

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996

1481

# MEMORANDUM

State of Alaska  
Department of Law

Shelby Stastny  
Director  
Office of Management & Budget

DATE: October 13, 1994  
FILE NO:  
TEL. NO. 465-3600  
SUBJECT: FY 95 Oil and Gas  
litigation supplemental

*Emp*

FROM: Bruce M. Botelho  
Attorney General

The Department of Law urgently requests approval of a supplemental appropriation for oil and gas litigation in FY 95 in the amount of \$20,800,000.

The department is now in the trial preparation stage for three major cases. One of these cases involves royalty matters set for trial in the spring of 1995. The remaining cases are tax matters set for formal administrative proceedings. These cases are complex, involving substantial amounts of time and expense to prepare. Other on-going disputes include title challenges involving resource-rich lands that have high potential value to the state, the validity of a federal ban on the export of ANS crude oil, violations of the statehood compact affecting the recovery of oil and gas revenues from withdrawn federal lands, close monitoring of compliance with the TAPS settlement, and whether certain operating costs should be included in pipeline tariffs. A detailed confidential briefing on all of these issues is available at your convenience.

The legislature partially funded the FY 1995 oil and gas special litigation budget request unit by appropriating \$15.0 million (sec. 22(a), ch. 3, FSSLA 1994) of the estimated \$36 million needed to finance a full year of litigation activities. Because of the expense of document collection, production and organization, the need to take numerous depositions, and the employment and preparation of experts for all of these cases, the original appropriation will be expended mid year.

It is imperative that a special supplemental appropriation bill be introduced for consideration by the legislature at the earliest possible time. There is precedent for expedited consideration of an oil and gas litigation-related supplemental appropriation (see, e.g., ch. 2, SLA 1983; ch. 1, SLA 1981). Please recall that we proposed expedited consideration for the FY 94 supplemental as well. We received excellent support from your office during legislative consideration. However, the bill carrying the supplemental became bogged down when the legislature was deadlocked over use of the Constitutional Budget Reserve Fund

Shelby Stastny, Director  
Office of Management & Budget

October 13, 1994  
Page 2

(CBRF). We recommend that the supplemental be made from the state general fund rather than the CBRF. Any reconciliation necessary to reflect an expenditure from the CBRF for collection of petroleum revenues could be made in another appropriation bill enacted late in the session.

I would be pleased to discuss with you privately the effect an interruption in funding would have on the state's litigation effort. A description here in a public document would not serve the best interests of the state.

BMB:JLB:tg

# MEMORANDUM

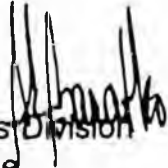
## State of Alaska Department of Revenue

TO: Nancy Slagle, Director  
Division of Budget Review  
Office of Management & Budget

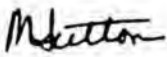
DATE: December 15, 1994

FILE NO: mhta.sup

TELEPHONE NO: 465-2335

THRU: Bob Baratko, Director   
Administrative Services Division  
Department of Revenue

SUBJECT: FY95 Supplemental Request  
for Alaska Mental Health  
Trust Authority

FROM: Mary Sutton, Finance Officer   
Administrative Services Division  
Department of Revenue

The Department of Revenue requests a "fast track" supplemental for FY95 start up costs for the Alaska Mental Health Trust Authority. In meetings with Deborah Smith, the Executive Director of the Alaska Mental Health Board, we developed an operating budget for FY95 in the amount of \$711.1. This is to be funded from the Mental Health Trust Settlement Income account (1092).

The supplemental request of \$711.1 will be allocated across the line items as follows:

Line Item	Amount
Personal Services	\$127.6
Travel	\$ 25.0
Contractual	\$380.8
Supplies	\$6.0
Equipment	\$171.7
<b>Total</b>	<b>\$711.1</b>

As you know, a decision was only recently reached in the Weiss v. State case. Therefore, we were unable to prepare an FY95 budget in the normal process. It is the intent of the Department to begin the operations of the Authority as soon as possible thus necessitating this "fast track" supplemental request.

Supplemental Request  
December 15, 1994  
Page 2

If you need further information, please contact Bob at 465-2312 or me at the above number.

cc: Deborah Smith, Executive Director, Alaska Mental Health Board

**Alaska Mental Health Trust Authority  
Budgetary Projections for FY95**

Expenditure Item	FY95	
<b>Personal Services</b>		127.6
<b>Travel</b>		25.0
<b>Contractual Services</b>		380.8
<b>Professional Services</b>		
RSA with DNR	100.0	
RSA with APFC	100.0	
Legal Fees	25.0	
RSA with DOR/ASD	16.0	
?     RSA with DOA/DIS-chargeback	2.5	
Research contracts		
Other professional services	50.0	
Buildout costs including phone install	25.0	
<b>Communications</b>		
Phone	10.0	
Postage	5.0	
<b>Transportation</b>		
Freight	0.5	
Messenger Service	1.5	
<b>Advertising, Printing &amp; Binding</b>		
Advertising	5.0	
Printing of various forms	2.5	
Subscriptions	0.5	
<b>Repairs &amp; Maintenance</b>		
<b>Rentals/Leases</b>		
Space-Juneau (other than Spam Can)- 6 mo. FY95	23.5	
Space-Anchorage lease (3 mo. FY95)	3.9	
Copiers yearly-lease/purchase	4.9	
Meeting space	5.0	
<b>Other Expenditures &amp; Services</b>		
RSA with DOA-Risk Management	0.0	
Employee training	0.0	
<b>Supplies</b>		6.0
<b>Equipment</b>		171.7
Modular panels and furniture for private offices	44.0	
Computers	70.5	
Software	28.5	
Fax	6.0	
Phones with features	7.7	
Conference room and reception area furniture	15.0	
		711.1

MEMORANDUM

RECEIVED

State of Alaska

NOV 17 1994 Department of Military and Veterans Affairs

BUDGET REVIEW

TO: Nancy Slagle, Director  
Division of Budget Review

DATE: November 17, 1994

FILE NO: 95SUPP1

TELEPHONE NO: 465-4730

*J Morrison*  
FROM: Jeff Morrison, Director  
Administrative and  
Support Services

SUBJECT: FY95 Supplemental  
Request: Disaster  
Relief Fund

The Department of Military and Veterans Affairs will need an FY95 supplemental appropriation for the Disaster Relief Fund. The need for this supplemental has been documented in the proposed financial plan for the 1994 Fall Flood Disaster which was sent to Shelby Stastny on November 4 (attached).

Based on current information, and as explained in the financial plan for the 1994 flood disaster, the amount of the supplemental is as follows:

	General Funds	Federal Funds
Replacement of state funds transferred to DRF to fund fall flood disaster	5,600,000	
Replacement of state and federal funds transferred from 1991 Spring Flood Disaster	1,000,000	3,000,000
New authorization of state and federal funds based on need for 1994 flood disaster	9,600,000	25,900,000
Total	16,200,000	28,900,000

This total amount will probably be revised as more information becomes available for two reasons: 1) the total amount of the cost of the disaster will probably change; and 2) the amount of estimated federal participation in the disaster will probably change. We will keep your office advised of any new information we have that would affect the amount of the supplemental request.

Attachment

cc: Hugh L. Cox III, Commissioner, DMVA  
Roger Schnell, Assistant Commissioner, DMVA  
Ervin Paul Martin, Director, Division of Emergency Services  
Juno Chance, Fiscal Officer, DMVA

# MEMORANDUM

State of Alaska

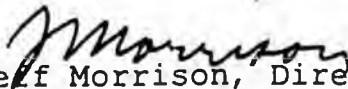
Department of Military and Veterans Affairs

TO: Shelby Stastny, Director  
Office of Management and Budget  
Office of the Governor

DATE: November 4, 1994

FILE NO: 94FLOOD3.DOC

TELEPHONE NO: 465-4730

  
FROM: Jeff Morrison, Director  
Administrative and  
Support Services

SUBJECT: Financial Plan for  
1994 Flood Disaster

The 1994 Flood Disaster, as we have discussed, will require much more additional money than amounts that have been allocated to date. In our discussion of October 31, I indicated that we would be presenting a financial plan to you this week based on our best and most current projection of disaster expenditures.

The attached spreadsheet has been prepared by DMVA staff, with input from H.C. Price, to show the financial information and projections that we discussed in our meeting. It is categorized by the agencies or contractors incurring the expenditures, and summarized by spent to date, projected through February 1995, and projected through end of the disaster. H.C. Price will take over the updating of this spreadsheet.

I need to emphasize that these projections are very rough estimates at this time, and will continue to be refined as our information improves. H.C. Price project managers have told me that their payment and billing cycle on this project is every two weeks, and they would therefore expect to update this summary spreadsheet every two weeks. In our previous discussions you had expressed a desire for a weekly update, but I hope that bimonthly will be sufficient to meet your needs for information.

The spreadsheet shows that the current projected total cost of the disaster is about \$74.4 Million. This is the amount that will be processed through the state accounting system; some other charges will not flow through the state system or involve state funds at all. Of this amount, the federal-state agreements currently in place provide that the federal government will reimburse up to at least \$55 Million. The exact amount of federal participation is dependent on a variety of funding agreements; a more precise estimate of federal participation is not possible at this time. The department is currently working to increase the amount of federal participation in this disaster, and we will keep you informed of our progress to that end.

The initial allocation of DRF funds to this disaster was \$4,000,000 (\$1,000,000 state funds and \$3,000,000 federal authorization). On November 2, OMB approved a reallocation of a \$2 Million from other disasters (\$500,000 state and \$1,500,000 federal). The current total authorization, including federal funds, is therefore \$6,000,000.

leaves a difference of \$68,400,000 which needs to be addressed by the financial plan.

The financial plan attached to this memo identifies the sources of funding and action needed to provide the remainder of funds needed for this disaster. The financial plan is a combination of several sources of funds, and will necessitate the governor using his authority under AS 26.23.050(b)(1) to transfer money from other sources in state government. It will also require approval from the Legislative Budget and Audit Committee for additional federal funding authorization prior to February 1995, and the submission of a supplemental appropriation request to the 19th Legislature.

Potentially the most difficult element of the financial plan will be the identification of a funding source for the governor to transfer money out of to fund the disaster. When you and I discussed this issue on October 31, you said that a likely candidate for this type of transfer could be a large capital project which does not need the money appropriated to it for the near future. Unless you would like DMVA to make specific suggestions for such a source of funds, it is our belief that the breadth of information your office has available to it would make it more qualified to identify such sources of funds.

