitations on standby and commercial letters of credit detrimental to state-chartered banks.

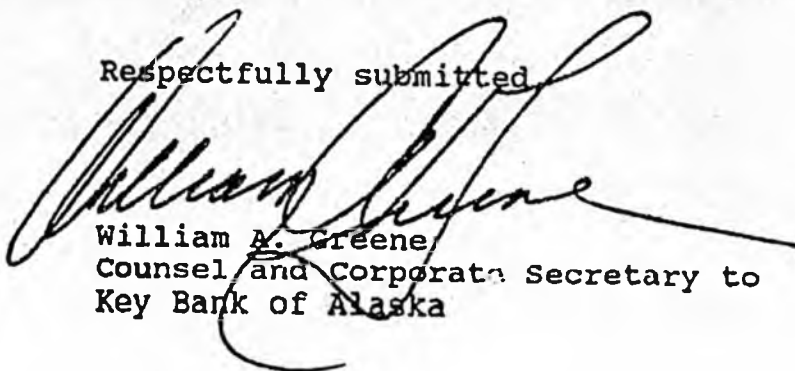
There is no durational limitation on letters of credit which national banks may issue, but AS 06.05.275(a) limits state-chartered banks' letters of credit to a duration of one year. It is interesting to note that the original legislative purpose in adopting this statute was "to improve the competitive balance between state and national banks." 1970 House Journal 1085.

It has been demonstrated that durational limits thwart competitive equality between state and national banks in the marketing and providing of letters of credit according to customer requirements. This is particularly true where the beneficiaries are government agencies, municipalities, the Alaska Court System, bonding, surety, and insurance companies. They are beneficiaries of letters of credit for a variety of reasons such as to secure completion of utility infrastructure construction on subdivisions, appeal bonds, and as security for cash flow requirements for debt service of term loans to operating businesses or income property construction projects. Those beneficiaries in particular have no reason to negotiate with state banks for letters of credit as they may simply go to national banks without having to address the issue of durational limitations. Further, most such beneficiaries are totally inflexible in their requirements and will not even consider durational requirements. They simply avoid the issue by obtaining their letters of credit elsewhere. As to commercial letters of credit, there are situations in which the one-year limitation would exclude their use in connection with manufactured goods and equipment and in connection with some export situation. Accordingly, state banks cannot always service their good customers as can national banks.

Letters of credit are extensions of credit not basically different than any loan or a loan commitment and are analyzed and underwritten like a loan or loan commitment. Most are secured. If not secured they are supported by adequate financial standing of the account party on whose behalf they are issued in the same manner as an unsecured loan. Adequate internal lending and underwriting policies and procedures, competent bank management, internal financial review and reporting requirements and procedures, and bank examinations by regulators are, like loans, the means of controlling and maintaining sound banking practices in issuing letters of credit. Durational limitations, however, are irrelevant to preventing unsound banking practices or to ensuring sound banking practices at the most critical times - when the letters of credit are issued and during the permitted period. They only shut the door after the horse is out at the expense of preventing state-chartered banks from competing equally with national banks.

Accordingly, it is recommended and urged that SB 174 be adopted to delete the second sentence of AS 06.05.275(a) as unnecessary and anticompetitive.

Respectfully submitted

A large, stylized handwritten signature in black ink, appearing to read 'William A. Greene', is written over the typed name and title.

William A. Greene
Counsel and Corporate Secretary to
Key Bank of Alaska

WAG/ag

INTRODUCTION OF BILLS (Senate)

SB 173 (cont'd)

been recalled cannot be appointed to fill a vacant seat in the office from which the person was recalled.

The bill takes effect 90 days after it is signed by the Governor.

Introduced February 14, 1989 and referred to Community & Regional Affairs; State Affairs; Finance.

Letters of Credit

SENATE BILL NO. 174, by Senators Sturgulewski and Pearce. Amends AS 06.05.275(a) (Alaska Banking Code. Miscellaneous and incidental banking practices) to read: "(a) A bank may issue and confirm letters of credit authorizing the principal or beneficiary to draw upon the institution or its correspondents." The section currently reads: "(a) A bank may issue and confirm letters of credit authorizing the principal or beneficiary to draw upon the institution or its correspondents. A letter of credit shall expire by its terms within one year of date of issuance, but may be renewed on written request of the principal."

The bill takes effect 90 days after it is signed by the Governor.

Introduced February 14, 1989 and referred to Labor & Commerce; Finance.

Consumption of Alcohol During Pregnancy

SENATE BILL NO. 175, by Senators Binkley, Adams, Zharoff, Pourchot, Frank and Pearce. Will require the holder of a license or permit that allows a person to sell or serve alcohol to post signs warning patrons that ". . . Drinking alcoholic beverages such as beer, wine, wine coolers, and other distilled spirits during pregnancy can cause birth defects." The signs will have to be displayed ". . . in a manner that will make them conspicuous to a person purchasing or consuming alcoholic beverages on the designated premises. . ." The Alcoholic Beverage Control Board (ABC Board) will have to determine how many signs have to be displayed, and whether they are sufficiently conspicuous after they are posted.

The ABC Board will furnish signs, and peace officers and ABC Board employees can issue citations for violations of this law. A person who is found guilty of a violation can be punished by a fine of not less than \$20 and not more than \$300. Each day a violation continues after a citation has been issued, constitutes a separate violation.

The bill takes effect 90 days after it is signed by the Governor.

Introduced February 15, 1989 and referred to Health, Education & Social Services; Finance.

Alaska Business News Summaries

Edited by Shehla A. Bradner

KeyBank Purchases Failed Alaska Statebank Assets

Key Bank of Alaska, the state's fourth largest bank, bought Alaska Statebank after its closure by state banking regulators. Statebank had \$8.8 million in negative worth, mostly due to problem loans. The bank's \$100 million in deposits and some loans were transferred to Key Bank, which will operate six Statebank branches. The transaction also includes a cash payment to KeyBank from the Federal Deposit Insurance Corporation. Key Bank Alaska assets will grow by \$100 million to \$700 million. Some 15,000 Statebank's depositors are protected by FDIC, including those with deposits above the federally insured limit of \$100,000. KeyBank will also purchase about \$67 million of Statebank's assets including \$2.6 million in small loans, not including problem loans. *Statebank President H. Derrell Smith said the bank tried to raise sufficient capital, but FDIC chose the more expensive alternative of liquidation. Smiths thinks the bank needed about \$25 million to clear up problem loans, and that FDIC will pay \$35 million or more to liquidate. FDIC has indicated it would advance Key Bank \$30 million as part of the deal.*

KEYBANK MAY BEGIN INTERNATIONAL OPERATIONS FROM ALASKA: KeyCorp, parent of KeyBank Alaska, is examining use of its Alaska operation as a center for international banking in the Pacific Northwest. Ivan Jacques, vice president of International Banking at Key Bank of Puget Sound is impressed with the state's trade opportunity in fishing and timber. Jacques, met recently with Key Bank of Alaska officials and will submit recommendations this summer to the bank's corporate headquarters in Albany, N.Y. KeyCorp, with assets of \$15 billion, operates banks in Alaska, Oregon, Washington and Idaho. KeyCorp expanded into western states because of the potential for a big future in the Pacific Rim countries. The Alaska banks already provide some international services, including letters of credit for companies doing business overseas. Besides fish and timber, oil, minerals and tourism are also good Alaska contenders for international markets, say local Key Bank officials.

U.S. POSTAL SERVICE REVENUES INCREASE IN 1988: The U.S. Postal Service has escaped the economic downturn plaguing most of Alaska, showing increases in almost every revenue-producing service in 1988. Revenue from postage and fees was up 8 percent, from \$66,250,000 in 1987 to \$71,642,394. Express Mail rose 5 percent from \$4,227,734 in 1987 to \$4,459,219 in 1988. Volume was up for the oft-used first-class letter; the Anchorage Division processed 1 percent more first class mail in 1988. Most mail comes to Alaska by ship or plane and it cost the Postal Service \$70,825,969 in 1988 to move that mail within the state, including a \$5 million retroactive rate payment. The cost of shipping mail throughout the state is expected to rise by about \$4 million in 1989. The post office also disbursed \$84,367,477 in salaries to its 2,100 employees in Alaska.

