

**ALASKA LEGISLATURE**

**1372**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996**

1 \* Sec. 10. AS 43.65.018(a) is amended to read:

2 (a) Subject to (d) of this section, for [FOR] cash contributions accepted for  
3 direct instruction, research, and educational support purposes, including library and  
4 museum acquisitions, and contributions to endowment, by an Alaska university  
5 foundation or by a nonprofit, public or private, Alaska two-year or four-year college  
6 accredited by a regional accreditation association, and for contributions accepted by  
7 a nonprofit, noncommercial public Alaska educational radio or television network  
8 or station and contributions to endowments established to benefit those stations,  
9 a person engaged in the business of mining in the state is allowed as a credit against  
10 the tax due under this chapter

11 (1) 50 percent of contributions of not more than \$100,000; and

12 (2) 100 percent of the next \$400,000 [\$100,000] of contributions.

13 \* Sec. 11. AS 43.65.018(d) is amended to read:

14 (d) In each tax year, contributions [A CONTRIBUTION] claimed as a credit  
15 under this section may not

16 (1) be claimed as a credit under another provision of this title;

17 (2) be allowed as a deduction against the tax imposed by this  
18 chapter or as a deduction against another tax imposed by this title; and

19 (3) [(2)] when combined with credits taken during the taxpayer's tax  
20 year under AS 21.89.070, AS 43.20.014, AS 43.55.019, AS 43.56.018, or  
21 AS 43.75.018, exceed \$450,000 [\$150,000].

22 \* Sec. 12. AS 43.75.018(a) is amended to read:

23 (a) Subject to (d) of this section, for [FOR] cash contributions accepted for  
24 direct instruction, research, and educational support purposes, including library and  
25 museum acquisitions, and contributions to endowment, by an Alaska university  
26 foundation or by a nonprofit, public or private, Alaska two-year or four-year college  
27 accredited by a regional accreditation association, and for contributions accepted by  
28 a nonprofit, noncommercial public Alaska educational radio or television network  
29 or station and contributions to endowments established to benefit those stations,  
30 a person engaged in a fisheries business is allowed as a credit against the tax due  
31 under this chapter

- 1 (1) 50 percent of contributions of not more than \$100,000; and  
2 (2) 100 percent of the next \$400,000 [\$100,000] of contributions.

3 \* Sec. 13. AS 43.75.018(d) is amended to read:

4 (d) In each tax year, contributions [A CONTRIBUTION] claimed as a credit  
5 under this section may not

6 (1) be claimed as a credit under another provision of this title;

7 (2) be allowed as a deduction against the tax imposed by this  
8 chapter or as a deduction against another tax imposed by this title; and

9 (3) [(2)] when combined with credits taken during the taxpayer's tax  
10 year under AS 21.89.070, AS 43.20.014, AS 43.55.019, AS 43.56.018, or  
11 AS 43.65.018, exceed \$450,000 [\$150,000].

12 \* Sec. 14. This Act applies to tax years beginning after the December 31 that precedes the  
13 effective date of this Act.

14 \* Sec. 15. This Act takes effect January 1, 1996.

AMENDMENT

#1

(2-8)

Failed

HB 315  
BY MARTIN

On page 3, line 17, insert the following language:

(k) Subject to appropriation and conditioned upon at least 50 percent private enterprise matching funds being made available, the board may award the following grants:

4/26/95  
pm

9-GH0053VA.1 ✓  
Bannister  
4/26/95

AMENDMENT 2

OFFERED IN THE HOUSE  
TO: HB 315

BY REPRESENTATIVE NAVARRE

1 Page 1, line 1, following "relating to the":

2 Insert "Alaska Science and Technology Foundation and to the"

3 Page 1, line 2:

4 Delete "and"

5 Page 1, line 4, following "project":

6 Insert "; and relating to a feasibility study to be conducted concerning the  
7 establishment of a Challenger Learning Center for the study of science and technology"

8 Page 4, following line 2:

9 Insert a new bill section to read:

10 "\* Sec. 8. CHALLENGER LEARNING CENTER FEASIBILITY STUDY. The Alaska  
11 Aerospace Development Corporation shall conduct a feasibility study on the technical,  
12 financial, and economic feasibility of establishing in the state a Challenger Learning Center  
13 that is for the study of science and technology and that is modeled after the Challenger  
14 Learning Center program established by the Challenger Center for Space Science Education.  
15 The feasibility study shall consider Kenai and various other locations for the center. The  
16 costs of the study shall be paid as follows:

- 17 (1) one-<sup>half</sup>quarter by the Alaska Aerospace Development Corporation;
- 18 ~~(2) one-quarter by the Alaska Industrial Development and Export Authority;~~
- 19 ~~(3) one-quarter by the Alaska Science and Technology Foundation; and~~
- 20 (2) ~~(4)~~ one-<sup>half</sup>quarter by the municipalities, including Kenai, desiring consideration  
21 as possible locations for the center."

Back-up



ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY



480 WEST TUDOR

ANCHORAGE, ALASKA 99503

907 / 561-8050

FAX 907 / 561-8998

## MEMORANDUM

To: Kurt Parkan  
Special Staff Assistant  
Office of the Governor

From: *W. R. Snell*  
William R. Snell  
Executive Director

Date: March 7, 1995

Subject: Low-Rank Coal-Water Fuel Demonstration Project

7/11/95  
GOVERNOR'S OFFICE

The following is a brief synopsis and status report on the Low-Rank Coal-Water Fuel Project:

### Background & History

- Low-rank coal-water fuel (LRCWF) is a quasi-liquid substance made by combining finely ground, subbituminous coal with water and subjecting it to a high pressure process. The resulting product is non-toxic fuel which can be used as a direct replacement for heavy oil. Attachment No. 1 is a brochure which explains the process and the benefits of the product.
- Initial research into the LRCWF process was funded, in part, by the Alaska Science and Technology Foundation (ASTF) as a pilot project at the Energy and Environmental Research Center's (EERC) laboratory facilities in Grand Fork, North Dakota. The pilot project proved that a very high grade, clean burning LRCWF could be made from Alaskan subbituminous coal.
- Following the successful pilot testing, a consortium group comprised of several Alaskan businesses, coal experts and EERC was formed with the goal of commercializing the technology. In 1992, the consortium submitted a grant application to ASTF for proposed joint funding with the U.S. Department of Energy

and the consortium members. The purpose of the grant was to construct and operate a demonstration facility in Alaska. The overall program cost, including in-kind contributions by consortium members, was estimated at approximately \$25 million.

The proposed Demonstration Project is intended to: 1) demonstrate on a commercial scale basis that LRCWF can be manufactured at a competitive cost; 2) establish through test burning, the product's combustion characteristics and performance in boiler applications; and 3) make the LRCWF product available in quantities of sufficient size to allow potential industrial users to perform test burns at their own facilities. (Attachment No. 2 provides additional background information on the Demonstration Project.)

#### AIDEA's Involvement

- Because of the size of the proposed Demonstration Project, ASTF approached AIDEA in November 1993, seeking assistance and participation in the project as the Grant Recipient and administrator of the project (see Attachment No. 3). AIDEA's Board in February 1994, approved our participation in the initial phase of the project.
- The Demonstration Project is divided into two phases. Phase 1, which is currently in progress, is designed to formally organize the consortium, perform additional market assessments, firm up cost estimates and prepare the grant application for DOE participation. Phase 2 will be the actual construction and operation of the plant.
- Phase 1 work is currently in progress and will be complete by early April 1995. Our involvement in Phase 2 will be subject to the results of Phase 1, receipt of federal participation, continued ASTF grant funding and Board approval. It is assumed that AIDEA would again serve as the grant recipient under Phase 2.

#### Funding Status

- The total cost for Phase 1 of the project is \$429,200. Of this amount, \$185,000 are grant funds from ASTF. In addition to the ASTF grant, AIDEA is contributing \$30,000 and the consortium members are contributing in-kind services and matching funds in the amount of \$214,200.
- Subject to the successful conclusion of Phase 1 and several additional conditions, ASTF has approved another \$3,615,000 toward Phase 2 of the project (see Attachment No. 4).

- The total cost of Phase 2 is currently estimated at approximately \$22,000,000. Federal funding in the amount of \$10,250,000 is being sought in the form of a grant through DOE. In addition to the ASTF grant amount, the balance of \$8,075,000 will be made up as contributions from consortium members (see Attachment No. 5). Although AIDEA may participate in Phase 2 as the Grantee, we do not anticipate making any further contributions of AIDEA funds toward the project.
- To apply for the DOE grant and have any reasonable hope for securing federal participation, it will be essential that the State of Alaska show a strong financial commitment toward the project. Although ASTF has tentatively committed to funding the full amount requested, due to certain statutory limitations governing the split of funding between large projects and small projects, ASTF may not be allowed to obligate the full amount in a single year without legislative approval.

#### Project Benefits

- The potential benefits of the project to Alaska fall into two major categories: 1) short term benefits generated during the three year demonstration period; and 2) long term benefits if the demonstration project is successful and results in the development of a commercial scale LRCWF plant.
- Short Term Benefits:
  - A \$4 million state investment will be leveraged into a \$25 million project which will be constructed and operated over a three year period.
  - With the exception of \$5 million purchase and fabrication of equipment all remaining project moneys will be expended in Alaska.
  - During the 18 month operational period, the project will create approximately 23 new full time jobs in the Fairbanks area.
  - + - The project will be located at the University of Alaska-Fairbanks. The manufacturing facilities, which have a value of approximately \$7 million will remain at the University and be available for research purposes after the demonstration phase has been completed.
- Long Term Benefits:

Kurt Parkan  
March 7, 1995  
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- The primary, long-range objective of the Demonstration Project is to create a economically viable means to develop the Beluga Coal Fields and to be able to compete in the world coal market.
- Development of a commercial scale LRCWF plant, dock and related infrastructure would be a \$200 million project and take two or three years to construct. ~~\_\_\_\_\_~~
- The LRCWF production facility would create a major value added industry and also increase Alaska's total coal exports
- Operation of the commercial plant and mine could create about 200 new, full-time permanent jobs.
- It is worth noting that, even if the Demonstration Project does not result in the commercialization of the technology, Alaska will receive all of the short-term benefits at a total investment cost of only \$4 million.

Hopefully the above information provides you with a basic understanding of the project and some of the issues at hand. Should you have any questions, or require any specific details regarding the project, please give me a call.

cc: John W. Sibert

h:\all\dave\cwfmemo

## ALASKAN LOW-RANK COAL-WATER FUEL DEMONSTRATION PROGRAM

### Background

The technical feasibility of producing a premium low-rank coal-water fuel (LRCWF) from an Alaskan subbituminous coal from Beluga Coal Co.'s leases west of Anchorage, AK, was demonstrated using the hot-water drying (HWD) process developed at the Energy and Environmental Research Center (EERC). LRCWF made in the EERC pilot plant was tested in the EERC Combustion Test Facility giving almost complete carbon burnout, low boiler-tube fouling and SO<sub>2</sub> emissions well below even the most stringent air quality standards.

Beluga coal is part of a deposit around and under the Cook Inlet near Anchorage, AK that contains approximately 1.5 trillion tons of low-sulfur subbituminous coal. It is thought to be the largest, lowest-cost, ultra low S coal near tidewater in the world.

### Market Potential

To avoid potential misunderstanding of marketing goals, it should be noted that LRCWF is designed to replace heavy oil and/or bituminous CWF in existing oil-fired boilers, not bulk steam-coal. The use of CWFs is being aggressively pursued in China, Italy, Japan and Russia to produce a lower-cost, more stable supply of liquid fuel that can be substituted for heavy oil in industrial and utility boilers. In addition, since CWF is simply coal suspended in water it is, in contrast to oil, a non-hazardous quasi-liquid fuel that has no long term negative environmental impact should a major spill occur.

The magnitude of the potential market for coal-water fuels can be gauged by the consumption levels of heavy oil in electric utilities in Japan, Korea, and Taiwan alone. In 1990 the combined total of 200 million barrels of oil used by utilities in these countries was equivalent to about 80 million tons of LRCWF.

### Process Economics

LRC characteristics and site specific requirements have a profound effect on costs associated with their conversion and utilization as LRCWFs. For these and other reasons, accurate LRCWF production/utilization economics can only be derived after completion of demonstration-scale testing and a thorough analysis of the commercial site specifics. However, for production of 1MM tpy LRCWF near the Beluga mine site, pipeline transportation to a mono-buoy in Cook Inlet, and ocean transport to Japan, our best estimate of the range of costs in dollars per million Btus, CIF Japan, is between \$2.68-\$3.84 U.S. The economic success of a LRCWF venture will mainly be determined by the price of heavy oil, although benefits that are difficult to quantify and could become important factors include, environmental safety, price stability and secure supply.

## **Demonstration Program**

The next step in commercialization is to demonstrate the technology at a large enough scale to provide potential LRCWF users with sufficient data to develop their own economic analysis and LRCWF for testing in their own facilities. There is a unique opportunity to demonstrate this technology at the University of Alaska Fairbanks Power Plant (UAF), at a fraction of the cost and time it would take to build a new facility. UAF will participate in the demonstration and make their facilities available as a significant portion of the cost share for the project.

The project principals are: Usibelli Coal Mine Inc., owner of Alaska's only operating coal mine; EERC, developers of the LRCWF production/utilization technology; Beluga Coal Co. (a subsidiary of Placer Dome U.S. Inc. and Cook Inlet Region, Inc.), one of the large coal lease holders in the Beluga field and UAF, owner of the host site. Project affiliates include: Alaska Division of Energy; Alaska Industrial and Export Authority; Alaska Science & Technology Foundation; DRVen Corp.; Energy Pacific Corp.; International Coal Prep Consultants, Ltd.; Major International; POWER Engineers, Inc.; Tyonek Native Corp.; and the University of Alaska Anchorage.

Funding for the three year demonstration will consist of the following: The Alaska Science and Technology Foundation have conditionally agreed to provide about \$4MM and slightly more than \$10MM is being sought from the U.S. Department of Energy. The balance, which includes, the technology, part of the facilities, much of the equipment, all of the test coal required for 18 months of operation, some of the engineering and operating manpower, and site permitting information will be provided by the participants through their recently formed corporation, Alaska Coal-Water Fuels, Inc.