#### Attachments

Nancy Slagle, Director, Division of Budget Review, OMB  
Hugh L. Cox III, Commissioner  
Roger Schnell, Assistant Commissioner, DMVA  
Ervin Paul Martin, Director, Division of Emergency Services  
Juno Chance, Finance Officer, DMVA

1994 KOYUKUK FLOOD DISASTER

11/4/94 15:29

	SPENT THRU	SPENT TO DATE	ESTIMATED SPENDING THRU 2/95	ESTIMATED TOTAL COSTS
<b>THRU STATE SYSTEM</b>				
<b>STATE DEPARTMENTS</b>				
GOVERNOR'S OFFICE	11/03/94	\$8,141.00	\$8,141.00	\$8,141.00
REVENUE (AHFC)		NO ESTIMATE YET	\$455,000.00	\$455,000.00
NATURAL RESOURCES	11/03/94	\$2,462,017.00	\$7,900,000.00	\$7,900,000.00
FISH & GAME	11/03/94	\$63,368.00	\$71,000.00	\$71,000.00
ENVIRONMENTAL CONSERVATION	11/03/94	\$66,274.00	\$109,369.00	\$201,295.00
COMMUNITY & REGIONAL AFFAIRS		NO ESTIMATE YET	NO ESTIMATE YET	\$2,176,250.00
MILITARY & VETERANS AFFAIRS	11/03/94	\$1,263,943.00	\$1,750,000.00	\$2,500,000.00
TRANSPORTATION	10/25/94	\$709,583.00	\$1,500,000.00	\$10,169,000.00
<b>CONTRACTORS</b>				
H.C. PRICE	10/30/94	\$1,990,176.00	\$25,463,594.00	\$49,259,117.00
DOYON	11/03/94	\$545,724.79	\$974,225.00	\$974,225.00
TCC	11/03/94	\$24,691.00	\$24,691.00	\$24,691.00
GHEMM	11/03/94	\$443,800.07	\$443,800.00	\$443,800.00
WICK	11/03/94	\$130,708.69	\$130,708.00	\$130,708.00
GBC	11/03/94	\$77,466.06	\$77,466.00	\$77,466.00
LOCAL GOVT'S	11/03/94	\$22,403.00	\$22,403.00	\$22,403.00
<b>SUBTOTAL</b>		<b>\$7,808,295.61</b>	<b>\$38,930,397.00</b>	<b>\$74,413,096.00</b>

**Proposed Financial Plan for 1994 Flood Disaster**  
**Page 1 of 2**

	State Funds	Federal Funds
<b>Needs through February 1995</b>	<b>9,800,000</b>	<b>29,100,000</b>
<p>This is the date by which the Nineteenth Legislature is expected to be able to act on a supplemental appropriation request to fund the balance of expenditures and obligations. Page 2 of this financial plan addresses the funding sources of through February 1995.</p>		
<b>Needs after February 1995</b>	<b>9,600,000</b>	<b>25,900,000</b>
<p>Needs after February 1995 will be addressed by a supplemental appropriation request submitted early in the legislative session. This supplemental will need to include the replacement of any funds transferred into this disaster to fund the needs through February 1995. The degree of federal participation in this cost will be revised as needed as more information becomes available.</p>		
<b>Estimated total state cost of disaster</b>	<b>19,400,000</b>	<b>55,000,000</b>
<b>Total state cost of disaster (combined funds)</b>		<b>74,400,000</b>

Proposed Financial Plan for 1994 Flood Disaster  
Page 2 of 2

Proposed source of disaster funds through February 1995

<p>Disaster Relief Fund (DRF) to date Initial allocation of \$4 Million (25% state) approved by OMB on 9/14/94. Additional allocation of \$2 Million (25% state) approved by OMB on 11/2/94 as transfers from other disasters.</p>	<p>1,500,000</p>	<p>4,500,000</p>
<p>Additional DRF Allocation DRF unobligated balance on 11/2/94 is \$1,930,417 (state funds) following recent close-outs of other open disasters. Allocating \$1.7 Million will leave a balance of \$230,000 for any other disasters that might come up prior to an FY95 supplemental appropriation by the legislature. Federal matching funds of \$5.1 Million, also in the DRF, bring the total additional funds available in the DRF to \$6.8 Million.</p>	<p>1,700,000</p>	<p>5,100,000</p>
<p>Temporary transfer of DRF funds The 1991 Spring Flood Disaster has a need for the total funds remaining in its DRF allocation, but does not need this money until after spring of 1995 due to the construction season. DMVA has identified a total of \$4 Million (25% state) which can be temporarily reduced from this disaster until replaced by a supplemental appropriation.</p>	<p>1,000,000</p>	<p>3,000,000</p>
<p>Transfer of state funds AS 26.23.050(b)(1) authorizes the governor to transfer funds under certain circumstances. Replacement of these appropriations would also be included in the supplemental appropriation requested to the 19th Legislature.</p>	<p>5,600,000</p>	
<p>Authorization of additional federal funds (RPL) This amount will need to be requested as a revised program (RPL) and approved by the Legislative Budget and Audit Committee. Their next scheduled meeting is in early December 1994.</p>		<p>16,500,000</p>
<p>Total</p>	<p>9,800,000</p>	<p>29,100,000</p>

# MEMORANDUM

# STATE OF ALASKA

TO: Nancy Slagle, Director  
Division of Budget Review  
Office of Management and Budget

DATE: January 23, 1995

FILENAME: 95SUPP

TELEPHONE NO: 465-4336

FROM: *KB* Ken Bischoff, Director  
Division of Administrative Services  
Department of Public Safety

SUBJECT: FY 95 Supplemental  
10 State Troopers

The Department of Public Safety requests approval of an FY 95 Supplemental Appropriation in the amount of \$265.0 for the AST/Detachment Component to fill 10 vacant State Trooper Positions.

The funding will cover the Personal Services costs for 3 months plus travel, training costs, supplies, and equipment.

The minimum qualifications include successful completion of a basic police training program which meets the training standards set by the Alaska Police Standards Council. This means that the individuals do not have to go through the 12 week basic Academy training but only require a 2 week special training program. This will allow us to get these troopers "on the street" as soon as possible.

Additional information is attached.

Attachment

Division of Alaska State Troopers  
10 Additional Personnel  
(To fill vacancies in FY95)

Personal Services Costs: 10 Trooper Recruits (1)	\$151.9
(PACS, Scenario #14, PCN12#204, \$15,186.36 X 10 =)	
Travel: Moving Costs	66.4
(Assume seven moves needed outside urban area - 7 X \$9,485 average costs =)	
Contractual: Academy Costs (2)	15.1
(two week AST specific course in Sitka)	
Supplies: Initial Issue (3)	23.3
(Uniforms, protective vests, etc)	
Equipment: Initial Issue (3)	8.3
(Pistol and shotgun)	
Total	<u>\$265.0</u>

Footnote numbers reference the Attachments for source data and additional information.

Position Information Inquiry/Update

08:41:58

Position: 12-12#204 Project: 0 Salary Costs: 10,391.60  
 Component: 12-62-01-01-01-01 Region: Benefits Costs: 4,794.76  
 Scenario: 14 FY: 95 COLA %= 3.600 Total Costs: 15,186.36

-----  
 Actuals not available (Status: UNKNOWN ) Retirement Code: A  
 -----

° Step: A for 3.0 months & Step: B for 0.0 months (total: 3.00 )  
 00/00/00 ° Merit Date; use merit defaults? N ( 0.0 @ & 0.0 @ )  
 0 ° Class/Sched Prefix: 1 Schedule: 1A (actual: )  
 ° Bargaining Unit: AA Range: 74 (actual: )  
 ° Location Code: EBA Place: ANCHORAGE  
 ° Job Class Code: P7702 Title: COURT SERVICES OFFICER  
 ° Seasonal Indic.: F Type: -

Optional Override Salary Rates:

Monthly Rate: 0.00 for 0.0 months & rate of 0.00 for 0.0 months  
 Hourly Rate: 0.00 for 0.0 months Frozen at this rate? (Y/N): N

Position Premium Pay Inquiry/Update

PROJECT NUMBER: 0  
 PCN: 12-12#204 Salary Costs: 10,391.6  
 Component: 12-62-01-01-01-01 Benefits Costs: 4,794.7  
 Scenario: 14 Total Costs: 15,186.3

Premium Pay Items/Amounts Budgeted		---- Actual Costs ----		
	Item Cost	Y.T.D.	Prior Year	
Overtime Hours: 30.0	787.50	0	0	
Graveyard Shift Diff. (months): 0.00	0.00	0	0	
Swing Shift Diff. (months): 0.00	0.00	0	0	
Hazard Pay (\$): 0.00	0.00	0	0	
Sea Duty Pay (\$): 0.00	0.00	0	0	
Standby Pay (\$): 0.00	0.00	0	0	
Higher Class Work Pay (\$): 0.00	0.00	0	0	
Area Subsistence Pay (\$): 0.00	0.00	0	0	
Additional Salary (\$): 144.00	144.00			
PLUS 3.60000 PERCENT C.O.L.A.	33.53			
<b>Total Premium Pay Costs:</b>	<b>965.03</b>	<b>0</b>	<b>0</b>	

Contractual Costs  
DPS Training Academy  
Additional AST Specific Course

Attachment 2

Length in weeks:           2  
Length in days:           14  
Number of trainees:       10

1. Personal Services: (Instructors)	\$4,000
2. Travel: (estimate/pay actual)	5,000
3. Contractual:	
Meals - \$18 per day X 14 days X 10 =	\$ 2,520
Lodging - \$7 per day X 14 days X 10 =	980
Facilities - \$30 per week X 10 =	600
	<hr/>
Subtotal - Contractual	4,100
4. Supplies: Student supplies	
(\$9 per day X 14 days X 10 =)	1,260
5. Equipment: useage/depreciation	
(\$5 per day X 14 days X 10 =)	700
	<hr/>
TOTAL COST	\$15,060

Supplies & Equipment Costs  
ALASKA STATE TROOPERS  
INITIAL ISSUE  
(FY95 Costs)

Attachment 3

Supplies:

Statson Hat with strap	\$ 54.00
Braid	5.50
Winter Hat	88.00
Parka	245.00
Long Sleeve Shirts (3 @ 70 ea)	210.00
Wool Trousers (3 @ 82 ea)	246.00
Summer Short Sleeve Shirts, Wool (3 @ 60 ea)	180.00
Ties	3.50
Protective Vest	286.80
Name Tag	5.00
Badge Set (Issued from Juneau Personnel)	161.00
Sam Brown Belt	32.95
Tie Clasp	5.50
Subtotal (74608)	<u>1,523.25</u>

Utility Jacket	220.86
Winter Parka	215.00
Coveralls	32.65
Baseball Cap	3.50
Rain Coat	85.50
Subtotal (74482)	<u>557.51</u>

Note Books with cover	8.00
Holster	74.50
Double magazine carrier	17.57
Handcuffs	16.95
Handcuff case	15.45
Knife case	18.95
Keepers (3)	6.60
Capstun	15.50
Capstun Holder	22.05
ASP Scabbard	18.35
ASP	39.50
Subtotal (74611)	<u>253.42</u>

Supplies Subtotal 2,334.18

Equipment:

Pistol, Smith & Wesson, Mod. .4006	518.67
Shotgun, Remington 870P, 12 ga.	316.00
Equipment Subtotal	<u>834.67</u>

Initial Issue Total Cost \$3,168.85



# STATE OF ALASKA RECRUITMENT BULLETIN



Recruitment Bulletin #150-94

December 5, 1994

This is an opportunity for interested and qualified candidates to submit an application in order to be considered for vacancies when they occur.

APPLICATIONS MUST BE RECEIVED OR POSTMARKED:  
DECEMBER 5, 1994 THROUGH JANUARY 18, 1995

**STATE TROOPER RECRUIT  
(FIELD TRAINING)**  
(Class Code 7711)

Salary:SR74/\$3142 Min/Month  
Written Test Required: Yes

**DESCRIPTION:** Under immediate supervision, State Trooper Recruits (Field Training) participate in a training program to develop and apply their knowledge of law enforcement principles and practices to actual field situations to enforce State laws and to assist and protect the public. **Distinguishing Characteristics:** State Trooper Recruits (Field Training) are distinguished from State Trooper Recruits (Academy) by having completed a basic police training program, and following a limited course of instruction focused on aspects of law enforcement specific to Alaska and the Department of Public Safety, are prepared to enter the field training program while State Trooper Recruits (Academy) must participate in the full course of Academy instruction.

**MINIMUM QUALIFICATIONS:** Successful completion of a basic police training program which meets the training standards set by the Alaska Police Standards Council (13 AAC 85.050 or 13 AAC 85.060). A copy of your certificate of completion and a course description including hours of training and subject matter must accompany your application. Not less than 21 years of age. **Special Requirement:** A valid Alaska driver's license

is required at the time of employment.

**NOTE:** As part of the selection process, a written test and an extensive background investigation will be conducted which may include a criminal background review; fingerprinting; physical agility testing; medical, visual, hearing, and psychological evaluations; a polygraph examination; and drug screening. Appointments to State Trooper Recruit positions will be made conditionally pending successful completion of all portions of the background process and the medical evaluation.

**HOW TO APPLY:** Application must be made on an official State of Alaska Employment Application form (Form O2-250) available from most State of Alaska offices, any Alaska Employment Service office, Department of Public Safety, or Div. of Personnel/OEEO (Juneau office). Resumes will not be accepted.

Be sure to indicate the official job class title **STATE TROOPER RECRUIT (FIELD TRAINING)** in box number one of the application form.

Be sure to select **STATEWIDE** in box number 13 of the application form.