ALASKA RAILROAD POSTS \$5.8 MILLION PROFIT: A 14 percent increase in freight revenues and a marked decline in expenses helped the Alaska Railroad show a profit of \$5.8 million in 1988. About 10 percent of the profits, or \$620,000, was distributed as bonuses to employees. The bonuses, said railroad officials, were justified because the employees had taken pay cuts of 10 percent for seven months of 1987 and deserved to share in 1988's prosperity. The profits will help the corporation reduce borrowing and finance major improvements of road beds and tracks. Railroad officials expect 1989 results to be as good as 1988. The corporation has cut \$10 million from its annual budget since its transfer to the state in 1985.

TEXAS GROUP WILL BUY LUXURY THEATRES: Act 3, a San Antonio, Texas group, will purchase Luxury Theatres, Alaska's largest chain of movie houses. Ticket prices will remain the same. But the new owners will spiff up some of the Anchorage theaters, bring first run movies quicker and perhaps even show controversial movies, such as the "Last Temptation of Christ," banned by the former owner. Act 3 is in the process of acquiring 87 movie houses nationwide.

Alaska journal of Commerce

Volume 13, Number 3, 24 Pages 1/16/87

KeyCorp picks Alaska for first

By IMRE NEMETH

Just as Alaska became its first entry on the West Coast, Key Corp has chosen the state to launch its foray into the realm of international banking.

The Albany, N.Y. based bank plans to use its Alaska locations to spearhead a plan officials hope will unlock commercial trade opportunities and profitable business ties with financially active Pacific Rim markets.

Ivan Jock, vice president of international banking at Key Bank of Puget Sound, says the Alaska is a natural site to begin the effort. With its location and current ties in the fishing and timber industries, the state is considered by bank leaders to have enormous potential, he adds.

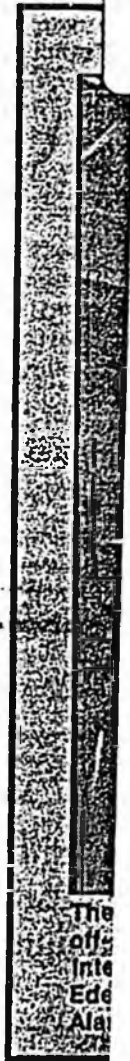
"Certainly they've come to realize that Alaska's ties with the Pacific Rim are so large and important," Jock said from his Seattle office last week. "They are looking now at how best to approach the market and support it.

"It didn't take too much to see the potential in Alaska with the Pacific Rim."

Since the purchase of the Alaska contingent (formerly known as Alaska Pacific Bank), KeyCorp has moved into five other states in the Pacific Northwest, including Washington, Oregon and Idaho.

Jock said Alaska's importance is quite well known. To support the

See INTERNATIONAL, Page 2



Sa

A n
e
f

Industrial St

• International banking

Continued from Page 1

export market, which is the bank's first interest in this matter, Key Bank of Alaska plans to help facilitate the movement of goods through financing promising projects.

This doesn't mean, however, that the bank will be moving into territory already populated by the larger international financiers. Far from it. Bank officials will probably start a lot smaller and cultivate the market over time. The competitive factor will come from other banks moving into the Alaska territory.

"They would do well to come there and invest," Jock admitted.

Jock labeled immediate opportunities in the timber and fisheries sectors. He pointed to upcoming breaks due to the full utilization of the state's 200-mile territorial waters and further development in the surimi industry.

But all the focus can't remain concentrated on the United States or domestic markets. Jock says the long-term outlook must include analysis of the overseas markets and what products will sell there.

To do that U.S. vendors must provide the quality, he says.

"Success is on secondary processing," said the vice president. "There

must be movement beyond just the supplying of fresh fish and that's preparing it for the consumer."

He calls the Japanese market, for instance, quite demanding. The market has rigid standards for quality.

Eventually, KeyCorp plans to expand the international banking segment into more of its locations.

"I think (the bank's international effort) is going to all locations but there's no question in my mind that Alaska presents the biggest opportunity and biggest challenge," he said. "I think the numbers will bear out this optimism of mine."

Jock recently traveled to the state to oversee the establishing of the new international division. He said what he saw just reinforced his impressions of impending success. One reason he cited for this opinion was the low dollar and the perception in Japan and other Pacific Rim countries that American products are low cost.

Prior to its acquisition by KeyCorp, Jock's particular bank had all the international banking facilities in place. With the lines already established, Jock feels his branch will be able to easily guide the Alaska banks into operation and do it quickly.

"The key is now be able to go ahead and provide the service," he said.

As evidence, Wescott says he has been approached by one Japanese com-

issued an opinion saying such farmi

Sec, I'M NO, Page 3

MEET ALASKA '89

6th annual opportunities conference for Alaska's business executives, featuring key speakers from the energy community and government.

NEW STRATEGIES

PLANS • PROSPECTS • POLITICS

Sheraton Anchorage Hotel
Howard Rock Ballroom

Saturday, January 28, 1989

Registration 9:00 am-10:00 am

Program 10:00 am-5:00 pm

Gourmet Luncheon

For more information, contact:



THE ALLIANCE

(907) 563-2226

Register early, seating is limited

Prompt-Professional-Quality-Service Guaranteed...

a a d a m s
TEMPORARIES

...BECAUSE PERFORMANCE COUNTS

3201 C Street
Calais I Suite 402

561-5161

S

B

L

M

H

HOUSE COMMITTEE REPORT

(11)

Date Referred: May 8, 1989

FURTHER REFERRALS:

Date of Committee Action: _____

(Judiciary waived)

The FINANCE Committee considered:

SB 174

SENATE BILL NO. 174 [BANK LETTERS OF CREDIT]
 "An Act relating to letters of credit issued by banks."

RECOMMENDATIONS:

- [] be replaced with _____ [] the same title
- [] have attached amendment(s) [] a new title
- [] do pass
- [] do not pass
- [] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
 (Dept)

APPROVES PREVIOUS:

(Date/Dept)

- [] fiscal impact _____
- [] zero fiscal note CED
- [] zero with analysis _____

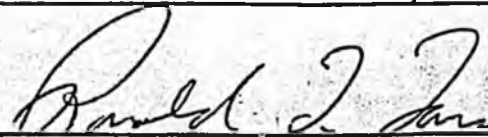
- [] fiscal note(s) _____
- [] zero fiscal note(s) _____
- [] zero fn/analysis _____


SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not
Pass No Rec Amend



 Chairman's Signature


FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Relating to letters of credit issued by banks
 Sponsor: Sturqulewski and Pearce
 Requestor: House Finance Committee

Agency Affected: Commerce & Econ. Dev.
 BRU: Banking, Securities and Corporations
 Components: Banking

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

This legislation will have no fiscal impact on the department for FY 90.

Prepared by: Willis F. Kirkpatrick, Director Phone: 465-2521
 Division: Banking, Securities and Corporations Date: 1/18/90
 Approved by Commissioner: Larry Merculieff Date: 1/31/90
 Agency: Department of Commerce & Economic Development

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

1 IN THE SENATE

BY STURGUJEWSKI AND PEARCE

2

SENATE BILL NO. 174

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to letters of credit issued by
banks."

7

8

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

9

* Section 1. AS 06.05.275(a) is amended to read:

10

(a) A bank may issue and confirm letters of credit authorizing

11

the principal or beneficiary to draw upon the institution, or its

12

correspondents. [A LETTER OF CREDIT SHALL EXPIRE BY ITS TERMS WITHIN

13

ONE YEAR OF DATE OF ISSUANCE, BUT MAY BE RENEWED ON WRITTEN REQUEST OF

14

THE PRINCIPAL.]