## **CWF Use Assessment**

The nominal 150 tpd hot-water drying (HWD) plant will produce about twice the amount of fuel needed to run the oil-designed boiler in the demonstration plant. Extra fuel will be available for transportation and end-use testing at potential LRCWF users facilities, possibilities include, CWF-fired diesel engines, small coal-fired boilers for remote sites, slurry-fed gasifiers, slagging combustors and a variety of oil-designed boilers



## ALASKA SCIENCE & TECHNOLOGY FOUNDATION

— Putting Innovation to Work for Alaska —

March 15, 1995

RECEIVED  
MAR 20 1995

The Honorable Governor Tony Knowles  
PO Box 110001  
Juneau, AK 99811-0001

GOVERNOR'S OFFICE

Dear Governor Knowles:

RE: *ASTF Project 91-3-189*  
*Low Rank Coal Water Fuel Demonstration Project*

*The Alaska Science & Technology Foundation (ASTF) is presently assisting in the analysis of whether Alaska's sub-bituminous coal can be used to profitably produce a low rank coal water fuel (LRCWF) for domestic and export markets.*

*This project started out as a series of proposals to the Foundation by the Consortium representing the project, consisting of the Energy and Environmental Research Center (EERC) in North Dakota, Usibelli Coal Mine, Inc., and Beluga Coal Co. The pilot research was funded by ASTF and was conducted by EERC in North Dakota. After examining the nature of the demonstration proposal, it was determined that AIDEA would be a more appropriate agency to represent the state in the development of this project, principally in terms of their past experience in large economic development projects such as this project. In March 1994, AIDEA, as project manager, submitted a proposal to the Foundation for the low-rank coal water fuel project (91-3-189). The purpose of this project is to design, construct, and demonstrate a facility using low-rank coal water fuels in Alaska.*

*ASTF is funding the low-rank coal water fuel project in two phases. The decision to fund the project was based upon the proposal submitted to the Foundation, the technical reviews received by the Foundation, and consideration by the Board. The Board approved a two-phase grant designed to help the consortium reach a consensus on the outstanding issues while encouraging a broad-based approach to maximize the leverage of state funds and successfully develop and commercialize the LRCWF technology. Phase One addresses resolution of issues surround the legal structure of the project, development of a business plan, and other efforts leading to the preparation of a proposal to the U.S. Department of Energy for the bulk of the project funding. Phase Two, if approved and funded by the ASTF Board, will involve the design, construction, and testing of an actual production prototype facility.*

*ASTF's Board of Directors has approved \$185,000 of funding, matched with \$244,200 of funding from AIDEA (\$30,000) and the consortium (\$214,200), for Phase One. Phase Two funding will depend upon the successful completion of a*

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March 15, 1995  
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*number of required conditions. Those conditions included adequate funding commitments, a suitable business plan, identification of suitable markets and end users for the fuel, and the ability of ASTF under its statute to make the grant payments to the project as scheduled. ASTF funding of \$3,615,000 for Phase Two would be matched with approximately \$10.2 million from the Department of Energy and \$11.0 million from other sources, including the consortium members.*

*ASTF believes the LRCWF has the potential to open new markets for Alaskan coal. ASTF also believes that with an appropriate structure, detailed planning and market research, commitments from interested end users, and sufficient funding from the U.S. Department of Energy and other private and federal funding sources, this project can be of great benefit to the State through an alliance of Alaska State agencies, private entities, and the federal government. State funds can be leveraged to determine the viability, both technical, and financially, of producing low-rank coal water fuel from Alaskan coal.*

*If you have any questions, please feel free to contact either myself or Robert E. Harris, Director of Technology, at 272-4333.*

*Cordially,*



*Arliss Sturgulewski  
Interim Executive Director*

*cc: Kurt Parkan, Special Assistant to the Governor  
Riley Snell, AIDEA*



March 16, 1995

Jim Ayers  
Chief of Staff  
P.O. Box 110001  
Juneau, AK 99811-0001

Dear Mr. Ayers:

I am pleased to present to you a copy of the Alaska Aerospace Development Corporation's (AADC) Kodiak Launch Complex (KLC) Business Plan. This plan outlines the launch services market, launch site competitors, facilities, operation, construction and approvals and the financial analysis of the KLC. As you can see, it shows a promising venture for Alaska without trying to capture 100% of the launch market.

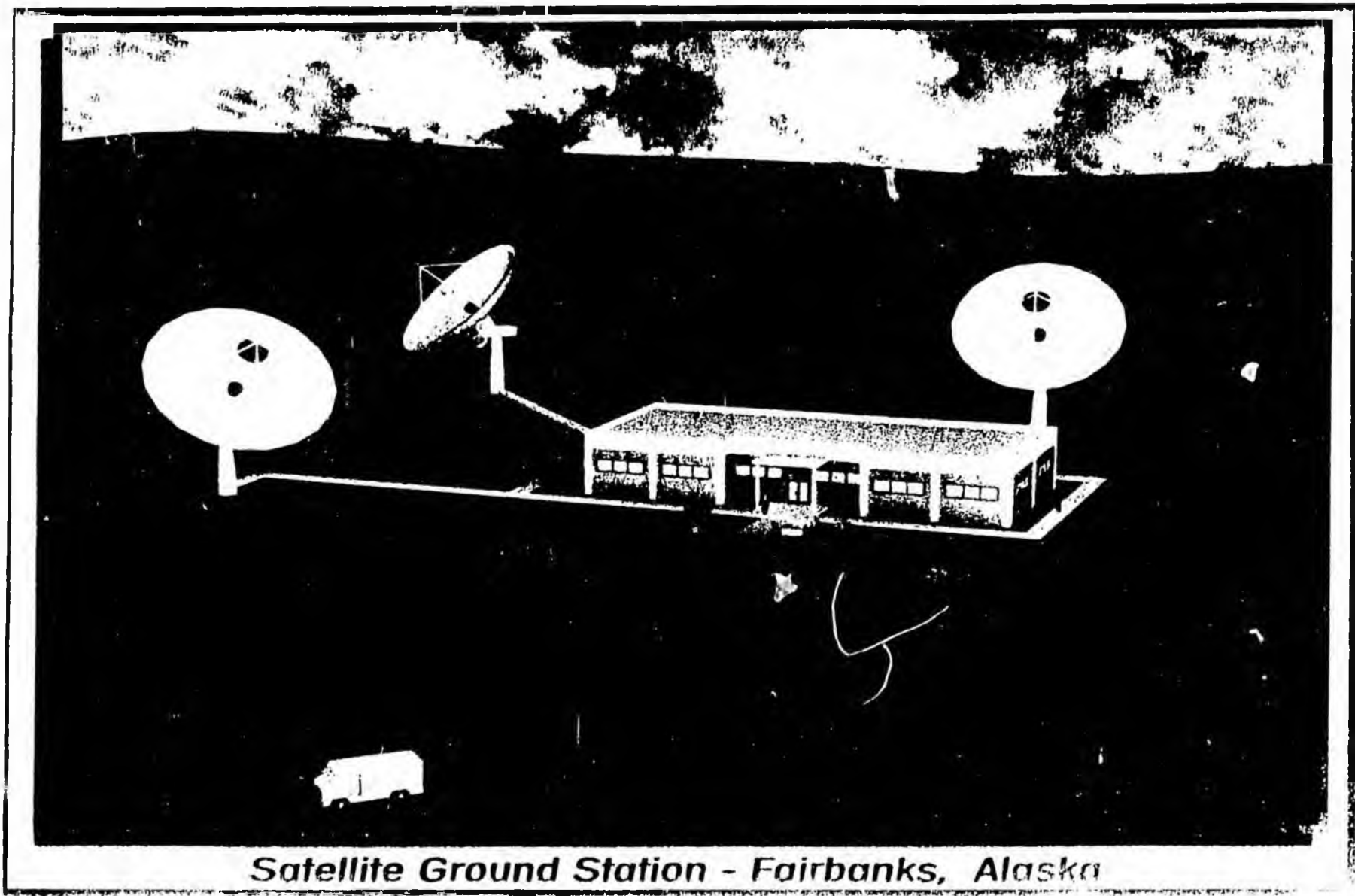
On 13 December 1995, the Alaska Interior Delegation was invited to a briefing by AADC and Mr. Dave Edwards, Vice President of EOSAT Corporation. At that briefing, they were provided AADC's plans to develop the Fairbanks Satellite Groundstation Spacepark to support the emerging commercial polar satellite constellations. Also, Mr. Edwards provided a briefing on the many uses of remote sensing data to satisfy state requirements plus value added products from having a commercial groundstation in Fairbanks. He also stated that EOSAT was very interested in locating a groundstation in the Fairbanks area.

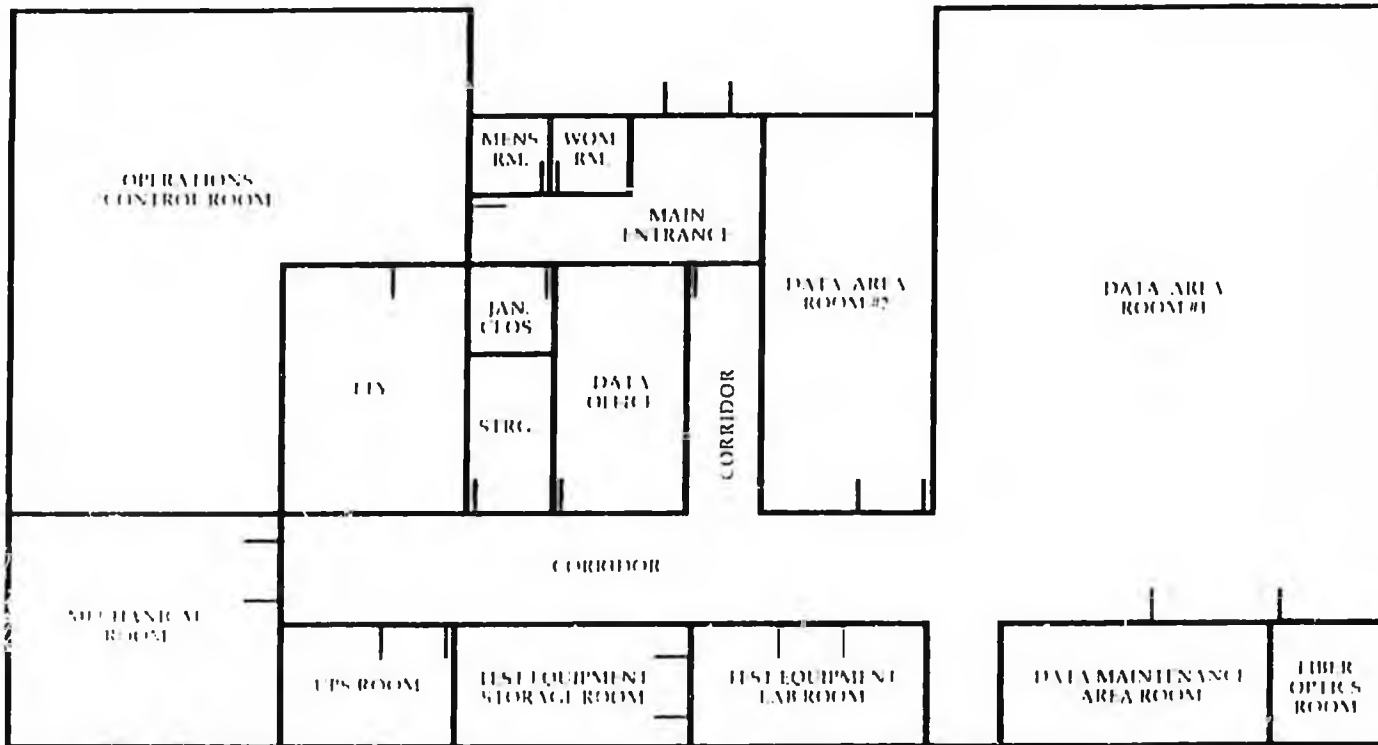
Since that briefing we have awarded a contract to FPE Roen of Fairbanks to perform a study of all possible sites in the Fairbanks area and to develop a strategic plan. We have also tasked BRPH, AADC's Architectural and Engineering firm, to develop a preliminary design and cost estimate. Copies are enclosed. To show the potential of the Fairbanks Satellite Groundstation Spacepark, I am also enclosing a letter from Spectrum Astro.

This is just an update on our progress. I hope to see you at the Aerospace Reception on 28 March 1995 in Juneau that will be sponsored by the Alaska Municipal League.

Very respectfully,

  
Pat Lachner  
Executive Director





**Floor Plan**

**7000 sq. ft. Building  
(120' X 60')**

**Satellite Ground Station - Fairbanks, Alaska**

## COST ESTIMATE

### SATELLITE TRACKING STATION - FAIRBANKS, AK

BRPH ARCHITECTS • ENGINEERS, INC.

BY: E. M. BRIEL

DESCRIPTION	QUANTITY	UNIT	COST	TOTAL
<b>SITE WORK</b>			\$	\$
Clearing	3.0	Ac	1,690	5,070
Grading	14,520	S.Y.	1.014	14,723
Pavement/Base	1,200	S.Y.	33.80	40,560
Fencing	1,460	LF.	25.35	37,011
Utilities	1	L.S.		50,000
Area Drainage	1	L.S.		25,000
Curb & Gutter	420	LF.	17.32	7,275
Security Gatehouse	1	L.S.		5,000
Grass	8,000	S.Y.	2.11	16,880
<b>TOTAL SITE WORK</b>				201,519
<b>BASE BUILDING</b>				
Arch/Struct/Finishes	7,200	S.F.	88.20	635,040
Raised Floor	3,000	S.F.	12.00	36,000
Elec. Power/Ltg/Grounding, Comm.	7,200	S.F.	43.46	312,912
Mechanical-Heat/A-C Plumbing	7,200	S.F.	37.30	268,560
<b>TOTAL - BASE BUILDING</b>				1,252,512
UPS	1	L.S.		54,000
Standby Gen. (500 KW)	1	L.S.		145,340
<b>PROJECT TOTAL</b>				1,653,371
Contingency - 10%				165,337
Design Fees - 6%				109,122
Testing, Soils	1	L.S.		20,000

**SUBTOTAL**

**1,947,835**

# *Spectrum Astro, Inc.*

ADVANCED SPACE SYSTEMS

25 February 1995

Attn: Mr. Pat Ladner  
Alaska Aerospace Development Corporation  
Suite 1400  
3601 C Street  
Anchorage, Alaska 99503

VIA FACSIMILE TO (907) 561-3339

Subject: ELLIPSO Satellite System High-Latitude Ground Control Station

Dear Mr. Ladner:

I am writing to confirm our verbal discussion related to a high latitude ground control station for the ELLIPSO Satellite System. As we have discussed, Spectrum Astro has been asked to supply 16 satellites, the satellite ground command and control system, as well as other services, along with a vendor financing package. In turn, we are asking our vendors and subcontractors to provide capital financing for their portion.