Applications must be mailed to the specific address below and received or postmarked no later than **JANUARY 18, 1995**.

Department of Administration  
Division of Personnel/OEEO  
P.O. Box 110201  
Juneau, AK 99811-0201

If you qualify, you will be notified of the next phase in the background process. You will initially receive a background packet which must be completed and returned in the specified timeframe in order to be scheduled

for the written test.

**The State of Alaska complies with Title I of the Americans with Disabilities Act (ADA). Individuals with disabilities who require special accommodations, auxiliary aides or services, or alternative communication formats call (907) 465-4430 Voice or (907) 465-2461 TTY or correspond with the Juneau Div. of Personnel/OEEO office at the address above. Please provide sufficient notice in order for the Dept. of Administration to accommodate your needs by the closing date.**

The Department of Administration, Division of Personnel and Office of Equal Employment Opportunity, has implemented a 24-hour "call-in" recruitment information service. This line may be accessed by a touchtone phone during the day or night for current information.

**RECRUITMENT INFORMATION LINE (907) 465-8910**

**THE STATE OF ALASKA IS AN EQUAL OPPORTUNITY EMPLOYER.  
WOMEN AND MINORITIES ARE ENCOURAGED TO APPLY.**

# MEMORANDUM

State of Alaska  
Department of Corrections  
Division of Administrative Services  
PHONE (907)465-3376, FAX (907)465-3076  
P.O. Box 113000, Juneau, Alaska 99811-3000

TO: Annalee McConnell, Director  
Office of Management & Budget

DATE: January 13, 1995

FILE: A-1-8H; A-1-20

FROM: Margaret Pugh, Commissioner

SUBJECT: *FY95 Supplemental  
Request*

Attached is the Department of Corrections FY95 Supplemental Request. Using the form you provided on December 30, 1994, each supplemental need is briefly described according to the nature of the problem, dollar amount of each request, and source of funding.

These supplemental funds will provide the resources necessary for short-term stabilization of the Alaska Correctional System and provide the resources that will keep the system out of contempt of court action relating to the Cleary Final Settlement Agreement.

The FY95 Supplemental Request totals \$13,424.5, with an additional \$2,500.0 which will need further discussion. Receipt of the \$2,500.0 is imminent and will be recorded to the unrestricted general fund, which opens up the possibility of an add/delete supplemental request for the FY95 operating budget, or a request to the Legislative Budget and Audit Committee for the approval to receive and expend these funds as a capital authorization.

Should you have any questions or need additional information, please contact me.

Attachments

CC: Allen J. Cooper, Acting Deputy Commissioner

Shirley J. Minnich, Director  
Division of Administrative Services

Frank Sauser, Director  
Division of Institutions

Vikki Deakin, Acting Director  
Division of Community Corrections

DOC Budget Files

**PROPOSAL for   X   FY 95 Supplemental        FY96 Budget Amendments**

<b>General Fund</b>	<b>Non-General Fund</b>	<b>Total</b>
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**Essential for safety, health, etc.**

**Necessary to maintain acceptable service  
level in non-safety areas:**

**Others:**

**Proposed reductions to the Hickel budget:**

The Department of Corrections does not have an area or program that can be cut to absorb the following requests without further impacting prisoner and staff safety and security needs which would likely evoke further court sanctions against the Department for Cleary Final Settlement Agreement violations. During prior year budget reduction efforts, high personal services underfunding resulted in forced vacancies in security staff positions throughout the Institutions without any reductions to prisoner populations. Prisoner support stocks (i.e., food, clothing, bedding, etc, etc.) have been virtually depleted sustaining prior year budget cuts and are not capable of handling increased prisoner populations.

While cost containment and administrative efficiencies are continually on our list of organizational values, the cost of Corrections is largely driven by forces over which the Department has no control nor can it effectively be reduced without compromising the mission of the Department. Each program is interdependent on the other to fulfill a portion of the overall requirement to protect the public and provide opportunities for the reformation of offenders who are under the lawful care, custody, and control of the Department.

Currently, the gap between supply of existing correctional services and ever-increasing demands continues to widen.

PROPOSAL for  X  FY 95 Supplemental \_\_\_\_\_ FY96 Budget Amendments

General Fund	Non-General Fund	Total
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Essential for safety, health, etc.

Necessary to maintain acceptable service  
level in non-safety areas:

Others: Office of the Commissioner	\$ 44.5	\$ 44.5
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With the transfer of the Commissioner's Office from Anchorage to Juneau, a supplemental appropriation for this component will be necessary. Costs are estimated for 5 1/2 months of FY95 and include the one-time cost to set up the Juneau office for the Commissioner and staff.

Travel: \$ 29.6

It is anticipated that, with the Commissioner's interaction with the Legislature, travel between Juneau and Anchorage will be minimum during the last six months of FY95. An analysis of travel expenditures to-date indicates that additional funding is required for a minimum of four (4) trips by the Commissioner to supervise the Anchorage Central Office, and three (3) trips for the Commissioner's staff to attend Legislative Hearings. Additionally, sufficient travel funds are needed to enable the Commissioner and her staff to make regular on-site inspections/visits to every DOC Institution and Probation Office in the State.

Contractual: \$ 10.9

The set-up and continued operation of the Commissioner's Juneau Office will increase the communication costs for this component, i.e., telephone (state network, base and long distance), postage, FAX, etc. A new copier and other small office machines must be leased/purchased.

Supplies: \$ 1.5

General office consumables, etc.

Furniture/Equipment: \$ 2.5

Miscellaneous furniture for Commissioner's Office

**Proposed reductions to the Hickel budget:**

PROPOSAL for  X  FY 95 Supplemental   FY96 Budget Amendments

General Fund	Non-General Fund	Total
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Essential for safety, health, etc.

Necessary to maintain acceptable service  
level in non-safety areas:

Others:	\$67.0	\$67.0
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Court Ordered Monitor:

The Alaska Court has ordered the continuation of a court appointed monitor in compliance with Section III (L) and VI (A) of the Cleary Final Settlement Agreement. The \$67.0 amount of compensation, which the court said was to be paid by the Department of Corrections, was determined reasonable by the court through an analysis of the court appointed monitor's proposal of \$88.4 and the State's counter offer of \$58.7. The FY95 Operating Budget for the Agency does not contain sufficient funds to cover this action.

Proposed reductions to the Hickel budget:

PROPOSAL for  X  FY 95 Supplemental   FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.			
Necessary to maintain acceptable service level in non-safety areas:			
Others:	\$ 9.8		\$ 9.8

Alaska Board of Parole Underfunding:

The Alaska Board of Parole's FY95 authorization was reduced by an unallocated \$ 14.6 (3%). In addition, personal services was underfunded by \$ 8.6. In an attempt to stay within the budget, the Board no longer conducts in-person hearings outside of the Anchorage Bowl, Fairbanks, and Juneau. Hearings for the four Institutions and seven probation offices outside of those areas are held telephonically. In addition to reducing travel expenses, the Board held a position open as long as possible, nearly three months into FY95, to meet personal services shortfalls. In spite of the measures taken to reduce expenditures, the Board is still faced with a projected shortfall in personal services of \$ 3.1, and a projected shortfall in compensation paid to board members of \$ 6.7.

Proposed reductions to the Hickel budget:

PROPOSAL for  X  FY 95 Supplemental \_\_\_\_\_ FY96 Budget Amendments

	<b>General Fund</b>	<b>Non-General Fund</b>	<b>Total</b>
<b>Essential for safety, health, etc.</b>	\$ 366.3		\$ 366.3

**Correctional Academy:**

The department must provide existing facilities with sufficient safety and security staff to handle increased prisoner populations. Operating facilities in an overcrowded condition is seriously raising the incidents of problems in the Institutions. In order to maintain the safe, orderly operation of Institutions, all available security staff positions had to be filled. The existing Correctional Academy budget only contains minimal funds to train the existing staff. Recruit salaries, travel, and per diem costs associated with attending the six week academy are not included in the operating budget authorization. The requested supplemental funding is needed to pay for the 51 recruit academy held in the first half of FY95, which was needed to fill critical security vacancies throughout the correctional system and an additional 20 recruit academy being planned for April 1995 (FY95).

**Necessary to maintain acceptable service  
level in non-safety areas:**

**Others:**

**Proposed reductions to the Hickel budget:**

PROPOSAL for  X  FY 95 Supplemental \_\_\_\_\_ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.			

Necessary to maintain acceptable service  
level in non-safety areas:

Others:	\$ 555.0	\$ 555.0	
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Resolution of Personnel Legal Action:

The Department of Law represents the Department of Corrections on all pending legal actions related to personnel. Specific information on these cases is privileged and pertains to strategies and details of the case. The amount requested is a present minimum estimate for the cost of resolution of two cases which are close to conclusion.

Proposed reductions to the Hickel budget:

PROPOSAL for  X  FY 95 Supplemental \_\_\_\_\_ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.			
Necessary to maintain acceptable service level in non-safety areas:	\$ 99.0		\$ 99.0

Correctional Industries-Administration Associated with Spring Creek (\$49.5) and Wildwood C.C. (\$49.5)

Due to up-scaling of the Department's prisoner population at the Spring Creek and Wildwood Correctional Centers, the Alaska Correctional Industries was directed to increase the number of job opportunities and the availability of vocational instructions at these facilities. The costs associated with this additional programming is as follows:

A. In Spring Creek, an additional shift was added at the Furniture Plant to maximize utilization of existing space and equipment. A joint cooperative venture contract to manufacture burial caskets and associated products for a private corporation was negotiated to create the additional required market demand. In order to implement this shift, a full-time Correctional Industries Production Manager I position was needed to supervise operations.

B. The Correctional Industries activities at Wildwood were completely terminated and equipment/space mothballed when that facility was down-scaled in FY93. Correctional Industries programming was reintroduced at minimal levels in FY94 when prisoners first returned and the metal fabrication and office systems furniture shop was again reopened. Due to the recent increase in prisoner populations, additional product lines were introduced to this manufacturing facility (office panels systems, ergonomic chairs) through an expanded marketing effort to create the required directed increase in prisoner employment and programming. In order to return the Wildwood shop to its FY93 employment level, a full time Correctional Industries Production Manager was assigned to supervise the increased operations.

**Others:**

**Proposed reductions to the Hickel budget:**

PROPOSAL for  X  FY 95 Supplemental \_\_\_\_\_ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.			
Necessary to maintain acceptable service level in non-safety areas:	\$ 194.3		\$ 194.3

Correctional Industries-Administration Personal Services Underfunding:

Supplemental funds are requested to reduce Correctional Industries-Administration component's personal services underfunding to zero. Management staff was directed to fill all existing positions within this component in FY95 to meet the statewide correctional industries programming demands. This commission's administrative overhead allocation is nearly \$33.0 less than the FY93 incurred expenditures.

In prior years, increased costs of doing business forced this component to reallocate resources from other areas just to maintain minimum functions. This supplemental provides funds to maintain basic services for the remainder of FY95.

Others:

Proposed reductions to the Hickel budget:

PROPOSAL for  X  FY 95 Supplemental \_\_\_\_\_ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.	\$2,392.4		\$2,392.4

Out-Of-State Contract Beds:

To reduce prisoner populations throughout Institutions across the State, the department has entered into a professional services agreement which will move 206 prisoners to out-of-state prison beds. This action has been undertaken to stop the court contempt sanctions from accruing at a rate of approximately \$5,500 per day. The costs of these beds are \$59 per day, compared to in-state rates of \$106 per day effective January 1, 1995. These beds will be used according to classification criteria implemented in FY95 and are secured through June 30, 1995.