For Fin. Comm. Scheduling file

Alaska State Legislature



2957 SHELDON JACKSON STREET
ANCHORAGE, ALASKA 99508

SENATOR
ARLISS STURGULEWSKI
Senate President Pro Tempore
Chairman, Senate Rules Committee

While in Juneau
P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-3818

Senate

M E M O R A N D U M

January 9, 1990

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

FROM: Senator Arliss Sturgulewski, Chairman
Senate Rules Committee

RE: SB 174 "An Act relating to letters of credit issued by banks."

This bill is a straight forward approach that would correct a disparity between state chartered banks and nationally chartered banks. Presently there is no time limit on Letters of Credit issued by nationally chartered banks but state chartered banks have been limited to one year on letter of credit. Senate Bill 174 is supported by the director of the Alaska Division of Banking. It has a zero fiscal note.

There has been no opposition to this bill and it has been through the Senate Labor and Commerce and Finance Committees and the House Labor and Commerce and Judiciary committees.

Since there is no fiscal impact and the House Finance Committee is the last committee of referral, I would like to request that you give consideration to an early hearing of SB 174.

Thank you.

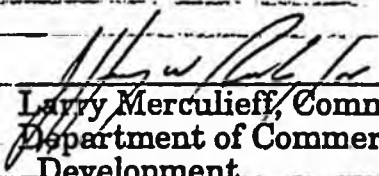
Attachments

SB 174: "An Act relating to letters of credit issued by banks."

The department urges passage of SB 174 as it will provide parity between state and nationally chartered banks in providing letters of credits. Banks operating with national charters have no time restrictions concerning letters of credit. SB-174 deletes the time restrictions from Alaska law.

Banks and their customers have been at a disadvantage when their business sometimes requires letters of credit for greater periods than one year. This may be a common requirement in governmental construction contracts and export transactions with long contract periods.

This type of bank function is considered lending and is regulated and examined for sound lending practices. Letters of credit do convey elements of risk but are generally provided to a bank's customers with long-term satisfactory credit history.


Larry Mercurieff, Commissioner
Department of Commerce and Economic
Development

Date: 2/24/89

LM/WFK/dgl3399D
022389a

Key Bank of Alaska

A KeyCorp Bank

Post Office Box 100420
Anchorage, Alaska 99510-0420
(907) 562-6100



February 23, 1989

Mr. Frank Homan
Professional Assistant
Office of
Senator Arliss Sturgelewski
P.O. Box V
Juneau, Alaska 99811

Re: SB 174 - Letters of Credit

Dear Mr. Homan:

This letter will describe briefly letters of credit and explain why we support SB 174 which amends Alaska Statute 06.05.275(a) to remove its durational limit on letters of credit issued by state banks.

A letter of credit is the undertaking by a bank to pay the person to whom the letter of credit is issued (the beneficiary) upon presentation of a draft or other documentary demand specified in the credit. The bank's customer (the account party) requests issuance of the letter of credit and specifies the terms of the credit, based on the beneficiary's requirements. If the letter of credit is drawn upon, the account party (the bank's customer) has an unqualified obligation to pay the bank.

Letters of credit fall into two general categories. Commercial letters of credit are the type which are frequently used in foreign trade. There, the bank agrees to pay upon receipt of a draft and accompanying documents which often represent title to goods in shipment. The bank compares the documents with the requirements of the letter of credit and, if they are in conformity, pays the draft. A standby letter of credit is usually issued so that the beneficiary has a source of payment if the account party defaults on some obligation to the beneficiary. It acts as security for some performance by the account party. Once again, the bank does not make any decision about the facts of the transaction, but simply pays if it receives a draft and documents (frequently a certification by the beneficiary) as required by the terms of the letter of credit. In either type, the dollar amount of the credit is limited.

wag\pm.3
letters.cre

There exists a competitive inequality between national and state banks in durational limitations on standby and commercial letters of credit detrimental to state-chartered banks.

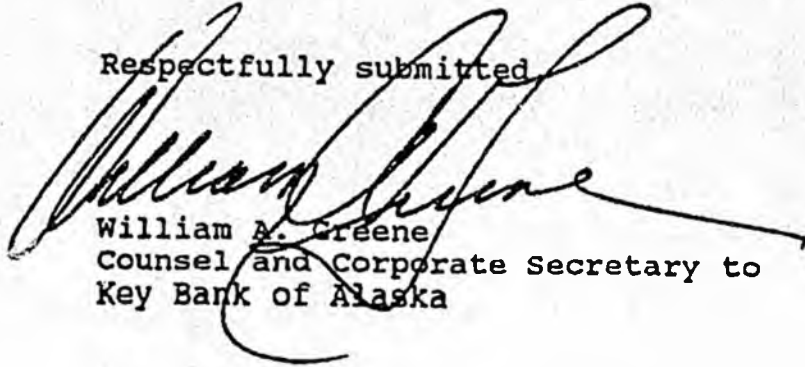
There is no durational limitation on letters of credit which national banks may issue, but AS 06.05.275(a) limits state-chartered banks' letters of credit to a duration of one year. It is interesting to note that the original legislative purpose in adopting this statute was "to improve the competitive balance between state and national banks." 1970 House Journal 1085.

It has been demonstrated that durational limits thwart competitive equality between state and national banks in the marketing and providing of letters of credit according to customer requirements. This is particularly true where the beneficiaries are government agencies, municipalities, the Alaska Court System, bonding, surety, and insurance companies. They are beneficiaries of letters of credit for a variety of reasons such as to secure completion of utility infrastructure construction on subdivisions, appeal bonds, and as security for cash flow requirements for debt service of term loans to operating businesses or income property construction projects. Those beneficiaries in particular have no reason to negotiate with state banks for letters of credit as they may simply go to national banks without having to address the issue of durational limitations. Further, most such beneficiaries are totally inflexible in their requirements and will not even consider durational requirements. They simply avoid the issue by obtaining their letters of credit elsewhere. As to commercial letters of credit, there are situations in which the one-year limitation would exclude their use in connection with manufactured goods and equipment and in connection with some export situation. Accordingly, state banks cannot always service their good customers as can national banks.

Letters of credit are extensions of credit not basically different than any loan or a loan commitment and are analyzed and underwritten like a loan or loan commitment. Most are secured. If not secured they are supported by adequate financial standing of the account party on whose behalf they are issued in the same manner as an unsecured loan. Adequate internal lending and underwriting policies and procedures, competent bank management, internal financial review and reporting requirements and procedures, and bank examinations by regulators are, like loans, the means of controlling and maintaining sound banking practices in issuing letters of credit. Durational limitations, however, are irrelevant to preventing unsound banking practices or to ensuring sound banking practices at the most critical times - when the letters of credit are issued and during the permitted period. They only shut the door after the horse is out at the expense of preventing state-chartered banks from competing equally with national banks.

Accordingly, it is recommended and urged that SB 174 be adopted to delete the second sentence of AS 06.05.275(a) as unnecessary and anticompetitive.

Respectfully submitted

A handwritten signature in cursive script, appearing to read "William A. Greene", written in black ink. The signature is fluid and extends across the width of the typed name below it.

William A. Greene
Counsel and Corporate Secretary to
Key Bank of Alaska

WAG/ag

Key Bank of Alaska

A KeyCorp Bank



Post Office Box 100420
Anchorage, Alaska 99510-0420
(907) 562-6100

January 24, 1990

Representative Lyman Hoffman, Co-Chairman
House Finance Committee
Alaska State Legislature
Box V
Juneau, Alaska 99811

RE: Senate Bill #174 - Letters of Credit

Dear Representative Hoffman:

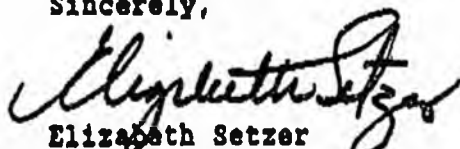
I am writing to express Key Bank of Alaska's support of SB 174 which proposes to amend Alaska Statute 06.05.275. The proposed amendment will be of great benefit to the bank because it eliminates the one year maturity requirement on letters of credit, a limitation which does not constrain our nationally chartered competitors.