Pursuant to our previous discussions, I request your commitment to provide the following facilities and services in return for a 5-year operating lease with a 5-year renewal option. Initial operational capability (IOC) for your facility is required no later than 1 July 1997. Facility, equipment, and personnel requirements are as follows:

**Facility:**

General Office Space, Class A, carpeted, fully sprinklered

**Including:**

- Individual offices minimum 10' x 12'
- One visitor office 10' x 12' min
- One mini conference room 12' x 15' min
- One large conference room 24' x 30' min
- Full-service kitchen/break area
- Lockable storage space 10' x 12' min

Operations Room - 24' x 30' min, carpet/tile OK, sprinklered

Outside Antenna Pads and Heated Radomes- (3) - Suitable for 5 meter dishes

**Other Comments:**

- Provide minimum of 40 parking spaces onsite
- Provide on site access or less than 10 minute drive to 24-hour quality food service
- Provide close proximity (less than 20 minutes) to quality motel/hotel
- Provide close proximity (less than one hour) to large commercial airport with standard carrier access
- Provide emergency backup power
- Provide access to all standard telephone services and fiber optic trunks
- Provide 24-hour security, medical and fire protection services as required onsite or within close proximity (less than 10 minute response)

**Equipment:**

Provide satellite telemetry, command, control, radio frequency equipment, amplifiers and antennas per our specifications (To Be Supplied - Estimated cost not to exceed \$4 million. Spectrum Astro will provide as Customer Furnished Equipment (CFE) all necessary system software)

**Personnel:**

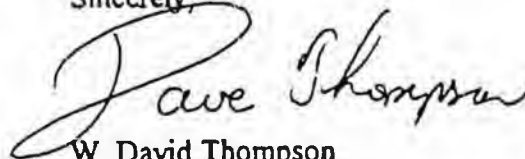
Provide trained and certified satellite operations personnel (1 per shift) suitable for 24-hour operations staffing 365 days per year, including sufficient staff to allow for vacation and surge needs during critical operations

Personnel must have minimum of 2 years satellite operations experience. Spectrum Astro will provide specialized training on Ellipso vehicles and overall system operation. We will also provide expert technical advisors to support critical operations.

Our lease payments will begin one year after IOC. Please structure your lease payment terms accordingly. Please respond with a commitment letter confirming our verbal discussions and the ground rules set forth in this letter NLT close of business 28 February 1995 so that we may include your commitment in licensing transactions currently before the FCC.

Call me at (602) 892-8200 (w) or (602) 813-2310 (h) if you have any questions. We look forward to working with you.

Sincerely,



W. David Thompson  
President

WDT/tc



## Ground control

### *In Fairbanks, a small but significant opportunity in the space business*

As Alaska's oil bonanza at Prudhoe Bay plays out, the state must be alert for economic opportunities of any stripe, no matter how small or unconventional they may be.

Fairbanks is home to one intriguing space-age possibility.

It appears to be the best place on the continent for steering polar orbit satellites and relaying satellite data to Earth.

Fairbanks' advantage comes from a simple fact of geography: The farther north you are, the longer you can communicate with a satellite in polar orbit.

That fact gives Fairbanks an edge on two counts. First, any satellite, no matter where it's launched, needs occasional orbit adjustments to keep from falling back to Earth. Second, the longer you can contact the satellite, the more data you can "download" from it.

Having good air-cargo service, as Fairbanks does, is another plus. Some satellites generate so much data, it's cheaper to print out the information and ship it by air cargo, instead of using more expensive telecommunications.

As John Seibert, head of the state's Science and Technology Foundation, says of Fairbanks: "It's the farthest north (city) with a decent airport, a university and a (super)computer."

Already, one firm wants to bring a portable satellite communications unit to Fairbanks, according to Pat Ladner, head of the state's Aerospace Development Corp.

He thinks that with a little help from the state, Fairbanks could see a lot more business in the field. That's why the space development authority would like to build a "satellite servicing" office park there.

Such a building would spare each firm from having to locate a site, get zoning and permit approvals, and install communication lines. All a satellite business would have to do is show up at the office park, plug in its computers, consoles and satellite dishes, and it would be ready to go. Rental fees would cover the state's construction and maintenance costs.

The space authority wants to start small, perhaps with only two "offices." But it plans to choose a site and a design that will allow adding "offices" as demand warrants.

Mr. Ladner says the space authority seeks \$2 million in front money to pursue the idea. Funding sources might include the legislature, the Alaska Industrial Development and Export Authority, or perhaps even local government bonds.

Compared to the potential gain, the cost seems modest and the risk well within acceptable bounds. In the early jet age, Alaska's subpolar location enabled Anchorage to become the Air Crossroads of the World. Perhaps space-age opportunities will allow Fairbanks to become the Satellite Crossroads of the World.



## ALASKA SCIENCE & TECHNOLOGY FOUNDATION

— Putting Innovation to Work for Alaska —

March 30, 1994

RECEIVED  
APR 4 1994

Alaska Industrial Development  
and Export Authority

William R. Snell  
Executive Director  
Alaska Industrial Development and Export Authority  
405 W. Tudor Avenue  
Anchorage, Alaska 99507

Dear Mr. Snell:

Re: *ASTF Proposal Number 91-3-189*  
*Power Generation from Alaska Low-rank Coal-water Fuels—Commercial*  
*Demonstration Project*

*This letter is to confirm the action taken by the ASTF Board of Directors on*  
*March 21, at which they adopted the following resolution:*

*"RESOLVED that Proposal 91-3-189 submitted by AIDEA for the funding of the*  
*Low-rank Coal-water Fuel Project (the "Project") is approved as follows:*

- \*1. ASTF grants up to \$185,000 to Alaska Industrial Development & Export Authority (AIDEA) pursuant to a grant agreement with terms acceptable to the Executive Director of ASTF for the initial study and development of the Project as determined by the Executive Director of ASTF (Phase I);*
- \*2. ASTF grants up to \$3,615,000\* to AIDEA upon satisfaction of all of the following conditions (Phase II):*
  - A. Successful completion of Phase I;*
  - B. Approval by ASTF's Board of Directors of the proposal to be submitted by the project to the U.S. Department of Energy (DOE), approval by the DOE of that proposal and agreement by the DOE to fund the project in an amount of not less than \$10 million;*

- \* The fact that this amount is not the total requested can be addressed when the Board considers whether to go forward with Phase II.*

March 30, 1994  
Page 2

- C. Approval by ASTF's Board of Directors of the final business plan for the project;
- D. Revision of ASTF's legislation (AS 37.17) as proposed by ASTF, including permitting 50% of ASTF's grants by number to exceed \$100,000 each and the collection by ASTF of royalties on all income produced with ASTF grant funds;
- E. Binding commitment to the project of the site for the project demonstration;
- F. Binding contracts for all aspects of the commercial activities of the project, including commitment from one or more energy producers to participate in the project;
- G. Execution of a grant agreement with terms acceptable to ASTF's Executive Director."

As you know, ASTF has met with Dave Eberle and members of the Consortium to discuss the Board's expectations. The attached two pages were developed in that effort and explain further the items ASTF will be judging at the end of Phase I. Please let us know if anything is unclear.

On a different topic, we have noticed that you signed section c of Form G requesting confidentiality for project results. This section states that you "...attached a description of the information for which confidential material status is requested and the required justification for this request." However, I am unable to find this description or justification.

Enclosed is a copy of ASTF's confidentiality guidelines. Please note that the last paragraph states that "Information developed under a grant from ASTF is public information unless confidentiality is requested and granted prior to the award of the grant. If confidentiality is desired for Phase II, please be certain to provide the necessary description and justification along with the other Phase I deliverables. ASTF has to go through all these convolutions because it doesn't have the right to protect trade secrets like AIDEA does.

If I can be of further assistance, please do not hesitate to call me at 272-4333.

Cordially,



Ann M. Kampfer  
Grants Manager

Enc: Confidentiality Guidelines  
Phase I Tasks



SECRETARY OF THE AIR FORCE  
WASHINGTON

SAF/AQQS(M)  
1060 Air Force Pentagon  
Washington DC 20330-1060

31 Mar 95

Mr. H. P. Ladner, Executive Director  
Alaska Aerospace Development Corp.  
3601 C Street, Suite 1400  
Anchorage, AK 99503

Dear Mr. Ladner:

I appreciated the opportunity to meet with the Alaska Aerospace Development Corporation (AADC), Governor Knowles, and key members of the Alaska legislature.

As I explained in the meetings, the Air Force's Rocket System Launch Program (RSLP) is actively pursuing a contract with AADC. RSLP has taken the first step by issuing a work order contract to AADC in order to define RSLP requirements and AADC's capabilities. The next step will be to prepare a contract for up to 15 launches by RSLP from the Kodiak Launch Complex (KLC) over the next five years. I anticipate that with the approval of the Department of Defense budget in October 1995, RSLP will be able to book and pay for up to four launches by January 1996. However, before AADC and the State of Alaska can enter into a contract with the RSLP program, the Air Force must be assured that the KLC has the commitment and support of the State of Alaska, including financial and other assurances that it will be completed and available to support RSLP launches by the first part of 1997.

RSLP is excited by the progress that AADC has made and the extensive support that was displayed last week for KLC. We will continue to work with AADC and the State of Alaska to develop the KLC into an innovative and efficient launch site serving the most exciting part of the burgeoning launch market.

Very Respectfully,

A handwritten signature in cursive script that reads "Charles S. Pugsley III".

CHARLES S. PUGSLEY III, Col, USAF  
Chief, ICBM Modernization Branch  
Directorate of Long Range Power Projection,  
SOF, Airlift and Training Programs  
Assistant Secretary (Acquisition)

RECEIVED  
March 31, 1995  
APR 10 1995

GOVERNOR'S OFFICE

*Kurt  
PO: 501/105*

Martin Marietta Technologies, Inc.  
Astronautics  
A Lockheed Martin Company  
P.O. Box 179  
Denver, Colorado 80201  
(303) 971-2080

LOCKHEED MARTIN 

The Honorable Anthony Knowles  
Governor of Alaska  
Post Office Box 110001  
Juneau, Alaska 99811-0001

Dear Governor Knowles:

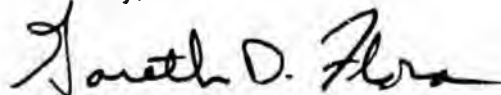
I was very disappointed that we could not meet during my visit to Alaska earlier this week. The stormy weather in the Juneau area made it impossible for the aircraft to land and unfortunately, when I arrived in Anchorage, there were no timely flights back to Juneau.

However, I do want to assure you that Lockheed Martin appreciates Alaska's interest in the Multi Service Launch System (MSLS) program. We know the Air Force believes this program is a viable candidate to fly out of Kodiak Island. Because of the START treaty, the Air Force has 450 Minuteman II assets available to fly, and this provides a great opportunity for Alaska and Lockheed Martin.

The Alaska Aerospace Development Corporation (AADC) has developed a credible plan to launch small launch vehicles from Kodiak Island, and we are very enthusiastic about the possibility that some of these will be MSLS launch vehicles.

I hope that we will have the chance to meet and discuss this exciting opportunity. If I can be of any assistance in answering questions or providing information to you, please do not hesitate to call.

Cordially,



Gareth D. Flora  
Vice President  
Advanced Launch Systems

TONY KNOWLES  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

HB 315  
P.O. Box 110001  
Juneau, Alaska 99811-0001  
(907) 465-3500  
Fax (907) 465-3532

April 20, 1995

The Honorable Gail Phillips  
Speaker of the House  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear Speaker Phillips:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that would improve the ability of public corporations of the state to finance technological developments.

This bill amends AS 37.17 to facilitate the Alaska Science and Technology Foundation's (ASTF) development of commercial uses for technological developments, among its other purposes. These amendments will assist state agencies and public corporations such as the Alaska Aerospace Development Corporation (AADC) and the Alaska Industrial Development and Export Authority (AIDEA) in technology-related development projects. ASTF would be able to provide guidance through its established peer review system and grant review process, as well as financial assistance to projects meeting its technological and business criteria.

Existing AS 37.17.090(d) requires that at least 50 percent of the ASTF endowment income that is distributed by ASTF in a fiscal year must be for grants of \$100,000 or less. Section 3 of the bill would exempt two grants to AIDEA or AADC from that requirement. Absent this exemption, ASTF would be limited to providing only minor financial assistance to projects of potentially great benefit to the state. One of the two grants is for development of the Kodiak launch complex and Fairbanks satellite ground station space park. The second grant is for development of low-rank coal water fuel technology. It is anticipated that the grants from ASTF for these projects may be phased in.

Section 5 of the bill also provides ASTF with more flexibility to ensure a fair financial return to the state based upon the value derived by the grantee from the ASTF grant. The bill replaces the current narrow language of AS 37.17.090(g), restricting ASTF to a return from "royalties, licenses, and patents", with broader language acknowledging that grantees can gain significant economic benefit from an ASTF grant without ever earning

The Honorable Gail Phillips  
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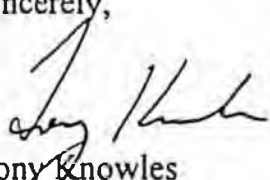
The bill continues to require that the revenue received by ASTF be paid into the principal of the endowment, subject to AS 37.07. The bill allows ASTF to tailor each "return" provision to the specific circumstances of the grantee. Under this provision, ASTF is able to receive a fair return where the grantee is going to manufacture and sell its own products based upon ASTF technology. ASTF is also able to receive a fair return based upon the growth in the grantee's business based upon the ASTF grant.

The bill improves ASTF's ability to protect sensitive commercial information it receives through the grant process. Section 4 of the bill amends AS 37.17.090(f) to allow the board of ASTF to adopt administrative regulations necessary to protect trade secrets and other proprietary information submitted to ASTF from disclosure under AS 09.25.110 - 09.25.120. These regulations would be adopted by the board under standards developed to protect the interests of the state and the prospective grantees.

The bill also contains a section authorizing AIDEA to issue up to \$20,000,000 in bonds to finance the development of the Kodiak rocket launch complex and the Fairbanks satellite ground stations, or to finance these projects by other means available to AIDEA. This section also includes a limitation that the board of directors of AIDEA and AADC must each determine that there is sufficient commercial interest and financial viability to support the debt service and costs of the facility before money may be expended for any phase of construction.

I urge your prompt consideration and passage of this bill.

Sincerely,



Tony Knowles  
Governor

State of Alaska  
**Office of the Governor**

**TONY KNOWLES**  
Governor  
P.O. Box 110001  
Juneau, Alaska 99811-0001  
**NEWS RELEASE**



**Bob King**  
Press Secretary  
**Claire Richardson**  
Deputy Press Secretary  
907-465-3500  
FAX: 907-465-3533

FOR IMMEDIATE RELEASE: April 21, 1995

95-91

**KNOWLES LAUNCHES AEROSPACE, COAL FUEL DEVELOPMENT BILL**

**Legislation Would Assist Kodiak, Fairbanks Aerospace; UAF Coal Projects**

In an effort to steer Alaska in a new direction toward high tech and developing technologies, Governor Tony Knowles today introduced legislation to aid the development of the proposed Kodiak launch complex and the Fairbanks satellite ground station and a demonstration project for coal water fuel.

"The Kodiak rocket complex and the Fairbanks space park could help launch Alaska into the 21st century and the coal water project could open up coal reserves that are as vast as Prudhoe Bay," Knowles said. "But if we're to 'boldly go where no one has gone before,' we need firm financial backing. My proposed legislation would allow our science and technology foundation to make funding available for these projects and other high tech investments in our future."

The bill would exempt the three projects from limits on funding from the Alaska Science and Technology Foundation (ASTF). Under current law, at least 50 percent of the ASTF endowment income must be distributed in grants of \$100,000 or less. Without an exemption, ASTF would be limited to providing only minor financial assistance to the projects.

The bill would also authorize the Alaska Industrial Development and Export Authority (AIDEA) to issue up to \$20 million in bonds to finance the Kodiak and Fairbanks aerospace projects. It would also allow the ASTF to grant up to \$5 million for the Kodiak and Fairbanks projects to reduce bond costs.

The Alaska Aerospace Development Corporation (AADC) proposed the \$18 million Kodiak Launch Complex. Located at Narrow Cape, south of the City of Kodiak, the complex is considered ideal for launching polar and low-earth orbit satellites because of its high latitude and safe launch trajectories over water to the south. Private industry has already expressed strong interest in the facility, which could support as many as ten launches per year by the year 2000.

-more-

The Fairbanks Satellite Ground Station Space Park, also proposed by AADC, would support the growing constellation of commercial polar orbiting satellites by providing ground command and control, tracking and data retrieval facilities. Because of its location, Fairbanks has an opportunity to capture a portion of the growing worldwide remote sensing market.

Knowles' bill would also allow the Legislature to authorize a \$4 million grant for research, development and commercialization of low rank coal water fuel technology. Coal water fuel is a non-toxic replacement for heavy oil created by mixing finely ground coal with water. A pilot project proved that a very high grade, clean burning product could be made from Alaska coal.

In addition to the \$4 million state grant, a consortium of Alaska businesses; coal and energy experts are seeking federal grants and private investment totaling \$25 million for a demonstration project at the University of Alaska Fairbanks. The project is intended to demonstrate an economically viable means of developing Alaska coal so it can compete on the world energy market.

"The launch and tracking facilities and the coal fuel project hold the promise of future jobs for Alaskan families," Knowles said. "Alaska is well situated to take advantage of these diversified, growing opportunities, but the time to act is now, when interest is high among private industry and government."

Knowles' legislation also would provide ASTF more flexibility to ensure a fair financial return to the state based on the value derived by the grant recipient, and contains provisions dealing with the protection of trade secrets.

**Broadcasters note:** file footage of the Governor speaking on the aerospace project will be included in today's Governor's Window feed on Ratnet beginning at 3:30 pm.

JB 161  
HB<sup>+</sup> 315

LOCKHEED MARTIN 

April 25, 1995

Pat Landner  
Executive Director  
Alaska Aerospace Development Corporation  
3601 C Street Suite 1400  
Anchorage, AK 99503

RECEIVED

APR 20 1995

Ans'd.....

Dear Pat, 

It is time I let you know what progress we have made in developing a business strategy for the Lockheed Martin corporation relative to the launch complex at Kodiak Island.

As you know, after my visit to Juneau in March, I have had several discussions with the business development community in the Information and Technologies Sector. My trip report was briefed to Mr. Teets on April 5 th by Gary Mann Vice President Business Development.

On April 12 th we had a meeting to discuss the information you provided during your visit here on April 6 th. At that meeting we decided that there was more information needed relative to the facilities at Wallops Island and an understanding of what NASA may want to do with their operations. The attendees were Bill Dordock, Gerry Stanley, Jerry Fallin, Mike Johnson, Mike Zerofsky, Ken Branch, and me.

We went to a meeting with the Technical Director and the staff at Wallops Island on April 18 th. and the results of that meeting are generally that there is a business opportunity at that facility if we take the same approach we are contemplating with Alaska. In our estimation, when we couple the two sites together they make a very attractive opportunity for the corporation. That meeting was attended by Jerry Fallin, Mike Johnson, John Bornholdt and me.

The plans we are developing internally are being discussed at the highest levels of the Lockheed Martin corporation. We have had several meetings with key business development people from three of the major sectors and hope to include the forth soon. In general terms we are evaluating the business potential of the sites and will make a recommendation to the corporation on how to best develop a partnership with the states of Alaska and Virginia that is mutually beneficial for all concerned. One of our goals is to have control of our own destiny when it comes to launch site availability and cost. We currently do not

Distributed To Finance Committee  
By Request

have that control using a government range and we look upon the launch facilities at Kodiak and Wallops as a vehicle for achieving that goal.

We met again on the April 24th in Titusville to report on the trip to Wallops and to assign action items for the next phase of our evaluation. Our schedule of events will take us to a presentation to Mr. Tellep and Mr. Augustine by the first of June. At that time we hope to have direction to complete a more detailed study and to open negotiations with Alaska and Virginia/NASA at Wallops Island. The attendees were: Bill Mallana (S&SMS), Mary Snitch (S&SMS), Jeff Snyder (S&SMS), Bill Derdock (S&SMS), Axel Hohl (S&SMS), Ron Sebastino (S&SMS), Gerry Stanley (Special advisor to Gary Mann -I&TSS), David-Ellis Brown (I&TSS), Jerry Fallon (I&TSS), Dinty Moore (LSSI-I&TSS), Bob Atkins, (Manned Space -I&TSS) Mike Johnson (S&SMS), Mike Zerofsky (I&TSS), Ken Branch (S&SMS), and me.

Our focus today is somewhat limited and will expand as we gain knowledge and understanding. We are looking at becoming an advisor to Alaska and Virginia during Activation of the launch complexes and Ground station and then take over as the operating contractor for the state. We are considering a State Owned Contractor Operated Facility (SOCO).

I'm sure you can appreciate that we are doing is very sensitive from a business standpoint so I would ask you to be discreet in your discussion with others.

We will keep you informed and if you have any questions please feel free to call me any time.

Sincerely



Charles M. Rash  
Manager, Advanced Programs  
Canaveral Launch Operations  
LOCKHEED MARTIN  
(407)853-6988

## ATTACHMENT NO. 5

### FINANCING AND DEVELOPMENT SCHEDULE

#### Phase I, \$429,200

ASTF has already funded \$185,000 of Phase I of this project. AIDEA has contributed \$30,000. The private-sector consortium members have contributed in-kind services and matching funds totaling \$214,200. Phase I will be complete in early April 1995.

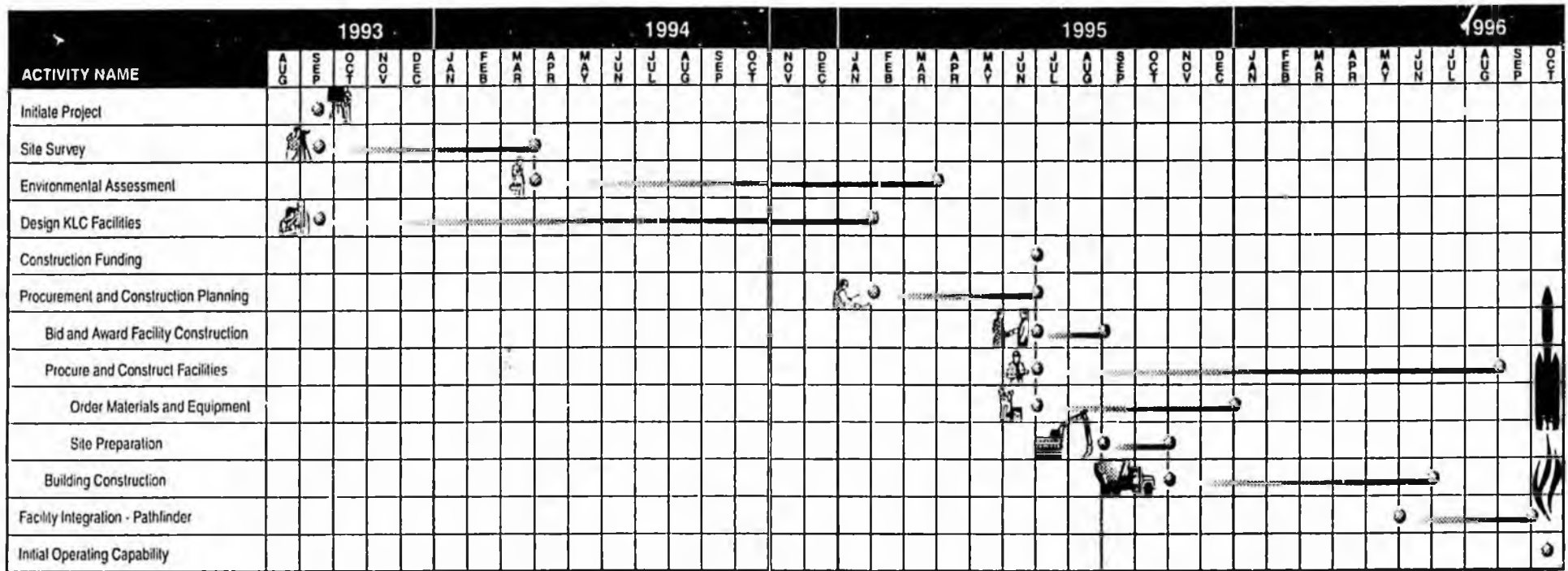
#### Phase II, total funding \$22,000,000

#### Proposed funding breakdown:

\$10,250,000	Federal DOE grant
\$ 8,075,000	Private sector contributions
\$ 3,900,000	State contingent match (ASTF) (ASTF already has set aside)

- Complete Phase 1 Business Plan for submittal to ASTF - April 1, 1995.
- Receive ASTF Board approval for phase two funding \$3.8 million - April 15, 1995.
- Finalize Federal funding source and submit proposal package (either piggy back existing CCT projects, or direct appropriation) \$10.25 million - April - May, 1995.
- Begin negotiating ASTF/AIDEA/AK CWF, Inc. contract - May 1995.
- Federal funding approval June - July 1995.
- Forward fund \$1.25 million of ASTF funds, to AIDEA, with conditions that federal funds must be committed prior to being disbursed - Must be done by June 1995.
- Negotiate Federal contract July - August 1995.
- Select A&E and begin detail design - July 1995.
- Order long lead time items - September 1995.
- Initiate permitting - September 1995.
- Begin PICO bldg upgrades - October 1995
- Start module fabrication - March 1996
- Site construction - May 1996
- Begin shake down - September 1996
- Begin operation - April 1997 - August 1998

# KODIAK LAUNCH COMPLEX TIMELINE



Produced by Alena Aerospace Development Corporation

Commitments from Federal, Air Force and Aerospace  
Officials to attend the 28 March 95 AADC Board Meeting

Mr. Gareth Flora  
Vice President  
Advanced Launch Systems  
Lockheed-Martin

Mr. Richard Keating  
Director of Public Relations  
EOSAT Corporation

Charley Pugsley, COL., USAF  
Secretary Air Force/AQQS(M)  
Rocket System Launch Program  
(RSLP)

Mr. Bobby Quisenberry  
Associate Director  
US Dept of Transportation  
Office of Commercial Space  
Transportation  
Washington, DC

Mr. Bob Germaine  
Director of Quality and Logistics  
Thiokol Corporation

Mr. Roman Matherne  
Lockheed Martin  
Program Director, RSLP  
Minuteman

Mr. Mike Reeder  
Rockwell International  
Program Development Manager  
Research & Technology

Mr. Dan Melzer  
TRW Corporation

Ron Miller, LTCOL, USAF  
Program Director  
RSLP/Minuteman S

Mike Dignan, Maj, USAF  
Program Manager, RSLP

Douglas Ooms  
Martin Marietta  
Manager, NOAA Satellite  
Groundstation

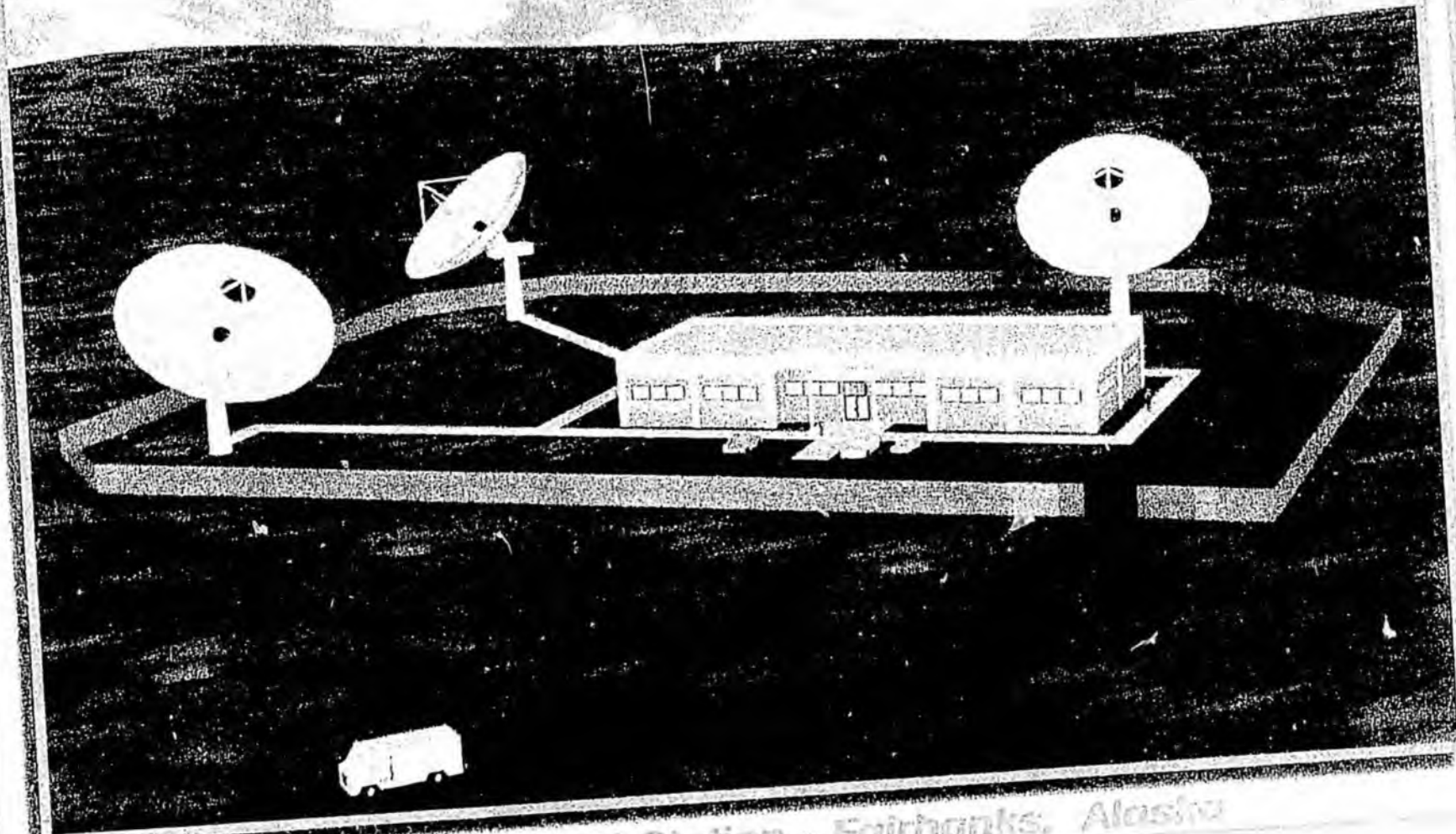
Ms. Karen Vandermeiden  
TRW Corporation

Ms. Annie Roskell  
Challenger Learning Center  
Washington, D.C.