* 206 Beds X \$59.00 X 181 Days	=	\$ 2,199,874
* Contracted Transportation	=	\$ 120,000
* Gratuities (Alaska Inmates in Arizona)	=	\$ <u>72,500</u>
Total		\$ 2,392,374

**Necessary to maintain acceptable service  
level in non-safety areas:**

**Others:**

**Proposed reductions to the Hickel budget:**

PROPOSAL for X FY 95 Supplemental \_\_\_\_\_ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.	\$ 3,130.5		\$ 3,130.5

Institutions Statewide:

Alaska's ~~4%~~ retention rate among correctional officers is good, the fifth <sup>highest</sup> ~~lowest~~ is the nation. The national average is 11.6%. In comparison, the assigned vacancy factor and underfunding of personal services far exceed the actual realized vacancy rate among correctional officers. Unrealistic vacancy factors and underfunding of personal services are short-term answers to budget restrictions which increase costs, such as overtime, in the long run. While it is recognized that state resources are declining, reality dictates that funding for adequate staffing must be available to ensure a safe and effective operation can be maintained at all times. When does a 24-hour facility, staffed with stressed, overtired, overworked, and frustrated correctional officers reach its minimum limit of safety? So far, the correctional facilities have not had to deal with riots and/or loss of life. However, major incidents within the facilities are on the rise. This request adds only enough personal services funding to provide stabilization of existing personnel staffing levels within the Institutions to reduce the level of risk to staff and prisoners alike. In addition, minimal non-personal services funds are also requested to cover the support costs (i.e., travel back to point of arrest, increased communication costs, printing/binding, supplies including food and clothing) of increased prisoner populations at all Institution facilities statewide. Due to depleted stocks resulting from the sustaining of previous budget reductions, facilities are not able to cover the support costs of increased prisoner populations.

See Page 2 of this request for an Institution by Institution breakout of the supplemental amount.

**Necessary to maintain acceptable service level in non-safety areas:**

Others:

**Proposed reductions to the Hickel budget:**

Sheet1

ACCT	AWCC	CHCC	CMT	FCC	KCC	LCC	MSPT	PCC	SACC	SCCC	WWCC	YKCC	TOTAL
71000	105.0	271.0	209.0	0.0	39.5	173.2	64.7	224.2	153.5	303.6	376.0	87.5	2,008.0
72000	0.0	8.9	0.0	5.2	5.9	0.0	0.0	0.0	3.2	0.0	10.0	23.0	58.2
73000	26.0	8.9	0.0	0.0	2.0	0.0	15.0	17.0	10.7	82.0	43.4	52.0	257.0
74000	25.0	37.4	80.0	0.0	20.3	50.7	4.0	71.0	57.2	151.8	100.0	150.0	757.4
75000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
77000	4.0	0.0	0.0	0.0	0.0	3.4	0.0	0.0	0.0	20.5	20.2	3.0	51.1
<b>TOTAL</b>	<b>160.0</b>	<b>327.0</b>	<b>289.0</b>	<b>5.2</b>	<b>67.7</b>	<b>237.3</b>	<b>83.7</b>	<b>312.2</b>	<b>224.6</b>	<b>557.9</b>	<b>549.6</b>	<b>315.5</b>	<b>3,130.6</b>

SENT BY: State of Alaska

: 2- 6-95 : 1:14PM :

CMB/Budget Review

4834885: # 2

FR-05-95 NOV 01 09

**PROPOSAL for   X   FY 95 Supplemental        FY96 Budget Amendments**

	<b>General Fund</b>	<b>Non-General Fund</b>	<b>Total</b>
<b>Essential for safety, health, etc.</b>	\$2,100.0		\$2,100.0

**Inmate Health Care:**

Although Inmate Health Care has implemented numerous cost containment measures and continues to identify and implement efficiencies by conducting thorough reviews of procedures and developing contracts that achieve savings, there is a shortage of \$2,000.0 for health services provided by physicians, dentists, hospitals, security agencies (guard hires for hospital stays), optometrists, and diagnostic testing agencies outside of Institutions.

Inmate Health has expended approximately \$1 Million dollars in hospital care for the first four and one half months of FY95. The incredibly high expenditures are due to inmates who have required extended ICU stays and surgeries due to HIV related illnesses, osteomyelitis, heart disease (three different inmates with serious heart problems requiring surgery and hospitalization), cancer, a pancreatic blockage, and septicemia. Additionally, there have been visits to the emergency room and hospital stays for lesser illnesses.

Supplemental funds have continually been requested in prior year operating budgets to cover Inmate Health Care funding shortfalls due to efforts to contain up-front Agency costs. The prior administrations have been reluctant to add a significant amount of funding up-front to cover these higher prisoner health costs and has continually requested that the Agency address the funding shortfall issue through the supplemental process.

Inmate Health Care was allocated a 2.5% vacancy adjustment in the FY95 authorization. The actual vacancy rate is less than 1%. This unrealistic vacancy and turnover rate plus underfunding for necessary overtime for nurses has created a personal services funding shortfall of approximately \$100.0 in FY95.

**Necessary to maintain acceptable service  
level in non-safety areas:**

**Others:**

**Proposed reductions to the Hickel budget:**

PROPOSAL for  X  FY 95 Supplemental \_\_\_\_\_ FY96 Budget Amendments

	<b>General Fund</b>	<b>Non-General Fund</b>	<b>Total</b>
<b>Essential for safety, health, etc.</b>	\$ 51.9		\$ 51.9

**Sixth Avenue Correctional Center Administrative Positions:**

As the prisoner population increases at the Sixth Avenue Correctional Center, more and more emphasis must be placed on safety and security staffing needs within the Institutions. Correctional Officers are currently performing full-time clerical and computer oriented duties. These functions must be performed by less costly and appropriately classified Administrative Clerks to free up the correctional officers to provide safety and security at the facility. This request funds three Administrative Clerk II positions for the remainder of FY95.

**Necessary to maintain acceptable service  
level in non-safety areas:**

**Others:**

**Proposed reductions to the Hickel budget:**

PROPOSAL for  X  FY 95 Supplemental \_\_\_\_\_ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.	\$ 928.9		\$ 928.9

Spring Creek (\$156.6) and Wildwood C.C. (\$772.3) Bed Increases:

To utilize every available Institutional bed, the FY95 budget requested funding to increase the Spring Creek Correctional Center by 50 beds and to upscale Wildwood Correctional Center to full capacity by bringing online the 59 available beds in that facility. Although funding was subsequently rejected, the over population crisis required that these beds be brought online. This request will provide the funding necessary to support the costs associated with the addition of staff and programs to allow the Department to legally add these beds to the correctional system.

**Spring Creek Correctional Center**

There is presently a court motion to hold the Department in contempt for filling the Spring Creek beds prior to putting on additional security staff and prisoner programs to support the increased population. This request includes funding for two (2) Adult Probation officer II positions for approximately six months and incremental costs associated with housing, feeding and clothing prisoners.

**Wildwood Correctional Center**

The upscaling of Wildwood Correctional Center by 59 beds requires funding to provide staff support for an additional ten positions (One Correctional Officer III, seven Correctional Officer II's, one Adult Probation Officer II, and one Cook II) positions and to reduce the vacancy factor allocated to this component from 17.2% to a sustainable level for the remaining portion of FY95. In addition, incremental funds associated with housing, feeding and clothing prisoners is necessary to maintain the additional 59 beds for the remainder of FY95.

**Necessary to maintain acceptable service  
level in non-safety areas:**

**Others:**

**Proposed reductions to the Hickel budget:**

PROPOSAL for X FY 95 Supplemental \_\_\_\_\_ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.	\$ 1,472.3		\$1,472.3

Community Residential Treatment Beds:

The FY95 Operating budget included funding for 412 CRC beds. To reduce overcrowding, classification criteria changes were implemented in FY95. This change required an increase in CRC beds to accommodate increased placements. The Department contracted for 567 CRC beds. Forty one (41) of these beds, purchased through an emergency procurement, expired on December 31, 1994. Of these forty one (41) beds, sixteen (16) are being continued on a per diem basis through June 30, 1995, bringing the departments current number of available beds to 542. An additional sixty (60) beds are being considered for Kenai and Wasilla. To maintain this higher level of CRC beds for the remainder of FY95, supplemental funding is required.

Necessary to maintain acceptable service  
level in non-safety areas:

Others:

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental \_\_\_\_\_ FY96 Budget Amendments

	<b>General Fund</b>	<b>Non-General Fund</b>	<b>Total</b>
Essential for safety, health, etc.	\$ 31.8		\$ 31.8

Southeast Region Probation :

The Southeast Region Probation component is currently unable to conduct field visits to the smaller towns and communities under its supervision. In addition, management cannot audit district probation offices and staff cannot meet the Alaska Police Standards Council training requirements, potentially subjecting the State and the Department to substantial liability. Travel reimbursement for moving expenses for two employees is delayed. Security equipment is needed for probation offices as well as upgraded computer equipment. All of these needs are not enhancements to services but are basic needs which were not funded in the FY95 operating authorization.

The responsibilities and requirements of the Adult Probation Offices are in place to prevent potential liabilities to the State and to protect the safety and welfare of the public.

**Necessary to maintain acceptable service  
level in non-safety areas:**

**Others:**

**Proposed reductions to the Hickel budget:**

PROPOSAL for X FY 95 Supplemental \_\_\_\_\_ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.	\$ 362.5		\$ 362.5

Point MacKenzie Rehabilitation Program:

The Point MacKenzie Rehabilitation Program has been in existence for just over a year and has an operational presence on two farms. There is housing for 92 prisoners but staffing and fiscal support to maintain the safety and security of prisoners at this level is not available. This supplemental request will provide the additional funding support required by the reclassification of LTC positions to Correctional Officers, fund the six correctional officer positions which were transferred without funding from Wildwood Correctional Center and enhance the fiscal resources needed to feed, clothe, and provide gratuities for prisoners. The requested amount is the minimal level of funding necessary to maintain this program level at 92 beds through June 30, 1995.

**Necessary to maintain acceptable service  
level in non-safety areas:**

**Others:**

**Proposed reductions to the Hickel budget:**

HB 137/SB 57 FY 95 SUPPLEMENTAL APPROPRIATION Sections 1-5

Sec #	DEPT.	BRU/COMPONENT	DESCRIPTION	GF	Other	Total Funds
1	LAW	Oil & Gas Litigation Oil & Gas Litigation	Increased costs resulting from ongoing oil and gas litigation.	13,500.0	4,500.0	18,000.0
2	REVENUE	Mental Health Trust Authority Mental Health Trust Authority	RSA w DOR, DNR, & Permanent Fund Corp.		711.1	711.1
3	DMVA	Disaster Relief Fund	Disaster Relief associated with fall flooding.	16,200.0	28,900.0	45,100.0
4	CORRECTIONS	Admin & Support Commissioner's Office	Court Appointed Clergy Monitor	67.0		67.0
4		Admin & Support Commissioner's Office	Set up Juneau Office for Commissioner & Staff	44.5		44.5
4		Admin & Support Commissioner's Office	Estimate for all costs in resolution of 2 personnel legal actions.	555.0		555.0
4		Admin & Support Board of Parole	Projected shortfall for personal services - \$3.1 and board member compensation - \$6.7.	9.8		9.8
4		Admin & Support Correctional Academy	To hold a training academy in order to increase pool of applicants for Correctional Officers.	366.3		366.3
4		Statewide Operations Inmate Health	Increased costs for inmate health package	2,100.0		2,100.0
4		Statewide Operations Correctional Industries Admin	To alleviate personal services underfunding (\$194.3) and hire two additional Correctional Industries Managers (\$99.0).	293.3		293.3
4		Statewide Operations Out-of-State Contractual	Costs associated with Arizona prison contract.	2,392.4		2,392.4
4		Statewide Operations Sixth Ave. Correctional Center	Three additional Admin Clerk II positions for remainder of FY 95 to free up Correctional Officers for safety and security tasks.	51.9		51.9
4		Statewide Operations Spring Creek Correctional Center	Two additional Adult Probation Officers plus housing, feeding and clothing for increased inmate capacity	156.6		156.6
4		Statewide Operations Wildwood Correctional Center	Ten additional positions plus housing, feeding and clothing to reduce vacancy factor and provide for upsizing by 59 beds.	772.3		772.3
4		Statewide Operations All Institutions	Reduce vacancy factor in institutions.	3,130.5		3,130.5
4		Statewide Operations Community Corrections Dir	increased CRC Capacity	1,472.3		1,472.3
4		Statewide Operations Southeast Region Probation	Increase probationary visits to smaller towns and communities under its supervision	31.8		31.8
4	Statewide Operations Point MacKenzie	Funding for transferred positions from Wildwood and food, clothing and gratuities for prisoners.	362.5		362.5	
		<b>CORRECTIONS Total</b>		<b>11,806.2</b>	<b>0.0</b>	<b>11,806.2</b>
5	DPS	Alaska State Troopers Detachments	Funding to fill 10 vacant Trooper Positions for three months	265.0		265.0
	<b>Grand Total</b>			<b>41,506.2</b>	<b>34,111.1</b>	<b>75,617.3</b>