In the past, Alaska Pacific Bank's ("APB") affiliate, 1st National Bank of Fairbanks, issued letters of credit with a duration beyond one year on behalf of APB. With the merger of these two banks and the subsequent retention of a state charter, suddenly this issue became a problem for the bank, now known as Key Bank of Alaska.

Many situations arise wherein our customers require letters of credit extending beyond one year. Beneficiaries typically requiring terms beyond one year include government agencies, (ie. Corps of Engineers), municipalities, the Alaska Court System, bonding, surety and insurance companies, large oil companies (ie. Texaco, Exxon), and other banks or long term lenders. For example, the Municipality of Anchorage requires a performance bond or standby letter of credit guaranteeing the work of a contractor (our customer) for as much as a year after construction work has been completed. Generally, the letter of credit is less expensive than the performance bond. Often, the letter of credit language is presented to us on an "all or nothing" basis, with no negotiation with the beneficiary possible. Sureties and municipalities are the most inflexible with regard to this. Thus, without the ability to issue a letter of credit with a maturity extending beyond one year, we are unable to meet our customers' needs, clearly placing us at a competitive disadvantage.

We would appreciate an early hearing as it is important to have this legislation passed this session. I would be more than happy to provide you with any further information or clarification on this issue if necessary.

Sincerely,


Elizabeth Setzer
Vice President

Involved Innovative Professional.

cc: Bill Greene, Hescok & Barclay

SENATE COMMITTEE REPORT

FURTHER

3/28/89

DATE TURNED INTO OFFICE

4/4/89

Mr. President:

Finance

Committee considered

SB 175

requiring the holder of a license or permit related to selling or serving alcohol to post signs warning patrons that consumption of alcohol during pregnancy can cause birth defects

and recommended

- replace with CS ~~SB 175 (Finance)~~) same title
- or adopt CS _____) new title
- attached amendment(s) and technical title change (HB only)
- Finance letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

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

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature] FRANK
[Signature] PEARCE
[Signature] FISCHER
[Signature] DUNCAN
[Signature] ZHAROFF

UEHLING

[Signature] Co-CHAIR

Chairman signature and recommendation

BINKLEY

Committee Backup attached

[Signature] Co-CHAIR
Do Pass

740 SFC 4-4-89

1/16

STATE OF ALASKA
1989 LEGISLATIVE SESSION

Bill Version: CS SB 175 (Fin)
Publish Date: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Warning signs on liquor premises

Agency Affected: Department of Revenue
BRU: Alcoholic Beverage Control Board

Sponsor: Senator Binkley et al.
Requestor: Senate HESS Committee

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	4.3	1.6	1.6	1.6	1.6	1.6
SUPPLIES	.3	.2	.2	.2	.2	.2
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	4.6	1.8	1.8	1.8	1.8	1.8
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	4.6	1.8	1.8	1.8	1.8	1.8
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	4.6	1.8	1.8	1.8	1.8	1.8

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 for analysis.

Prepared By: Patrick L. Sharrock, Director
Division: Alcoholic Beverage Control Board

Phone: 277-8638
Date: March 24, 1989

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: 3/24/89

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

SFC: 4/4/89

Initial Issue

beverage dispensary	689
restaurant or eating place	319
club license	87
brewery	2
package store	471
common carrier	158
recreational site	19
pub license	1
winery	0
caterer's permit	663
special events permit	110
community license	3
club caterer's permit	50 est.
theatre site license	2 est.
restaurant caterer's permit	<u>14</u>
	2,588
assume 2 signs per premises (avg.)	<u>x 2</u>
	5,176

Annual Issue

caterer's permits	675
special events permits	120
club caterer's permit	50
restaurant caterer's permit	25
wear and tear	<u>500</u>
approximately 50%	1,370

	<u>Initial</u>	<u>Annual</u>
Approx. \$300 per thousand (per PIF)		
Initial: \$300 x 5,176	1,553	
Annual: \$300 x 1,370		411
Postage		
Initial: 1.05 for 2 signs x 2,588	2,717	
Annual: .85 for 1 sign x 1,370		1,164
Envelopes		
Initial: 2,588 x .12	311	
Annual: 1,370 x .12		164
Letters	<u>26</u>	<u>-</u>
	4,607	1,739



Official Business

Alaska State Legislature

Senate

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

LETTER OF INTENT

FOR

CS FOR SENATE BILL NO. 175 (FINANCE)

With the passage of this legislation, it is the intent of the Legislature that the Alaska Women's Commission include, in their next general mailing to Alaska women, literature explaining the effects of fetal alcohol syndrome, such as that prepared by the March of Dimes Birth Defects Foundation.

A handwritten signature in cursive script, appearing to read "Rick Uehling", written over a horizontal line.

Senator/Rick Uehling
Co-chair
April 4, 1989

*Lauterbach
3/24/89*

Original sponsors: Binkley, Adams,
Zharoff, et al.

*Adopted as a
working
document
4/3/89*

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 175 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act requiring the holder of a license or permit
7 related to selling or serving alcohol to post signs
8 warning patrons that consumption of alcohol during
9 pregnancy can cause birth defects."

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

11 * Section 1. AS 04.16.180(a) is amended to read:

12 (a) Except as provided in AS 04.11.015, [AND] AS 04.16.200 -
13 04.16.210, and AS 04.21.065, a person who violates a provision of this
14 title or a regulation adopted by the board is guilty, upon conviction,
15 of a class A misdemeanor. Each violation is a separate offense.

16 * Sec. 2. AS 04.21 is amended by adding a new section to read:

17 Sec. 04.21.065. POSTING OF WARNING SIGNS. (a) A holder of one
18 of the following types of licenses or permits shall post on the li-
19 censed or designated premises a warning sign or signs as described in
20 (b) of this section:

- 21 (1) beverage dispensary license;
- 22 (2) restaurant or eating place license;
- 23 (3) club license;
- 24 (4) brewery license; this paragraph applies only to a
25 brewery that permits a person to sample portions of the brewery's
26 product;
- 27 (5) package store license;
- 28 (6) common carrier dispensary license;
- 29 (7) recreational site license;

1 (8) community liquor license;
2 (9) pub license;
3 (10) winery license; this paragraph applies only to a winery
4 that permits a person to sample portions of the winery's product;
5 (11) caterer's permit;
6 (12) special events permit;
7 (13) conditional contractor's permit;
8 (14) another license or permit issued by the board authoriz-
9 ing consumption of alcoholic beverages.

10 (b) A warning sign required by (a) of this section must be at
11 least eight and one-half inches by 11 inches. The sign must read
12 "WARNING: Drinking alcoholic beverages such as beer, wine, wine
13 coolers, and distilled spirits during pregnancy can cause birth de-
14 fects." The license or permit holder shall display the signs in a
15 manner that will make them conspicuous to a person purchasing or
16 consuming alcoholic beverages on the licensed or designated premises.

17 (c) The board shall furnish a sign required under this section
18 to a person who requests it with the intention of displaying it.

19 (d) A peace officer may issue a citation for a violation of this
20 section. The provisions of AS 12.25.180(b) and 12.25.190 - 12.25.230
21 apply to the issuance of a citation under this subsection.

22 (e) An employee of the board designated by the board to enforce
23 this section may issue a citation for a violation of this section
24 regardless of whether the violation was committed in the employee's
25 presence. A citation issued under this subsection must be in the same
26 form and shall be processed in the same manner as a citation issued by
27 a peace officer under (d) of this section. An employee of the board
28 may not arrest a person for a violation of this section.

29 (f) A holder of a license or permit who violates this section is

1 guilty of a violation as defined in AS 11.81.900(b) and upon convic-
2 tion is punishable by a fine of not less than \$20 nor more than \$300.
3 Each day a violation continues after a citation for the violation has
4 been issued constitutes a separate violation.

5 (g) The supreme court shall establish a schedule of bail amounts
6 for violations of this section. The bail amount may not exceed the
7 maximum fine that may be imposed for the violation under (f) of this
8 section. The bail amount for a violation must appear on the citation.