Mr. P.L. Newton  
Anser Corporation

Mr. Daniel Ujifusa  
Lockheed-Martin  
Cherry Hill, New Jersey

Chuck Rash  
Lockheed Martin  
Technologies Inc.



Satellite Ground Station - Fairbanks, Alaska

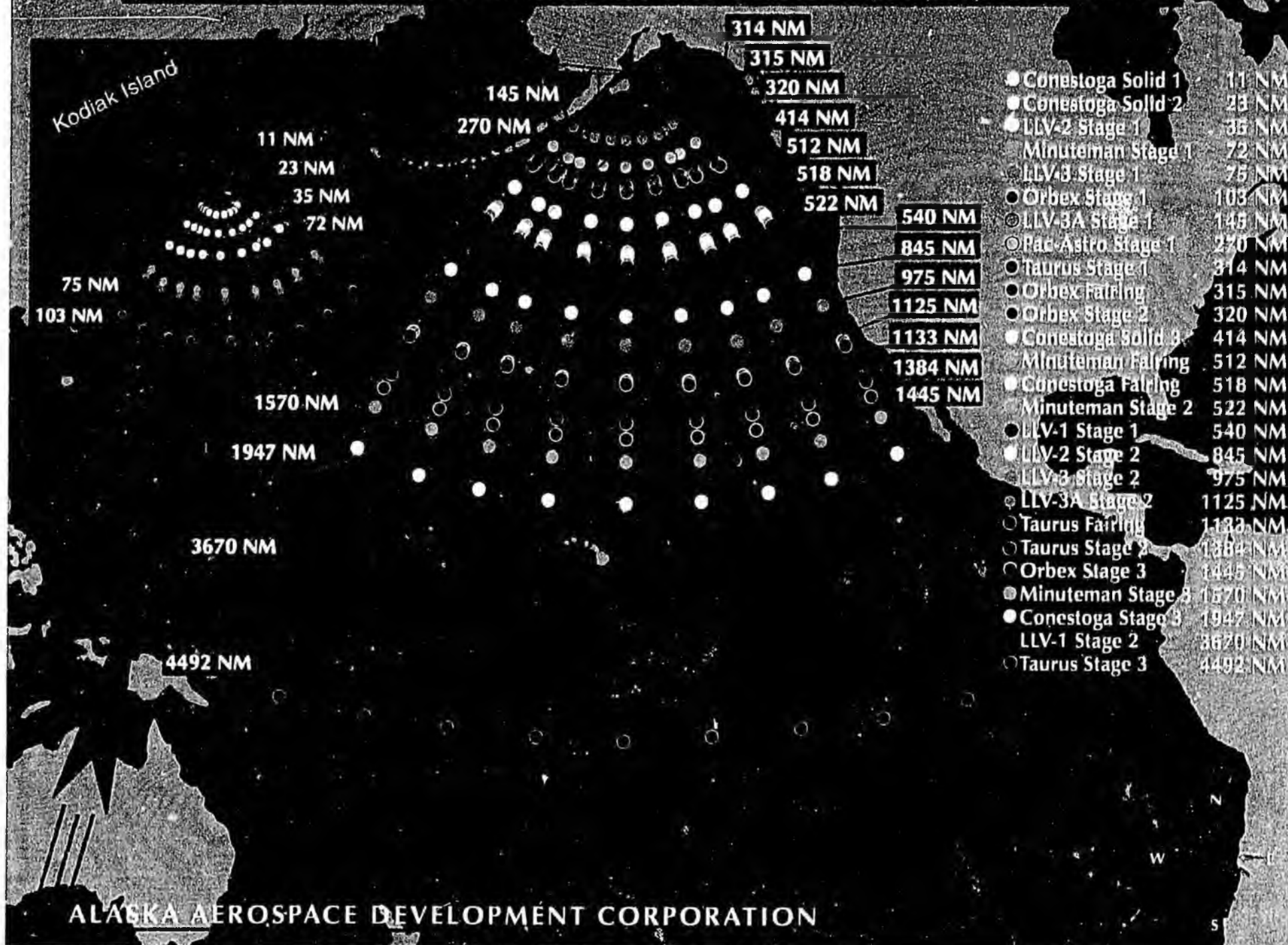




**LAUNCH PROFILES FROM KODIAK ISLAND, ALASKA**

**ALASKA AEROSPACE DEVELOPMENT CORPORATION**

# LAUNCH PROFILES FROM KODIAK ISLAND, ALASKA



ALASKA AEROSPACE DEVELOPMENT CORPORATION

**НВ**

**315**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/29/95

FURTHER:

DATE TURNED INTO OFFICE: 5-6-95

Finance Committee considered CS FOR HOUSE BILL NO. 315(FIN)

Alaska Science and Technology Foundation and to the financing of technological developments by public corporations of the state; and the Challenger Learning Center.

and recommends:

be placed with \_\_\_\_\_ CS \_\_\_\_\_

adopt previous \_\_\_\_\_ CS \_\_\_\_\_

attached amendment(s)

adopt Letter of Intent by \_\_\_\_\_ Committee

further referral to the \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title
- House Bill:**
- same title
- technical change
- new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓	<i>[Signature]</i>			
		<i>[Signature]</i>	✓		
Co-Chair: <i>[Signature]</i>	✓				
Co-Chair: <i>[Signature]</i>		<i>[Signature]</i>	✓		

**NEW FISCAL NOTE(S):**

Department                      Date    Zero    Fiscal


**PREVIOUS FISCAL NOTE(S):\***

Department                      Date    Zero    Fiscal

DC YED	4/19/95	0	

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# FISCAL NOTE

**STATE OF ALASKA  
1995 LEGISLATIVE SESSION**

Revision Date: April 19, 1995  
 Title: ...financing of technological developments by public corporations of the state; and relating to the financing of the Kodlak...  
 Sponsor: House Rules  
 Requestor: Governor

Department: Commerce and Economic Development  
 BRU: AK Industrial Development & Export Auth  
 Component: AK Industrial Development & Export Auth  
 COMPONENT SERIAL NO. 1234

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	
----------------------	--

CHANGE IN REVENUES	
--------------------	--

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 95) cost: \$ \_\_\_\_\_

POSITIONS						
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by:	<u>William R. Snell, Executive Director</u>	Phone:	<u>561-8050</u>
Division:	<u>AK Industrial Development &amp; Export Authority</u>	Date:	<u>April 19, 1995</u>
Approved by Commissioner:	<u>William L. Hensley</u>	Date:	<u>April 19, 1995</u>
Agency:	<u>Commerce and Economic Development</u>		

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**COMMITTEE COPY**



JB 161  
HB 315

LOCKHEED MARTIN 

April 25, 1995

Pat Landner  
Executive Director  
Alaska Aerospace Development Corporation  
3601 C Street Suite 1400  
Anchorage, AK 99503

RECEIVED

APR 20 1995

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DISTRIBUTED TO FINANCE COMMITTEE  
BY REQUEST

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Sincerely



Charles M. Rash  
Manager, Advanced Programs  
Canaveral Launch Operations  
LOCKHEED MARTIN  
(407)853-6968

TONY KNOWLES  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

HB 315  
P.O. Box 110001  
Juneau, Alaska 99811-0001  
(907) 465-3500  
Fax (907) 465-3532

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Alaska State Legislature  
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The Honorable Gail Phillips

Page 2

income from royalties, licenses, and patents. For example, ASTF could receive a return from AADC for the operation of the Kodiak launch facility. Section 5 provides ASTF with additional protection for its investments by the addition of language allowing ASTF to take a security interest in, and own, patents, copyrights, and other intellectual property to secure payment of sums owed to ASTF under a grant agreement.

The bill continues to require that the revenue received by ASTF be paid into the principal of the endowment, subject to AS 37.07. The bill allows ASTF to tailor each "return" provision to the specific circumstances of the grantee. Under this provision, ASTF is able to receive a fair return where the grantee is going to manufacture and sell its own products based upon ASTF technology. ASTF is also able to receive a fair return based upon the growth in the grantee's business based upon the ASTF grant.

The bill improves ASTF's ability to protect sensitive commercial information it receives through the grant process. Section 4 of the bill amends AS 37.17.090(f) to allow the board of ASTF to adopt administrative regulations necessary to protect trade secrets and other proprietary information submitted to ASTF from disclosure under AS 09.25.110 - 09.25.120. These regulations would be adopted by the board under standards developed to protect the interests of the state and the prospective grantees.

The bill also contains a section authorizing AIDEA to issue up to \$20,000,000 in bonds to finance the development of the Kodiak rocket launch complex and the Fairbanks satellite ground stations, or to finance these projects by other means available to AIDEA. This section also includes a limitation that the board of directors of AIDEA and AADC must each determine that there is sufficient commercial interest and financial viability to support the debt service and costs of the facility before money may be expended for any phase of construction.

I urge your prompt consideration and passage of this bill.

Sincerely,



Tony Knowles  
Governor

**HB**

**316**

**HFIN**

**FILE**

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: February 21, 1996

FURTHER REFERRALS:

Date of Committee Action: 3/8/96

The FINANCE Committee considered:

HB 316

HOUSE BILL NO. 316

CIVIL LIABILITY FOR IMPROPER LAWSUIT

"An Act relating to civil liability for false claims and improper allegations or defenses in civil practice; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 316 (Fin) [ ] the same title [ ] a new title

[ ] additional referral to \_\_\_\_\_ Committee [ ] attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) COURT [ ] fiscal note(s) APPROVES PREVIOUS: (Dept/Date)

[ ] zero fiscal note(s) [ ] zero fiscal note(s)

Table with columns: SIGNING WITH RECOMMENDATIONS, DP, DNP, NR, AM. Rows include names like Richard D. Josey, Mulder, Martin, Parnell, Kohring, Grussendorf, Brown, Therriault, NAVARE.

CHAIR'S SIGNATURE Richard D. Josey

# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. CSHB 316 (FIN)

Revision Date: 03/08/96  
Title: Civil action for frivolous litigation  
Sponsor: Rep. Mulder  
Requestor: House Finance

Dept. Affected: Alaska Court System  
SFU: Trial Courts  
Component: \_\_\_\_\_  
COMPONENT SERIAL NO. 758

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	25.0	25.0	25.0	25.0	25.0	25.0
TRAVEL						
CONTRACTUAL	12.5	12.5	12.5	12.5	12.5	12.5
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	37.5	37.5	37.5	37.5	37.5	37.5
CAPITAL EXPENDITURES						
CHANGE IN REVENUES						

**Fund Source**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	37.5	37.5	37.5	37.5	37.5	37.5
1005 GF/Program Receipts						
1007 GF/Mental Health						
Other						
TOTAL	37.5	37.5	37.5	37.5	37.5	37.5

Estimate of any current year (FY 96) cost \$ None

**Positions**

Full-Time					
Part-Time					
Temporary					

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: C. S. Christensen III, Staff Counsel  
Agency: Alaska Court System

Phone: 264-8228  
Date: 03/08/96

Approved by: Arthur H. Snowden, II, Administrative Director  
Agency: Alaska Court System

Date: 03/08/96

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Alaska Court System  
Fiscal Analysis  
CSHB 316 (FIN)

CSHB 316 (FIN) creates civil liability for actions which it describes as false claims and improper practice in civil cases. It does this by adding AS 09.65.190(a) - (f) to the Code of Civil Procedure.

Proposed AS 09.65.190(a), (b), (c), and (e) essentially codify Civil Rule 11, with two primary differences. First, CR 11 gives a judge the discretion to impose monetary or non-monetary sanctions for improper practice on motion by the aggrieved party. CSHB 316 (FIN), on the other hand, allows an aggrieved party to file an action for compensatory damages. The action must be part of the same action in which the injury arose if the action is the result of an act or omission by a party. However, the action must be asserted as a separate action if the injury is the result of an act or omission by a nonparty (such as an attorney). Handling the issue of frivolous practice as a separate claim in a civil suit, or as a separate civil suit entirely, is more time consuming (and thus more expensive) than handling it as a motion.

Second, by allowing a civil action for improper practice, CSHB 316 (FIN) essentially makes financial sanctions (in the form of compensatory and punitive damages) for such behavior mandatory. This differs from CR 11, which gives the judge discretion in imposing sanctions (these might include financial sanctions, exclusion or admission of disputed evidence, extension or limitation of discovery, etc.). The federal courts began requiring mandatory sanctions for improper practice in 1983. This rule generated a dramatic increase in claims, and as a result, the federal courts repealed the requirement in 1993. Federal sanctions are once again discretionary.

Proposed AS 09.65.190(d) and (f) codify the common law cause of action for malicious prosecution. It modifies the common law by allowing the civil action if the defendant acted without probable cause on a claim or defense, or acted primarily for an improper purpose. Under the current standard, the defendant must have acted without probable cause on a claim or defense, and acted primarily for an improper purpose. By making it easier to prove malicious prosecution, more prevailing litigants can be expected to file such claims.

Those proposing these changes believe that they will reduce frivolous litigation, and they may be correct. However, the legal standard for proving frivolous conduct is very high, and thus the actual percentage of claims which are frivolous as a matter of law is very small, notwithstanding the average defendant's view to the contrary. Most commonly such cases are filed by prisoners or other pro se litigants. Those

Alaska Court System  
Fiscal Analysis  
CSHB 316 (FIN)

categories of plaintiff are generally unaware of the details of the Code of Civil Procedure, and are judgment-proof if they do violate its provisions.

While potentially beneficial for certain litigants in specific cases, we believe that this legislation will result in a net increase in the number of cases before the court system, as well as a lengthening of some existing cases. At the present time, approximately 95 percent of civil cases settle without trial, and the discovery phase of a lawsuit is spent attempting to convince the opposing party that it would be more financially advantageous to settle than to continue. Accordingly, litigants can be expected to use CSHB 316 (FIN) as a new tool to pressure the opposing party into settling a case. In FY 95, there were 16,306 civil cases filed in superior court, and 3,005 civil cases (not counting small claims) filed in district court. If only one percent of those cases resulted in a civil action for frivolous practice (either by the defendant alleging frivolous prosecution, or the plaintiff alleging frivolous defense, or both), there would be 243 new cases or new claims in existing cases. This fiscal note assumes additional judicial time, clerical costs and jury fees.