*Original Bill*

### Governor's FY95 Fast Track Supplementals

	GF	OTHER	TOTAL	
Law				
Oil & Gas Litigation	13,500.0	4,500.0	18,000.0	Only \$15M of a \$36M request was provided for FY95
Revenue				
Mental Health Trust Authority		711.1	711.1	Needed to fund creation of Trust Authority in response to Judge Greene's acceptance of the settlement agreement
Military and Veteran's Affairs				
Disaster Relief	16,200.0	28,900.0	45,100.0	Estimated GF need based on Koyukuk disaster cost of \$74.4M and state participation at 25%. Already have \$29.3
Public Safety				
Alaska State Troopers	265.0		265.0	Reduce underfunding of state troopers statewide
Corrections				
Commissioners Office	44.5		44.5	To set up Juneau Commissioner's office; travel
Court Appointed Monitor	67.0		67.0	Ordered by court in Cleary settlement
Inmate Health Care	2,100.0		2,100.0	Although efficiencies have been found inmate population continues to grow
Out-of-state Contract Beds	2,392.4		2,392.4	Move 206 prisoners to Arizona
Community Residential Beds	1,472.3		1,472.3	567 CRC beds
Point MacKenzie Rehab Progr	362.5		362.5	Fund 6 correctional officers, food, clothing and gratuities to prisoners
Correctional Academy	366.3		366.3	51 recruit academy held in the fall and a 20 recruit academy planned for April. Needed to fill vacancies
Recrurs				
Facilities Shortfunding	3,130.5		3,130.5	Reduce underfunding of personal services, travel back to point of arrest
Spring Creek/Wildwood Beds	928.9		928.9	Increase Spring Creek by 50 beds and Wildwood by 59 beds. Add 2 probation officers at Spring Creek and 10 positions at Wildwood
Correctional Industries	99.0		99.0	Addition of a shift at the furniture plant and a contract for caskets require a new manager position at Spring Creek & expansion into office panels systems and ergonomic chairs require a new manager at Wildwood
Correctional Industries	194.3		194.3	Personal Services Shortfall.
Board of Parole	9.8		9.8	To make up for funding cuts that cannot be absorbed. Use for personal services and board member compensation.
Personnel Legal Action	555.0		555.0	Dept of Law costs on 2 pending legal actions related to personnel
Adm. & Admin. Positions	51.9		51.9	3 administrative clerks needed to free correctional officer from clerical duties
Ad. Region Probation	31.8		31.8	Moving costs for 2 employees, travel to audit district offices, security and computer equipment
<b>Total Corrections</b>	<b>11,806.2</b>	<b>0.0</b>	<b>11,806.2</b>	

SENT BY: State of Alaska

; 2- 6-95 ; 1:13PM ; OMB/Budget Review

4634885:# 1

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
DIVISION OF BUDGET REVIEW  
P.O. Box 110020  
Juneau, Alaska 99811- 0020  
(For assistance, call 907-485-2178)

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NUMBER OF PAGES (including transmittal): 2

COMMENT: PAGE 2 OF INSTITUTIONS STATEWIDE FOR  
CORRECTIONS PY95 SUPPLEMENTAL BACKUP.

DATE: 2/6/95 FROM: JUDITH

Sheet1

ACCT	AMCC	CHCC	CHPT	FCC	KCC	LCCC	MSPT	PCC	SACC	SCCC	WWCC	YKCC	TOTAL
71000	105.0	271.0	209.8	0.0	395	173.2	64.7	224.2	153.5	303.6	376.0	87.5	2,008.8
72000	0.0	8.9	0.0	5.2	5.9	0.0	0.0	0.0	3.2	0.0	10.0	23.0	58.2
73000	26.0	8.9	0.0	0.0	2.0	0.0	15.0	17.0	10.7	82.0	43.4	52.0	257.0
74000	25.0	37.4	80.0	0.0	20.3	60.7	4.0	71.0	67.2	151.8	100.0	150.0	757.4
75000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
77000	4.0	0.0	0.0	0.0	0.0	3.4	0.0	0.0	0.0	20.6	20.2	3.0	51.1
<b>TOTAL</b>	<b>160.0</b>	<b>327.0</b>	<b>289.8</b>	<b>5.2</b>	<b>67.7</b>	<b>237.3</b>	<b>83.7</b>	<b>312.2</b>	<b>224.6</b>	<b>557.9</b>	<b>549.6</b>	<b>315.5</b>	<b>3,130.6</b>

2/6/95  
 Added to 1 files  
 members  
 this date.  
 cc. to Larry

HB 137/SB 57 FY 95 SUPPLEMENTAL APPROPRIATION Sections 1-5

Sec #	DEPT.	BRU/COMPONENT	DESCRIPTION	GF	Other	Total Funds
1	LAW	Oil & Gas Litigation Oil & Gas Litigation	Increased costs resulting from ongoing oil and gas litigation.	13,500.0	4,500.0	18,000.0
2	REVENUE	Mental Health Trust Authority Mental Health Trust Authority	RSA w/ DOR, DNR, & Permanent Fund Corp.		711.1	711.1
3	DMVA	Disaster Relief Fund	Disaster Relief associated with fall flooding.	16,200.0	28,900.0	45,100.0
4	CORRECTIONS	Admin & Support Commissioner's Office	Court Appointed Cleary Monitor	67.0		67.0
4		Admin & Support Commissioner's Office	Set up Juneau Office for Commissioner & Staff	44.5		44.5
4		Admin & Support Commissioner's Office	Estimate for all costs in resolution of 2 personnel legal actions.	555.0		555.0
4		Admin & Support Board of Parole	Projected shortfall for personal services - \$3.1 and board member compensation - \$6.7.	9.8		9.8
4		Admin & Support Correctional Academy	To hold a training academy in order to increase pool of applicants for Correctional Officers.	366.3		366.3
4		Statewide Operations Inmate Health	Increased costs for inmate health package	2,100.0		2,100.0
4		Statewide Operations Correctional Industries Admin	To alleviate personal services underfunding (\$194.3) and hire two additional Correctional Industries Managers (\$99.0).	293.3		293.3
4		Statewide Operations Out-of-State Contractual	Costs associated with Arizona prison contract.	2,392.4		2,392.4
4		Statewide Operations Sixth Ave Correctional Center	Three additional Admin Clerk II positions for remainder of FY 95 to free up Correctional Officers for safety and security tasks.	51.9		51.9
4		Statewide Operations Spring Creek Correctional Center	Two additional Adult Probation Officers plus housing, feeding and clothing for increased inmate capacity.	156.6		156.6
4		Statewide Operations Wildwood Correctional Center	Ten additional positions plus housing, feeding and clothing to reduce vacancy factor and provide for upsizing by 59 beds.	772.3		772.3
4		Statewide Operations All Institutions	Reduce vacancy factor in institutions	3,130.5		3,130.5
4		Statewide Operations Community Corrections Dir.	Increased CRC Capacity	1,472.3		1,472.3
4		Statewide Operations Southeast Region Probation	Increase probationary visits to smaller towns and communities under its supervision	31.8		31.8
4		Statewide Operations Point MacKenzie	Funding for transferred positions from Wildwood and food, clothing and gratuities for prisoners.	362.5		362.5
		<b>CORRECTIONS Total</b>		<b>11,806.2</b>	<b>0.0</b>	<b>11,806.2</b>
5	DPS	Alaska State Troopers Detachments	Funding to fill 10 vacant Trooper Positions for three months	265.0		265.0
	<b>Grand Total</b>			<b>41,506.2</b>	<b>34,111.1</b>	<b>75,617.3</b>

TONY KNOWLES  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

5B 57

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

January 30, 1995

The Honorable Drue Pearce  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear President Pearce:

I am submitting supplemental appropriations for fiscal year 1995 to the Legislature in two parts. Appropriations requiring immediate attention are being sent to you and House Speaker Phillips today. The rest will be sent within two weeks.

The bill I am sending today addresses five activity areas where expenditure authority is virtually exhausted. The Legislature's immediate attention is necessary if the state is to continue operations within approved appropriation levels. Due to the nature of the requests, I am recommending an immediate effective date for this bill and would appreciate your earliest possible attention to it.

The five areas are not unfamiliar to the Legislature. The Department of Corrections is under court order to correct problems in the prisons. The mental health lands settlement which was accepted by Judge Greene in December requires that we establish the Mental Health Trust Authority immediately. Response to last summer's Koyukuk River flood requires expenditures in excess of the amounts in the disaster relief fund. There are serious consequences to leaving trooper positions vacant, as necessitated by the funding level approved last spring. Finally, the Legislature expressly funded oil and gas litigation for only one half of the year. Additional information relating to these requests is available to the Legislature from the Office of Management and Budget.

I urge your early consideration and passage of these supplementals.

Sincerely,

A handwritten signature in black ink, appearing to read "Tony Knowles".

Tony Knowles  
Governor

**SB**

**59**

**SFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

2/16/95  
(S) HES, FIN

BILL NO. SB 59

Revision Date: \_\_\_\_\_ Dept. Affected: EDUCATION  
 Title: An Act authorizing the Alaska Commission on BRU: ACPE  
Postsecondary Education to adopt regulations necessary to Component: Student Loan Operations  
set an interest rate applicable to a student loan for which money  
is disbursed on or after July 1, 1995.  
 Sponsor: Senate HESS Committee  
 Requestor: Senate HESS Committee COMPONENT SERIAL NO. 213

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

REVENUE FUND SOURCE:						
----------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY95) impact: \$ \_\_\_\_\_ \$0

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact.

Prepared by: Gillian R. Hays  
 Division: Alaska Commission on Postsecondary Education  
 Approved by Executive Director: [Signature]  
 Agency: ACPE

Phone: 465-6740  
 Date: 10-Feb-95  
 Date: 2/10/95

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# SENATE COMMITTEE REPORT

## First Committee of Refer.

*Frank*

DATE: 2/1/95

FURTHER: Finance

Date of 5-Day Notice: 2/8/95  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2-22-95

HES Committee considered SB 59

*DLN*

Authorizing the Alaska Commission on Postsecondary Education to adopt regulations necessary to determine and set an interest rate applicable to a student loan for which money is disbursed on or after July 1, 1995, and implement certain loan default sanctions and consolidation of loan provisions beginning July 1, 1995; efd.

and recommends:

- | he replaced 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:
- | technical change
- | new: SCR' \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS: <i>All OP</i>	DP	DNP	NR	AM
<i>Mike Miller</i>	✓			
<i>Joseph E. Sain</i>	✓			
<i>Kevin A. Lemay</i>	✓			
CHAIR: <i>Syda Green</i>	✓			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
<i>DOE-ACPE</i>	<i>2/10/95</i>	✓	

PREVIOUS FISCAL NOTE(S):\*

Department	Date	Zero	Fiscal

| APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# Alaska State Legislature

Sen. Lyda Green, Chairman  
Sen. Loren Leman, Vice-Chairman  
Sen. Mike Miller  
Sen. Johnny Ellis  
Sen. Judith Salo



State Capitol  
Room 423  
Juneau, Alaska 99801-1182  
907-465-3762

## Senate Committee on Health, Education and Social Services

### MEMORANDUM

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

FROM: Senator Lyda Green, Chairman *Lyda Green*  
Senate Committee on Health, Education and Social Services

DATE: February 24, 1995

RE: Scheduling Request for SB 59

---

I respectfully request that SB 59 be scheduled for a hearing by the Senate Finance Committee at the earliest convenience of the Chairman.

SB 59 was introduced by the Senate HESS Committee at the request of the Alaska Commission on Postsecondary Education.