9 (h) A person cited for a violation under this section may,
10 within 15 days after the date of the citation, mail or personally
11 deliver to the clerk of the court in which the citation is filed

12 (1) the amount of bail indicated on the citation for the
13 violation; and

14 (2) a copy of the citation indicating that the right to an
15 appearance is waived, a plea of no contest is entered, and the bail is
16 forfeited.

17 (i) When bail has been forfeited under (h) of this section, a
18 judgment of conviction shall be entered. Forfeiture of bail is a
19 complete satisfaction for the violation. The clerk of the court
20 accepting the bail shall provide the violator with a receipt stating
21 that fact.

22 (j) If the person cited fails to pay the bail amount established
23 under (g) of this section or to appear in court as required, the
24 citation is considered a summons for a misdemeanor.

25 (k) A person may not be fined more than once for each violation
26 of this section.

27 (l) The board or any affected party may institute an action in
28 the superior court to enjoin repeated violations of this section.

29 (m) Notwithstanding AS 04.11.370, the board may not suspend or

1 revoke a license or permit for a violation of this section.

2 * Sec. 3. AS 12.25.190(c) is amended to read:

3 (c) The person cited for the crime shall give a written promise
4 to appear in court by signing at least one copy of the written cita-
5 tion prepared by the peace officer and the officer shall deliver a
6 copy of the citation to the person. The written promise requirement
7 of this subsection does not apply to motor vehicle and traffic cita-
8 tions for which a bail or fine schedule has been established under
9 AS 28.05.151, fish and game citations for which a bail schedule has
10 been established under AS 16.05.165, citations issued under AS 04.21.-
11 065, citations issued under AS 18.35.341, citations issued in state
12 park and recreational facilities under AS 41.21.960, or littering
13 citations issued under AS 46.06.080.

Senator Paul Fischer
April 4, 1989

ADOPTED

PROPOSED SENATE FINANCE COMMITTEE
LETTER OF INTENT
FOR
SENATE BILL 175

With the passage of Senate Bill 175 (requiring the holder of a license or permit related to selling or serving alcohol to post signs warning patrons that consumption of alcohol during pregnancy can cause birth defects) it is the intent of the Legislature that the Alaska Women's Commission include in their next general mailing to Alaska women, literature explaining the effects of Fetal Alcohol Syndrome, ^{such that} as prepared by the March of Dimes Birth Defects Foundation.

Alaska State Legislature

Senate Advisory Council



P.O. Box V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

MEMORANDUM

TO: Senator John Binkley
Alaska State Senate

FROM: Maureen Weeks *MW*
Senate Advisory Council

DATE: February 17, 1989

SUBJECT: Economic impact of Fetal Alcohol Syndrome; IR # 89-100015

An estimated 29 babies with Fetal Alcohol Syndrome (FAS) are born in Alaska annually; of these 26 survive the first year. Two to 15 times this many babies are born with a lesser set of symptoms known as Fetal Alcohol Effects (FAE). Babies exposed to alcohol before birth may be too small when they are born. Just ten years ago almost all low birthweight babies died at birth. Today, increasingly expensive medical technology saves the lives of four out of five but cannot correct many defects already caused by alcohol. Fifty-eight percent of both FAS and FAE patients have IQ's below 70 (classified as Developmentally Disabled). Conservatively estimated, the lifetime cost per Alaska FAS birth is \$1.4 million. Lifetime cost for Alaska FAS babies born each year is \$39.8 million.

ECONOMIC IMPACT OF FETAL ALCOHOL SYNDROME -

Senator John Binkley
February 17, 1989
Page 2

These are selected medical and social costs only; they do not include, among other things, costs of welfare, the justice system, mild physical problems, mild learning disabilities or loss of a useful member of society.¹

A table of costs associated with FAS and FAE follows page 18 of this report.

I. BACKGROUND.

Fetal Alcohol Syndrome (FAS) is caused when the alcohol which a pregnant woman drinks damages the brain and body of the fetus as it develops. Until 1973, alcohol was not suspected as toxic to an unborn baby. Respected medical authorities told pregnant women that the placenta protected their fetuses from harmful substances. Today we know these authorities were wrong. Babies who are exposed to alcohol before they are born can be irreversibly harmed for the rest of their lives.

The damage done by alcohol has profound implications for the victim and society. The harmful effects of alcohol on the fetus last a lifetime. A common problem is mental retardation. The average IQ of FAS patients is 66. Almost every child

¹ Harwood and Napolitano estimate direct average lifetime costs at \$405,000 per person and indirect costs at \$191,000, in 1980 dollars. Adjustment for inflation and cost of living differences (3 percent per year and 30 percent) yields direct costs of \$528,000 and indirect costs of \$249,000, for a total of \$1,010,000/person, Alaska 1989. Total costs for 29 Alaska FAS births would be \$29,290,000. (A 30 percent increase is conservative; the Bureau of Labor Statistics reports that medical services increased by 83.5 percent in Anchorage between 1980 and 1988.) It should be noted that some costs in the Harwood study are much less than Alaska costs. For example, intensive care hospitalization is estimated nationwide at \$2,500 per infant v. \$120,000/year per infant in Alaska; institutionalization is estimated at \$25,000/year nationwide v. \$109,000 in Alaska.

Senator John Binkley
February 17, 1989
Page 3

or adult with FAS needs lifelong care, supervision or support from family and society. Those most severely affected may spend their lives in institutions. Some suffer physical anomalies such as heart problems, cleft palate, kidney problems, blindness and deafness.

Few, if any, families can pay the enormous costs of supporting an FAS child or adult. Babies born with FAS may need intensive hospital care at birth at an average cost of \$2,400 a day. One in eight children born with FAS have cleft palates, requiring surgeries costing up to \$75,000 and long term speech therapy twice or three times a week at \$96 an hour. Fifty-eight percent of patients with FAS have IQ's below 70 and as such are classified as developmentally disabled. Cost of special education for a severely retarded child is \$20,000 a year. Average annual cost for each FAS patient in an institution is \$109,000.

Two national studies of the economic impact of Fetal Alcohol Syndrome have been published since the syndrome was discovered in 1973. Harwood and Napolitano in 1985 found the U.S. spends up to \$108.8 million a year on FAS births; Abel and Sokol in 1986 found annual costs of \$321 million a year. This report adapts the more conservative Harwood and Napolitano study to Alaska.

II. INCIDENCE OF FAS AND FAE

An estimated 29 Alaska babies are born a year with FAS. Experts believe between two and 15 times that many FAE babies are born annually.

A diagnosis of FAS requires signs in three areas:

- (1) Pre and/or post natal growth retardation (weight, length, and/or head circumference below the tenth percentile).
- (2) Central nervous system problems (neurological abnormality, developmental delay, or intellectual impairment).
- (3) Characteristic facial features (including small eyes, crossed eyes, short nose, or abnormalities of the mouth such as cleft palate).

FAS may be difficult to identify, especially among newborns. The identifying facial features may not be easily recognized and mental retardation may not be identified until years after birth.

U.S. researchers speculate that some racial groups, such as certain American Indian tribes, may be at greater risk for FAS than the population as a whole. A 1982-83 study of Indians on 26 reservations in New Mexico, Colorado, Utah and Arizona showed a wide variation in prevalence of FAS among cultural groups. For example, among Navajo Indians, the incidence was 1.4 FAS cases per 1,000 births; among Pueblo Indians it was 2 per 1,000 births and among Plains Indians it was 9.8 per 1,000 births.

Dr. James Berner of the Native Health Service, and Vicki Hild, FAS Coordinator for the Alaska Native Health Board, report statewide incidence of FAS between

Senator John Binkley
February 17, 1989
Page 5

1981 and 1988 at 4.2 per 1,000 live births. At an average of 2,700 deliveries annually, this would be about 12 FAS Native births a year.