## SPONSOR STATEMENT

### CS for HB 316

House Bill 316 requires parties to law suits to be truthful and responsible in their pleadings. This bill discourages false statements in litigation and encourage responsibility by all parties and their attorneys. It requires more careful and focused preparation and presentation of pleadings.

This bill creates an obligation for litigants and attorneys to make reasonable efforts to insure that claims have a probability of succeeding. If the claim is knowingly or recklessly false, both the attorney and the party can be assessed damages.

HB 316 requires attorneys and their clients to research their claims to assure they are factually supported before filing a suit. This bill will help eliminate "boiler plate" pleadings in law suits and encourage responsible and focused pleadings. "Boiler plate" pleadings include everything anyone could ever imagine could have happened rather than focusing on those specific issues that actually happened. These extraneous pleadings are expensive to work through and are most often thrown out. They simply cause one party to expend significant dollars to pare the filing down to the real issues.

Many suits are often times cheaper to settle than litigate, regardless of their merit. This bill does not affect suits filed in good faith. It will, however, have a significant deterrent effect on those without merit. A system that allows deceit to be rewarded must be changed.

This bill assigns financial responsibility to those who file suits without probable cause, those who provide false information, those who want to use claims and cross claims to cloud the issues and those who want to go on unsuccessful fishing trips. This is not why we have and support a judicial system.

A jury will make the determination whether the information presented was intentional and material. If honest errors are made, there will be no problem. I believe that the jury can make these decisions and that the deterrent effect of this bill will apply to those cases that are inappropriate without inhibiting the filings of cases believed to have merit.

# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. HB 316 (JUD)

Revision Date: 03/07/96  
Title: Civil action for frivolous litigation  
Sponsor: Rep. Mulder  
Requestor: House Judiciary

Dept. Affected: Alaska Court System  
BRU: Trial Courts  
Component: \_\_\_\_\_  
COMPONENT SERIAL NO. 768

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	20.0	20.0	20.0	20.0	20.0	20.0
TRAVEL						
CONTRACTUAL	10.0	10.0	10.0	10.0	10.0	10.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (						
----------------------	--	--	--	--	--	--

**Fund Source** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	30.0	30.0	30.0	30.0	30.0	30.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>

Estimate of any current year (FY 96) cost: \$ None

**Positions**

Full-Time						
Part-Time						
Temporary						

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

See attached analysis.

Prepared by: C. S. Christensen III, Staff Counsel  
Agency: Alaska Court System

Approved by: Arthur H. Snowden, II, Administrative Director  
Agency: Alaska Court System

Phone: 254-8228  
Date: 03/07/96  
Date: 03/07/96

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Alaska Court System  
Fiscal Analysis  
CSHB 316 (JUD)

CSHB 316 (JUD) creates civil liability for actions which it describes as false claims and improper practice in civil cases. It does this by adding AS 09.65.190(a) - (f) to the Code of Civil Procedure.

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Proposed AS 09.65.190(d) and (f) codify the common law cause of action for malicious prosecution. It modifies the common law by allowing the civil action if the defendant acted without probable cause on a claim or defense, or acted primarily for an improper purpose. Under the current standard, the defendant must have acted without probable cause on a claim or defense, and acted primarily for an improper purpose. By making it easier to prove malicious prosecution, more prevailing litigants can be expected to file such claims.

Those proposing these changes believe that they will reduce frivolous litigation, and they may be correct. However, the legal standard for proving frivolous conduct is very high, and thus the actual percentage of claims which are frivolous as a matter of law is very small, notwithstanding the average defendant's view to the contrary. Most commonly such cases are filed by prisoners or other pro se litigants. Those

**Alaska Court System**  
**Fiscal Analysis**  
**CSHB 316 (JUD)**

categories of plaintiff are generally unaware of the details of the Code of Civil Procedure, and are judgment-proof if they do violate its provisions.

While potentially beneficial for certain litigants in specific cases, we believe that this legislation will result in a net increase in the number of cases before the court system, as well as a lengthening of some existing cases. At the present time, approximately 95 percent of civil cases settle without trial, and the discovery phase of a lawsuit is spent attempting to convince the opposing party that it would be more financially advantageous to settle than to continue. Accordingly, litigants can be expected to use CSHB 316 (JUD) as a new tool to pressure the opposing party into settling a case. In FY 95, there were 16,306 civil cases filed in superior court, and 8,005 civil cases (not counting small claims) filed in district court. If only one percent of those cases resulted in a civil action for frivolous practice (either by the defendant alleging frivolous prosecution, or the plaintiff alleging frivolous defense, or both), there would be 243 new cases or new claims in existing cases. This fiscal note assumes additional judicial time, clerical costs and jury fees.

Adopted  
Am -  
pp 2 + 3

CS FOR HOUSE BILL NO. 316(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVE MULDER

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to civil liability for false claims and improper allegations or  
2 defenses in civil practice; amending Rules 13(e) and 82(b), Alaska Rules of Civil  
3 Procedure; and providing for an effective date."

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

5 \* Section 1. AS 09.65 is amended by adding a new section to read:

6 Sec. 09.65.190. CIVIL LIABILITY FOR FALSE CLAIMS AND IMPROPER  
7 PRACTICE. (a) A person may not

8 (1) knowingly or recklessly file, or cause to be filed, a civil complaint,  
9 answer, or other civil pleading that contains false allegations or material misstatements  
10 of fact;

11 (2) sign a civil pleading before making reasonable inquiry and  
12 determining that, to the best of the signer's knowledge, information, and belief, each  
13 claim, defense, and allegation contained in the pleading is well grounded in fact and  
14 is warranted by existing law or a good faith argument for the extension, modification,

1 or reversal of existing law; or

2 (3) interpose, in a civil action, a claim, defense, or allegation for an  
3 improper purpose, including to harass or to cause unnecessary delay or needless  
4 increase in the cost of litigation.

5 (b) If the trier of fact determines that a party to a civil action has intentionally  
6 made a false statement of a material fact in connection with the prosecution or defense  
7 of a civil action, the court shall enter judgment against the party making the false  
8 statement on the issue to which the false statement relates. If the civil action involves  
9 multiple claims and the false statement does not apply to all claims, the judgment  
10 required under this section shall apply only to those claims to which the false  
11 statement relates.

12 (c) A person who is injured by a violation of (a) of this section may bring an  
13 action for compensatory <sup>And Punitive</sup> damages. However, if the injury is the result of an act or  
14 omission of a

15 (1) party, then the action shall be asserted in the same action in which  
16 the injury arose; and

17 (2) nonparty, then the action shall be asserted in a separate action  
18 commenced after entry of final judgment in the action in which the injury arose.

19 (d) A person who, on the person's own behalf or as a representative of a party,  
20 takes part in the initiation, defense, continuation, or procurement of a civil action  
21 against another is subject to civil liability for compensatory and punitive damages if  
22 the person acts

23 (1) without probable cause on a claim or defense; or

24 (2) primarily for a purpose other than that of securing the proper  
25 adjudication of a claim or defense involved in the civil action.

26 (e) In an action to recover damages under (c) of this section, a person is not  
27 required to be the prevailing party in the civil action in which the violation of (a) of  
28 this section occurred.

29 (f) A person may not bring a civil action to recover damages under (d) of this  
30 section unless final judgment has been entered in the civil action described in (d) of  
31 this section. For purposes of this subsection, a person is not required to be the

1 prevailing party in the civil action in which the violation of (d) of this section  
2 occurred.

*Brings An Action*

3 (g) If a person ~~brings a judgment for the recovery of damages allowed~~ under  
4 (c) or (d) of this section, the court shall ~~also~~ award actual reasonable attorney fees to  
5 the prevailing party, *Regardless of whether the prevailing*  
*party is the plaintiff or defendant.*

6 \* Sec. 2. AS 09.65.190(c)(1), as enacted by sec. 1 of this Act, has the effect of amending  
7 Rule 13(e), Alaska Rules of Civil Procedure, by requiring a claim under AS 09.65.190(a) that  
8 is acquired after service of a pleading to be asserted in the same action.

9 \* Sec. 3. AS 09.65.190(g), enacted in sec. 1 of this Act, has the effect of amending Rule  
10 82(b), Alaska Rules of Civil Procedure, by allowing the award of actual reasonable attorney  
11 fees in a civil action for false claims or improper civil practice.

12 \* Sec. 4. SEVERABILITY. Under AS 01.10.030, if any provision of this Act, or the  
13 application of a provision of this Act to any person or circumstance is held invalid, the  
14 remainder of this Act and the application to other persons shall not be affected.

15 \* Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

**HB**

**319**

**HFIN**

**FILE**

(11)

# HOUSE COMMITTEE REPORT

Date Referred to Committee: February 2, 1996

FURTHER REFERRALS:

Date of Committee Action: 2/22/96

The FINANCE Committee considered:

HB 319

HOUSE BILL NO. 319

SMALL LOANS & RETAIL INSTALLMENT SALES

"An Act relating to the regulation of small loan and retail installment transactions."

recommends it be replaced with the following committee substitute CS HB 319 (Fin)  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_ APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_  
 fiscal note(s) \_\_\_\_\_  fiscal note(s) \_\_\_\_\_

zero fiscal note(s) DLED  zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Bob Kelly</i>	Kelly	<input checked="" type="checkbox"/>			
<i>Paul Therriault</i>	Therriault	<input checked="" type="checkbox"/>			
<i>Mark Hanley</i>	Hanley	<input checked="" type="checkbox"/>			
<i>Leon Mulder</i>	Mulder	<input checked="" type="checkbox"/>			
<i>Sean Parnell</i>	Parnell	<input checked="" type="checkbox"/>			
<i>Vic Kohring</i>	Kohring	<input checked="" type="checkbox"/>			
<i>Jay Brown</i>	Brown	<input checked="" type="checkbox"/>			
<i>Spike Navarre</i>	Navarre			<input checked="" type="checkbox"/>	

CO CHAIR'S SIGNATURE *Mark Hanley*  
Hanley

# FISCAL NOTE

**STATE OF ALASKA**  
**1996 LEGISLATIVE SESSION**

**BILL NO. CSH 319 (FIN)**

Revision Date: February 22, 1996  
 Title: Regulation of Small Loan and Retail Installment Transactions  
 Sponsor: House Labor and Commerce  
 Requestor: \_\_\_\_\_

Department: Commerce and Economic Development  
 BRU: Banking, Securities and Corporations  
 Component: Banking, Securities and Corporations

COMPONENT SERIAL NO. 1233

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CHANGE IN REVENUES</b>	0.0	0.0	0.0	0.0	0.0	0.0

**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 96) cost: \$ 0.0

**POSITIONS**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

Sec. 1 - provides for a \$600 increase in revenue incurred by the applicant for the investigation of their application. While the past two years have indicated an expansion of this industry in Alaska, there is no evidence at this time that this expansion will continue.

Sec. 2 - provides for multiple offices on a single license. The increase for the multiple office license will be offset to some degree by the loss of revenue for currently individually licensed offices. Over a period of time, it will be anticipated that the GF will be positively impacted by these changes, but we are unable to forecast at this time. Therefore, the department reports a 0 fiscal note.

Prepared by: Willis F. Kirkpatrick, Director  
 Division: Banking, Securities and Corporations  
 Approved by Commissioner: William L. Hensley  
 Agency: Commerce and Economic Development

Phone: 465-2521  
 Date: 2-22-96  
 Date: 2-22-96

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# FISCAL NOTE

No. 5  
 Bill Version: SSHB 75  
 (H) Publish Date: 1/30/96

STATE OF ALASKA  
 1996 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Dept. Affected: Corrections  
 Title: An act related to vehicle theft... BRU: All  
 Sponsor: Rep. Sanders Component: \_\_\_\_\_  
 Requester: House State Affairs COMPONENT SERIAL NO. # 0694

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	271.5	275.6	279.7	283.9	288.2	292.5
TRAVEL						
CONTRACTUAL	727.0	727.0	727.0	727.0	727.0	727.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	308.2	308.2	308.2	308.2	308.2	308.2
<b>TOTAL OPERATING</b>	<b>1,306.7</b>	<b>1,310.8</b>	<b>1,314.9</b>	<b>1,319.1</b>	<b>1,323.4</b>	<b>1,327.7</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,306.7	1,310.8	1,314.9	1,319.1	1,323.4	1,327.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>1,306.7</b>	<b>1,310.8</b>	<b>1,314.9</b>	<b>1,319.1</b>	<b>1,323.4</b>	<b>1,327.7</b>

Estimate of any current year (FY96) cost: \$ 0.0

**POSITIONS**

FULL-TIME	5					
PART-TIME						
TEMPORARY						

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

Based on data supplied by DPS and DOL, the Department of Corrections projects the following fiscal impact :

Thirty-two (32) offenders with a prior felony conviction will be convicted of vehicle theft in the first degree. They will be subject to a presumptive sentence of two years in prison. They will serve 16 months allowing for good time reduction. These people are currently serving an average of 30 days. Thus, they will serve an additional 15 months in prison and 8 months on mandatory parole. Of the additional prison time, it is

CONTINUED ON PAGE 2

Prepared by: Jerry Shriner Phone: 465-4652  
 Division: Office of the Commissioner Date: 1/27/96  
 Approved by Commissioner: Margaret Pugh Date: 1/29/96  
 Agency: Department of Corrections

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**Fiscal Note**

**"An Act relating to Vehicle Theft"**

Page 2 of 2

*(Continued from page 1 of 2)*

assumed they will average 3 months in prison and 12 months in a CRC.

32 Offenders X 90 days X \$107 per day	= \$ 308,160
32 Offenders X 365 days X \$57 per day	= \$ 665,760
32 Offenders X 240 days X \$4.25 per day	= \$ 32,940
<b>TOTAL NEW</b>	<b>= \$1,006,560</b>

Forty-three (43) new "C" Felons will be convicted and sentenced to an average of 30 days in CRC's and 6 months probation. These first time offenders would have been serving an average of 5 days which would have been served in a CRC under the old statute. An average net of 25 additional days will be served per offender and the sentence will be served in a CRC at an average cost of \$ 57.00 per day.

New (43 Offenders X 180 Days X \$ 4.25 per day)	=	\$ 32,895
New (43 Offenders X 25 Days X \$ 57.00 per day)	=	<u>\$ 61,275</u>
<b>TOTAL NEW</b>	=	<b>\$ 94,170</b>

Eighty-five (85) additional "C" felons will be convicted and receive a suspended imposition of sentence for one year. Their conviction will be set aside if these offenders successfully complete their year's probation. The Department assumes that these will be the least serious first time offenders, to be managed at a lower level of probation supervision, and the cost per case will be about 1/2 the average cost of other probationers in this group of offenders.

New (85 Offenders X 365 days X \$ 4.25 per day) = \$ 131,856 [Probation]

Each felony conviction will require a pre-sentence investigation. While the cases would be spread across the state, the incremental equivalent is 1.4 probation officer positions.

A total of four (4) probation officers and an Administrative Clerk will be required.

P.O. II (w/benefits) \$ 52,900 X 1.4 = \$ 74,060 for presentence investigations.

**TOTAL NEW COSTS**

**\$ 1,306,646**

Immediate eff 9-LS1095C

Amended

CS FOR HOUSE BILL NO. 319(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered: 2/2/96

Referred: Finance

Sponsor(s): HOUSE LABOR AND COMMERCE COMMITTEE BY REQUEST

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the regulation of small loan and retail installment  
2 transactions."

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

4 \* Section 1. AS 06.20.030(a) is amended to read:

5 (a) Investigation expenses incurred by the department in processing an  
6 application for licensure shall be charged to and paid by the applicant under  
7 AS 06.01.010. At the time of submitting the application to the commissioner, the  
8 applicant shall pay to the department \$1,000 [\$400] in partial payment of those  
9 investigation expenses incurred by the department. [IF THE INVESTIGATION  
10 EXPENSES INCURRED BY THE DEPARTMENT DO NOT EXCEED \$400, THE  
11 REMAINDER SHALL BE PROMPTLY REFUNDED TO THE APPLICANT.]

12 \* Sec. 2. AS 06.20.030(b) is amended to read:

13 (b) An applicant shall pay to the department at the time of submitting an  
14 application a sum, in addition to that specified in (a) of this section, of \$500 for a

1        single office license, or \$2,000 for a multiple office license [\$200] as an annual  
2        license fee for a period terminating on the last day of the current calendar year. [IF  
3        THE APPLICATION IS FILED AFTER JUNE 30, THE ADDITIONAL SUM IS  
4        \$100.]

5        \* Sec. 3. AS 06.20.040 is amended to read:

6                Sec. 06.20.040. LIQUID ASSETS REQUIRED. An applicant shall prove, in  
7        form satisfactory to the department, that the applicant has available for the operation  
8        of the business at the location specified in the application, liquid assets of at least  
9        \$25,000, or, in the case of a multiple office license, that the equivalent amount is  
10       available to each office from a central account maintained by the applicant  
11       [\$20,000].

12       \* Sec. 4. AS 06.20.050 is amended to read:

13                Sec. 06.20.050. BOND. The applicant shall file with the application a bond  
14       to be approved by the department in which the applicant shall be the obligor, in the  
15       sum of \$25,000 [\$5,000] with one or more sureties. Only one bond is required for  
16       an application for a multiple office license. The bond shall be for the use of the  
17       state and any person who may have a cause of action against the obligor under this  
18       chapter. The bond must state that the obligor will faithfully conform to and abide by  
19       the provisions of this chapter and of all regulations lawfully adopted by the  
20       department, and will pay to the state and to any person all money that may become  
21       due or owing to the state or to the person from the applicant under this chapter.

22       \* Sec. 5. AS 06.20.060 is amended to read:

23                Sec. 06.20.060. ISSUANCE OF LICENSE. Upon the filing of the application,  
24       the payment of the fees and the approval of the bond, the department shall issue a  
25       license to the applicant if it finds upon investigation that (1) the financial  
26       responsibility, experience, character, and general fitness of the applicant and of its  
27       members if the applicant is a copartnership or association, and of its officers and  
28       directors if the applicant is a corporation, are such as to command the confidence of  
29       the community and to warrant belief that the business will be operated honestly, fairly,  
30       and efficiently within the purposes of this chapter, and (2) allowing the applicant to  
31       engage in business at the location will provide accessibility and [PROMOTE THE]

1 convenience for borrowers of money [AND ADVANTAGE OF THE COMMUNITY  
2 IN WHICH THE BUSINESS IS TO BE CONDUCTED], and (3) the applicant has  
3 available for the operation of the business at the specific location liquid assets of at  
4 least \$25,000, or, in the case of a multiple office license, that the equivalent  
5 amount is available to each office from a central account maintained by the  
6 applicant [\$20,000]. The foregoing facts are conditions precedent to the issuance of  
7 a license under this chapter. The license permits the applicant to make loans in  
8 accordance with this chapter at the location or locations specified in the application.  
9 The license remains in full force and effect until it is surrendered by the licensee or  
10 revoked or suspended. If the department denies the application, it shall notify the  
11 applicant of the denial, bill the applicant for any outstanding expenses incurred by the  
12 department during the investigation and return the bond if those expenses have been  
13 paid. The department shall approve or deny every application for license within 60  
14 days from the filing of the application with the fees and the approved bond. If the  
15 application is denied, the department shall, within 20 days thereafter, serve upon the  
16 applicant a copy of the written decision and findings. The decision and findings may  
17 be reviewed in the manner provided in AS 44.62.560 and 44.62.570 (Administrative  
18 Procedure Act).

19 \* Sec. 6. AS 06.20.090 is amended to read:

20 Sec. 06.20.090. PLACES OF BUSINESS. (a) A licensee may maintain only  
21 one place of business under a single office [THE] license, or up to 10 places of  
22 business under each multiple office license. The department may issue more than  
23 one license to the same licensee upon compliance with the provisions of this chapter  
24 governing the original issuance of a license.

25 (b) If a licensee changes the place of business to another location within the  
26 same municipality, the licensee shall give written notice to the department in advance.  
27 Upon approval, the department shall issue an amended license for [THE  
28 DEPARTMENT SHALL ATTACH THE WRITTEN NOTICE OF THE CHANGE TO  
29 THE LICENSE TOGETHER WITH THE DATE. THEREAFTER THE LICENSEE  
30 MAY OPERATE THE BUSINESS UNDER THE LICENSE AT] the new location.  
31 A licensee may not change the place of business to a location outside the municipality

1 in which the licensee is authorized to do business.

2 \* Sec. 7. AS 06.20.180 is amended to read:

3 Sec. 06.20.180. BOOKS AND RECORDS OF LICENSEES. Each licensee  
4 shall keep and use in the licensed premises [BUSINESS] those books, accounts, and  
5 records that will enable the department to determine whether the licensee is complying  
6 with this chapter and with the regulations lawfully adopted by the department under  
7 this chapter. The maintenance of separate books and records for another business  
8 authorized by the department under AS 06.20.210 is not required. The method  
9 of tracking and numbering the loans shall be determined by the licensee, as long  
10 as the system enables the department to perform the department's obligations  
11 under this title. The licensee shall preserve the books, accounts, and records,  
12 including cards used in the card system, if any, for two years after making the final  
13 entry on any recorded loan.

14 \* Sec. 8. AS 06.20.240 is amended to read:

15 Sec. 06.20.240. LOANS FOR PURPOSE OF OBTAINING HIGHER  
16 INTEREST. [A LICENSEE MAY NOT INDUCE OR PERMIT A BORROWER TO  
17 SPLIT UP OR DIVIDE A LOAN.] A licensee may not induce or permit a person, or  
18 a husband and wife jointly or severally, to split up or divide a loan or to become  
19 obligated, directly or contingently or both, under more than one loan contract at the  
20 same time, for the purpose or with the result of obtaining a higher rate of interest than  
21 would otherwise be permitted by AS 06.20.230. However, a licensee may enter into  
22 new or different loan transactions with the borrower or the borrower's spouse at  
23 a different time so long as the purpose of the additional transaction does not  
24 violate this section.

25 \* Sec. 9. AS 06.20.250 is amended by adding new subsections to read:

26 (d) Loan contracts must provide for substantially equal payments, and the  
27 payments must be due at least once a month, with the first payment beginning not later  
28 than 45 days from the date the loan is made.

29 (e) If the irregular payment is confirmed in writing by the borrower, and the  
30 method of repayment is consistent with the maximum term and annual interest rate  
31 provided in this chapter, and if a borrower demonstrates sufficient seasonal or

1 extraordinary income to support repayment of a loan, the loan contract may provide  
2 for irregular payments and first payment loan extensions greater than 45 days from the  
3 date the loan is made.

4 \* Sec. 10. AS 06.20.260(a) is amended to read:

5 (a) A further or other charge or amount for an examination, service, brokerage  
6 commission, expense, fee, bonus, or other thing may not be directly or indirectly  
7 charged, contracted for, or received except

8 (1) lawful fees actually paid out by the licensee to a public officer for  
9 filing, recording, or releasing any instrument securing the loan, or premiums payable  
10 for insurance in lieu of perfecting a security interest if the premiums do not  
11 exceed the fees that would otherwise normally be incurred for perfecting, filing,  
12 recording, and releasing the security interest, or for transferring certificate of title  
13 to a motor vehicle securing the lien or noting a lien on that certificate;

14 (2) premiums actually paid out for insurance on any one or combination  
15 of the following: pledged property of the borrower, or consumer credit insurance; in  
16 this paragraph, "consumer credit insurance" has the meaning given in AS 21.57.160;

17 (3) taxable costs and expenses to which the licensee becomes entitled  
18 under general law in any court proceedings to collect a loan or to realize on the  
19 security after default;

20 (4) for loans of \$10,000 or less that are secured by an interest in  
21 real estate, reasonable costs and fees paid by a licensee for appraisals, surveys, and  
22 title insurance or reports [IF THE LOAN IS SECURED BY AN INTEREST IN REAL  
23 ESTATE];

24 (5) for loans over \$10,000, whether or not secured by an interest  
25 in real estate, reasonable costs and fees paid by a licensee for appraisals, surveys,  
26 title insurance or reports, and credit reports;

27 (6) a late payment fee of not more than 10 percent of the payment that  
28 is due or \$25 [\$15], whichever is less;

29 (7) a fee for dishonored checks not to exceed \$25 for each  
30 dishonored check;

31 (8) reasonable attorney fees, actual expenses, and costs incurred in

1 connection with the collection of a delinquent debt or a foreclosure if the  
2 collection or foreclosure is referred to an attorney who is not a salaried employee  
3 of the licensee and the balance then owing on the debt exceeds \$5,000;

4 (9) actual expenses and costs incurred in connection with a  
5 repossession.

6 \* Sec. 11. AS 06.20.287 is amended to read:

7 Sec. 06.20.287. CREDIT INSURANCE ON OPEN-END LOANS. (a) A  
8 licensee may obtain consumer credit, credit loss of income, and property insurance on  
9 open-end loans under this chapter. The consumer credit insurance obtained by a licensee  
10 shall satisfy the requirements of AS 21.57. The property insurance obtained by a  
11 licensee shall satisfy the requirements of AS 21.39 and AS 21.42. The licensee shall  
12 comply with AS 21.36.160 and 21.36.165 during all transactions with borrowers  
13 involving consumer credit, credit loss of income, and property insurance.

14 (b) The licensee shall calculate the charge for credit life, credit loss of income,  
15 or disability insurance in each billing cycle by adding to the unpaid balance in the  
16 borrower's account the current monthly premium rate for the coverage required at the  
17 rate set under AS 21.57, using the method specified in the loan agreement for  
18 determining the unpaid balance.

19 (c) A licensee may not cancel credit life, credit loss of income, or disability  
20 insurance obtained for an open-end loan if the borrower is delinquent in paying the  
21 monthly installments unless an installment is delinquent for 90 days or longer. The  
22 licensee shall advance to the insurer amounts necessary to keep the policy in force until  
23 the 90-day delinquency period has elapsed, and the borrower's account may be charged  
24 for the amounts advanced to the insurer.

25 \* Sec. 12. AS 45.10.070(b) is amended to read:

26 (b) Except when the service charge is computed on an add-on or simple  
27 interest basis, the [THE] amount of the refund credit shall be computed according to  
28 the "rule of 78ths"; that is, it shall represent at least as great a proportion of the original  
29 service charge over \$25 in case of a retail installment sale of a motor vehicle, or \$10 in  
30 case of a retail installment sales of goods other than a motor vehicle, as (1) the sum of  
31 the monthly or other periodic unpaid balances under the schedule of payments in the  
32 contract beginning as of the date after the prepayment ~~that~~ [WHICH] is the next

1 succeeding monthly or other periodic anniversary date of the due date of the first  
2 installment under the contract, or, if the prepayment is before the due date of the first  
3 installment under the contract, then as of the date after the prepayment that [WHICH]  
4 is the next succeeding monthly or other periodic anniversary date of the date of the  
5 contract bears to (2) the sum of all the monthly or other periodic unpaid balances under  
6 the schedule of installment payments in the contract.

7 \* Sec. 13. AS 45.10.080(a) is amended to read:

8 (a) If authority to do so is contained in the contract or agreement, the [THE]  
9 holder of a retail installment contract or retail charge agreement may [NOT] collect  
10 any delinquency, [OR] collection or dishonored check charges, [CHARGE OTHER  
11 THAN] attorney fees, court costs, and disbursements [UNLESS THE CONTRACT SO  
12 PROVIDES]. In this case, the charge must [SHALL] be reasonable, and no attorney fee  
13 may be recovered unless the contract is referred for collection to an attorney not a  
14 salaried employee of the holder.

15 \* Sec. 14. AS 45.10.120 is repealed and reenacted to read:

16 Sec. 45.10.120. EXTENT OF SERVICE CHARGE. (a) Notwithstanding any  
17 other law, the service charge included in a retail installment contract, retail charge  
18 agreement, revolving charge agreement, or other retail charge agreement must be at the  
19 rate agreed upon by the retail seller and the buyer.

20 (b) This section does not limit or restrict the method of computing the service  
21 charge, whether by way of add-on, simple interest, or otherwise, so long as that method  
22 is disclosed in the contract and agreed upon by the retail seller and the buyer.

23 \* Sec. 15. AS 45.10.220(3) is amended to read:

24 (3) "official fees" means the amount of the fees set by law for filing,  
25 recording, or otherwise perfecting and releasing or satisfying a retained title, lien, or  
26 other security interest created by a retail installment transaction or premiums payable  
27 for insurance in lieu of perfecting a security interest if the premiums do not exceed  
28 the fees that would otherwise normally be incurred for perfecting, filing, recording,  
29 or otherwise perfecting and releasing or satisfying a retained title, lien, or other  
30 security interest;

Add unmed. effective -

# HOUSE LABOR AND COMMERCE COMMITTEE

## SPONSOR STATEMENT CS HB 319 (L&C)

Alaska's Small Loan Act (AS 6.20) was initially adopted in 1955 and has not significantly been amended since 1982. Our Retail Installment Sales Act was adopted even earlier, and its last significant amendment occurred in 1980.

Over the years, practices within the credit industry have undergone immense changes. However, Alaska's law has not kept pace, thereby unfairly burdening this industry *vis a vis* outside competitors. As a consequence of our archaic approach to credit and lending transactions, Alaskan businesses suffer a competitive disadvantage. CS HB 319 (L&C) is intended to remedy this situation by updating certain provisions that are no longer relevant to contemporary business practices. Among other things, this bill would accomplish the following:

### Small Loan Act

It increases application and annual fees requirements applicable to licensed lending institutions.

It increases the liquid asset requirements that lending institutions must satisfy to do business from \$20,000 to \$25,000.

It increases the bonding requirements imposed on lending institutions from \$5000 to \$25,000 and makes it clear that only one bond is required for multiple office bonds.

It allows licensees to maintain books and records consistent with contemporary data processing and accounting methods.

It authorizes irregular payments when borrowers have a seasonal incomes.

It authorizes lending institutions to operate several branches under a single license, provided that the licensee maintains liquid assets in the amount of \$25,000 for each office it operates.

It broadens the scope of non-interest fees that lenders may charge borrowers and increases the amount of late payment fees that may be charged.

### Retail Installment Sales Act

CS HB 319 (L&C) clarifies and broadens the scope of fees and charges that may be imposed in connection with transactions, including late payment fees. A charge for late payments is currently not allowed.

It eliminates service charge ceilings, permitting this term to be subject to the agreement of the parties. In so doing, it removes the present cumbersome system based on graduated rates.

It respectfully is submitted that CS HB 319 (L&C) removes several anachronisms in Alaska law and serves to make Alaska credit businesses more competitive with outside firms.



RETAIL CREDIT (2 PARTY)

<u>State</u>	<u>Maximum Late Payment Fee Authorized</u>
Arizona	Not to exceed \$5.00 for installment less than \$25.00, \$10.00 for over \$25.00.
Arkansas	No statutory limit. Must equal that assessed in at least one other state
California	Not to exceed \$10.00
Colorado	Not to exceed \$15.00
Connecticut	Lesser of 5% of monthly payment or \$10.00
District of Columbia	Not to exceed \$10.00
Florida	Not to exceed \$10.00
Georgia	Maximum of \$10.00
Hawaii	Lesser of 5% of monthly payment or \$50.00
Idaho	Greater of 5% of payment or \$5.00
Illinois	Not to exceed \$10.00
Indiana	Not to exceed \$15.00 adjusted yearly
Iowa	Not to exceed \$10.00
Kansas	Not to exceed \$10.00 or 5% of monthly payment with a \$25.00 maximum \$5.00 for installment less than \$25.00, \$10.00 for over \$25.00.
Kentucky	Ceiling unspecified
Louisiana	Parity with late fees being exported into state by out of state banks
Maine	Lesser of \$10.00 or 5% of delinquent installment
Maryland	No statutory limit
Massachusetts	Not to exceed the lesser of 10% of balance or \$10.00
Michigan	No statutory limit
Minnesota	Equal to fee permitted by National Banks under MN law (greater of 5% or \$5.00)
Mississippi	Maximum of \$10.00
Missouri	Not to exceed \$5.00 for installments less than \$25.00, \$10.00 for installments over
Montana	Lesser of 5% of monthly payment or \$15.00
Nebraska	The greater of 5% of installment or \$5.00
Nevada	Agreed upon amount, no statutory limit
New Hampshire	Agreed upon amount
New Jersey	Not to exceed \$10.00
New York	Agreed upon amount, no statutory limit
North Carolina	\$5.00 on balance of less than \$100.00 and \$10.00 on balance of \$100 or greater
Ohio	Lesser of 5% of monthly payment or \$3.00
Oklahoma	Greater of 5% of the monthly payment or \$12.50
Oregon	No Statutory limit other than the charge be reasonable
Pennsylvania	Not to exceed \$12.00
Rhode Island	Not to exceed \$12.00
South Carolina	5% of payment not to exceed \$10.00 or 40% of \$10.00
South Dakota	Agreed upon amount
Tennessee	Ceiling unspecified
Texas	Not to exceed \$10.00
Utah	Greater of 5% of monthly payment or \$20.00
Virginia	Agreed upon amount
Washington	No statutory limit other than amount must be reasonable
West Virginia	Lesser of 5% of monthly payment or \$5.00
Wisconsin	Not to exceed of \$10.00

Not intended as legal advise, opinion of local counsel should be obtained

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**ALASKA RETAIL CREDIT GRANTORS  
CURRENT SERVICE, DELINQUENCY AND DISHONORED CHECK CHARGES**

<b>RETAILER</b>	<b>STATE LAW GOVERNING ACCOUNTS</b>	<b>LEGAL SERVICE CHARGE RATE</b>	<b>SERVICE CHARGE RATE IN ALASKA</b>	<b>DELINQUENCY CHARGE IN ALASKA</b>	<b>DISHONORED CHECK CHARGE IN ALASKA</b>
<b>Chevron</b>	<b>Alaska</b>	<b>18% to \$1,000; 10% above</b>	<b>13% to \$1,000; 8% above</b>		
<b>Firestone</b>	<b>Ohio</b>	<b>25%</b>	<b>21.84%</b>	<b>-0-</b>	<b>-0-</b>
<b>Lamonts</b>	<b>Ohio</b>	<b>25%</b>	<b>19.8%</b>	<b>\$10</b>	<b>\$10</b>
<b>Fred Meyer</b>	<b>South Dakota</b>	<b>No statutory rate limit</b>	<b>22.44%</b>	<b>Lesser of \$10 or 5% of missed payment</b>	<b>\$15</b>
<b>Nordstrom</b>	<b>Colorado</b>	<b>21%</b>	<b>18% to \$1,000; variable above</b>	<b>\$10</b>	<b>\$10</b>
<b>JCPenney</b>	<b>Alaska</b>	<b>18% to \$1,000; 10% above</b>	<b>18% to \$1,000; 7.92% above</b>	<b>-0-</b>	<b>\$10</b>
<b>Radio Shack</b>	<b>Tennessee</b>	<b>24%</b>	<b>22.3%</b>	<b>\$15</b>	<b>\$10</b>
<b>Sears</b>	<b>Arizona</b>	<b>No statutory rate limit</b>	<b>21%</b>	<b>-0-</b>	<b>\$10</b>
<b>Texaco</b>	<b>Nebraska</b>	<b>No statutory rate limit</b>	<b>21%</b>	<b>Lesser of \$5 or 5% of missed payment</b>	<b>\$15</b>
<b>Zales</b>	<b>Alaska</b>	<b>18% to \$1,000; 10% above</b>	<b>18% to \$1,000; 8% above</b>	<b>-0-</b>	<b>-0-</b>

The information in this chart is based upon credit applications collected in 1994 and 1995.

January 22, 1996

## THE CASE FOR LATE FEES FOR ALASKA RETAIL CREDIT GRANTORS

### BACKGROUND FOR ALASKA HOUSE BILL NO. 319

A "late fee" or "delinquency charge" is a fee imposed by a credit grantor on an overdue account. Retail credit customers who fail to remit their monthly minimum payment by the agreed due date cause the retailer to incur additional costs in attempting to collect the past due accounts. These collection costs are in addition to the normal costs incurred in extending credit and servicing the credit customer. (One retail credit grantor operating under Alaska law estimates those costs to average approximately \$7.80). These additional costs, if not recouped by the credit grantor, may show up in higher merchandise prices, meaning that cash customers and those who properly make their payments provide a subsidy to those who don't adhere to agreed payment terms. Besides allowing the retailer to offset the additional costs incurred, late payment fees also provide an incentive for the customer not to miss the payment in the first place.

The best public policy response to this situation is to allow retailers to assess a late payment fee on delinquent credit customers at an amount which encourages the customer to make timely payment and enables the retailer to recover the additional costs which it incurs when the customer does not do so. Thus the Alaska Retail Installment Sales Act (RISA) has, since its enactment in 1962, authorized reasonable late fees on retail installment contracts; that is, closed-end (single purchase) credit contracts. However, unlike the law in over three-quarters of the states in the country, the Alaska act is silent with respect to the imposition of late fees on the now-prevalent revolving credit accounts.

Under federal law, some credit grantors can and do charge late fees on retail charge agreements. Such retailers extend credit through a federally-chartered "credit card bank" or through a national or state bank located in another state under whose laws they can legally impose late charges on delinquent accounts in Alaska. Several such retailers are currently imposing late fees on Alaska resident customers. This puts retailers operating under the Alaska RISA at a competitive disadvantage because customers will first pay those bills with a late fee. As a result, the bills from retailers operating under Alaska law go to the bottom of the stack and those from out-of-state creditors get paid first.

### PROPOSED LEGISLATION - ALASKA HOUSE BILL NO. 319

The proposed legislation, House Bill No. 319, would (in Section 10) correct the current inequity in the Alaska Retail Installment Sales Act by allowing the imposition of a reasonable delinquency fee not only when a payment on a retail installment contract is late, but also when a payment on a retail charge agreement is late. House Bill No. 319 restores fairness to creditors operating under Alaska's law and the vast majority of credit accountholders who pay their bills on time and should not be required to subsidize those who do not.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101


130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

## MEMORANDUM

February 3, 1996

**SUBJECT:** Sectional Summary of CSHB 319(L&C)  
(Work Order No. 9-LS1095\C)

**TO:** Representative Pete Kott  
Attn: George Dozier

**FROM:**   
Theresa Bannister  
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

**Section 1.** Increases to \$1,000 (from \$400) the amount that an applicant is to pay with the application to the Department of Commerce and Economic Development as part payment for the department's expenses of investigating an application for a license under the Alaska Small Loans Act. Deletes a refund requirement.

**Section 2.** Increases the annual license fee to be paid to the department for a license under the Alaska Small Loans Act. Establishes a higher fee for a multiple office license.

**Section 3.** Increases to \$25,000 from \$20,000 the value of the liquid assets that a person applying for a license under the Alaska Small Loans Act must have available to operate the business. A person having multiple offices must demonstrate that an equivalent amount is available to each office from a central account maintained by the applicant.

**Section 4.** Increases to \$25,000 from \$5,000 the amount of the bond required for an applicant for a license under the Alaska Small Loans Act to file with the department. Provides that only one bond is required for a multiple office license application.

**Section 5.** Conforms the language in the license issuance section to the new liquid assets requirements established in sec. 3 of the bill. Also requires the department to determine that allowing the applicant to engage in business at the location will provide accessibility and convenience for borrowers.

**Section 6.** Allows a licensee to maintain one place of business under a single office license or up to 10 places of business under a multiple office license. Directs the department to issue an amended license to a licensee after approving a change of location for the licensee's place of business within the same municipality.

**Section 7.** States that a licensee is not required to maintain separate books and records for another business operated on the premises and authorized by the department. States that the licensee is to determine the method of tracking and numbering the loans as long as the system enables the department to perform the department's obligations under AS 06.

**Section 8.** Prohibits a licensee from inducing or permitting a borrower to split up or divide a loan or become obligated under more than one loan contract at the same time, if the purpose or result is to obtain a higher rate of interest than otherwise allowed by AS 06.20.230. Allows a licensee to enter into new or different loan transactions with a borrower or the borrower's spouse at a different time if the purpose of the new transaction does not violate this section.

**Section 9.** Adds certain requirements for the loan contracts. The contracts must provide for substantially equal payments, payments due at least monthly, and a first payment not later than 45 days from when the loan is made. Allows a loan contract to provide for irregular payments and a later first payment if certain listed conditions are met ("first payment loan extensions" should read "first payment extensions").

**Section 10.** Allows a fee to be charged for certain insurance premiums under certain conditions in place of perfecting a security interest. Allows for loans of \$10,000 or less secured by a real estate interest, a charge for reasonable costs and fees for appraisals, surveys, and title insurance or reports. Allows for loans over \$10,000, whether or not secured by a real estate interest, a charge for reasonable costs and fees for appraisals, surveys, title insurance or reports, and credit reports. Changes the late payment fee that can be charged. Allows a fee not to exceed \$25 per check to be charged for dishonored checks. Allows a charge for reasonable attorney fees, actual expenses, and costs incurred in connection with the collection of a delinquent debt or a foreclosure under certain conditions. Allows a charge for the actual expenses and costs of a repossession.

**Section 11.** Allows a licensee to obtain credit loss of income insurance on open-end loans under this chapter. Requires the licensee to comply with the provisions of two insurance statutes during all transactions with borrowers involving credit loss of income insurance. Specifies how the licensee is to calculate the charge for credit loss of income insurance. Prohibits the licensee from cancelling the credit loss of income insurance under certain circumstances.

Representative Pete Kott  
February 3, 1996  
Page 3

**Section 12.** Establishes an exception for calculating refund credits according to the "rule of 78ths." The exception is when the service charge is computed on an add-on or simple interest basis.

**Section 13.** Authorizes the holder of a retail installment contract or retail charge agreement to collect certain delinquency, collection or dishonored check charges, attorney fees, court costs, and disbursements, if the contract or agreement allows this. Makes a technical change in the second sentence.

**Section 14.** Requires that the service charge be at the rate agreed upon by the parties. States that this section does not limit or restrict the method of computing the service charge as long as the method is disclosed in the contract and agreed to by the parties.

**Section 15.** Includes certain insurance premiums in the definition of "official fees."

If I may be of further assistance, please advise.

TLB:klb:glc  
96-057.klb

# JCPenney

January 22, 1996

VIA FACSIMILE

Mr. George Dozier  
House Labor and Commerce Committee  
State Capitol  
Juneau, Alaska

Re: House Bill No. 319

Dear Mr. Dozier:

At the request of Mr. Jerry Reinwand, I am faxing the accompanying materials for the use of the committee members at the hearing on House Bill No. 319 scheduled for Wednesday, January 24th.

Sections 10 and 11 of House Bill No. 319 would amend the Alaska Retail Installment Sales Act which governs the Penney Company's retail credit arrangements with its Alaska customers. The enclosed materials relate to those amendments. They include, with respect to Section 10:

1) A chart titled "Alaska Retail Credit Grantors - Current Service, Delinquency and Dishonored Check Charges;"

2) A paper titled "The Case for Late Fees for Alaska Retail Credit Grantors;"

3) A chart titled, "Retail Credit (2 Party) - Maximum Late Payment Fee Authorized; and

4) A map titled "Retail Credit (2 Party) - States That Authorize Late Payment Fee."

They also include, with respect to Section 11:

A) A chart titled "Retail Credit Service Charges - Government Imposed Rate Ceilings;"

B) A chart titled "Retail Revolving Credit (2 Party) - Open Competitive Credit Market States;" and

C) Portions of a report titled "The Economic Impacts of Revolving Credit Regulation in Wisconsin, April 1995, including pages 30-32, and Appendix C, Table 2, and Table 3 which are referred to in those pages of the report and the bibliography of the report. This report, which was prepared

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