SB 59 allows the Commission to implement regulations several months prior to the effective date of the legislation that passed last session (July 1, 1995), so that they can be ready to offer loans in a timely manner.

SB 59 makes no statutory changes -- it simply grants the Commission the authority to implement regulations prior to the July 1, 1995 effective date.

Thank you for your consideration. If you have any questions, please contact me or Portia in my office at 3762.

# STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

3030 VINTAGE BLVD.  
JUNEAU, ALASKA 99801-7109  
PHONE (907) 465-2962  
FAX (907) 465-5316

## MEMORANDUM

TO: ACPE Commission Members  
ASLC Board Members

FROM: Joe L. McCormick *Joe L. McCormick*  
Executive Director

DATE: February 10, 1995

RE: January 1995 Status Report

**Legislative Status Report** - HB 135 and companion bill SB59 have been introduced giving authority to the Alaska Commission on Postsecondary Education to promulgate emergency regulations to set the interest rate on Alaska Student Loans to be disbursed after July 1, 1995. This legislation must be passed as soon as possible in order to allow the ACPE to have appropriate regulations in place prior to July 1, 1995. The Alaska Commission on Postsecondary Education, at its December 1994 meeting, unanimously approved legislative changes to promote financial stability of the student loan fund and to assist in improving customer support services. ACPE staff are working closely with the Governor's Office and the Office of Management and Budget to secure the Administration's full support for these legislative proposals. The legislative changes proposed are:

- Increase Maximum Graduate Loan Limits
- Reduce Administrative Costs/Streamline Administrative Process
- Program Participation Agreement
- Modify Deferment Options
- Amend Repayment Options
- Expand Students' Financial Aid Options
- Amending definition of 'default'
- Establish Wage Garnishment Priority
- Deny Loans to Incarcerated Individuals
- Technical Amendments for Residency Requirements
- Amend WICHE for Directed Student Funding

**1994 Alaska Student Loan Corporation Financial Audit Completed** - final work was completed on the 1994 Alaska Student Loan Corporation Financial Audit. The ASL Corporation board will receive a full presentation of the audit at its March 1, 1995 meeting in Juneau. In a related activity, preparations for a compliance audit of the ASLP loan servicing system in February 1995 were completed. This audit is required by the insurer of the ASLC student loan bonds, AMBAC, and will focus on the operational

FEB 10 1995

aspects of servicing Alaska Student Loans and a review of the improvements made by ACPE since the last compliance audit in March of 1993.

**Alaska Student Loan Volume for 1994-1995 by Participating Schools** - over \$53.0 million in ASLP awards have been made as of 1-31-95 for this current school year 1994-1995. Approximately \$31.4 million has been awarded to Alaska students attending Alaska schools; approximately \$21.7 million has been awarded to Alaska students attending out-of-state schools. Listed below is a breakdown of the ten schools in Alaska currently receiving the most ASLP funds:

<u>Alaska Schools</u>	<u>Total # of Students</u>	<u>Total \$Amount Loaned</u>
University of Alaska - Anchorage	3,213	\$12,069,063
University of Alaska - Fairbanks	1,952	\$ 8,222,668
University of Alaska - Southeast	349	\$ 1,478,391
University of Alaska -MSC	343	\$1,264,058
Alaska Pacific University - Anchorage	210	\$ 888,473
University of Alaska - Kenai	220	\$ 770,887
Alaska Computer Institute	143	\$ 712,652
Charter College	154	\$ 584,304
Alaska Junior College	133	\$ 547,652
Alaska Vo-Tech Center	123	\$ 496,117

**Loan Servicing System Update** - ACPE staff completed the bid process for the selection of a firm to assist staff in the search and selection of the new software needed to fully update the current ASLP loan servicing system. Only one bid was received that fully met the requirements to conduct a national search and evaluation of the appropriate software.

It is anticipated to take no more than 60 to 90 days to complete this phase of the project. As reported in the December 1994 Monthly Status Report, the Legislative Budget and Audit Committee approved ACPE to expend \$250,000 of corporate receipts as part of a larger project request (in the capital budget) for an additional \$1.4 million to fully revamp the existing student loan servicing system and replace it with an up-to-date, fully automated system. ACPE is now working with the Governor's Office and the Office of Management and Budget to secure the remaining \$1.4 million funding for the rest of the project.

#### Critical Dates

February 13, 1995	Loan Servicing Compliance Audit begins
February 20, 1995	President's Day - ACPE Holiday
February 28, 1995	Institutional Authorization Committee meets - Juneau
March 1, 1995	Alaska Student Loan Corporation meets - Juneau
March 1&2, 1995	Alaska Commission on Postsecondary Education meets - Juneau
March: 27, 1995	Seward's Day - ACPE Holiday

cc: Management Team

# MEMORANDUM

State of Alaska  
Department of Law

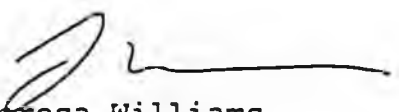
TO: Gillian Hays  
Alaska Commission on  
Postsecondary Education

DATE: January 13, 1995

FILE NO:

TEL. NO: 269-5200

SUBJECT: Transition provisions  
regarding ch. 112, SLA 1994

  
FROM: Teresa Williams  
Assistant Attorney General  
Commercial Section -- Anchorage

I am writing to explain the necessity for the legislature to immediately adopt transition provisions regarding ch. 112, SLA 1994.

The current interest rate of 8% for Alaska Student Loans is repealed effective July 1, 1995, and the commission has the duty to set the interest rate for money disbursed after that time. Ch. 112, SLA 1994. Before the commission can enter into student loans for the summer and 1995-96 terms, it must set an interest rate. The commission attempted to begin that process in November, 1994. However, the Department of Law's Regulation Attorney has determined that, in the absence of transitional regulation authority, the commission cannot move forward to adopt regulations to establish the elements of the new interest rate until the new legislation becomes effective July 1, 1995.

Commission staff have advised me that loan packets are sent to students and schools in the spring of each year, and students sign promissory notes for student loans during that time for the following school year. However, this year, the students cannot be advised of the interest rate. Under the Federal Truth in Lending law, student loan programs are required to notify students of the interest rate at which they are borrowing money. Additionally, in making decisions about which loan programs to pursue, students need to know the cost of each.

This office has drafted the attached bill language to correct the problem. Section 1 gives the commission authority to immediately begin the adoption process for regulations that will give the commission authority to set the interest rate for money disbursed after July 1, 1995. The bill would allow the regulations to take effect as soon as that project could be completed under the APA, even if that date is before July 1, 1995. In order to meet the commission's schedule for printing and distribution of loan packets for loans disbursed after July 1, 1995, the regulations must be adopted as early as possible.

Gillian Hays  
Alaska Commission on  
Postsecondary Education

January 13, 1995  
Page 2

Section 2 of the bill gives the commission standard transition regulatory authority to immediately begin the process to adopt regulations for other provisions of ch. 112, SLA 1994, relating to loan default procedures and consolidation of loans. Regulations adopted under section 2 may not take effect before July 1, 1995, when the enabling statute becomes effective.

I will be out of the country from January 15 - February 11 and April 1 - 20. If any questions arise during that time about this problem or other issues, please direct them to AAG Linda Kesterson or to AAG Linda O'Bannon, my supervisor.

TEW:mh

Attachment

**CS FOR HOUSE BILL NO. 135(FIN)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**NINETEENTH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered: 2/15/95**

**Referred: Rules**

**Sponsor(s): HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act authorizing the Alaska Commission on Postsecondary Education to adopt  
2 regulations necessary to determine and set an interest rate applicable to a student  
3 loan for which money is disbursed on or after July 1, 1995, and regulations  
4 necessary to implement certain loan default sanctions and consolidation of loan  
5 provisions beginning July 1, 1995; and providing for an effective date."

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

7 \* **Section 1.** The Alaska Commission on Postsecondary Education may immediately  
8 proceed to adopt regulations necessary to

9 (1) determine and set an interest rate applicable to a loan for which money is  
10 disbursed on or after July 1, 1995, required under AS 14.43.120(f), as repealed and reenacted  
11 in sec. 2, ch. 112, SLA 1994, and under AS 14.43.120(v), as enacted in sec. 4, ch. 112, SLA  
12 1994; and

13 (2) implement AS 14.43.120(i), as amended by sec. 3, ch. 112, SLA 1994, and

1 AS 14.43.122, as enacted by sec. 5, ch. 112, SLA 1994; regulations authorized by this  
2 paragraph may not take effect before July 1, 1995.

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

**SB**

**60**

**SFIN**

**FILE**

# FISCAL NOTE

No. 1  
 Bill Version: SB 60  
 (S) Publish Date: 2-9-95

STATE OF ALASKA  
 1995 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Cruise Ship Gambling & Promotions BRU: Revenue Operations  
 Component: Charitable Gaming Division  
 Sponsor: State Affairs  
 Requester: Judiciary COMPONENT SERIAL NO. 1883

**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 ( )	500.0	600.0	600.0	600.0	600.0	600.0
------------------------	-------	-------	-------	-------	-------	-------

**FUND SOURCE** (Thousands of Dollars)

FUND SOURCE	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
1002 Federal Receipts						
1003 GF Match						
1004 GF						
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 (FY95) cost: \$ 0.0

**POSITIONS**

POSITIONS	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
FULL-TIME						
PART-TIME						
TEMPORARY						

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

Under current law, only certain non-profit organizations and municipalities can conduct gaming in Alaska. The type of gaming that is authorized is generally limited to pull-tabs, bingo, raffles, Monte Carlos and contests of skill. This bill would exempt cruise ships from the States gambling laws and allow for-profit organizations (cruise ships) to conduct casino gambling in the offshore water of the state.

One of the statues administered by the Department of Revenue, Charitable Gaming Division is Title 43, Chapter 35 "Coin-Operated Devices and Punchboards" [AS43.35]. Article one of the statute imposes a tax on all class I, class II, and class III amusement and gaming devices in operation within Alaska. Seventy-five percent of the taxes collected are shared with the local government where the devices are held out for play. This bill would provide an immediate exemption from the coin-operated device tax for cruise ships exempted from the gambling laws.

Prepared by: Jeff Prather, Acting Director Phone: 465-2279  
 Division: Charitable Gaming Division Date: 2/6/95  
 Approved by: \_\_\_\_\_  
 Commissioner: Wilson L. Condon Date: 2/6/95  
 Agency: Department of Revenue

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# SENATE COMMITTEE REPORT

## First Committee of Refer.

*John* DATE: 2/2/95

FURTHER: Finance

Date of 5-Day Notice: 2-2-95  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2-8-95

Judiciary Committee considered SB 60

Gambling and certain alcoholic beverage laws for gambling conducted by cruise ships, ~~etc.~~

FN

and recommends:

- be replaced 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:  
 technical change  
 new: SCR# \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS:	DP	DNP	NR	AM
<i>Lynn Green</i>	✓			
<i>Mike Miller</i> ③ DNP      DNP		✓		
<i>Bill Adams</i> ① NR			X	
<i>John Ellis</i> ② NR	<del>✓</del>		<del>X</del>	
CHAIR: <i>Adrian L. Taylor</i>	✓			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal
<i>Revenue</i>	<i>2/6/95</i>	-	<i>500</i>

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

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

**SB**

**64**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/7/95

FURTHER: \_\_\_\_\_

DATE TURNED INTO OFFICE: 4/9/96

The Finance Committee considered SENATE BILL NO. 64

Dissolution of the Alaska Railroad Corporation and providing for a successor corporation; efd.

and recommends:

- be replaced with \_\_\_\_\_ CS SB 64 (FIN)
- 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>Steve Kiani</i>	✓				
<i>Wendy E. Crisp</i>	✓				
Co-Chair: <i>David</i>	✓				
Co-Chair: <i>Keith Halford</i>	✓				

**NEW FISCAL NOTE(S):**

Department                      Date      Zero      Fiscal

Department	Date	Zero	Fiscal
<i>SFC/AK.RR</i>	<i>4/9/96</i>		<i>900.0</i>

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

Department                      Date      Zero      Fiscal

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

FISCAL NOTE

REQUEST:

Revision Date: 4/9/96 Affected Agency: DC&ED  
 Title: Relating to sale of the Alaska Railroad BRU: Alaska Railroad  
 Sponsor: S (TRA) Components: \_\_\_\_\_  
 Requestor: Senate Finance

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 97	FY 98	FY 99	FY 2000	FY 2001	FY 2002
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	900.0					

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

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

FUNDING: (THOUSANDS OF DOLLARS)

General Fund						
Federal Fund						
Ak.RR.Receipts	900.0					
TOTAL	900.0					

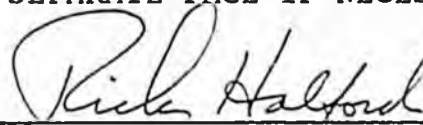
POSITIONS:

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

Estimated FY 96 Impact: 0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Prepared By:

  
 Senator Rick Halford, Co-chair  
 Senate Finance Committee

Date: 4/9/96

Phone: 465-4958

4-9-96  
pm  
SR  
maed  
Adopted

called 2:30p.m.  
Terry -

9-LS0579R  
Utermohle  
4/8/96

Please  
call  
Thanks

Amends  
p. 1  
p 2  
Adopted

CS FOR SENATE BILL NO. 64(FM)

IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATE TRANSPORTATION COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the sale of the Alaska Railroad; and providing for an  
2 effective date."