The estimate comes from an Alaska Area Native Health Service survey of Alaska Native children born between 1981 and 1988. The study shows that the highest recorded FAS rate among any population in the world is in the Copper River area of Alaska: 250 FAS cases per 1,000 births (or one in every four births). Estimated incidence among Alaska Natives in other areas:

Sitka region:	2.1 FAS cases per 1,000 births
Bethel region:	3.5 FAS cases per 1,000 births
Anchorage:	3.8 FAS cases per 1,000 births
Nome region:	4.0 FAS cases per 1,000 births
Tanana Chiefs:	5.9 FAS cases per 1,000 births

It would be a mistake to ignore FAS among non-Native Alaskans. Data shows, for example, that one non-Native woman in Southcentral Alaska has produced seven children with FAS. No one has studied the incidence of FAS among non-Native Alaskans. Indeed, relatively few studies of the incidence of FAS among the general population have been done in the U.S. The literature commonly estimates overall FAS prevalence at from 1 to 3 cases per 1,000 live births (see Sixth Special Report to the U.S. Congress on Alcohol and Health, January 1987). Estimates in U.S. cities show:

Cleveland (1973-79)	.4 FAS cases per 1,000
Cleveland (1979-82)	3.0 FAS cases per 1,000
Seattle (1978)	1.3 FAS cases per 1,000
Boston (1977)	3.1 FAS cases per 1,000
Boston (1983)	2.1 FAS cases per 1,000

Estimates from Europe include:

Sweden (1979)	1.6 FAS cases per 1,000 births
	1.4 cases per 1,000 births
France (1977-79)	1.3 cases per 1,000 births
	2.9 cases per 1,000 births.

Abel and Sokol added together all FAS births reported worldwide in text or by personal communication and found a worldwide incidence of 1.9 FAS cases per 1,000 live births. Rates were higher in North America (2.2 cases per 1,000 live births) than in Europe and other countries (1.8 cases per 1,000 live births). They believe site, economic class and culture affect the reported FAS rate. Hild and Berner place national incidence at 1.7 per 1,000 live births. This study will use that conservative estimate. At an average of 10,000 deliveries annually, this would be about 17 non-Native babies born with FAS in Alaska a year. Added to the estimated 12 Native births, this brings the total Alaska FAS births per year to 29 babies. Of these, 26 babies survive their first year. See Table 1.

In the 16 years since U.S. doctors recognized that alcohol harms the fetus, researchers have concentrated on the more serious illness, FAS. However, patients with FAE have an average IQ of 73 and researchers now believe that in addition to lowered IQ, FAE causes hyperactivity, learning disorders, speech and hearing problems, perceptual problems and short attention span, among other problems. In some cases, these signs may not become evident until the child has trouble in school. Educators faced with a "difficult" child may not associate school problems with prenatal exposure to alcohol.

Researchers disagree on the incidence of FAE. Ann Streissguth of the University of Washington Medical School, an associate of the U.S. discoverers of FAS, estimates that FAE occurs twice as often as FAS. The National Institute on

Table 1
Incidence of FAS births in Alaska, 1988

Native births:

Deliveries (a)	2,736
Incidence of FAS births (b)	4.2/1000
Number of FAS births (2736 x .0042 = 11.5)	12

Non-Native births:

Deliveries (a)	10,163
Incidence of FAS births (b)	1.7/1000
Number of FAS births (10163 x .0017 = 17.3)	17

Total FAS births: 29

First-year survivors:

Neonatal mortality rate, Alaska: (c)	5.1%
Neonatal survivors:	28
Postneonatal mortality rate: (c)	5.9%
FAS first-year survivors	26

-
- (a) Alaska Vital Statistics 1985, Department of Health and Social Services, Juneau, 1988.
- (b) J.E. Berner, "Update: Incidence of Fetal Alcohol Syndrome (FAS) In Alaska Natives", February 3, 1989.
- (c) Alaska Vital Statistics 1985, p. 7.

Alcohol Abuse and Alcoholism reports a ten times increase and Sokol estimates much as a 15 times increase. Hild believes the incidence of FAE in Alaska is ten times that of FAS, or higher. In an effort to be conservative, this report will use the lowest estimate (twice FAS). At this rate, 58 Alaska FAE babies are born a year.

Table 2 shows the number of FAE births per year at each estimate.

Table 2
Incidence of FAE, Alaska 1985 (a)

Estimate of times increase over FAS	Number of FAE born/year (FAS = 29/yr)
2	58
10	290
15	435

(a) Three estimates of the frequency of FAE are quoted in the literature:

- * 2 times FAS: Ann P. Streissguth, Ph.d, of the University of Washington Medical School. (Manual on Indian Adolescents and Adults with Fetal Alcohol Syndrome, July, 1986, p. 4)
- * 10 times FAS: National Clearinghouse for Alcohol Information at Rockville Maryland. (Fact Sheet, December 1985). V. Hild, FAS coordinator for the Alaska Native Health Board, estimates the FAE incidence in Alaska exceeds 10 times that of FAS.
- * 15 times FAS: R.J. Sokol. ("Alcohol Abuse During Pregnancy: An Epidemiologic Study", Alcoholism: Clinical and Experimental Research, April 1980, p. 135-145.

B. Medical costs associated with FAS and FAE.

FAS patients commonly require medical care for cleft palate, heart defects, kidney defects, visual and hearing defects, dental problems and skeletal and postural problems. When estimates of the prevalence of these anomalies are available, this report relies on Abel and Sokol, Harwood and Napolitano and Hild for accurate statistics. Unfortunately, the prevalence for the majority of physical problems has not been established and these costs are not included in this report. Table 6 shows costs of selected physical disorders. Hospital costs are explained below.

Alcohol can lower birthweight even in babies who do not have FAS. Ruth Little reports that when a pregnant woman drinks one ounce of alcohol a day, birthweight can fall by 160 grams. Alcohol also lowers birthweight in the majority of FAS births. Low birthweight babies are at risk to need intensive care. Just ten years ago almost all low birthweight babies died at birth. Today, newborn intensive care saves the lives of four out of five. This intense early care is increasingly expensive and cannot correct the lifelong and expensive defects already caused by prenatal exposure to alcohol. In some cases, the desperate effort to save a too-small baby's life adds to the irreversible burden of harm the child will carry with it for the rest of its life.

Abel and Sokol report that 79.8 percent of FAS babies are low birthweight (see Table 3). Of 29 Alaska babies born annually with FAS, 23 babies would be low birthweight. Alaska vital statistics records show that 4.6 percent of babies are born low birthweight despite their prenatal care. Thus, one Alaska baby would be low birthweight despite the best prenatal care, leaving 22 Alaska babies whose low birthweight is due to FAS. Abel and Sokol report that 74.3 percent of FAS low birthweight babies are moderately low birthweight, weighing between 1500 and 2500 grams. At this rate, 16 Alaska FAS babies would be

moderately low birthweight. The rest (six babies) are very low birthweight, weighing less than 1500 grams.

The National Institute of Medicine reports that 32.8 percent of moderately low birthweight babies need intensive care (see Table 4). Of the 16 moderately low birthweight Alaska babies, five would need intensive care. All of the very low birthweight babies (six babies) would need intensive care. The total number of FAS low birthweight babies needing intensive care is 11 per year. This estimate is corroborated by Dr. Jack Jacob, Providence Hospital neonatologist, who reports between ten and 15 FAS infants are treated in the intensive care unit each year.

Providence Hospital records show that in 1987, the average length of stay in intensive care for an FAS baby was 27 days and in 1988, it was 35 days.² Average FAS hospital costs in 1987-88 were \$99,740 per FAS child; average neonatal physician fees for FAS infants were \$11,065. These costs include all hospital costs except transport, other physicians and anesthesiology. Total average cost of intensive care for one FAS baby is \$110,805 per year. For 11 low birthweight babies, it is \$1,218,855 per year.

The Institute of Medicine estimates that 19 percent of all moderately low birthweight babies and 38.3 percent of very low birthweight babies must be rehospitalized during their first year. Streissguth of the University of Washington reports that it is "usual" for FAS babies to be rehospitalized for pneumonia and problems such as hip dysplasia; applying statistics for all low birthweight babies to FAS births may result in conservative estimates.

² To compare, average length of stay for all low birthweight babies in the intensive care unit at Providence was 19.7 days in 1987 and 23.7 days in 1988.

Senator John Binkley
February 17, 1989
Page 11

Using the Institute of Medicine averages for all low birthweight babies, one FAS moderately low birthweight baby would be rehospitalized for 12.5 days and two very low birthweight babies would be rehospitalized for 16.2 days. Hospitalization for children not in intensive care was about \$900 a day at Providence Hospital in Anchorage in 1988. Rehospitalization for one baby for 12.5 days is \$11,250 and for two babies at 16.2 days it is \$29,160. Total cost of rehospitalization for low birthweight FAS babies: \$40,410. This does not include physicians, surgery, special procedures or transportation. See Table 5.

Table 3
Low birthweight of FAS births,
Alaska 1985

Alaska Low Birthweight Births (under 2500 grams) due to FAS.

FAS births which are Low Birthweight:

Total FAS births:	29
% FAS births which are under 2500 grams (a)	79.8%
LBW babies in 29 FAS births: (29 x .798 = 22.9)	23

Low Birthweight births not due to FAS:

% Alaska LBW births under 2500 grams not due to FAS (b)	4.6%
4.6% x 23 = 1 LBW birth not due to FAS	
LBW births due to FAS: (23 x .046 = 1.1)	22

Weight distribution of Alaska FAS Low Birthweight births:

1500-2500 grams (MLBW):	
% FAS births between 1500-2500 grams (a)	74.3%
FAS MLBW babies: (22 x .743 = 16.4)	16
Under 1500 grams (VLBW):	
All other LBW babies are VLBW (under 1500 grams)	6

(a) Abel and Sokol, "Incidence of Fetal Alcohol Syndrome and Economic Impact of FAS-Related Anomalies", Elsevier Scientific Publishers, Ireland, August, 1986, p. 58.

(b) If FAS were eliminated from Alaska, 4.6 percent of all births would still be low birthweight. Although they would still need treatment, the costs of their treatment should not be attributed to FAS. This number is the solution to the following equation: $4.8\% \times 12,900 \text{ births} = 79.8\% \times 24.6 \text{ FAS births} + p \times 12,869 \text{ non-FAS births}$, where 4.8% is low birthweight rate in Alaska; 12,900 is number of Alaska births in 1985; 79.8% is U.S. LBW rate for FAS births; 24.6 is FAS births in Alaska in 1985. Formula devised by J.W. Senner, Oregon State Health Division, "Revised Annual National Cost Estimates" (Portland), p. 2.

Table 4
 Costs of intensive care hospitalization for FAS LBW babies
 Alaska 1985

Moderately LBW (1500-2500 grams) Intensive Care hospitalization:	
% MLBW babies requiring intensive care (a)	32.8%
MLBW FAS babies requiring intensive care (16 x .328 = 5.4)	5
Very LBW (under 1500 grams) Intensive Care hospitalization:	
% VLBW babies requiring intensive care (a)	100%
VLBW FAS babies requiring intensive care	6
Total	11 babies
Hospital cost for 11 babies at \$99,740 (b)	\$1,097,140
Physician cost for 11 babies at \$11,065 (b)	\$ 121,715

(a) The Institute of Medicine reports that 32.8% of LBW infants and 100% of VLBW infants require newborn intensive care. Preventing Low Birthweight, Institute of Medicine, (Washington, D.C.), 1985. This may be an underestimate for FAS babies who show a longer average length of stay in intensive care, an indication that they may be sicker than other low birthweight babies. Providence Hospital reports the following average lengths of stay in the newborn intensive care unit in 1987 and 1988.

	<u>1987</u>	<u>1988</u>
Low Birthweight	19.7 days	23.7 days
FAS Low Birthweight	27 days	65 days

(b) Costs do not include transportation, other physician or anesthesiology fees. Neonatologist Dr. Jack Jacob estimates between 10 and 15 FAS infants a year enter the unit (Lisa Wolf, pers. comm.).

Table 5
Cost of first-year rehospitalization for FAS LBW babies
Alaska 1985

LBW rehospitalization:

FAS MLBW babies in intensive care	5
Neonatal mortality rate (a)	5.1%
FAS MLBW babies who survive intensive care ($5 \times .051 = .25$)	5
Percent LBW babies rehospitalized (b)	19%
Number of LBW babies rehospitalized ($5 \times .19 = .95$)	1
Cost of rehospitalization: 1 x \$11,250 (c)	\$11,250

VLBW rehospitalization:

FAS VLBW babies in intensive care	6
Neonatal mortality rate (a)	5.9%
FAS VLBW babies who survive intensive care ($6 \times .059 = .35$)	6 babies
Percent VLBW babies rehospitalized (b)	38.3%
Number of VLBW babies rehospitalized ($6 \times .383 = 2.3$)	2
Cost of rehospitalization: 2 x \$14,580 (c)	\$29,160
Total cost of first-year rehospitalization:	\$40,410

(a) Alaska 1985 Vital Statistics, Department of Health and Social Services, (Juneau), p. 7.

(b) The National Institute of Medicine reports that 19% of 2500-1500 gram babies are rehospitalized during the first year, as are 32.8% of babies under 1500 grams. Preventing Low Birthweight, National Institute of Medicine, (Washington, D.C.), 1985. This may be an under-estimate for FAS births. Streissguth reports that it is "usual" for FAS babies to be rehospitalized during the first few months of life for pneumonia, failure to thrive, hip dysplasia and other problems. A Manual on Indian Adolescents and Adults with Fetal Alcohol Syndrome, University of Washington Medical School, July 1, 1986.

(c) Providence Hospital charges for pediatric admission, 1988: \$900/day (MLBW average length of stay, 12.5 days; VLBW stay, 16.2 days).

C. Costs associated with mental retardation.

Streissguth in a 1986 study of 61 FAS/FAE diagnosed patients between the ages of 12 and 40 shows that more than half (58 percent) of both FAS and FAE patients were developmentally disabled (IQ's below 70). Hild finds the 58 percent estimate likely in Alaska. This report will rely on that estimate. At this rate, 15 FAS first-year survivors and 34 FAE patients have IQ's below 70. (Note that computing the incidence of FAE at 10 times that of FAS, the percentage used by Alaska experts, there would be 336 developmentally disabled FAE patients born every year.) Social service costs for the average moderately to mildly retarded child are \$25,000 a year (not including education). For adults, these costs are as high as \$45,000 a year (including vocational rehabilitation). About five FAS children currently are part of the Alaska Youth Initiative program for severely troubled youth at an average cost of \$90,000 a year each.

If 58 percent of FAS and FAE patients are developmentally disabled, an estimated 42 percent have minimal brain dysfunction. In this report, costs for this portion of patients are estimated at \$4,000 each, the additional cost of special education for mildly disabled persons (above regular education operating costs). State officials caution that FAS/FAE patients with IQ's between 70 and 100 may actually be more expensive than those with lower IQ's because of added counselling, legal and corrections costs. This is not reflected in this report.

Streissguth's study of 61 FAS/FAE patients from the Southwest U.S., Seattle and Vancouver, B.C. showed the following patient characteristics:

- (1) IQ's ranged from a score of 20 to 105. Average IQ of patients with FAS was 66 and of patients with FAE, 73. No patient with FAS showed

an IQ above 90. Streissguth concludes it is impossible to predict from a diagnosis alone how handicapped an individual patient with FAS/FAE will be as an adolescent or adult.

- (2) 58 percent of both FAS and FAE patients had IQ's below 70, (generally classified as developmentally disabled).
- (3) The average reading, spelling and arithmetic level of these patients (ages 12 to 40) was 4th grade, 3rd grade and 2nd grade, respectively.
- (4) Average level of general adaptive functioning was 7 years 5 months. (Median age of those tested was 16 years 5 months.)
- (5) There was no indication of general improvement in IQ, achievement or adaptive living scores as patients got older.
- (6) None of the patients were able to live independently.

Vicki Hild of the Alaska Native Health Board has tabulated living situations for 118 Alaska Natives with FAS. She found that 20 percent had been adopted and 10 percent had died. The remaining children shuttled back and forth between their biological parents and state custody. It is state policy to keep children with their biological parents if possible; children move in and out of state custody as a parent's condition improves or worsens. Among biological parents of the 118 children in the Hild study, only three mothers appeared "reasonably" stable.

Hild cites as an example of "ping-ponging" custody, the case of one Alaska FAS child who had lived in seven foster homes by the time she was three.³

D. Costs not included in this estimate.

Medical researchers have not yet determined a reliable rate of incidence for the majority of physical defects common to FAS victims and these costs have not been included in this estimate. These physical anomalies include visual problems, kidney and genital tract problems, and dental and skeletal defects (more frequently found in adolescents and adults), including club foot and scoliosis and neurotube defects such as spina bifida. Also not included are on-going lifelong medical costs associated with the ill health of patients with these problems. (Despite their illnesses, however, FAS patients are expected to live a normal life span.) Transportation, anesthesiology and some physician costs for first-year hospitalization and costs of FAE babies with physical damage are also not included.

Many social costs are also not included in this estimate. FAS children and adults are at high risk for physical and sexual abuse. They may exhibit signs of depression; some may be suicidal; a few may become violent. As they grow into adulthood, some may exhibit increasingly inappropriate sexual behavior.

³ Streissguth believes stability is important to the well-being of FAS patients. "We usually find great improvement in emotional development and social functioning when children with both full and partial FAS have stable and supportive living arrangements. Improved behavior which often occurs, even in the absence of changes in IQ, should not be ignored simply because it is more difficult to measure and quantify." "Psychological and Behavioral Effects in Children Prenatally Exposed to Alcohol", Alcohol Health and Research World, Fall 1988, p. 10.

Senator John Binkley
February 17, 1989
Page 18

Many of the costs of welfare, child abuse, sexual abuse, psychiatric care, incarceration, stress on the care-giver and loss of a useful member of society are not included in this report. Hild has stated that "without early intervention, all FAS and most FAE patients will be on welfare." In addition, this report does not consider what may be the enormous, but still unrecognized, costs of learning disabilities suffered by children afflicted with FAE.

TABLE I

LIFETIME COST ESTIMATES OF SPECIFIC BIRTH DEFECTS IN FAS BIRTHS -- ALASKA

Birth Defect	Annual Cost per Patient	Number of Times or Years	Lifetime Cost per Patient	Prevalence	Number Per Yr (% x 26)	Lifetime Cost: All Born 1988
ANNUAL FAS BIRTHS (29 BIRTHS; 26 SURVIVORS)						
1 Neonatal Unit/Providence	99,740	1	99,740		11	1,097,140
2 Neonatal Physician	11,065	1	11,065		11	121,715
3 First Year Rehospitalization	13,470	1	13,470		3	40,410
4 Initial Audio Screening	100	1	100	52%	15	1,500
5 Audio Check-up	100	4	400	100%	26	10,400
6 Otitis Media Surgery	1,224	1	1,224	56%	15	18,360
7 Hearing Aid	1,260	14	17,640	33%	9	158,760
8 Hearing Aid Mold	50	65	3,250	33%	9	29,250
9 Heart Surgery	75,000	1	75,000	5%	1	75,000
10 Cleft Palate Surgery	65,000	1	65,000	12%	3	195,000
11 Infant Learning Program (HSS)	2,513	3	7,539	100%	26	196,014
12 H/C Child: phys defect (HSS)	8,700	18	156,600		7	1,096,200
H/C Child: devel delay (HSS)	8,700	3	26,100	58%	15	391,500
13 Minimal Special Educatn (DOE)	4,000	15	60,000	42%	11	660,000
14 Child Mental Retardation (DOE)	20,000	15	300,000	58%	15	4,500,000
15 DD Child (HSS)	25,000	18	450,000	58%	15	6,750,000
16 Alaska Youth Initiative (HSS)	90,000	12	1,080,000		1/2	540,000
17 DD Adult Initial Training(HSS)	45,000	3	135,000	58%	15	2,025,000
18 DD Adult Supervised Work (HSS)	22,500	44	990,000	58%	15	14,850,000
19 Institution	109,000	65	7,085,000	3%	1	7,085,000
Lifetime Costs for FAS Births: 1988						39,841,249
Lifetime Costs per FAS Birth			1,373,836			
ANNUAL FAE BIRTHS AT TWICE FAS RATE (58)						
20 Infant Learning Program (HSS)	2,513	3	7,539	58%	34	256,326
21 DD Child (HSS)	25,000	18	450,000	58%	34	15,300,000
22 Child Mental Retardation (DOE)	20,000	15	300,000	58%	34	10,200,000
23 DD Adult Initial Training(HSS)	45,000	3	135,000	58%	34	4,590,000
24 DD Adult Supervised Work (HSS)	22,500	44	990,000	58%	34	33,660,000
Lifetime Costs for FAE Births: 1988						64,006,326
Total FAS/FAE Births						103,847,575

NOTES TO FAS COST TABLE

Numbers refer to line numbers on the table.

1. Neonatal Unit. Charges per FAS patient in the Providence Hospital Neonatal Intensive Care Unit were \$68,910 in 1987 and \$130,570 in 1988, for an average of \$99,740. Average length of stay of FAS infants in the Neonatal Intensive Care Unit more than doubled between 1987 and 1988. It was 27 days in 1987 and 65 days in 1988 (v. 19.7 and 23.7 days for all low birthweight babies in the unit). Statistics provided by Lisa Wolf of Providence Hospital.
2. Neonatal Physician. Physician costs per FAS child were \$6,130 in 1987 and \$16,000 in 1988, for an average of \$11,065. Estimates by Sharon Lee of Alaska Neonatal-Perinatal Associates.
3. First-year rehospitalization. Cost estimate is based on 1988 Providence Hospital pediatric charges of \$900/day. The number of infants and average length of stay (12.5 days for moderately low birthweight infants and 16.2 days for very low birthweight babies) are from the National Institute of Medicine and are for all low birthweight infants. Applied to FAS births, these may be underestimates. Streissguth reports it is "usual" for FAS babies to be rehospitalized in the first few months of life.
4. Initial Audio Screening. The state audiologist, Communicative Disorders Program, Anchorage, reports all FAS children need a workup. This report estimates that 11 infants receive a workup in intensive care; the 15 remaining surviving infants are counted in this entry.

5. Audio Check-up. FAS children need three to four follow up checks. The \$100 charge is from the Alaska Treatment Center in Anchorage; the check-up estimate is from the state audiologist.
6. Otitis Media Surgery. Estimate is from the Geneva Woods Ear Nose and Throat Associates. Source of 56% prevalence is Harwood and Napolitano. These costs do not include less severe ear problems common to 93 percent of FAS patients (Alaska Treatment Center). Twenty-nine percent of FAS patients have permanent hearing loss.
7. Hearing Aid. A hearing aid for a baby costs \$1,260; it is replaced once every five years for life at this cost. Cost estimate from Alaska Treatment Center.
8. Hearing Aid Mold. A \$50 ear mold must be replaced annually. Estimate from Alaska Treatment Center.
9. Heart Surgery. Up to 70 percent of FAS patients have heart problems (Streissguth reports the portion at 30-40 percent; Hild reports 70 percent). Harwood and Napolitano report 10 percent require heart surgery, but reduce the estimate to 5 percent to reflect cases actually having surgery. Cost estimates from Vicki Hild, Alaska Native Health Board FAS coordinator.
10. Cleft Palate. Costs include an average of four surgeries, dental and orthodontics work. They do not include long term speech therapy at \$96/session twice or three times a week. Estimates from Vicki Hild. The 12% estimate is average of Abel and Sokol (11.5%) and Harwood and Napolitano (12.5%).