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

4 \* Section 1. SALE OF THE ALASKA RAILROAD. (a) The governor shall issue by  
5 October 1, 1996, a request for proposals to purchase the Alaska Railroad and all other assets  
6 of the Alaska Railroad Corporation that are necessary or convenient for the operation of the  
7 railroad.

8 (b) By February 15, 1997, the governor shall enter into an agreement to sell the  
9 Alaska Railroad to the most responsive offeror who agrees to

10 (1) continue operation of the railroad for a minimum of 20 years following the  
11 date of sale of the Alaska Railroad;

12 (2) accept assignment of all contracts, including collective bargaining  
13 agreements) and agreements with connecting carriers, shippers, or other persons concerning  
14 services, operation, property, and facilities of the Alaska Railroad Corporation, entered into

and retirement obligations (Adopted 4/9/96)  
Rep Amend.

1 by the Alaska Railroad Corporation and in effect on the date of the sale of the Alaska  
2 Railroad, provided that the contracts are assignable under terms of the contract or that the  
3 other parties to the contract consent to the assignment; and

4 (3) purchase the Alaska Railroad for an amount that exceeds either the fair  
5 market value of the Alaska Railroad and the assets of the Alaska Railroad Corporation that  
6 are necessary or convenient for the operation of the railroad or the amount that the State of  
7 Alaska has expended to obtain, maintain, and subsidize the Alaska Railroad and the Alaska  
8 Railroad Corporation.

9 (c) An agreement to sell the Alaska Railroad under this Act is subject to approval by  
10 the legislature. ~~The~~ <sup>upon entering into an agreement</sup> ~~governor shall~~ <sup>to sell the Alaska Railroad,</sup> ~~submit the agreement~~ <sup>immediately</sup> to the legislature for review during  
11 a regular session of the legislature. The legislature may disapprove the agreement by a  
12 concurrent resolution. If the agreement is not disapproved by the legislature before the  
13 adjournment of the regular session during which the agreement was submitted, the agreement  
14 is approved. An agreement to sell the Alaska Railroad that has been disapproved by the  
15 legislature or that has not been submitted to the legislature for review under this subsection  
16 is void.

17 (d) The Alaska Railroad Corporation may not enter into a contract or other agreement  
18 that has the effect or purpose of substantially diminishing the value or marketability of the  
19 Alaska Railroad.

20 (e) Notwithstanding other provisions of this Act, the State of Alaska shall retain an  
21 easement for transportation, communication, and transmission purposes on all land within the  
22 right-of-way of the Alaska Railroad received by the state under the Alaska Railroad Transfer  
23 Act of 1982 (P.L. 97-468, Title VI; 96 Stat. 2556).

24 (f) The governor shall contract for preparation of a report on the fair market value of  
25 the Alaska Railroad and all other assets of the Alaska Railroad Corporation that are necessary  
26 or convenient for the operation of the railroad by a qualified railroad appraiser. The results  
27 of the appraisal shall be submitted to the legislature by the 10th legislative day of the First  
28 Session of the Twentieth Alaska State Legislature. A contract for the appraisal under this  
29 section is exempt from AS 36.30.

30 (g) The governor shall report to the legislature by the 10th legislative day of the First  
31 Session of the Twentieth Alaska State Legislature regarding the procedures established for and

Adopted  
4/19/96  
SR  
Amend

1 the progress toward the sale of the Alaska Railroad as mandated by this Act.

2 (h) Upon the completion of the sale of the railroad, the governor shall dissolve the  
3 Alaska Railroad Corporation. Real property of the Alaska Railroad Corporation that is  
4 identified as not necessary or convenient for the operation of the railroad under sec. 2 of this  
5 Act shall be transferred to, and managed by, the Department of Natural Resources upon  
6 dissolution of the Alaska Railroad Corporation.

7 (i) The governor shall adopt regulations under AS 44.62 to implement this Act.

8 (j) The sale of the Alaska Railroad under this Act is not subject to AS 36.30 or  
9 AS 42.40.

10 \* Sec. 2. IDENTIFICATION OF ALASKA RAILROAD CORPORATION ASSETS. (a)  
11 By August 1, 1996, the governor shall identify all assets, real and personal and tangible and  
12 intangible, of the Alaska Railroad Corporation and classify those assets as necessary or  
13 convenient for the operation of the railroad or as other assets of the corporation. The  
14 governor shall submit the report to the Legislative Budget and Audit Committee.

15 (b) The Legislative Budget and Audit Committee may recommend amendments to the  
16 identification or classification of assets listed in the report.

17 \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. CSSB 64 (FIN)

Revision Date: \_\_\_\_\_ Dept. Affected: Office of the Governor  
 Title: "An Act relating to the sale of the Alaska Railroad; and providing for an effective date." BRU: Executive Operations  
 Component: Executive Office  
 Sponsor: Senate Transportation Committee  
 Requester: Senate Finance Committee COMPONENT SERIAL NO. 6

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

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 100	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>*****</b>	<b>*****</b>	<b>*****</b>	<b>*****</b>	<b>*****</b>	<b>*****</b>

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

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

**FUND SOURCE** (Thousands of Dollars)

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

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

**POSITIONS**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

No direct fiscal impact on the Office of the Governor - see attached analysis

*Received 4/10/96  
after bill  
reported out*

Prepared by: Michael A. Nizich, Administrative Director *M. Nizich* Phone: 465-3876  
 Division: Administrative Services Date: 4/10/96  
 Approved by Commissioner: Jim Ayers, Chief of Staff *J. Ayers* Date: 4/10/96  
 Agency: Office of the Governor

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SB 64 Analysis:

SB 64 mandates the sale of the Alaska Railroad by the Governor. Costs associated with:

contracting for an appraisal of the fair market value of the railroad;

identifying and classifying all Alaska Railroad Corporation assets;

developing and adopting any regulations necessary for private operation of the railroad and implementation of the sale;

review and determination of the minimum purchase price necessary to ensure that the state will receive the amount of money spent in connection with the railroad;

developing a request for and evaluating proposals for purchase of the railroad;

and, development of a sales agreement transferring ownership of the assets, contractual agreements, and obligations of the Railroad Corporation to a private entity;

would have no direct fiscal impact on the Executive Office. However, various Executive Branch agencies would be directed to carry out the mandates of SB 64 on behalf of the Governor, and these agencies could incur significant costs. The various agencies should be identified and submit the necessary fiscal notes for participation in the sale process.

OK  
Sheila For SK  
Larry

9-LS0579\U

CS FOR SENATE BILL NO. 64(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATE TRANSPORTATION COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the sale of the Alaska Railroad; and providing for an  
2 effective date."

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

4 \* Section 1. SALE OF THE ALASKA RAILROAD. (a) The governor shall issue by  
5 October 1, 1996, a request for proposals to purchase the Alaska Railroad and all other assets  
6 of the Alaska Railroad Corporation that are necessary or convenient for the operation of the  
7 railroad.

8 (b) By February 15, 1997, the governor shall enter into an agreement to sell the  
9 Alaska Railroad to the most responsive offeror who agrees to

10 (1) continue operation of the railroad for a minimum of 20 years following the  
11 date of sale of the Alaska Railroad;

12 (2) accept assignment of all contracts, including collective bargaining  
13 agreements and retirement obligations and agreements with connecting carriers, shippers, or  
14 other persons concerning services, operation, property, and facilities of the Alaska Railroad

1 Corporation, entered into by the Alaska Railroad Corporation and in effect on the date of the  
2 sale of the Alaska Railroad, provided that the contracts are assignable under terms of the  
3 contract or that the other parties to the contract consent to the assignment; and

4 (3) purchase the Alaska Railroad for an amount that exceeds either the fair  
5 market value of the Alaska Railroad and the assets of the Alaska Railroad Corporation that  
6 are necessary or convenient for the operation of the railroad or the amount that the State of  
7 Alaska has expended to obtain, maintain, and subsidize the Alaska Railroad and the Alaska  
8 Railroad Corporation.

9 (c) An agreement to sell the Alaska Railroad under this Act is subject to approval by  
10 the legislature. Upon entering into an agreement to sell the Alaska Railroad, the governor  
11 shall immediately submit the agreement to the legislature for review during a regular session  
12 of the legislature. The legislature may disapprove the agreement by a concurrent resolution.  
13 If the agreement is not disapproved by the legislature before the adjournment of the regular  
14 session during which the agreement was submitted, the agreement is approved. An agreement  
15 to sell the Alaska Railroad that has been disapproved by the legislature or that has not been  
16 submitted to the legislature for review under this subsection is void.

17 (d) The Alaska Railroad Corporation may not enter into a contract or other agreement  
18 that has the effect or purpose of substantially diminishing the value or marketability of the  
19 Alaska Railroad.

20 (e) Notwithstanding other provisions of this Act, the State of Alaska shall retain an  
21 easement for transportation, communication, and transmission purposes on all land within the  
22 right-of-way of the Alaska Railroad received by the state under the Alaska Railroad Transfer  
23 Act of 1982 (P.L. 97-468, Title VI; 96 Stat. 2556).

24 (f) The governor shall contract for preparation of a report on the fair market value of  
25 the Alaska Railroad and all other assets of the Alaska Railroad Corporation that are necessary  
26 or convenient for the operation of the railroad by a qualified railroad appraiser. The results  
27 of the appraisal shall be submitted to the legislature by the 10th legislative day of the First  
28 Session of the Twentieth Alaska State Legislature. A contract for the appraisal under this  
29 section is exempt from AS 36.30.

30 (g) The governor shall report to the legislature by the 10th legislative day of the First  
31 Session of the Twentieth Alaska State Legislature regarding the procedures established for and

1 the progress toward the sale of the Alaska Railroad as mandated by this Act.

2 (h) Upon the completion of the sale of the railroad, the governor shall dissolve the  
3 Alaska Railroad Corporation. Real property of the Alaska Railroad Corporation that is  
4 identified as not necessary or convenient for the operation of the railroad under sec. 2 of this  
5 Act shall be transferred to, and managed by, the Department of Natural Resources upon  
6 dissolution of the Alaska Railroad Corporation.

7 (i) The governor shall adopt regulations under AS 44.62 to implement this Act.

8 (j) The sale of the Alaska Railroad under this Act is not subject to AS 36.30 or  
9 AS 42.40.

10 \* Sec. 2. IDENTIFICATION OF ALASKA RAILROAD CORPORATION ASSETS. (a)  
11 By August 1, 1996, the governor shall identify all assets, real and personal and tangible and  
12 intangible, of the Alaska Railroad Corporation and classify those assets as necessary or  
13 convenient for the operation of the railroad or as other assets of the corporation. The  
14 governor shall submit the report to the Legislative Budget and Audit Committee.

15 (b) The Legislative Budget and Audit Committee may recommend amendments to the  
16 identification or classification of assets listed in the report.

17 \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

# FISCAL NOTE

4/9/96 JFC/FN  
 900.0  
 R.R.  
 Receipts  
 5044  
 4/7/96

non-GF  
 No. 1

STATE OF ALASKA  
 1995 LEGISLATIVE SESSION

BILL  
 Bill Version: \_\_\_\_\_  
 (S) Publish Date: \_\_\_\_\_

Revision Date: \_\_\_\_\_ Dept. Affected: \_\_\_\_\_  
 Title: An Act Relating to the Dissolution BRU: \_\_\_\_\_  
of the Alaska Railroad Corporation. Component: \_\_\_\_\_  
 Sponsor: Senate Transportation Committee  
 Requester: Senator Rieger COMPONENT SERIAL NO. \_\_\_\_\_

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 GF						
1006 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 (FY95) cost: \$ \_\_\_\_\_

POSITIONS	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
FULL-TIME						
PART-TIME						
TEMPORARY						

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

The costs to sell and appraise the Alaska Railroad Corporation are unknown.

During the 1964-1985 process to sell the Alaska Railroad to the State of Alaska, the U. S. Government spent an estimated \$1.7 million for various studies, appraisals, and financial assessments. The State of Alaska expended an estimated \$2.0 million for acquisition assessments, facilities assessments, legal advice, analysis of USRA evaluation and transfer report.

Prepared by: James B. Blasingame Phone: 907-265-2680  
 Division: \_\_\_\_\_ Date: 2/7/95  
 Approved by: President & CEO  
 Agency: Robert S. Hatfield, Jr. Date: \_\_\_\_\_

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RECEIVED  
APR 10 REC'D

AMENDMENT

OFFERED IN THE SENATE  
TO: CSSB 64(TRA)

BY SENATOR RIEGER

SENATE FINANCE  
COMMITTEE

Amendment Number: 1  
Bill Number: SB 64  
Sponsor: Rieger Date: 4/10/95  
Logged In By: [Signature]

1 Page 1, line 14, following "corporation":  
2 Insert "as provided under sec. 4 of this Act"

3 Page 2, following line 9:  
4 Insert a new subsection to read:

5 "(g) The records of the Alaska Railroad Corporation, including records  
6 received by the corporation as a result of the transfer of the federally owned Alaska  
7 Railroad to the State of Alaska, are state property subject to the disposition under this  
8 subsection and other applicable law not contrary to this subsection. Upon the transfer  
9 of the liabilities and assets of the Alaska Railroad Corporation to the successor  
10 corporation under sec. 4 of this Act,

11 (1) notwithstanding AS 40.21, those records necessary for the  
12 continuing operation of the successor corporation, as determined by the Alaska  
13 Railroad Corporation, shall be transferred to the successor corporation for its use; if  
14 the records transferred to the successor corporation are no longer needed by the  
15 successor corporation, or if the successor corporation is dissolved or otherwise ceases  
16 to exist, the records shall be returned to the state for disposition under this subsection;

17 (2) those records not transferred to the successor corporation under (1)  
18 of this subsection and those records returned to the state by the successor corporation  
19 are subject to disposition under AS 40.21 and other applicable state law."

20 Page 3, line 6:  
21 Delete "The"  
22 Insert "Except as provided under sec. 1(g) of this Act, the"

# Alaska State Legislature

Senator Steve Rieger, Chair  
Senator Robin Taylor, Vice Chair  
Senator Lyda Green  
Senator Al Adams  
Senator Georgianna Lincoln



State Capitol  
Room 516  
Juneau, Alaska 99801  
(907) 465-4921

## Senate Committee on Transportation

MEMORANDUM

April 7, 1995

TO: Senate Rick Halford, Co-Chair  
Senate Finance Committee

FROM: Senator Steve Rieger, Chairman *AA*  
Senate Transportation Committee

RE: Hearing Request for SB 64

RECEIVED

APR 8 1995

Senate Bill 64 "An Act relating to the dissolution of the Alaska Railroad Corporation and providing for a successor corporation; and providing for an effective date" was introduced by the Senate Transportation committee and is now in the Senate Finance Committee. I would appreciate your favorable consideration for a Senate Finance hearing on this bill.

# Alaska State Legislature

Senator Steve Rieger, Chair  
Senator Robin Taylor, Vice Chair  
Senator Lyda Green  
Senator Al Adams  
Senator Georgianna Lincoln



State Capitol  
Room 516  
Juneau, Alaska 99801  
(907) 465-4921

## Senate Committee on Transportation

RECEIVED

APR 6 REC'D

### Sponsor Statement on SB 64

SB 64 is intended to be a step toward privatization of the Alaska Railroad. It creates a capital structure for the Alaska Railroad Corporation in which ownership is represented by shares of stock. The stock can then be transferred to private ownership through sale.

The state's ownership of the Alaska Railroad has created a difficult situation both for the state and for the management of the railroad. Business decisions made by the railroad in a competitive environment are criticized by other businesses as unfair competition and the legislature is asked to intervene, in effect second-guessing the railroad's decisions. The railroad for its part is not developing its holdings to their fullest extent, for example in the railroad's policy of not taking equity positions in non-transportation-related business. In effect, as long as the Alaska Railroad is in state ownership it is subject to political concerns as well as business judgement.

The result is a situation in which the Alaska Railroad is not maximizing its potential.

SB 64 will not in itself privatize the railroad. However the change in capital structure should greatly facilitate the transfer to private ownership. As the percentage of private ownership increases, the railroad will become more like a private business. Once a majority of the shares are in private hands, the transition to a business entity will essentially be complete.

**CS for Senate Bill No. 64 (TRA)**

"An Act relating to the dissolution of the Alaska Railroad Corporation and providing for a successor corporation; and providing for an effective date."

General Comments

The Senate Transportation Committee Substitute for Senate Bill No. 64 addresses many of the specific concerns raised by the Alaska Railroad Corporation (ARRC). We appreciate the Committee's efforts in this regard.

The ARRC Board of Directors has not adopted a formal position on the proposed legislation. Under the Alaska Railroad Corporation Act (ARCA), we understand it is our responsibility to operate the railroad as a self-sustaining entity pending its eventual transfer into the private sector. Whether to privatize the Alaska Railroad, and how best to achieve this goal, involve important issues. It has generally been our view that these issues are more appropriately the purview of the legislature and governor.

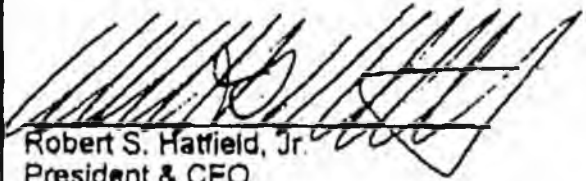
CSSB 64 (TRA) represents a thoughtful approach to achieve the goal of establishing a viable private sector entity to own and operate the railroad. Whether it will work (i.e., whether the stock shares will be marketable) is unknown. The legislature may want to analyze this question in detail before setting into motion the dissolution of the current state-owned corporation.

Trustee Concept

Another issue to note relates to the operation and management of the railroad during the interim period between establishing the new corporation and disposing of the stock shares. The ARRC previously suggested using a trust mechanism with a qualified financial institution as one method to consider. Under this approach, the appointed trustee would be under a fiduciary obligation to control the stock in the best interests of the new successor corporation and would also be required to actively seek a buyer for the stock. The trust agreement could also provide that the governor would have the final approval of any sale of the stock.

Section 3(d) was added in the CS as a way to allow examination of the trustee concept. However, as presently structured it will take a subsequent act of the legislature to take this step if recommended by the examination. The trustee approach may offer the best chance for the new entity to operate independently with the minimum amount of interference. The ARRC respectfully suggests more consideration of the trustee idea as this bill moves through the legislature, perhaps with the addition of specific and pertinent sale conditions designed to attract potential buyers.

I trust this responds to the request for a position paper on the CS. The ARRC stands ready to continue working with the legislature on this matter.

  
Robert S. Hatfield, Jr.  
President & CEO

4/10/95  
Date

Suggested change to Amendment to CSSB 64 (TRA)

Page 1, lines 11-19, delete and insert as indicated below:

"(1) notwithstanding AS 40.21, those records necessary for the continuing operation of the successor corporation, as determined by the Alaska Railroad Corporation, shall be transferred to the successor corporation for its use or the use of any successor to that corporation; if the records transferred to the successor corporation are no longer needed by [THE] any successor corporation [OR IF THE SUCCESSOR CORPORATION IS DISSOLVED OR OTHERWISE CEASES TO EXIST], the records shall be returned to the state for disposition under this subsection;

(2) those records not transferred to the successor corporation under (1) of this subsection and those records returned to the state by [THE] any successor corporation are subject to disposition under AS 40.21 and other applicable state law."

5B64

DIVISION OF LEGAL SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

907) 463-3867 or 463-2450  
FAX: 907) 463-2029  
Mail Stop 3101

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

MEMORANDUM

January 30, 1995

SUBJECT: Corporate Structure of Alaska Railroad  
(Work Order No. 9-LS0579\A)

TO: Senator Steve Rieger

FROM: George Utermohle *GU*  
Legislative Counsel

RECEIVED  
APR 10 REC'D

This memorandum accompanies the bill that you requested relating to the corporate structure of the Alaska Railroad.

The bill mandates that the board of directors of the Alaska Railroad Corporation incorporate a new private corporation under the Alaska Corporations Code (AS 10.06). This new corporation, the successor corporation, will replace the current Alaska Railroad Corporation. Thirty days after the election of the board of directors of the successor corporation, the assets and liabilities of the Alaska Railroad Corporation will be transferred to the successor corporation and the Alaska Railroad Corporation (AS 42.40) will be repealed.

The draft bill establishes a mandate and the authority to dissolve the Alaska Railroad Corporation in favor of a successor corporation. However, the bill establishes only the barest framework for the complicated transactions that will be necessary to achieve the purposes of the bill. Broad discretion is delegated to the board of directors of the Alaska Railroad Corporation and the Governor to implement this bill.

In exchange for transferring certain assets of the Alaska Railroad Corporation to the successor corporation, the state receives all shares of stock issued in the successor corporation. The successor corporation is to be a private corporation subject to all laws that apply to private corporations, including taxation and antitrust laws. The successor corporation is not a state agency, public corporation, or other state entity. The state's ownership of shares in the successor corporation does not make it a public corporation any more than state investment in shares of IBM makes IBM a public corporation.

Though the successor corporation is not a public corporation, the state, as shareholder, will be liable for any liabilities of the corporation that exceed the value of its assets if such a situation should ever occur while the state still holds shares in the corporation. Also,

Senator Steve Rieger

January 30, 1995

Page 2

numerous rights and obligations bestowed upon persons by virtue of their status as shareholders in a corporation under AS 10.06 will fall upon the state.

The bill provides that the successor corporation shall pay dividends to shareholders if, on the last day of the corporation's fiscal year, the state holds more than 50 percent of the initial shares issued in the corporation. The dividend must equal or exceed 30 percent of the corporation's net earnings for the fiscal year.

If I may be of further assistance, please advise.

GU:klb

95-022.klb

Enclosure



**SENATE COMMITTEE REPORT**  
**First Committee of Referral**

DATE: 2/3/95

FURTHER: State Affairs  
 Finance

Date of 5-Day Notice: 2-2-95  
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4/6/95

Transportation Committee considered SENATE BILL NO. 64

"An Act relating to the dissolution of the Alaska Railroad Corporation and providing for a successor corporation; and providing for an effective date."

and recommends:

- be replaced with CS SB 64 (TRA)
- adopt previous CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

*OKN*

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

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Lynda Green</i>	<input checked="" type="checkbox"/>	<i>See Column 3</i>	<input checked="" type="checkbox"/>		
<i>John T. Taylor</i>	<input checked="" type="checkbox"/>				
CHAIR: <i>Steve Kivi</i>	<input checked="" type="checkbox"/>				

**NEW FISCAL NOTE(S):**

Department                      Date    Zero    Fiscal

<i>Alaska Railroad</i>	<i>2/7/95</i>	<input checked="" type="checkbox"/>	

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

Department                      Date    Zero    Fiscal


APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill