

ALASKA LEGISLATURE

1711

HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998

AIDEA Approves Loan Package with ACC and UIC

The AIDEA Board of Directors in October approved a \$5.1 million loan participation package to the Ukpeagvik Inupiat Corporation (UIC), the village corporation representing the business interests of its Barrow shareholders. The total loan, \$6.45 million, will be used to provide long-term financing of a newly - constructed Alaska Commercial Company store in Barrow. The package was brought to AIDEA by National Bank of Alaska.

The Alaska Commercial Company (ACC) contracted with Ukpeagvik Inupiat Construction Company to build a new 34,430-square-foot grocery store in Barrow. ACC will construct the new store and sell it to UIC, which will then lease the land and building back to ACC with a 20-year building lease.

"The UIC loan participation fits well with Gov. Knowles' efforts to create jobs in rural Alaska," said AIDEA Board Chairman Wilson Hughes. "It provides needed capital for a remote community, creates new jobs and provides a modern commercial operation for the community."

ACC is a full-service retail/wholesaler of general merchandise in rural Alaska with headquarters in Anchorage. There are 26 other ACC stores located throughout rural Alaska. ACC is a subsidiary of Northwest Company, Inc., a public company based in Winnipeg, Manitoba, Canada.

Randy Simmons, AIDEA's executive director, said the project created 45 new construction jobs and approximately 10 permanent new positions in the North Slope Borough.

Currently ACC employs 70 people in Barrow.

The new ACC store will be bigger, more modern, and will provide increased parking capacity for the community. In addition to the retail sales area, it will house a food court and Burger King restaurant, pharmacy and travel agency. The existing ACC store in Barrow will be renovated by UIC into office space and a small convenience store to be operated by ACC.

From the Executive Director *(continued from page 2)*

maintenance program that have used AIDEA's bonding authority. In 1997 AIDEA acted as a conduit to issue tax-exempt revenue bonds for solid waste facilities for the Fort Knox gold mine and for a hydroelectric project (Goat Lake) that provides power to Skagway and Haines. AIDEA's ability to issue bonds helped lower the cost of financing for the developers and, in turn, in the case of the Goat Lake project, may mean lower electric rates to the residents of Skagway and Haines.

We have found that there is a high level of interest and understanding among legislators on AIDEA issues, and we look forward to working cooperatively with the Legislature on this bill.

Calendar year 1997 was a busy one for AIDEA, and we anticipate the same for 1998. That's good. When we're busy, the Alaska economy is busy.

We expect to do about \$50 million in business loan participations this year, and as I like to point out, this program - while less visible than our Development Finance Program - is the backbone of AIDEA's long-term business. I think that's a reflection of the strength of the private sector, and the fact that the economy is getting more diverse every year.

In our Development Finance Program, we also expect to see some significant events this year. The expansion of the Red Dog mine should be complete by the end of this

construction season, and the Healy Clean Coal Project is in the demonstration start-up process. Finally, we are looking at a number of new projects throughout the state that will add to our economic diversity if they come to fruition.

We at AIDEA are looking forward to 1998, and wish our customers and partners the best. Here's to a happy and prosperous New Year for us all.

Export Financing Report Recommends Changes

Alaskans are successful exporters and Alaska's exporters use a variety of means to finance their export products and services, according to an export finance report prepared for AIDEA last summer. The report also confirmed that Alaskans, successful in their dealings with Asia and the European nations, need new financing strategies to take advantage of opportunities in the Russian Far East.

Robert Poe, author of the report and currently AIDEA's business development manager, said the Authority, Alaska businesses, and Alaska financial institutions should move quickly to develop export financing strategies that help service businesses in Alaska and cash in on opportunities throughout the world, including Alaska's closest neighbor to the east.

"We're only doing half a percent of Alaska's export trade business with Russia and we could have an opportunity to do more," said Poe. "But the impediments both here and in Russia are holding things back."

In particular, the report noted, opportunities for the well-developed

Alaska oil-field service business are potentially good in the Russian Far East and elsewhere in Russia. Of special interest is the emerging development of near-shore fields off Sakhalin.

However, the lack of an established and dependable banking system, an ambiguous regulatory structure, limited capital availability to Russian companies, and ambitious requirements for Russian hire all combine to create a daunting business climate.

To date, successful Alaska exporters have used letters of credit, partnerships with Alaska and Washington banks, and long-term business relationships to carve out a piece of the export market in countries such as Japan, Korea and China. However, these avenues have not been available for projects in Russia.

One of the potential answers is an export financing program that departs from the manufacturing-centered strategy created in other states and adopted here, he said. The report confirmed AIDEA's plans to craft a

proposal that would integrate AIDEA's current Export Assistance loan guarantee program with the Business

Assistance loan guarantee program, creating a program that provides more options to Alaska exporters. The change has been introduced in legislation by Governor Tony Knowles.

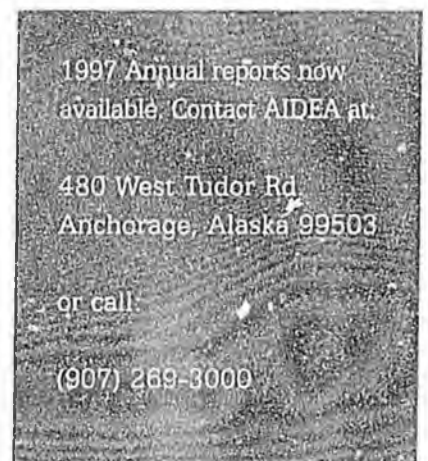
"Export financing programs provided by the federal government and the AIDEA Export Assistance program tend to be better suited for businesses producing goods for export than they are for service businesses," the report states. "For these programs to be successful in meeting future export financing needs, it will be important for lenders to continue to use collateral, other than inventory or accounts receivables, which can be provided by service-providing businesses. Likewise, the terms of financing may need to be adjusted to match with the timelines associated with services as opposed to timelines which are better suited to manufacturing."

The Robert Poe report also supported continued coordination among associated Alaska export trade agencies, quicker turnaround to meet competitive situations, and continued outreach to businesses and lenders by AIDEA and other agencies.



Alaska's fishery products continue to be one of the state's strongest exports.

Shrum, 1991



AIDEA to integrate export, business programs

(continued from page 1)

"An Alaska company exporting to Canada would not, most likely, be required to have export credit insurance, as required in the past," said Simmons. "But AIDEA would have the option to require an Alaska company exporting to the Russian Far East to have the insurance to guard against non-payment and other risks. These changes will allow AIDEA to realistically take a look at helping established Alaska businesses in a timely, more cost-effective way."

Alaska exports grew by 35 percent in 1997, and more than half of the growth came in the transshipment industry. Under the current program an Alaska business sourcing products in the Lower 48 and shipping them through Alaska to Russia could not consider the transaction as an export transaction under AIDEA's export assistance program. The air cargo industry is clearly export-related, creating one in ten jobs in Anchorage, according to the Anchorage Economic Development Corporation. However, under the current Export Assistance guidelines, transshipment "exports" would not

be eligible for export financing assistance, Simmons said.

Traditional state export programs have minimum in-state content requirements. In many states, the in-state content can be 50 percent of the product, while in Alaska it is currently 25 percent.

"This makes sense for states that manufacture products," said Simmons, "but it is no help for a service-based business, such as engineering or consulting. It also does nothing to support Alaska businesses related to the air cargo industry."

In addition, the current export assistance program is viewed by financial institutions as a poor investment vehicle, and the timelines for approval are too long for today's fast-moving, competitive situation.

"The banks have a perception that the interest rates they can charge under AIDEA's program are too low and the timeline for repayment is too short," said Robert Poe, author of a report for AIDEA that confirmed the merger idea. "I couldn't identify any instances where a deal was turned

down because of that, but the perception is the reality in cases like this. It's not working for the people who were expected to use it, so it ought to be changed," said Poe.

Simmons said Alaska exports will continue to grow, and AIDEA will continue to play a role in helping export-related business. "Our customers are Alaska businesses doing business here and looking for new opportunities here and elsewhere," said Simmons. "When we help them build their business at home, we're helping them grow strong and stable enough to move into new markets overseas."

The integration of the programs, with the changes proposed, will make for a more effective financing vehicle, transshipment "exports" will qualify under the new improved program and, as Alaska's manufacturing industry grows, these products will also still qualify," Simmons said.

Newstar Trading Company Receives AIDEA Loan Guarantee

Newstar Trading Company (NTC), a seafood exporter in Anchorage, was recently approved for an AIDEA loan guarantee on a loan that is, in part, an export transaction.

The company, owned and operated by Young Do Kim, will use the \$100,000 loan from National Bank of Alaska, with an 80-percent AIDEA loan guarantee, to expand his seafood exporting and bottled water business.

Kim has been in the seafood business for 30 years, but started up NTC in 1994 when new markets for certain species of seafood opened in

his native South Korea after the lifting of South Korean government import restrictions.

Interestingly, the export loan came under the AIDEA Business Assistance Program, rather than the export finance program.

"This is a good example of how Alaska companies are involved in export businesses," said D. Randy Simmons, AIDEA executive director. "They are doing some export business and some domestic business, and our financing assistance helps both sides of the operation."

Kim's company has also branched out into a sophisticated water bottling operation - Alaska Polar Glacier Water - which is probing overseas markets but concentrating primarily on domestic markets.

Kim takes Eklutna Lake water before it is treated in the municipal facility, then filters it and purifies it separately. The result is Alaska glacier water, a product that may have a niche in a crowded market.

AIDEA Board of Directors

Wilson Hughes
Executive Vice President and
General Manager, GCI
Chairman

Joe Perkins
Commissioner, Department of
Transportation and Public
Facilities
Vice Chairman

Wilson (Wil) Condon
Commissioner, Department of
Revenue

Deborah B. Sedwick
Commissioner, Department of
Commerce and Economic
Development

Robert W. Loescher
President and CEO, Sealaska
Corporation



Alaska Industrial Development and Export Authority
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Anchorage, AK 99503

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(c) The authority may not limit, or charge a fee or penalty for, prepayment of a loan after five years from the inception of the loan. (§ 34 ch 116 SLA 1981; am § 38 ch 42 SLA 1987; am § 23 ch 123 SLA 1990)

Reviser's notes. — Enacted as AS 44.88.045. Re- Effect of amendments. — The 1990 amendment, numbered in 1991 effective June 15, 1990, repealed subsection (a).

Sec. 44.88.220. [Renumbered as AS 44.88.900.]

Article 5. Export Assistance.

Section	Section
300. Guaranteed funding for export transactions	360. Fees charged
310. Eligibility of export transactions	360. Effect of guarantee
320. Limitations on guarantees	370. Guarantee not a general obligation of the state
330. Credit of exporter	380. Personal liability
340. Confidentiality of information	390. Export insurance account

Sec. 44.88.300. Guaranteed funding for export transactions. The authority may provide guaranteed funding, through a participating banking organization, for an export transaction that the authority determines is eligible under AS 44.88.310. (§ 42 ch 42 SLA 1987)

Sec. 44.88.310. Eligibility of export transactions. An exporting contract is a transaction eligible for guaranteed funding under AS 44.88.300 — 44.88.390 if, in the judgment of the authority, it will create or maintain employment in the state and it

(1) promotes the sale abroad of raw materials extracted in the state, or goods whose final stage of production occurs in the state, that constitutes 25 percent or more of the contract price;

(2) provides for the rendering of services abroad by a business located in the state if 25 percent or more of the contract price consists of wages or other payments made to persons normally residing in the state;

(3) promotes the sale abroad of raw materials or goods distributed by a business located in the state if

(A) 25 percent or more of the contract price consists of wages or other payments made to persons or businesses normally residing or located in the state; or

(B) the business has a significant relationship with the state based upon

(i) the amount of capital investments it has that are located in the state;

(ii) the number of state residents employed by the business;

(iii) the amount of business transacted in the state; or

(iv) a combination of (i) — (iii); or

(4) provides both for the sale abroad of raw materials extracted in the state or goods whose final stage of production occurs in the state, and for the rendering of services abroad by state residents, the aggregate value of which is 25 percent or more of the contract price. (§ 42 ch 42 SLA 1987)

Sec. 44.88.320. Limitations on guarantees. (a) The authority may not guarantee more than 90 percent of a loan under AS 44.88.300.

(b) The authority may not guarantee a loan under AS 44.88.300 unless the authority finds that the guarantee is reasonably necessary to stimulate or facilitate the making of a loan for an eligible exporting transaction. (§ 42 ch 42 SLA 1987)

Sec. 44.88.330. Credit of exporter. Before the authority may guarantee a loan under AS 44.88.300, the participating financial institution shall investigate the credit or sources of credit available to the exporter to determine the economic benefit to be derived from the guarantee, the prospects of repayment, and other factors necessary to determine that the guaranteed funding is consistent with the purpose of AS 44.88.300 — 44.88.390. (§ 42 ch 42 SLA 1987)

derived from the guarantee, the prospects of repayment, and other factors necessary to determine that the guaranteed funding is consistent with the purpose of AS 44.88.300 — 44.88.390. (§ 42 ch 42 SLA 1987)

Sec. 44.88.340. Confidentiality of information. Information submitted to or compiled by the authority regarding the identity, background, finances, marketing plans, trade secrets, or other commercially sensitive affairs of the exporter is confidential, unless the exporter consents to its disclosure. (§ 42 ch 42 SLA 1987)

Sec. 44.88.350. Fees charged. The authority shall, by regulation, establish fees to be charged to a participating financial institution for providing a guarantee under AS 44.88.300. The fees must be sufficient to cover the cost of administering the guarantee program under AS 44.88.300 — 44.88.390 and any premium the authority pays for incurring its risks. (§ 42 ch 42 SLA 1987)

Sec. 44.88.360. Effect of guarantee. (a) A guarantee under AS 44.88.300 shall guarantee against political or commercial loss, in whole or in part, of principal and interest on an eligible export transaction. The guarantee may include, without limitation, insurance against loss up to a stated amount. A guarantee under AS 44.88.300 may not be terminated, canceled, or revoked, except under its terms. A guarantee held by a participating financial institution is presumed to be valid.

(b) In this section, "political loss" means a loss incurred as a result of a political risk insured under an export credit insurance umbrella policy, or a comparable policy or agreement, issued by the Export-Import Bank of the United States. (§ 42 ch 42 SLA 1987)

Sec. 44.88.370. Guarantee not a general obligation of the state. A guarantee under AS 44.88.300 is not a general obligation of the state. (§ 42 ch 42 SLA 1987)

Sec. 44.88.380. Personal liability. An officer, employee, or agent of the authority may not be held personally liable in a civil action for damages for an act done or omitted in good faith while performing the functions of office, employment, or agency under this chapter. (§ 42 ch 42 SLA 1987)

Sec. 44.88.390. Export insurance account. (a) The export insurance account is established in the revolving fund. The account consists of money appropriated to it by the legislature and other money and assets, including bond proceeds, deposited in it by the authority. The account shall be held as security for the holders of bonds issued by the authority for the purpose of AS 44.88.300 — 44.88.390. The authority may enter into trust agreements with respect to the use of money in the account, including the use of that money to discharge a guarantee obligation of the authority. The trust agreements may contain provisions and limitations concerning the investment and disbursement of money in the account, the payment of expenses of the account, the appointment, resignation, and discharge of trustees, the delegation of enforcement and collection powers under the insurance agreements to the trustees, the duties of the trustees, amendments of the trust agreements, and other lawful provisions and limitations the authority considers appropriate. The trust agreements may pledge premiums and other money that may be deposited in the account. The pledge shall be valid and binding from the time the pledge is made. The premiums and other money pledged and thereafter received by the account, or by the trustees in its behalf, shall immediately be subject to the lien of the pledge. The pledge shall be valid and binding against parties having claims against the account, irrespective of whether the parties have notice of the pledge.

HB 3314



House Finance Committee

SUBJECT OF MEETING
 HB 144
 HB 239
 HB 386

DATE: Feb 25, 98

PLACE: Cap 519

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		
RANDY SIMMONS	AIDEA	480 W. TUDOR AVE	99501	243-2140	269-3000	(Y)	N	HI
KEITH LAUFER	AIDEA	" "	"	345-9090	"	(Y)	N	HI
PAUL FUHS	NOME			723-8019		(Y)	N	HE
MARK HECKEY	PETRO MARINE SERVICES	211 4TH ST. #308 JUNEAU, AK	99801	789-9613	2263 586-96	(Y)	N	HI
BOB BARTHOLOMEW	Revenue				465-4772	(Y)	N	HE
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	

Testimony before the House Finance Committee

John Key, Red Dog Operations

March 3, 1998

**Co-Chairs Hanley and Therriault, Members of the
Committee:**

**My name is John Key, I am general manager of Cominco
Alaska's Red Dog Operations. I appreciate the opportunity to
brief you on our plans for a further upgrade to the DeLong
Mountain Transportation System (DMTS).**

**As background, Cominco Alaska Incorporated is a wholly
owned subsidiary of Cominco American Incorporated, which
is a wholly owned subsidiary of Cominco, LTD of Vancouver
Canada. In 1982 Cominco Alaska and the NANA Regional**

take into account monies spent on our current construction.

Cominco Alaska and NANA are committed to Red Dog's continued operation. Ore reserves are in place to operate for over an additional 40 years.

Cominco Alaska and AIDEA have a long track record of cooperation and success. The first AIDEA financing in 1988 paid for the construction of the DMTS. This included a 54 mile road from the ocean to the mine, a 1500' long storage shed (the largest building in Alaska), a temporary living facility, fuel storage, a shallow water dock and a conveyor system to a barge loadout.

In 1996 the second AIDEA agreement provided funding for a second storage facility (1200' long), upgraded conveyors, additional fuel storage and a living facility designed to service the +40 years of projected Red Dog Mine life.

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
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March 3, 1998

Co-Chairs Hanley and Therriault, Members of the

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**My name is John Key, I am general manager of Cominco
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brief you on our plans for a further upgrade to the DeLong
Mountain Transportation System (DMTS).**

**As background, Cominco Alaska Incorporated is a wholly
owned subsidiary of Cominco American Incorporated, which
is a wholly owned subsidiary of Cominco, LTD of Vancouver
Canada. In 1982 Cominco Alaska and the NANA Regional**

Corporation signed an Agreement for the development of the Red Dog Mine. Under this Agreement, NANA retains ownership of the land and Cominco Alaska is the operator. NANA receives a royalty until capital expenditures are recaptured, at that point the royalty is converted to a share of profits. Red Dog is the largest zinc mine in the world.

Red Dog is a major success story when speaking of NANA shareholder hire and Alaskan hire. Red Dog and its two prime contractors, Arrow Transportation and NANA/Marriott, employ 458 people of which 55% are NANA shareholders. Alaskan hire percentage is 86% for the 458 employees.

In 1997 salaries paid to Alaskan residents exceeded \$20 million, and goods and services purchased in Alaska exceeded \$40 million. These are dollars spent for operations and do not

take into account monies spent on our current construction.

Cominco Alaska and NANA are committed to Red Dog's continued operation. Ore reserves are in place to operate for over an additional 40 years.

Cominco Alaska and AIDEA have a long track record of cooperation and success. The first AIDEA financing in 1988 paid for the construction of the DMTS. This included a 54 mile road from the ocean to the mine, a 1500' long storage shed (the largest building in Alaska), a temporary living facility, fuel storage, a shallow water dock and a conveyor system to a barge loadout.

In 1996 the second AIDEA agreement provided funding for a second storage facility (1200' long), upgraded conveyors, additional fuel storage and a living facility designed to service the +40 years of projected Red Dog Mine life.

Since the commencement of repayment in 1991 every scheduled payment has been made on a timely basis.

In 1998 we are asking the Legislature to approve the Red Dog portion of the AIDEA Funding Bill which provides for a further upgrade of the DMTS. The port enhancement would be to convert the port to an ocean vessel direct loading facility.

Preliminary design calls for an 1800' extension of the current conveyor loadout. The totally enclosed conveyor would be supported on ice resistance piers and be situated some 30' above the water. The ocean vessel docking berth would be composed of a series of dolphins and berthing buoys. A channel which extends from the dock out to sufficiently deep water would be dredged, and this channel would be used for the loaded vessel's departure to market.

The benefits of a direct loading facility are:

- 1. Increase port capacity by a factor of over 2 in the 3 month conventional shipping window.**
- 2. Increase the shipping window. Currently the season ends in early October. This window could be extended to mid December which would increase port capacity to a total of 4 times current capacity.**
- 3. Increase port availability. In 1999 Red Dog will utilize 100% of the port's available shipping days. Shipping the same quantity, Red Dog would only utilize 20 - 25% of the direct loading facility's capacity. Therefore the DMTS could become a multi-use facility available for development of other natural resource projects.**

- 4. Eliminates the 230 (three mile) barge trips between the shallow water dock and the ocean vessels. This reduces the exposure of marine wildlife to moving barges and tugs and reduces fuel consumption.**

- 5. Eliminates one transfer of material from barge to ocean vessel reducing the potential for spills.**

The preliminary schedule calls for a spring and summer program which includes:

- Biological and side scan sonar surveys to determine if dredging will result in impact on, or loss of any unique benthic habitat.**

- **Current and tide data collection to determine if a dredged channel will remain open. Bathymetry surveys will be run on the Nome dredge sites to field test changes in the dredged area in a similar situation over a 10 year period**
- **Sediment sampling and bottom coring to determine the depth and composition of sediment on the ocean floor.**

If the summer program is favorable then material fabrication will begin in time for a complete pier installation program in 1999.

The conveyor installation would occur in spring 2000 with the direct loading facility operable by May 2000.

In summary, the direct loading facility will open the port to other regional uses/future resource extraction projects; provide a cleaner transfer of materials from port to vessel; reduce marine wildlife exposure to moving vessels; and improve productivity while greatly reducing shipping costs.

This project is in keeping with the AIDEA stated purpose of providing development opportunities and job creation in rural economically depressed regions of the state.

Red Dog is an Alaskan success story. Red Dog is a development in the remote Alaskan arctic. Red Dog is a model of how industry and native corporations can work together for the good of the shareholders and stockholders. Red Dog is a success in Alaskan hire. Red Dog is a success story for AIDEA and will continue to be a success story for AIDEA for the next 40 years.

Thank you for providing me with the opportunity to testify.

We appreciate your consideration of our request.

PROPOSAL FACTS/DIRECT LOADING FACILITY

- Would require excavation of a 50-foot shipping channel
- The dock would be extended approximately 2,500 feet
- The new dock would provide close shore berthing and docking facilities for full-sized cargo ships

POTENTIAL OPERATIONAL BENEFITS

- Allows shipping season to be extended to December
- Eliminates handling of concentrates twice by eliminating barge relay
- Lowers vessel loading time in half
- Reduces down time during storms; ships can continue to load in most weather conditions
- Reduces onshore storage capacity requirements
- Provides an opportunity for supplies and oil to be transported by ship rather than barge

ENVIRONMENTAL ADVANTAGES

- Lower potential for spills due to the reduction in handling of concentrates
- Lower potential for spills due to direct loading concentrate into a more stable ship at the dock
- Less disturbance and traffic in the area due to the reduction in shipping traffic (- 200 barge trips)
- Less disturbance due to the presence of slower moving ships as opposed to steady barge traffic

EMPLOYMENT IMPACTS

- Extends most seasonal jobs at the port
- Will result in the loss of some non-local summer jobs (tug and barge-related)

FINANCIAL IMPACTS

- Lowers cost of shipping concentrates
- Allows better use of the concentrate market, which maximizes profits
- Will require high capital cost for construction

POTENTIAL ADDITIONAL ADVANTAGES

- The regional port at Red Dog would no longer be used at 100% capacity, opening up that port for other potential users

Studies are being proposed to accompany the Direct Loading Facility proposal and planning process. These studies include:

- Biological and side-scan sonar surveys to determine if dredging will result in impact on or loss of any unique benthic habitat
- Current and tide data collection
- Sediment sampling
- Bathymetry surveys on the Nome dredge sites to study dynamics of sediment transport and how it relates to the Red Dog Port

As this project develops, Cominco Alaska wants to keep all residents informed and to hear your input. For more information on the project or for updates, please contact:

John Key, Mine Manager
Cominco Alaska 426-9121

Charlotte MacCay
Cominco Alaska 272-2117



Concentrate Shipping-Related Traffic Red Dog Port

<i>Current Shipping Scenario</i>		<i>Direct Loading Facility</i>	
Concentrate Ships	20	Concentrate Ships	20
Total Lightering Barge Trips/Yr.	200	Total Lightering Barge Trips/Yr.	0
<hr/>		<hr/>	
Total Water Traffic	220	Total Water Traffic	20

Reduction of 200 Concentrate Shipping-Related Trips Per Year





Red Dog Port Weather Impact on Shipping Season

Average Shipping Season = 100 Days

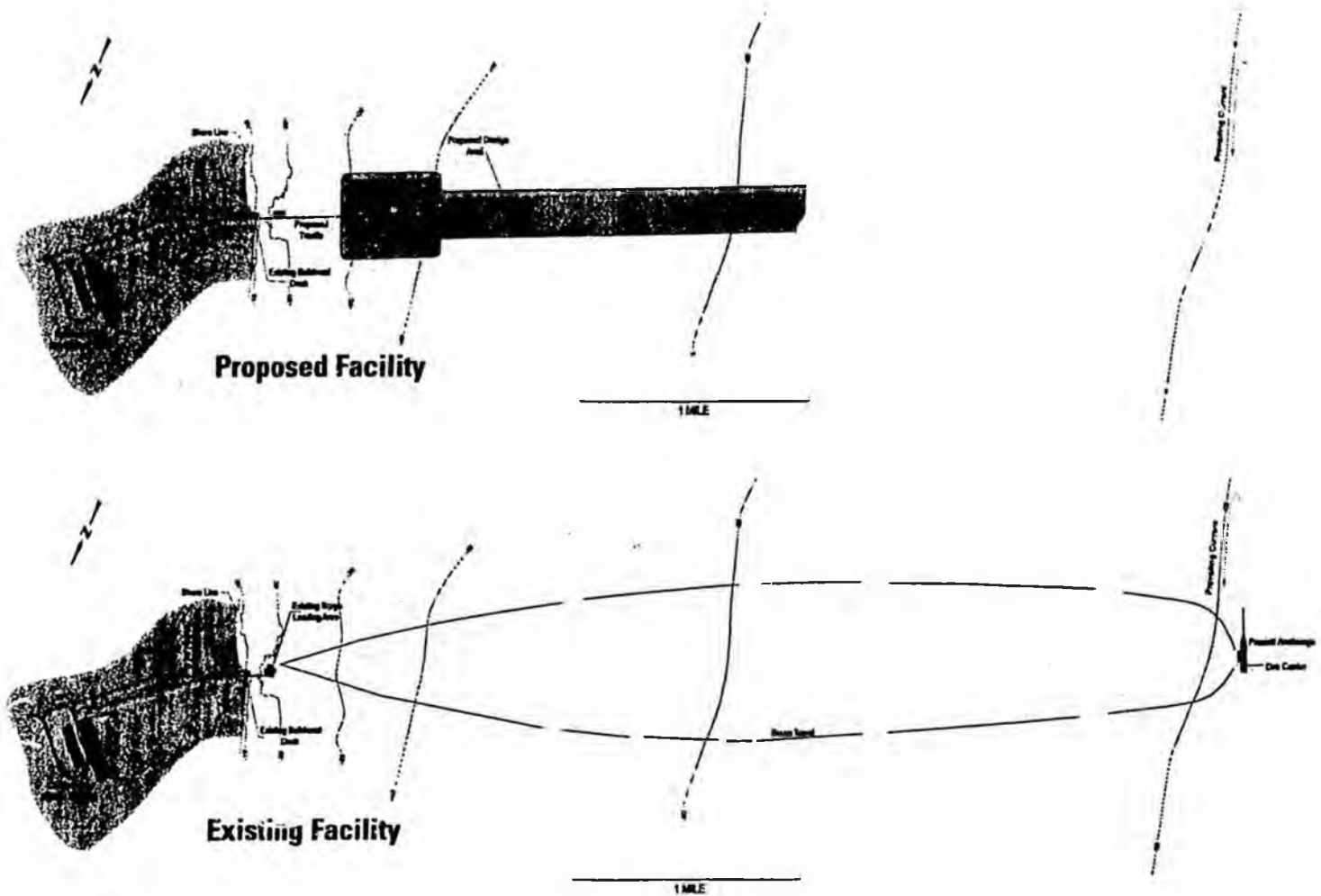
As much as 20% of the season can be lost
to bad weather conditions

Direct Loading Facility would reduce down time
during shipping season

***Direct Loading Facility would increase amount of days
available for loading concentrate onto ships***



RED DOG PORT DIRECT LOADING FACILITY



Cominco Alaska operates the Red Dog Mine in Northwest Alaska, the world's largest zinc mine. The mine is located on land owned by the NANA Regional Corporation. To transport the concentrate from the mine to world markets, a dock facility was built, which currently is served by barges, that transport the zinc concentrate to waiting ships anchored several miles offshore.

Cominco Alaska is reviewing the potential for extending the dock, excavating a shipping canal to the new dock facility, thus allowing the ships to directly load the concentrate. This proposal would eliminate barge traffic, and would also eliminate one transfer process for the concentrate.

With its partners and neighbors, Cominco Alaska is reviewing the advantages and disadvantages of the direct loading facility proposal.



Example of Trestle Structure in Arctic Waters



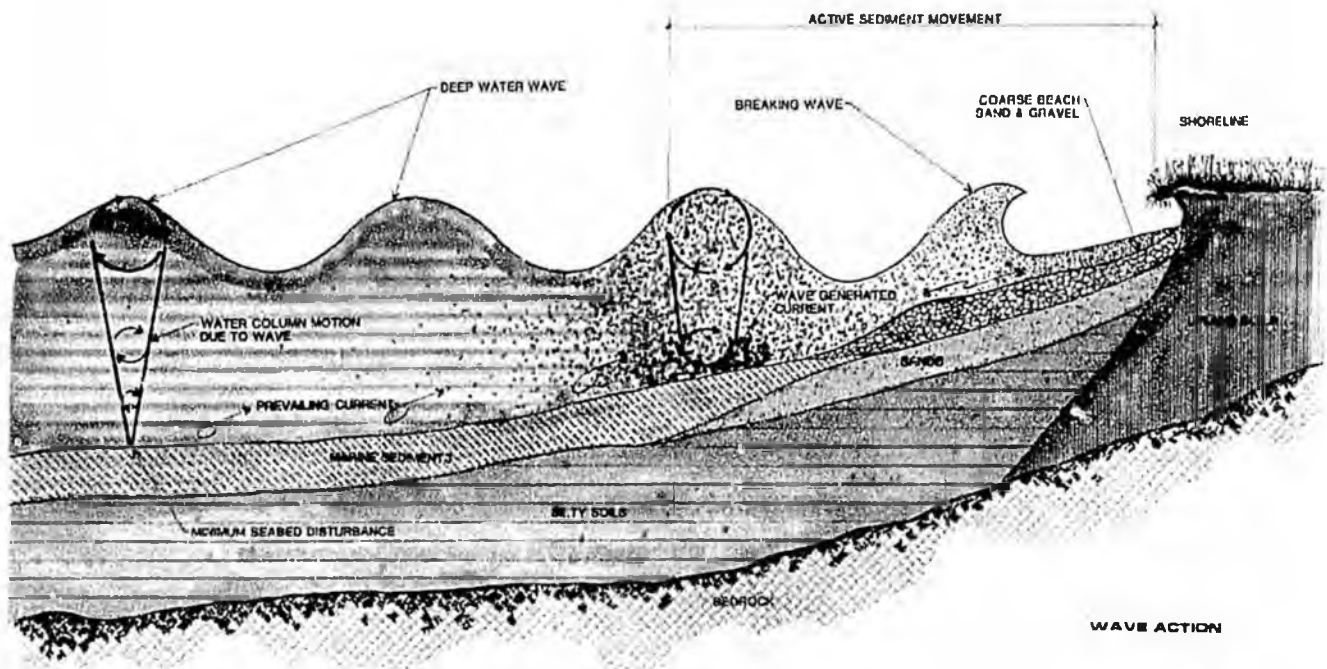
Endicott - North Slope

Example of trestle structure in
multi-direction flow (ocean)





Effects of Water Depth on Sediment Transport



HB

386

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/10/98

FURTHER: _____

5/11/98

DATE TURNED

IN TO OFFICE: _____

5/11/98

Finance Committee considered

CS FOR HOUSE BILL NO. 386(FIN)

"An Act relating to the financing authority, programs, operations, and projects of the Alaska Industrial Development and Export Authority; and providing for an effective date."

and recommends:

be replaced with S CS CS HR 386 (FIN)

adopt previous _____ CS Forthcoming CS (_____)

attached amendment(s)

adopt Letter of Intent by _____

further referral to the _____

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR# _____

SIGNING DO/PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>[Signature]</i>	<input checked="" type="checkbox"/>		
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>[Signature]</i>			<input checked="" type="checkbox"/>
Co-Chair: _____		Co-Chair: _____			
Co-Chair: <i>[Signature]</i>	<input checked="" type="checkbox"/>	Co-Chair: _____			

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

DCLD	4/29/98	<input checked="" type="checkbox"/>	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

Bill Version: HB 386

(H) Publish Date: 2/6/98

STATE OF ALASKA
1998 LEGISLATIVE SESSION

5/11/98

Revision Date: _____
Title: AIDEA bonding authority and programs

Department: DCED
BRU: AIDEA
Component: AIDEA

Sponsor: Governor
Requester: Rules Committee

COMPONENT SERIAL NO. _____ 12

Expenditures/Revenues		(Thousands of Dollars)				
OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE		(Thousands of Dollars)				
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other Corporate Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 98) cost: \$ 0.0

POSITIONS						
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)
 The bill will extend AIDEA's bonding authority, which will sunset on June 30, 1998, providing the Authority the ability to continue to provide reasonable cost financing for financially feasible Alaskan business projects; merge AIDEA's export assistance and business assistance loan guarantee programs to better serve Alaskan exporting businesses; and clarify provisions related to other AIDEA financing assistance programs to make the programs more effective. AIDEA's operations are funded by corporate receipts and the Authority does not utilize funds from the General Fund for its operations.

Prepared by: D. Randy Simmons, Executive Director
 Division: AIDEA
 Approved by Commissioner: Deborah B. Sedwick
 Agency: Commerce and Economic Development

Phone: 907.269.3000
 Date: January 20, 1998
 Date: 21 January 1998

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HB

390

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 2, 1998

FURTHER REFERRALS:

Date of Committee Action: 3/24/98

The FINANCE Committee considered:

HB 390

HOUSE BILL NO. 390

CHARTER MARRIAGES

“An Act relating to marriage; and amending Rules 54 and 56, Alaska Rules of Civil Procedure.”

recommends it be replaced with the following committee substitute CS HB 390 (Fin) the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) _____

fiscal note(s) DHSS, 3/2/98

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Conc Ferrisault</i>	Therriault	X			
<i>John Kelly</i>	Kelly	X			
<i>John Mulder</i>	Mulder	X			
<i>Victor Kohring</i>	Kohring	X			
<i>Terry Martin</i>	O Martin	X			
<i>John Davies</i>	Davies			X	

CHAIR'S SIGNATURE *Conc Ferrisault*

FISCAL NOTE

No: 1

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Bil. ersion: CSHB 390 (JUD)
(H) Publish Date: 3/2/98

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act relating to marriage; and amending BRU: State Health Services
Rules 54 and 56; Alaska Rules of Civil Procedures Component: Bureau of Vital Statistics
 Sponsor: Kelley, Dyson, Theriault COMPONENT SERIAL NO.: 961
 Requestor: House (JUD) See also (SN=): _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES	5.0	5.0	5.0	5.0	5.0	5.0
TRAVEL	2.0					
CONTRACTUAL	2.5					
SUPPLIES	3.8					
EQUIPMENT						
LAND & STRUCTURES						
GRANTS CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	13.3	5.0	5.0	5.0	5.0	5.0

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

CHANGES IN REVENUES ()						
-------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	9.3					
1005 GF Program Receipts	5.0	5.0	5.0	5.0	5.0	5.0
1007 GF Mental Health						
Other (please specify)						
TOTAL	13.3	5.0	5.0	5.0	5.0	5.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: \$0.0

ANALYSIS: (Attach a separate page if necessary)

Redesigned and reprinted to marriage application and license (50,000 copies each @ .032/copy = 2K)
 Design and print declarations for charter marriages (10,000 copies @ .032/copy = .64K)

Revise bureau computer programs to accommodate new certificate design (25 hours @ 100/hr = 2.5K)

Conduct training in new marriage processing requirements in Anchorage and Fairbanks (2K)

The Personal Services will be for additional clients contacts and will be supported by Program Receipts generated by the contacts.

Prepared by: Peter M. Nakamura, MD, MPH *KP* Phone: 465-3090
 Division: Public Health Date: 02/20/98
 Approved by Commissioner: Karen Pedue, Commissioner Date: 2/2/98
 Agency: Department of Health & Social Services

LEGAL SERVICES

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

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FAX (907) 465-2029
Mail Stop 3101

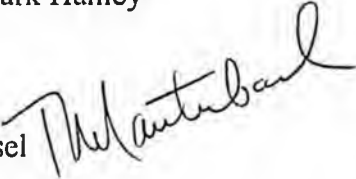
130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 25, 1998

SUBJECT: CSHB 390(FIN), version "X" (Charter Marriages)

TO: Representative Mark Hanley
Attn: Louanne

FROM: Terri Lauterbach
Legislative Counsel 

Enclosed is a CS(FIN) for HB 390. I am not certain it accomplishes what the committee intended because the drafting instructions I was given were ambiguous.

I understood my instructions to be the addition in sec. 7 of another grounds for divorce: "the other spouse has been convicted of a felony that is a crime against a person under (appropriate statute citation)." When I asked whether the committee meant crimes under AS 11.41, staff responded "yes, probably." Therefore I prepared the CS using "convicted of a felony under AS 11.41." I left out the reference to "crime against a person" because that would have made the statute ambiguous. There is a definition in AS 33.30.901 for "crime against a person." It reads as follows:

(6) "crime against a person" means a crime as set out in AS 11.41, or a crime against a person in this or another jurisdiction having elements substantially identical to those of a crime as set out in AS 11.41;

As you can see, this definition is not restricted to felonies. It also picks up crimes committed in other jurisdictions. If you prefer to use this definition in HB 390, I will need to know if you intend for the crime to not only be a felony in Alaska under AS 11.41 but also to be a felony in the other jurisdiction (not just have similar elements to an Alaska felony but also be designated as a felony, not just a misdemeanor, in the other jurisdiction).

I apologize if I picked the wrong way to resolve the ambiguity. Please let me know if the enclosed CS needs changes.

TML:jdr
98-191.jdr

Enclosure

0-LS1062\T

Lauterbach

3/24/98

Adopted
Amended

CS FOR HOUSE BILL NO. 390(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVES KELLY, Dyson, Therriault

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to marriage; and amending Rules 54 and 56, Alaska Rules of**
2 **Civil Procedure."**

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

4 *** Section 1.** AS 25.05 is amended by adding a new section to read:

5 **Sec. 25.05.015. Charter marriages.** A charter marriage is a marriage
6 authorized under AS 25.05.011 between a man and a woman who have

7 (1) agreed that the marriage between them will be a lifelong
8 relationship;

9 (2) received counseling emphasizing the nature, purposes, and
10 responsibilities of marriage;

11 (3) declared in their application for a marriage license their intent to
12 enter into a charter marriage as required under AS 25.05.091(c); and

13 (4) have executed a declaration of intent to contract a charter marriage
14 under AS 25.05.096.

1 * **Sec. 2.** AS 25.05.091 is amended by adding a new subsection to read:

2 (c) If an application under (a) of this section is for a charter marriage, the
3 application must, in addition to the requirements of (a) and (b) of this section, include
4 a statement substantially similar to the following:

5 We, (Name of Intended Husband) and (Name of Intended Wife),
6 declare our intent to contract a charter marriage and, accordingly, have
7 executed a declaration of intent to contract a charter marriage that is
8 attached to this application.

9 * **Sec. 3.** AS 25.05 is amended by adding a new section to read:

10 **Sec. 25.05.096. Declaration of intent for charter marriage.** The declaration
11 of intent to contract a charter marriage that is required under AS 25.05.091(c) must
12 include

13 (1) a recitation by each party that the party

14 (A) intends to enter into a charter marriage governed by the
15 laws of this state;

16 (B) understands and agrees that the marriage will be a lifelong
17 relationship;

18 (C) has received counseling emphasizing the nature, purposes,
19 and responsibilities of marriage;

20 (D) believes that the party's intended mate is a wise choice as
21 a mate for life;

22 (E) has disclosed to the intended mate all facts that may
23 adversely affect the intended mate's decision to enter into the charter marriage;
24 and

25 (F) is committed to seeking marital counseling to strengthen the
26 marital relationship if the parties have marital difficulties;

27 (2) an affirmation by the parties that both parties have received
28 counseling from a priest, minister, rabbi, clerk of the religious society of friends,
29 clergy member of a religious sect, psychologist, psychological associate, licensed
30 clinical social worker, or marital and family therapist that included

31 (A) a discussion of the seriousness of charter marriage;

- 1 (B) communication of the fact that a charter marriage is a
2 commitment for life; and
3 (C) receipt of a copy of AS 25.24.270 and 25.24.275;
4 (3) an attestation by the counselor that the parties were counseled as
5 to the nature, purposes, and responsibilities of marriage; the attestation must be signed
6 by the counselor but need not be notarized; and
7 (4) the notarized signatures of both parties.

8 * Sec. 4. AS 25.05.111 is amended by adding new subsections to read:

9 (c) If the parties to the marriage have complied with AS 25.05.015, the
10 licensing officer shall indicate on the marriage license that the parties have entered into
11 a charter marriage.

12 (d) If the parties to the marriage have not complied with AS 25.05.015, the
13 licensing officer shall indicate on the marriage license that the parties have entered into
14 a testament marriage.

15 * Sec. 5. AS 25.05.321 is amended by adding a new subsection to read:

16 (b) A marriage certificate for a charter marriage and copies of a marriage
17 certificate for a charter marriage must include a designation that the parties entered
18 into a charter marriage.

19 * Sec. 6. AS 25.24.050 is amended to read:

20 **Sec. 25.24.050. Grounds for divorce. (a) Except as provided in (b) of this**
21 **section, a** [A] divorce may be granted for any of the following grounds:

22 (1) failure to consummate the marriage at the time of the marriage and
23 continuing at the commencement of the action;

24 (2) adultery;

25 (3) conviction of a felony;

26 (4) wilful desertion for a period of one year;

27 (5) either

28 (A) cruel and inhuman treatment calculated to impair health or
29 endanger life;

30 (B) personal indignities rendering life burdensome; or

31 (C) incompatibility of temperament;

1 (6) habitual gross drunkenness contracted since marriage and continuing
2 for one year before [PRIOR TO] the commencement of the action;

3 (7) [REPEALED

4 (8)] incurable mental illness when the spouse has been confined to an
5 institution for a period of at least 18 months immediately preceding the commencement
6 of the action; the status as to the support and maintenance of the mentally ill person
7 is not altered in any way by the granting of the divorce;

8 (8) [(9)] addiction of either party, subsequent to the marriage, to the
9 habitual use of opium, morphine, cocaine, or a similar drug.

10 * Sec. 7. AS 25.24.050 is amended by adding a new subsection to read:

11 (b) A spouse to a charter marriage may obtain a judgment of divorce only
12 upon proof of one of the following:

13 (1) the other spouse has committed adultery;

14 (2) the other spouse has physically abused the petitioning spouse;

15 (3) the other spouse has physically or sexually abused a child of the
16 marriage or a child of one of the spouses;

17 (4) the other spouse has treated the petitioning spouse cruelly in a
18 manner that impairs the health or endangers the life of the petitioning spouse;

19 (5) the other spouse has been convicted of a felony and has been
20 sentenced to death or a term of incarceration of three years or more;

21 (6) the other spouse has abandoned the matrimonial domicile for one
22 year and consistently refuses to return; or

23 (7) the spouses have been living separately and apart continuously
24 without reconciliation for one year after the date of a judgment of separation from bed
25 and board was signed under AS 25.24.270 and 25.24.275, except that, if there is a
26 minor child of the marriage, the spouses must have been living separately and apart
27 continuously without reconciliation for 18 months from the date the judgment of
28 separation from bed and board was signed.

29 * Sec. 8. AS 25.24.110 is amended to read:

30 **Sec. 25.24.110. Separate domicile or residence.** In an action for divorce or
31 separation from bed and board, a spouse may acquire a separate residence or

1 domicile from that of the other spouse without reference among other factors to
2 misconduct or consent of the other spouse.

3 * **Sec. 9.** AS 25.24.130 is amended to read:

4 **Sec. 25.24.130. Defenses to other divorce grounds.** When the divorce action
5 is for any of the grounds provided in AS 25.24.050(a)(4) - (6) or (b)(4) or (6)
6 [AS 25.24.050(4) - (6)], the defense of procurement or that the defendant has been
7 expressly forgiven may be made. When the divorce action is for the ground provided
8 in AS 25.24.050(a)(3) or (b)(5) [AS 25.24.050(3)], the defense of procurement or that
9 the defendant has been expressly forgiven or that the action was not brought within
10 two years after conviction may be made.

11 * **Sec. 10.** AS 25.24.150(a) is amended to read:

12 (a) In an action for divorce, separation from bed and board, or [FOR] legal
13 separation or for placement of a child when one or both parents have died, the court
14 may, if it has jurisdiction under AS 25.30.020 [,] and is an appropriate forum under
15 AS 25.30.050 and 25.30.060, during the pendency of the action [,] or at the final
16 hearing or at any time thereafter during the minority of a child of the marriage, make,
17 modify, or vacate an order for the custody of or visitation with the minor child that
18 may seem necessary or proper, including an order that provides for visitation by a
19 grandparent or other person if that is in the best interests of the child.

20 * **Sec. 11.** AS 25.24.200(a) is amended to read:

21 (a) Except as provided in (f) of this section, a [A] husband and wife together
22 may petition the superior court for the dissolution of their marriage under
23 AS 25.24.200 - 25.24.260 if the following conditions exist at the time of filing the
24 petition:

25 (1) incompatibility of temperament has caused the irreparable
26 breakdown of the marriage;

27 (2) if there are unmarried children of the marriage under the age of 19
28 or the wife is pregnant, and the spouses have agreed on which spouse or third party
29 is to be awarded custody of each minor child of the marriage and the extent of
30 visitation, including visitation by grandparents and other persons if in the child's best
31 interests, and support to be provided on the children's behalf, whether the payments

1 are to be made through the child support enforcement agency and the tax consequences
2 of that agreement;

3 (3) the spouses have agreed as to the distribution of all jointly owned
4 real and personal property, including retirement benefits, and the payment of spousal
5 maintenance, if any, and the tax consequences resulting from these payments; the
6 agreement must be fair and just and take into consideration the factors listed in
7 AS 25.24.160(a)(2) and (4) so that the economic effect of dissolution is fairly
8 allocated; and

9 (4) the spouses have agreed as to the payment of all unpaid obligations
10 incurred by either or both of them, and as to payment of obligations incurred jointly
11 in the future.

12 * Sec. 12. AS 25.24.200(b) is amended to read:

13 (b) Except as provided in (f) of this section. a [A] husband or wife may
14 separately petition for dissolution of their marriage under AS 25.24.200 - 25.24.260
15 if the following conditions exist at the time of filing the petition:

16 (1) incompatibility of temperament, as evidenced by extended absence
17 or otherwise, has caused the irremediable breakdown of the marriage;

18 (2) the petitioning spouse has been unable to ascertain the other
19 spouse's position in regard to the dissolution of their marriage and in regard to the fair
20 and just division of property, including retirement benefits, spousal maintenance,
21 payment of debts, and custody, support, and visitation because the whereabouts of the
22 other spouse is unknown to the petitioning spouse after reasonable efforts have been
23 made to locate the absent spouse; and

24 (3) the other spouse cannot be personally served with process inside or
25 outside the state.

26 * Sec. 13. AS 25.24.200 is amended by adding a new subsection to read:

27 (f) A spouse to a charter marriage may not petition for the dissolution of the
28 marriage under AS 25.24.200 - 25.24.260.

29 * Sec. 14. AS 25.24 is amended by adding new sections to read:

30 **Article 2A. Separation from Bed and Board in a Charter Marriage.**

31 **Sec. 25.24.270. Separation from bed and board.** (a) A spouse to a charter

1 marriage may obtain a judgment of separation from bed and board only on proof of
2 having obtained personal counseling within the six months preceding the date of filing
3 the petition for separation of bed and board and proof that

4 (1) the spouses have been living separately and continuously apart
5 without reconciliation for one year; or

6 (2) the other spouse has

7 (A) committed adultery;

8 (B) been convicted of a felony under AS 11.41 or convicted of
9 an offense under a law in another jurisdiction with elements substantially
10 similar to a felony under AS 11.41;

11 (C) abandoned the matrimonial domicile for one year and
12 consistently refuses to return;

13 (D) physically abused the petitioning spouse;

14 (E) physically or sexually abused a child of the marriage or a
15 child of one of the spouses;

16 (F) been habitually intemperate in the consumption of alcohol
17 or in the use of drugs;

18 (G) treated the petitioning spouse cruelly in a manner that
19 impairs the health or endangers the life of the petitioning spouse; or

20 (H) inflicted on the petitioning spouse personal indignities
21 rendering life burdensome.

22 (b) During the pendency of an action for separation from bed and board under
23 this section, the court may, upon application and in appropriate circumstances, issue
24 orders that are authorized under AS 25.24.140 during the pendency of divorce
25 proceedings.

26 (c) The court may not make a judgment on the pleadings, except for a default
27 judgment, or grant a summary judgment in an action for separation from bed and
28 board under this section.

29 **Sec. 25.24.275. Effect of decree.** A decree of separation from bed and board
30 issued under AS 25.24.270

31 (1) does not dissolve the bond of matrimony; the separated husband and

1 wife are not at liberty to marry again;

2 (2) puts an end to the parties' conjugal cohabitation and to the common
3 concerns that existed between them;

4 (3) remains in effect until either reconciliation or divorce.

5 * **Sec. 15.** COURT RULE CHANGE. AS 25.24.270(c), enacted by sec. 14 of this Act, has
6 the effect of amending Rules 54 and 56, Alaska Rules of Civil Procedure, by prohibiting a
7 court from making a judgment on the pleadings, except for a default judgment, or granting
8 a summary judgment in an action for separation from bed and board in a charter marriage.

9 * **Sec. 16.** AS 25.05.111(d), enacted by sec. 4 of this Act, applies to marriage licenses
10 issued on or after the effective date of this Act.

LEGAL SERVICES

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

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FAX (907) 465-2029
Mail Stop 3101

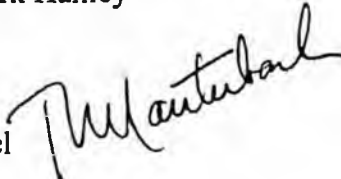
130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 24, 1998

SUBJECT: Charter Marriages (CSHB 390(FIN), version "T")

TO: Representative Mark Hanley
Attn: Shar

FROM: Terri Lauterbach
Legislative Counsel 

Enclosed is a CS that makes the changes you requested in sec. 7 of CSHB 390(JUD). There were related references in sec. 9 that I also had to change. Please check sec. 9 to see if the changes comport with the committee's intent.

Please let me know if you need further assistance on this matter.

TML:jdr
98-184.jdr

Enclosure

3/23/98

adopted NO OBJ

AMENDMENT I

OFFERED INTO HOUSE FINANCE
TO: HB 390

BY REPRESENTATIVE KELLY

Page 4, Section 7 add to judgement for divorce in charter marriage:

1. Spouse has physically abused the petitioning spouse;
2. the other spouse has physically or sexually abused a child of the marriage or a child of one of the spouses;
3. the other spouse has treated the petitioning spouse cruelly in a manner that impairs the health or endangers the life of the petitioning spouse;

will divorce

coming

3/24/98

Kelly

Sponsor Statement – House Bill 390

"An Act Relating to Marriage; and Amending Rules 54 and 56, Alaska Rules of Civil Procedure."

HB 390 creates a new option for persons seeking a marriage license from the state. Couples can receive a license for a "testament marriage," which is already provided for under existing statute, or they can apply to receive a license for "charter marriage," sometimes referred to as "covenant marriage."

The two options offer each partner significantly different rights and responsibilities. A charter marriage is a union more difficult to enter into, and also more difficult to dissolve. Couples seeking a charter marriage must receive premarital counseling and sign a declaration of intent stating an understanding that their marriage will be a lifelong relationship. The declaration also includes a statement that each partner has disclosed all facts that may adversely affect the intended mate's decision to enter into a charter marriage. The couple commits to seeking counseling in the event of marital difficulties.

In contrast to the existing testament marriage law, a spouse in a charter marriage may obtain a judgement of divorce only under certain conditions: adultery committed by the other spouse; felony conviction by the other spouse resulting in a sentence of three or more years incarceration; physical abuse of the petitioning spouse; sexual abuse of a child of the marriage or a child of one of the spouses; cruel treatment which endangers the health or life of the petitioning spouse; abandonment lasting at least one year; or if the two spouses have been living apart for more than a year following a legal separation (18 months if the couple has a minor child). Certain other grounds for divorce allowed under existing law, such as "incompatibility of temperament," are insufficient for granting a divorce in a charter marriage.

Spouses in a charter marriage enjoy rights and bear responsibilities not recognized by the existing testament marriage law. Most couples believe marriage is much more than a business partnership, but under existing no-fault divorce law the marriage contract is treated as much less than a business partnership. Charter marriage provides couples the option of entering into a marriage contract that is *at least* as binding as a business contract.

Establishing two types of marriage contracts under state law will provoke useful discussions among engaged couples, since every couple will have to decide which option is best for them. If couples make more educated decisions about marriage, it will likely result in fewer failed marriages and fewer broken families. Alaska's divorce rate is higher than the national average, with 5.1 divorces per year for every 1,000 people, compared to the national rate of 4.1 per 1,000 (statistics from 1995).

Many social problems the Legislature has struggled to address in recent years have been linked to broken marriages and families, including domestic violence, teenage pregnancy, drug and alcohol abuse, and increased juvenile crime. To the extent charter marriage law succeeds in keeping some marriages intact, or in preventing some marriages from occurring in the first place, it will do more to mitigate these social pathologies than any government program could ever hope to accomplish.

Sectional Analysis - House Bill 390

"An Act relating to marriage; and amending Rules 54 and 56, Alaska Rules of Civil Procedure."

Section 1: Defines charter marriage:

A charter marriage requires a couple to receive counseling before marriage, and in times of conflict prior to seeking a divorce. A couple expressly designates their union a charter marriage on the official records and license granted by the state.

Section 2: Illustrates the application process for charter marriage.

Section 3: Charter marriage requires premarital counseling from a marital counselor or priest, minister, rabbi or similar clergyman of any religious sect.

Section 4: Applies to marriage licenses issued. Indicates that parties have complied with charter marriage requirements. If they do not comply, license shall indicate the couples have entered into a testament marriage.

Section 5: Marriage certificate designates parties have entered into charter marriage.

Section 6: Provides an exception to existing divorce laws accommodating the new charter marriage.

Section 7: Establishes divorce options for charter marriage. A spouse in charter marriage must prove:

- (1) adultery
- (2) conviction of a felony that is a crime against persons
- (3) abandonment
- (4) separation for one year without reconciliation
- (5) physical abuse of petitioning spouse
- (6) sexual abuse of a child of the marriage or a child of one of the spouses
- (7) cruel treatment which endangers the health or life of the other spouse

Section 8: Technical reference to separation of bed and board.

Section 9: Technical reference to section 6.

Section 10: Amendment to include charter marriage.

Section 11-12: Refers to existing dissolution of testament marriage.

Section 13: Couples of charter marriage may not petition for dissolution.

Section 14: Explains "separation of bed and board." One divorce option is for a couple to request a court acknowledged separation for 1 year, but they must have received counseling within 6 months prior to filing for separation. To obtain a separation a spouse must also prove the other spouse has:

- (A) committed adultery
- (B) been convicted a felony that is a crime against persons
- (C) abandoned household for 1 year and refuses to return
- (D) physically abused petitioning spouse
- (E) physically or sexually abused a child of the marriage or a child of one of the spouses
- (F) been intemperate in consumption of alcohol or drugs
- (G) treated spouse cruelly in a manner that endangers their health or life
- (H) inflicted personal indignities rendering life burdensome

Section 15: Amends Court Rules 54 and 56.

Section 16: Effective date applies to charter marriages after this date.

Last updated February 24, 1998

COPY



Bishop of Fairbanks

1316 Peger Road • Fairbanks, Alaska 99709

(907) 474-0753

December 1, 1997

Most Reverend Alfred C. Hughes, S.T.D.
Bishop of Baton Rouge
P.O. Box 2028
Baton Rouge, LA 70821-2028

Dear Bishop Hughes,

Recently, a very fine Catholic politician in Alaska, Representative Pete Kelly, came to me with a bill he is trying to introduce in Alaska, which seems to parallel recent legislature in Louisiana.

Personally, I am convinced that we need to do all we can to restore marriage to its proper role and dignity. Pete asked me if I could get any reflections or information from a Louisiana bishop regarding the recent Louisiana legislation.

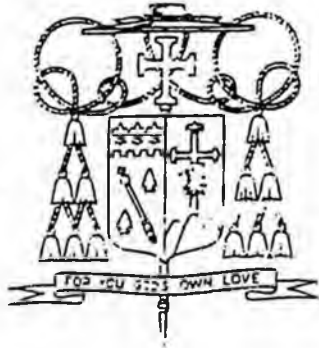
Al, I know that as most bishops you are swamped with correspondence and requests. However, if you have anything already printed, either your own reflections or those of others whom you respect, I would appreciate receiving a copy.

As I told Pete, we are not trying to introduce some new concept to marriage, but mainly to restore marriage to its rightful place and dignity in society.

Any help you can give us will be deeply appreciated. I already have the article printed in the November 13th edition of Origins. Very helpful. Al, may the dear Lord bless you with a very holy and fruitful Advent Season. Take care, and God bless!

Your brother in Christ,

Michael J. Kaniecki, S.J.
Bishop of Fairbanks



DIOCESE OF BATON ROUGE

BISHOP'S OFFICE
P.O. BOX 2028
BATON ROUGE, LOUISIANA 70821-2028
504-387-0561 FAX 504-336-3768

December 12, 1997

COPY

The Most Reverend Michael J. Kaniecki, S.J.
Bishop of Fairbanks
1316 Peger Road
Fairbanks, AK 99709

Dear Bishop Kaniecki:

I write to you in response to your letter of December 1, 1997 in which you inquire about the Covenant Marriage Legislation in Louisiana.

First of all, the Covenant Marriage Act in Louisiana was an initiative of the evangelical churches. Unfortunately there was no consultation with the mainline Christian churches or the Catholic Church. Had there been, some of the difficulties which emerged as a result of the legislation might have been avoided.

Attached please find a copy of the Covenant Marriage Act leaflet and the statement made conjointly by the Catholic Bishops of Louisiana with the pastoral guidance offered to those who work with the preparation of couples for marriage in our parishes. As you can see, the principal difficulty has been that the evangelical concept of covenant as reflected in the legislation and the Catholic understanding of covenant are not identical. The evangelicals allow for divorce and remarriage for serious reasons. Moreover, the legislation requires that the person preparing the couple for marriage that wants to use a covenant marriage license has to offer among other things, instruction in divorce. Both the instructor and the couple must sign affidavits indicating that this education has been given and received.

It seems to me that the principal difficulties could have been avoided if the required instruction for issuing the Covenant Marriage license were to be done by the state at the time of the issuance of the license. This would allow for the churches to remain true to their usual marriage preparation with full presentation of the Catholic Church's understanding of permanence, fidelity and procreativity in marriage.

I hope that this is helpful to you. If you wish to pursue anything further, please feel free to call me. May God be with you in your own pastoral efforts.

Fraternally in the Lord,

Alfred C. Hughes
Most Reverend Alfred C. Hughes
Bishop of Baton Rouge

ACH/dh

Enclosures

Blessed Christmas!

COPY



Bishop of Fairbanks

1316 Peger Road • Fairbanks, Alaska 99709

(907) 474-0753

January 2, 1998

Most Reverend Alfred C. Hughes
Bishop of Baton Rouge
Box 2028
Baton Rouge, LA 70821-2028

Dear Bishop Al,

Thanks so much for your letter of December 12th, and for the added information regarding the Covenant Marriage Act. There are some helpful items in there and hopefully, we can avoid a few difficulties.

Al, I trust your Christmas was a Joyous one, and may the dear Lord bless you with a very Peaceful and Hope-filled 1998!

Your brother in Christ,

Michael J. Kaniecki, S.J.
Bishop of Fairbanks

Alaska State Legislature

REPRESENTATIVE
PETER KELLY

Mailing Address:
119 N. Cushman, Suite 203
Fairbanks, Alaska 99701
(907) 456-8161



While in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-2327

House District 3*

House Of Representatives

February 12, 1998

Caren Robinson
211 4th Street #108
Juneau, AK 99801

Dear Caren:

Thanks for your input on HB 390. You are correct that physical and sexual violence and/or abuse should also be grounds for divorce. Of course, these are generally felonies. The point you are making, and I agree with, is that we may not want to wait for the criminal justice system to complete a conviction—or have a prosecutor plea down to a misdemeanor. I have amended our proposed bill to reflect this assertion.

Please let me know if you have any other thoughts on this bill. I value your opinion.

Sincerely,

A handwritten signature in black ink, appearing to read "Pete Kelly", written over a horizontal line.

Representative Pete Kelly



ALASKA CHAPTER

NATIONAL ASSOCIATION OF SOCIAL WORKERS
ALASKA CHAPTER

318 4th Street, Juneau AK 99801
586-4438 Fax: 586-4439
naswak@alaska.net

February 24, 1998

Representative Pete Kelly
State Capitol
Juneau AK

Re: HB 390

Dear Representative Kelly:

I'm writing in reference to HB 390, "Charter Marriages." In Section 3 of the bill, page 3 line 9, you include a list of religious and professional persons from which couples may receive counseling before entering into a Charter Marriage. The list appears to be exclusive, and does not include Clinical Social Workers. We request that Clinical Social Workers be added to the list.

Clinical Social Workers are licensed by the state of Alaska as mental health professionals. Research reveals that professional social workers provide 50% of the mental health services in the united states, and usually at a lower cost than other professionals. Please do not exclude almost 300 mental health professionals from providing this important service.

Please contact me personally if you have any questions. Thanks for your attention to this matter.

Sincerely,

Angela M. Salerno, Executive Director
NASW Alaska Chapter

PK

Stronger marriages needed

Legislature should offer the option

By DEBBIE JOSLIN

The '60s brought us the concept of "free love." The '70s brought us "no fault" divorce and told us how resilient kids are in recovering from divorce. Now in the '90s we are finding out that we bought into a lie.

■ Since "no-fault" divorce was first introduced in 1970, the national divorce rate has risen 279 percent, resulting in 352 percent more kids living with a divorced parent. The majority of those children are living with their mothers. (Statistical Abstract of the U.S., quoted in Focus on the Family magazine, January 1995 edition.)

■ The national statistics on children from broken homes are staggering. Fatherless daughters are 111 percent more likely to have children as teenagers, 164 percent more likely to give birth to an illegitimate child and 92 percent more likely to fail in their own marriages. Fatherless sons are 300 percent more likely to be incarcerated in state juvenile facilities. Seventy percent of all young men incarcerated in the United States come from fatherless homes. Fatherless children are twice as likely to drop out of schools and are failing school not because they are intellectually or physically impaired but because they are emotionally incapacitated. (Statistics from "The Five Key Habits of Smart Dads" by Paul Lewis, quoting from Barbara Whitehead in the April 1993 Atlantic Monthly; Myron Magnet in Fortune magazine, Aug. 10, 1992, and; Nancy Gibbs in Time, June 28, 1993.)

■ According to the National Center of Health Statistics, fatherless children are from 100 to 200 percent more likely to have emotional and behavioral problems. The most reliable predictor of crime is neither poverty nor race but growing up fatherless.

We need to turn this situation

Guest Opinion

around and quick! The breakdown of the family is causing the breakdown of our society and our country.

In an attempt to provide a solution to the disintegration of the family, the Alaska Legislature has been introduced to the concept of charter marriage in HB 390 and its companion bill SB 318. With this legislation, couples contemplating marriage would have a choice between the existing "no fault" (testament) marriage and the new charter marriage. Those choosing a charter marriage will be making a higher level of commitment than in the "no fault" marriage.

There are some similarities between the proposed charter marriage and the marriages couples entered into 30 years ago, with some notable differences. Premarital counseling is a requirement of charter marriage contracts. In a charter marriage, the engaged couple must execute a "declaration of intent" to enter into a charter marriage and agree that the marriage will be a life-long relationship. They must obtain premarital counseling emphasizing the nature, purposes and responsibilities of marriage. That in itself serves to give the marriage a much better start. Who hasn't seen a couple get married who seemed doomed from the start and thought it too bad they did not get counseling before entering into an ill-advised marriage? The fact that both parties must agree on this form of marriage is a plus, as it helps assure that they both have the same level of commitment to the relationship. I would certainly think twice if my intended were not willing to make the same level of commitment to the marriage contract.

You may ask what significant effect premarital counseling will have after the romance wears out. An answer to that question can be found in several cities in the Lower 48 where the clergy have banded together and required premarital counseling before performing marriage

ceremonies. These cities have shown a marked decrease in the number of divorces.

Just as it is harder to enter a charter marriage, it is harder to get out of one. Not impossible, just harder. Isn't that how it should be? If you truly meant it when you said you intended for this to be a life-long relationship, then you wouldn't want it ended unless that was the only option left. To obtain a legal separation, they must show proof of having had personal counseling within the six months preceding the date of filing. Divorces are granted only after a finding of fault by the other spouse, such as adultery, conviction of a felony, abandonment for one year, physical abuse of the spouse, physical or sexual abuse of a child in the marriage, being habitually intemperate in the consumption of alcohol or in the use of drugs, or inflicting upon the spouse personal indignities rendering life burdensome. Divorce for other grounds, such as incompatibility, would only be granted after a significant waiting period, as well as additional counseling. The net result of this legislation will be that couples who enter into a charter marriage had better think it through clearly and mean what they say when they say "I do." The bones of matrimony will be stronger and harder to break. This is good news for families and especially for children in families.

It has been said that we cannot legislate morality. However, we have done a great job of legislating immorality for the last 25 years. "No fault" marriage is a prime example. The idea of "choice" has been given such high ranking in our society that it seems this is a bill that should please everyone. The state is not mandating either one but is allowing us to choose. Our legislators deserve a big thank you for addressing one of the biggest problems in our state.

Debbie Joslin is chairwoman of the District 35 Republican Party of Alaska. She lives in Delta Junction with her husband, Steven, and their three children. She notes that her father has married five times and divorced four; her mother has married and divorced three times.

among students having problems is that their family lives are in a state of upheaval. When families fall apart, education suffers.

Years ago many of our churches, including mine, began to require premarital counseling. Unfortunately, in this post-Christian age, that is only a Band-Aid. House Bill 390 offers, as an option, charter marriages to challenge newlyweds to commit to one another in a more elaborate fashion.

This bill would not eliminate the existing form of civil marriage. In all marriages participants face difficulties. Tensions and misunderstandings conspire to keep all marriages troublesome to some degree. The charter marriage bill contains some tried and true means to keep the "bridal train" on track. For instance, couples entering a charter marriage would:

1. seek premarital counseling;
2. sign a declaration that marriage is a lifelong relationship and stating that they have shared anything that will adversely affect a decision to marry, and;
3. sign a declaration that they will seek counseling if they develop marital problems.

Dissolving a family through divorce would be more difficult in a charter marriage. It would take time or substantial reason to divorce. That time may be all that is needed to allow tempers to calm and the love that brings a couple together to reassert itself.

A child's learning is only one of the victims of fractured families. Domestic violence, teen pregnancy, drug and alcohol abuse, and crime are linked to broken marriages. By offering the option of a charter marriage, Alaska will take steps to build stronger marriages and a better society.

Bob Coghill
School Board Member
Fairbanks

Charter option

Feb. 28, 1998

To the editor:

School board members usually write in support of increased funding, better programs and safety. Those are important matters that can marginally improve education for students. As important as schools are to young people, they are just a portion of a child's life. It is the family that gives a child aspirations, that provides a comfortable and secure learning environment, and the confidence to strive in a world that can be uncompromising.

For me, the most unpleasant part of being on the school board is the responsibility of discipline hearings. A common thread

Marriage bill for serious couples

By MARK SABBATINI

THE JUNEAU EMPIRE

A bill allowing people to opt for "charter marriages" requiring pre-marital counseling and limiting when divorce can occur has been introduced by a Fairbanks legislator.



REP. PETE KELLY

House Bill 390 is similar to a law enacted last year in Louisiana allowing people to choose between conventional and "higher tier" marriages, said Rep.

Pete Kelly, a Republican. He said the alternative measure will force couples to think more carefully about the commitment they are making and hopefully lead to fewer divorces.

"If a couple comes to city hall to get their marriage license this will force them into a meaningful dialogue. It off the bat: 'What kind of marriage do you want?'" he said today. "If they can't agree on that maybe they won't get married in the first place."

Couples wanting a charter marriage must seek counseling and sign an agreement stating they understand the marriage is a lifelong commitment, according to the bill. Each person must also disclose "all facts that may adversely affect the intended mate's decision to enter into the charter marriage."

Divorce from a charter marriage is allowed only if a spouse commits adultery, has been convicted of a felony and is serving three or more years in prison, abandons the house for more than a year and refuses to return, or has been living separately for a year. If the couple has children under 18, the couple must live separately for at least 18 months before divorcing.

Separation is permitted only if the couple has obtained at least six months of counseling, or for circumstances such as adultery, assault, substance abuse or

Please turn to Marriage, Page 8

8 JUNEAU EMPIRE, THURSDAY, FEBRUARY 12, 1998

Marriage...

Continued from Page 1

inflicting "indignities rendering life burdensome."

Couples married in traditional ceremonies can renew their vows using the charter provisions.

Royce Christmas, pastor of Glacier Valley Baptist Church, said he has not seen Kelly's bill, but supports the concept. Christmas said he requires couples to go through at least two counseling sessions, and prefers more, before he performs a marriage for them.

"It makes them sit down and look at the cold hard facts of what this relationship is going to require at the outset," he said. "It blows the rainbow of romance aside for a moment maybe and puts reality there."

He said requiring counseling before a divorce probably doesn't hurt anything, but he doesn't think it preserves troubled marriages in most cases.

The restrictions on divorce troubles some advocates for women, who fear wives might have difficulty escaping abusive husbands.

"One of our fears is, 'Would this be used in violent relation-

ships?'" said Caren Robinson, a former Juneau lawmaker and spokeswoman for the Alaska Women's Lobby.

Alaska had five divorces per 1,000 people in 1995, compared to 4.4 per 1,000 nationally. The national rate in 1996 was 4.3 per 1,000, equating to a 2 percent drop and representing the lowest rate in more than 20 years.

Louisiana's Covenant Marriage Act took effect last Aug. 15, said Tracy Lemoine, an assistant to Rep. Tony Perkins, a Republican lawmaker who introduced the bill there.

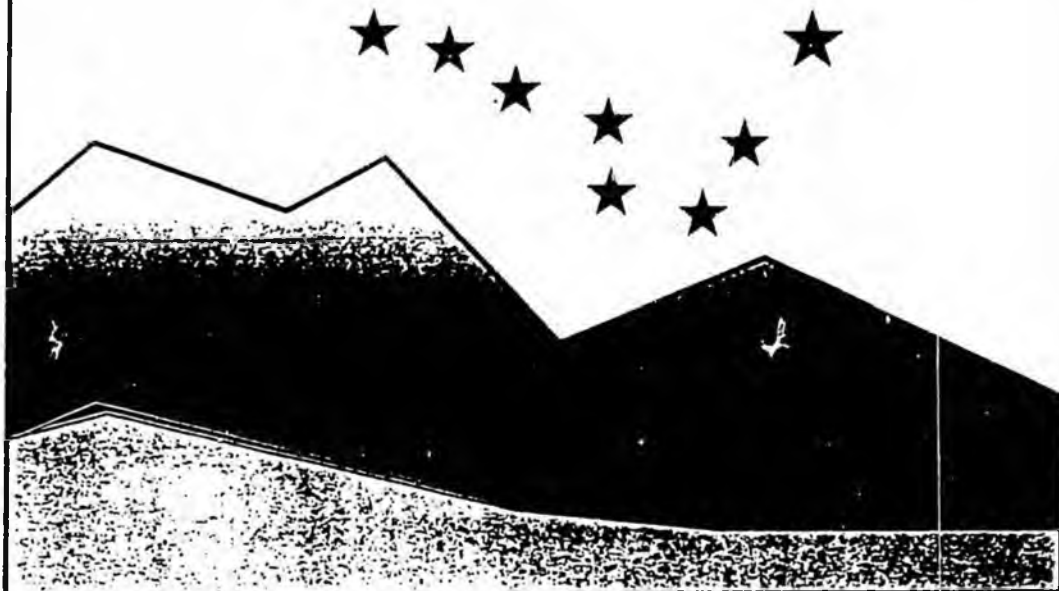
It got off to a slow start. Only 26 covenant licenses were sold in the month after the law took effect. Louisiana issues about 3,000 marriage licenses in a typical summer month.

Lemoine said the state's vital statistics office is lagging behind on tracking who has taken advantage of the new law. She said she expects the number of couples in charter marriages to skyrocket this weekend when more than 200 churches participate in a "covenant weekend" where couples can renew their vows under the new law.

The Associated Press contributed to this report.

ALASKA

BUREAU OF VITAL STATISTICS



1995 ANNUAL REPORT

TONY KNOWLES
Governor

STATE OF ALASKA



KAREN PERDUE
Commissioner

**DEPT. OF HEALTH &
SOCIAL SERVICES**

MARRIAGE AND DIVORCE

MARRIAGE AND DIVORCE



5,514 MARRIAGES
3,095 DIVORCES

MARRIAGES

There were 5,514 marriages performed in Alaska in 1995, involving 4,990 Alaska resident brides and 4,968 Alaska resident grooms. This is a decrease of 0.8% from the 5,557 marriages which occurred in 1994.¹ The crude marriage rate in 1995 was 9.1 marriages per 1,000 residents, down from 9.2 marriages per 1,000 in 1994.

Marriage rates vary widely between census areas in Alaska. For instance, the lowest rate of 2.2 marriages per 1,000 residents was in the Aleutians East census area. The highest rate of 12.7 marriages per 1,000 residents was in the Ketchikan Gateway Borough census area.

The average age for brides was 29.9 and the average age for grooms was 32.5. It was the first marriage for 55.7 percent of brides and 59.0 percent of grooms.

June, July and August were the months with the most marriages with 682, 711, and 685 marriages respectively. January had the fewest marriages with only 303.

There were 378 marriages in which neither the bride nor the groom was a resident of Alaska, a 9.2 percent increase over the 346 non-resident marriages in 1994. The Anchorage census area had the greatest number of non-resident marriages with 114; however, Juneau had the second largest number of non-resident marriages with 65, 19% of all marriages occurring in Juneau.

¹ Crondahl, J., Mitchell, P., Zenk, A.E., Anderson, C., Walden, S. and Juan, I. Department of Health and Social Services, Division of Public Health. *Alaska Bureau of Vital Statistics 1994 Annual Report*. Juneau, Alaska, June 1996, p. 67.

TABLE 4.1A MARRIAGES AND CRUDE MARRIAGE RATES BY CENSUS AREA OF OCCURRENCE, ALASKA, 1995

CENSUS AREA	OCCURRENCES		RESIDENT GROOMS		RESIDENT BRIDES	
	MARRIAGES	CRUDE RATE	MARRIAGES	SEX-SPECIFIC RATE	MARRIAGES	SEX-SPECIFIC RATE
ALEUTIANS EAST	5	2.2	8	6.6	8	7.9
ALEUTIANS WEST	39	6.5	39	11.1	38	15.6
ANCHORAGE BOROUGH	2,301	9.1	2,155	16.4	2,192	17.9
ANGOON-HOONAH-SKAGWAY	41	11.0	25	12.6	29	16.6
BETHEL	89	5.8	92	11.5	96	13.1
BRISTOL BAY BOROUGH	11	9.1	12	18.5	11	19.8
DENALI BOROUGH	19	10.6	14	14.5	13	15.7
DILLINGHAM	27	6.2	30	13.1	31	14.9
FAIRBANKS NORTH STAR BOROUGH	854	10.4	757	17.5	760	19.7
HAINES BOROUGH	22	9.6	16	13.6	14	12.5
JUNEAU BOROUGH	340	11.8	269	18.3	270	19.2
KENAI PENINSULA BOROUGH	491	10.7	401	16.7	387	17.5
KETCHIKAN GATEWAY BOROUGH	187	12.7	155	20.0	152	21.6
KODIAK ISLAND BOROUGH	114	7.8	111	13.8	108	16.3
LAKE AND PENINSULA	6	3.3	8	8.3	6	7.0
MATANUSKA-SUSITNA BOROUGH	461	9.4	388	15.2	395	16.7
NOME	50	5.6	53	11.2	52	12.5
NORTH SLOPE BOROUGH	34	4.9	41	11.3	40	12.1
NORTHWEST ARCTIC BOROUGH	33	5.0	32	9.3	33	10.5
PRINCE OF WALES-OUTER KETCHIKAN	45	6.7	50	13.4	49	16.2
SITKA BOROUGH	85	9.6	68	14.9	66	15.3
SOUTHEAST FAIRBANKS	41	6.3	38	11.0	33	10.9
VALDEZ-CORDOVA	86	8.2	72	12.9	78	16.0
WADE HAMPTON	23	3.5	27	7.8	27	8.5
WRANGELL-PETERSBURG	67	9.3	61	15.9	61	18.1
YAKUTAT	3	3.9	2	4.8	2	5.7
YUKON-KOYUKUK	40	6.3	44	12.6	41	14.3
TOTAL	5,514	9.1	4,968	15.8	4,990	17.3



$$\text{MARRIAGE} \div \text{TOTAL POPULATION} \times 1000 = \text{CRUDE RATE}$$

TABLE 4.1B MARRIAGES BY NATIVE REGIONAL CORPORATION OF OCCURRENCE, GROOM'S RESIDENCE, AND BRIDE'S RESIDENCE, ALASKA, 1995

NATIVE REGIONAL CORPORATION	OCCURRENCES	RESIDENT GROOMS	RESIDENT BRIDES
AHTNA INC.	21	14	16
ALEUT CORP.	44	47	46
ARCTIC SLOPE CORP.	34	41	40
BERING STRAITS CORP.	50	53	52
BRISTOL BAY CORP.	42	47	46
CALISTA CORP.	112	119	123
CHUGACH NATIVES INC.	124	94	95
COOK INLET REG CORP.	3,197	2,911	2,941
DOYON LTD.	953	853	847
KONIAG INC.	114	111	108
NANA REGIONAL CORP.	33	32	33
SEALASKA CORP.	790	646	643
TOTAL	5,514	4,968	4,990

TABLE 4.2 MARRIAGES BY CENSUS AREA OF BRIDE'S RESIDENCE, AND BY CENSUS AREA OF GROOM'S RESIDENCE, ALASKA, 1995

BRIDE'S RESIDENCE	GROOM'S RESIDENCE														
	ALE	ALW	ANC	AHS	BET	BBB	DEN	DIL	FBK	HNS	JUN	KPB	KET	KOD	LKP
ALEUTN EAST	8														
ALEUTN WEST		37													
ANCHORAGE			2,058						5		4	16	1	3	1
ANG-HNH-SKG				25											
BETHEL			5		88										
BRISTOL BAY						10									
DEVALI							10								
DILLINGHAM					1			28							
FAIRBANKS									711						
HAINES										14					
JUNEAU			4								256				
KENAI PEN			4				1		2			371			
KETCHIKAN													149		
KODIAK			2									1		101	
LAKE-PENIN															6
MAT-SU			19									5			
NOME															
NORTH SLOPE			2												
NW ARCTIC															
PRINCE-WALES															
SITKA															
SF FAIRBANKS															
VALDEZ-CORDV			4												
WADE HAMPTON															
WRANGELL-PBG															
YAKUTAT															
YUKON-KOY															
OUT OF STATE			54				2	1	38	2	6	7	3	6	
TOTAL	8	30	2,155	25	92	12	14	30	757	16	269	401	155	111	8

Continued →

TABLE 4.2 CONTINUED

BRIDE'S RESIDENCE	GROOM'S RESIDENCE													TOTAL
	NSB	NOM	NSB	NAB	POW	SIT	SEF	VAL	WAH	WRP	YAK	YUK	OOS	
ALEUTN EAST														8
ALEUTN WEST													1	38
ANCHORAGE	18		1				2	1					78	2,192
ANG-HNH-SKG										1			2	29
BETHEL									1					96
BRISTOL BAY														11
DENALI	1												1	13
DILLINGHAM													1	31
FAIRBANKS												3	13	760
HAINES														14
ILNEAU													8	270
KENAI PEN	2											1	6	387
KETCHIKAN													3	152
KODIAK													4	108
LAKE-PENIN														6
MAT-SU	159												10	393
NOME			48										2	52
NORTH SLOPE				37									1	40
NW ARCTIC		1	1	30										33
PRINCE-WALES					47								2	49
SITKA						63							1	66
SE FAIRBANKS							31	1					1	33
VALDEZ-CORDV					1			70					1	78
WADE HAMPTON									26				1	27
WRANGELL-PBG										57			2	61
YAKUTAT											2			2
YUKON-KOY												10		41
OUT OF STATE	8	3	2	1	2	3	3			2			378	524
TOTAL	388	53	41	32	50	68	38	72	27	61	2	44	546	5,514

TABLE 4.3 MARRIAGES BY AGE OF GROOM AND AGE OF BRIDE, ALASKA, 1995

AGE OF BRIDE	AGE OF GROOM									TOTAL
	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55+	
15-19	152	323	68	20		3	1			571
20-24	56	733	452	146	42	13	7	4	1	1,453
25-29	3	157	417	312	126	40	31	7	1	1,113
30-34	2	34	141	273	194	107	41	8	11	811
35-39		10	55	116	180	152	70	32	13	633
40-44		4	11	52	80	118	88	40	25	418
45-49			4	15	26	41	29	58	41	277
50-54			1	4	9	16	28	35	48	141
55+							7	8	82	97
TOTAL	215	1,261	1,149	941	681	503	352	192	222	5,514

DIVORCES

There are three administrative methods for terminating a marriage in Alaska:

- Divorce is an adversarial process in which the terms of the decree are decided by the courts based upon evidence, testimony, and in accordance with Alaska statutes. These terms include disposition of property, living arrangements, and custody and support for any minor children involved. In 1995, there were 1,004 divorces granted in Alaska. This is a 2.9 percent decrease from 1994.

Alaska Bureau of Vital Statistics (continued) MARRIAGE AND DIVORCE

- A dissolution of marriage is a cooperative agreement between the husband and wife in which both parties agree to the terms for distribution of property, living arrangements, and support and custody of minor children. The agreement is reviewed by the court which can amend it, if it determines the terms are not equitable. In 1995, there were 2,079 dissolutions of marriage in Alaska. This is a 7.8 percent decrease from 1994.
- An annulment is a judicial pronouncement declaring a marriage never existed. In 1995, there were 12 annulments granted in Alaska. This is a 42.9 percent decrease from 1994.

When not otherwise stated, the term *divorce* refers to all three methods collectively.

In 1995, the total of 3,095 divorces, dissolutions, and annulments resulted in a crude divorce rate of 5.1 divorces per 1,000 population. This is a 7.3 percent decrease from the crude divorce rate of 5.5 in 1994.²

TABLE 4.4 DIVORCES, DISSOLUTIONS AND ANNULMENTS BY JUDICIAL DISTRICT, ALASKA, 1995

JUDICIAL DISTRICT OF DECREE	DECREE TYPE			TOTAL
	DIVORCE	DISSOLUTION	ANNULMENT	
01-FIRST	133	303	1	437
02-SECOND	11	21		32
03-THIRD	691	1,337	9	2,037
04-FOURTH	169	418	2	589
TOTAL	1,004	2,079	12	3,095

² Crondahl, J., Mitchell, P., Zenk, A.E., Anderson, C., Walden, S. and Juan, I. Department of Health and Social Services, Division of Public Health. *Alaska Bureau of Vital Statistics 1994 Annual Report*. Juneau, Alaska, June 1996. p. 79

TABLE 4.5 DIVORCES AND DIVORCE RATES FOR WOMEN AND MEN BY CENSUS AREA OF RESIDENCE, ALASKA, 1995

CENSUS AREA	WOMEN		MEN	
	NUMBER	RATE	NUMBER	RATE
ALEUTIANS EAST	5	4.9	6	4.9
ALEUTIANS WEST	10	4.1	15	4.3
ANCHORAGE BOROUGH	1,215	9.9	1,113	8.5
ANGOON-HOONAH-SKAGWAY	12	6.9	17	8.5
BETHEL	22	3.0	22	2.8
BRISTOL BAY BOROUGH			2	3.1
DENALI BOROUGH	4	4.8	3	3.1
DILLINGHAM	7	3.4	11	4.8
FAIRBANKS NORTH STAR BOROUGH	446	11.5	416	9.6
HAINES BOROUGH	12	10.7	5	4.2
JUNEAU BOROUGH	173	12.3	165	11.3
KENAI PENINSULA BOROUGH	222	10.0	220	9.2
KETCHIKAN GATEWAY BOROUGH	93	13.2	75	9.7
KODIAK ISLAND BOROUGH	56	8.5	62	7.7
LAKE AND PENINSULA	2	2.3	3	3.1
MATANUSKA-SUSITNA BOROUGH	214	9.1	212	8.3
NOME	14	3.4	18	3.8
NORTH SLOPE BOROUGH	6	1.8	11	3.0
NORTHWEST ARCTIC BOROUGH	10	3.2	9	2.6
PRINCE OF WALES-OUTER KETCHIKAN	30	9.9	27	7.2
SITKA BOROUGH	44	10.2	41	9.0
SOUTHEAST FAIRBANKS	16	5.3	18	5.2
VALDEZ-CORDOVA	33	6.8	37	6.6
WADE HAMPTON	5	1.6	6	1.7
WRANGELL-PETERSBURG	39	11.6	40	10.4
YAKUTAT				
YUKON-KOYUKUK	10	3.5	9	2.6
CENSUS AREA UNKNOWN	11		20	
TOTAL	2,711	9.4	2,583	8.2

TABLE 4.6 DIVORCES INVOLVING CHILDREN UNDER THE AGE OF 18 YEARS BY JUDICIAL DISTRICT, ALASKA, 1995

JUDICIAL DISTRICT	CHILDREN UNDER 18			
	NO		YES	
	DIVORCES	PERCENT	DIVORCES	PERCENT
FIRST	209	47.8	228	52.2
SECOND	12	37.5	20	62.5
THIRD	976	47.9	1,061	52.1
FOURTH	297	50.4	292	49.6
TOTAL	1,494	48.3	1,601	51.7

03/23/98
13:46:22

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LOCATION: DELTA JCT.

HB 390
HB 390

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②

MRS. DEBRA
MRS. MARLA

JOSLIN
WILLIS

District Chair #35

TESTIFY
TESTIFY



STATE of ALASKA

Delta Junction Legislative Information Office

P.O. Box 1189
Room 210, Jarvis Office Center
Delta Junction, AK 99737
(907) 895-4236

Fax: (907) 895-5017

March 23, 1998

TO: House Finance

Please accept the enclosed originals of written testimony for the House Finance Committee hearing that was scheduled on 3/23/98.

Copies of this testimony were transmitted by fax on 3/23/98.

Thank you,

A handwritten signature in black ink, appearing to read "Tammy R. Hall".

Tammy R. Hall
Information Assistant

Enclosures: 1

Stronger marriages needed

Legislature should offer the option

Fbks
News
Miner
3-4-98

Guest Opinion

By DEBBIE JOSLIN

The '60s brought us the concept of "free love." The '70s brought us "no fault" divorce and told us how resilient kids are in recovering from divorce. Now in the '90s we are finding out that we bought into a lie.

■ Since "no-fault" divorce was first introduced in 1970, the national divorce rate has risen 279 percent, resulting in 352 percent more kids living with a divorced parent. The majority of those children are living with their mothers. (Statistical Abstract of the U.S., quoted in Focus on the Family magazine, January 1995 edition.)

■ The national statistics on children from broken homes are staggering. Fatherless daughters are 111 percent more likely to have children as teenagers, 164 percent more likely to give birth to an illegitimate child and 92 percent more likely to fail in their own marriages. Fatherless sons are 300 percent more likely to be incarcerated in state juvenile facilities. Seventy percent of all young men incarcerated in the United States come from fatherless homes. Fatherless children are twice as likely to drop out of schools and are failing school not because they are intellectually or physically impaired but because they are emotionally incapacitated. (Statistics from "The Five Key Habits of Smart Dads" by Paul Lewis, quoting from Barbara Whitehead in the April 1993 Atlantic Monthly; Myron Magnet in Fortune magazine, Aug. 10, 1992, and; Nancy Gibbs in Time, June 28, 1993.)

■ According to the National Center of Health Statistics, fatherless children are from 100 to 200 percent more likely to have emotional and behavioral problems. The most reliable predictor of crime is neither poverty nor race but growing up fatherless.

We need to turn this situation

around and quick! The breakdown of the family is causing the breakdown of our society and our country

In an attempt to provide a solution to the disintegration of the family, the Alaska Legislature has been introduced to the concept of charter marriage in HB 390 and its companion bill SB 318. With this legislation, couples contemplating marriage would have a choice between the existing "no fault" (testament) marriage and the new charter marriage. Those choosing a charter marriage will be making a higher level of commitment than in the "no fault" marriage.

There are some similarities between the proposed charter marriage and the marriages couples entered into 30 years ago, with some notable differences. Premarital counseling is a requirement of charter marriage contracts. In a charter marriage, the engaged couple must execute a "declaration of intent" to enter into a charter marriage and agree that the marriage will be a lifelong relationship. They must obtain premarital counseling emphasizing the nature, purposes and responsibilities of marriage. That in itself serves to give the marriage a much better start. Who hasn't seen a couple get married who seemed doomed from the start and thought it too bad they did not get counseling before entering into an ill-advised marriage? The fact that both parties must agree on this form of marriage is a plus, as it helps assure that they both have the same level of commitment to the relationship. I would certainly think twice if my intended were not willing to make the same level of commitment to the marriage contract.

You may ask what significant effect premarital counseling will have after the romance wears out. An answer to that question can be found in several cities in the Lower 48 where the clergy have banded together and required premarital counseling before performing marriage

ceremonies. These cities have shown a marked decrease in the number of divorces.

Just as it is harder to enter a charter marriage, it is harder to get out of, one. Not impossible, just harder. Isn't that how it should be? If you truly meant it when you said you intended for this to be a lifelong relationship, then you wouldn't want it ended unless that was the only option left. To obtain a legal separation, they must show proof of having had personal counseling within the six months preceding the date of filing. Divorces are granted only after a finding of fault by the other spouse, such as adultery, conviction of a felony, abandonment for one year, physical abuse of the spouse, physical or sexual abuse of a child in the marriage, being habitually intemperate in the consumption of alcohol or in the use of drugs, or inflicting upon the spouse personal indignities rendering life burdensome. Divorce for other grounds, such as incompatibility, would only be granted after a significant waiting period, as well as additional counseling. The net result of this legislation will be that couples who enter into a charter marriage had better think it through clearly and mean what they say when they say "I do." The bones of matrimony will be stronger and harder to break. This is good news for families and especially for children in families.

It has been said that we cannot legislate morality. However, we have done a great job of legislating immorality for the last 25 years. "No fault" marriage is a prime example. The idea of "choice" has been given such high ranking in our society that it seems this is a bill that should please everyone. The state is not mandating either one but is allowing us to choose. Our legislators deserve a big thank you for addressing one of the biggest problems in our state.

Debbie Joslin is chairwoman of the District 35 Republican Party of Alaska. She lives in Delta Junction with her husband, Steven, and their three children. She notes that her father has married five times and divorced four; her mother has married and divorced three times.

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Debbie Joslin
PO Box 577
Delta Junction AK 99737

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Debbie Joslin

HB

393

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FILE

Testimony for House Finance Committee - 6th April, 1998

For the record my name is David Brooks. I hold the post of Manager Alaska Gas in BP Exploration Alaska Incorporated and I am responsible for BP's initiatives to commercialize the gas reserves on the North Slope of Alaska.

Mr. Chairman I should like to thank you for this opportunity to testify before this committee and to explain BP's views on this Bill.

Today in Prudhoe Bay we have proven approximately 25 trillion cubic feet of gas, there are some 5 trillion cubic feet of gas in Point Thompson and the US geological survey suggests that there could be in excess of another 100 trillion cubic feet yet to be found on the North Slope.

That is a lot of gas, another oil field at least the size of Prudhoe Bay - and a large amount of value or revenue for the resource owners and the State and people of Alaska if we can find economic ways to get that gas to market, in some form or other. And I would like to assure the members of this committee that BP is taking the issue of the commercialization of those gas resources very seriously and continues to dedicate resources to exploring routes to commercialize it.

Over the past year or so we have had the pleasure and honor of working with the legislature, the state administration, other gas owners and interested parties on the commercialization of the North Slope gas. The Gas Commercialization Report published in January of this year was an outcome of that work and we consider it to be a very sound and professional review of the challenges surrounding the commercialization of the gas. This Bill is the next logical step following the recommendations of the Commercialization Report.

Commissioner Condon in his testimony has described very clearly and expertly how the Bill would be implemented. I therefore do not intend to discuss that. Instead I would like to highlight two issues that BP believes ought to be considered by this Committee in its review of the Bill.

BP believes that this piece of legislation is important for the State. It creates - or at least in our view it ought to create - options for the State to unlock the value in its vast resources of stranded gas.

However, as it is currently written the Bill is very much an LNG and gas pipeline Bill only, and that is certainly one important option. But there are other options.

A key option today is gas to liquids technology.

Although the technology is currently uneconomic many companies including BP have extensive work programs in progress to drive down the costs of the process and to make it competitive.

The gas to liquids technology would convert the gas on the North Slope to a liquid hydrocarbon such as diesel. That diesel could be transported in the TAPS oil pipeline and sold out of Valdez in the normal way. Although this would not require the development of a gas line it would have other significant benefits.

- First, a gas to liquids plant on the North Slope would increase the flow of oil through the TAPS line, thereby helping to keep down transportation costs. This could help facilitate the production of crude oil from some of the smaller accumulations on the North Slope.
- Secondly, enhanced flows down TAPS would prolong the useful life of TAPS and ensure that refineries and communities along the pipeline continue to have access to energy derived from North Slope reserves.

And please do not forget, the options of LNG and Gas to liquids are not mutually exclusive. The vast quantities of gas already proven on the North Slope means that we could do both an LNG project and a gas to liquids project.

Mr. Chairman, members of the Committee, we believe that the scope of the Bill should be widened to include **all** options for gas commercialization, in particular the options of LNG and gas to liquids technology. We would encourage you to make the appropriate amendments to the Bill to make it clear that gas to liquids comes within the scope of stranded gas projects that the Commissioner may consider.

Our second area of concern is the sunset clause on page 10 of the Bill.

That clause limits the applicability of the Bill to projects making an application before the end of June, 2001. And by establishing such a limit it closes off options for the future.

Although BP is working hard, we cannot control the development of technology nor of markets for the gas. We cannot say when additional Stranded Gas fields might be found. But by keeping a cut off date, any cut off date, in the Bill we believe that the State is potentially reducing its options and giving a negative message to the potential developers of technology and stranded gas resources.

We would therefore recommend to this Committee that the sunset clause be deleted.

Mr. Chairman, members of the committee, BP views this legislation as enabling legislation, not committing the State to anything, not giving away.

We believe that it should provide a positive signal to industry and to developers of stranded gas that the State is open for business, that the State is prepared to discuss any fiscal impediments that there may be in the way of **any** stranded gas development project and at **any** time.

Mr. Chairman and members of the Committee,

This Bill is a piece of legislation that ought to create options for the State to generate value from the enormous gas resources on the North Slope of Alaska.

We urge you to clarify that it is applicable both to LNG and gas to liquids and to delete the sunset clause.

Mr. Chairman, members of the committee with those reservation and comments please be assured that BP supports this legislation.

Thank you for your attention. I would be happy to answer any questions that you might have.

ARCO Alaska Testimony
Michael Hurley
House Finance Committee
Monday, April 6, 1998

Mr. Chairman, for the record, my name is Michael Hurley. I am senior tax advisor for ARCO Alaska in Anchorage. I am here today to testify in support of HB-393, The Alaska Stranded Gas Development Act.

As many of you know, ARCO has been aggressively pursuing the development of North Slope gas resources for some time now. As one of the major gas interest owners on the slope, these resources represent one of ARCO's most significant undeveloped assets; and finding a way to commercialize them is an important priority.

Our most encouraging work to-date has been in the development of plans to commercialize the gas as LNG sold into Far East markets. While this project is not yet economically viable, ARCO has been working on four key areas which, if successfully addressed, could lead to an economically viable project; and those are:

- 1) Reduction in the cost of the project,
- 2) Development of a viable project structure,
- 3) Development of a viable market, and,
- 4) Pursuit of federal and state fiscal & commercial regulatory matters

ARCO believes HB-393 represents an important, indeed a vital, component of our plan to develop a viable economic project.

While we have been pursuing our plan for an LNG project to commercialize these gas resources, we also recognize that alternative plans to commercialize the gas have been and continue to be studied. Over the last twenty years several serious efforts were initiated to move the gas in conventional gas pipelines through Canada to lower-48 markets. Unfortunately, thus far, none of those efforts achieved economic viability. Other, more technologically challenging, alternatives for commercializing the gas continue to be researched, including gas to liquids technology, in the drive to maximize the value of the resource. We believe that maximizing the value of the resource, to the industry for it's shareholders, and to the state for it's citizens, is the ultimate goal in commercializing these gas resources. HB-393 is an important piece of legislation, and should be crafted, in such a way, so as to broaden rather than limit the opportunities and options available to commercialize these resources.

HB-393 is important because it puts in place a process and structure within which sponsors or sponsor groups may work with the administration to develop alternative fiscal regimes more appropriate to the kind and structure of project. These alternative fiscal regimes would then be open to public comment, and would ultimately return to the legislature, in the form of contracts, for your evaluation and approval.

In summary, we support HB-393, we believe it provides an important framework which is necessary for us to move forward in our efforts to commercialize these gas resources.

I would like to thank you Mr. Chairman, for the opportunity to testify, and would be happy to answer any questions the committee might have.

CSHB 393 Flow Chart

*The Alaska Stranded Gas
Development Act*

Project Sponsors Apply

Project Sponsors
Requirements

Defined terms

What is STRANDED GAS?

Gas that is uneconomic or uncompetitive to develop.

What is a QUALIFIED PROJECT?

A project that would develop and market 500 bcf of STRANDED GAS over a twenty year period and make gas available to local communities.

What does it take to be a QUALIFIED SPONSOR?

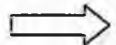
- An intent to own an equity interest in the project and
1. Own some or all of the stranded gas; or
 2. Have a right to purchase some of the stranded gas; or
 3. Have the major permits necessary to construct the project; or
 4. Have the financial strength to construct the project.

A QUALIFIED SPONSOR may apply to the Commissioner of Revenue for a contract to make payments in lieu of certain state and local taxes for a QUALIFIED PROJECT to develop STRANDED GAS



Proposed project sponsors applying for a contract must establish:

1. That gas is stranded gas.
2. That they are Qualified Sponsors.
3. That the proposed project is a Qualified Project.
4. That there is a Project Plan that reflects a proposal for diligent development of the gas, and includes reasonable provisions for providing gas to local communities.



**Commissioners of Revenue and
Natural Resources Review
Application**

**Parties May Proceed to Contract
Negotiation Upon Commissioner
of Revenue's Approval of the
Application for a Contract**

CSHB 393
Flow Chart
3/17/98 :
page 2

**Commissioner of Revenue must
answer the following questions:**

1. Is the gas stranded?
2. Do the proposers meet the standards for Qualified Sponsors?
3. Is the proposed project a Qualified Project?

**Commissioner of Natural
Resources and Commissioner
of Revenue must answer the
following questions:**

1. Does the Project Plan provide for diligent development?
2. Is there a satisfactory plan for providing gas to local communities?

If the answer is "yes" to all five questions pertaining to the review of the application, then the Commissioner of Revenue may decide to proceed to contract negotiations to provide for periodic payments in lieu of taxes.

The Commissioner of Revenue and the Commissioner of Natural Resources Negotiate a Contract with Sponsors that Provides for Payments in Lieu of Certain Taxes, Alaska Hire, Certain Royalty Arrangements, Gas for Communities and Revenue Sharing with Communities

CSHB 393
Flow Chart
3/17/98:
page 3

The Commissioner of Revenue may, with respect to contract fiscal terms, develop payments in lieu of certain state or municipal oil and gas, income, property, or other taxes. Fiscal terms shall:

1. Improve the competitiveness of the Alaska project
2. Function effectively under a wide range of economic and market conditions
3. Link the State's share to project profitability (make tax "progressive")
4. Make State's share "backend loaded"-lower tax rates in earlier years, higher rates in later years
5. Allow Sponsor a share of the project's return commensurate with the Sponsor's assumed risk
6. Have the State's share increase under favorable price and cost conditions
7. Be clear and unambiguous
8. Base payment terms on actual costs if possible, or formulae

In addition to fiscal terms, the contract shall also:

1. Provide for Alaska Hire within the limits of Constitutional restrictions
2. Provide gas for Alaska communities
3. Provide for a fair and reasonable sharing of revenue with affected communities. Development of municipal revenue sharing terms shall be based on the following:
 - i. The size of the tax base that would be exempted
 - ii. The anticipated economic and social burdens imposed on a municipality from a project
 - iii. The need for stable and predictable payments
 - iv. The eight fiscal principles outlined above.

With the concurrence of the Commissioner of Revenue, the Commissioner of Natural Resources may negotiate terms to include in the contract that:

- A. Provide for a method for valuing the gas for royalty purposes; and
- B. Modify the rights of the State to take royalty in-kind rather than in-value.



The Commissioner of Revenue notifies the mayors of the affected communities and they establish the Municipal Advisory Group. One member from each affected community is appointed to serve on the group. The Commissioner of Revenue must:

1. Consult with the Municipal Advisory Group on the development of municipal revenue sharing terms
2. Consult with the Municipal Advisory Group about issues affecting the communities during negotiations.

**The Commissioner of Revenue
Completes Contract and Makes
Preliminary Findings**

**Public and Legislature
Review Proposed
Contract**

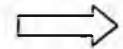
CSHB 393
Flow Chart:
3/17/98
page 4

Commissioner of Revenue completes contract and makes preliminary findings and a determination that the contract is in the long term fiscal interests of the State. With an affirmative finding the Commissioner shall:

1. Submit the proposed contract to the Governor.
2. Make the findings, contracts and supporting data available for public and legislative review



A period of at least 30 days begins for the public and the legislature to review and comment upon the proposed contract and findings.



**The Commissioner of Revenue
Reviews the Contract in Light of
Public Comment and May Seek to
Amend the Contract**

**The Legislature Considers
Legislation to Authorize the
Executive Branch to Execute
the Contract**

CSHB 393
Flow Chart.
3/17/98:
page 5

The Commissioner of Revenue prepares a summary of public comments. After consultation with the Commissioner of Natural Resources and the Municipal Advisory Group, the Commissioner of Revenue:

1. May develop proposed amendments to the contract and attempt to secure Sponsor agreement to the proposed amendments
2. Make final findings and a determination that the contract is in the long term fiscal interest of the State.

The Commissioner submits the proposed contract and final findings to the Governor. The Governor submits the findings and proposed contract together with a bill requesting authority to execute the contract to the legislature.

**The Executive Branch and the
Sponsors Execute the Contract**

If the legislature grants the executive branch the authority to execute the contract, then the Governor must do so within 60 days of the effective date of the authorizing legislation.

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 3, 1998

FURTHER REFERRALS:

Date of Committee Action: 4/6/98

The FINANCE Committee considered:

HB 393

HOUSE BILL NO. 393

DEVELOP STRANDED GAS RESOURCES

"An Act relating to contracts with the state establishing payments in lieu of other taxes by a qualified sponsor or qualified sponsor group for projects to develop stranded gas resources in the state; providing for the inclusion in such contracts of terms making certain adjustments regarding royalty value and the timing and notice of the state's right to take royalty in kind or in value from such projects; relating to the effect of such contracts on municipal taxation; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 393 (RES) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) _____ 2 fiscal note(s) DNR 2/11/98
DOR 2/11/98

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Craig Theriault</i>			X	
<i>Larry Martin</i>			X	
<i>Bob Kelly</i>			✓	
<i>Bob Williams</i>	X			
<i>Chad Hill</i>	✓			
<i>Jim Johnson</i>	X			
<i>[Signature]</i>	X			
<i>Ben [Signature]</i>			X	
<i>Mark [Signature]</i>			X	

CHAIR'S SIGNATURE *Craig Theriault* *Mark Kelly*

Revision Date: _____ Dept. Affected: Revenue
 Title: N. Slope Gas Line BRU: Administration and Support
 Component: Commissioner's Office
 Sponsor: Rules
 Requestor: Governor COMPONENT SERIAL NO. 123

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	F '03	FY 04
PERSONAL SERVICES	81.6	82.7	84.0	85.3	86.6	87.9
TRAVEL	30.0	30.0	30.0	30.0	30.0	30.0
CONTRACTUAL	375.0					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	5.0	5.0	5.0	5.0	5.0	5.0
TOTAL OPERATING	491.6	117.7	119.0	120.3	121.6	122.9

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	*** 191.6	117.7	119.0	120.3	121.6	122.9
1001 CBRF						
1048 University of AK receipts						
Other	300.0					
TOTAL	491.6	117.7	119.0	120.3	121.6	122.9

Estimate of any current year cost \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

*** The legislation as currently drafted allows for the \$300,000 in contractual costs to be recovered from future applicants. This bill could be modified to provide that all costs would be borne by an applicant.

See Attached

Prepared by: Mary Marshburn, Roger Marks
 Division: Office of the Commissioner
 Approved by Commissioner: Wilson L. Condon
 Agency: Revenue

Phone: 343-9242
 Date: February 9, 1998
 Date: February 9, 1998

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
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This bill would authorize the executive branch to negotiate a contract with sponsors of proposed projects to develop stranded gas in Alaska. The payments required by the contract would replace some or all of the state and local taxes that would otherwise pertain to major economic activity engendered by the project.

A negotiated contract would make it possible to tailor the fiscal arrangements to meet the needs of the proposed project while, at the same time, ensuring the public benefits from the project. A set of arrangements providing for contractual payments in lieu of taxes is likely to provide fiscal terms that potential investors will believe are likely to remain permanently in place over the life of the project.

Given the extended time frame to develop and market the large volumes of stranded gas, revenues expected as a result of the bill are outside the time horizon of this fiscal note.

The fiscal note breakdown is as follows:

Personal Services: \$81,600.00

Salary and benefits to fund one DOR person devoted to the gas project.

Travel: \$30,000.00

The state must continue to inform Alaska communities of and involve them in discussion of contract and project issues. Some of the issues that affect them are community impacts induced by project development, payments to municipalities in lieu of taxes, availability of gas to communities and Alaska hire and contracting. In addition, the state will propose and advocate changes to the federal tax structure to improve project economics and evaluate federal regulatory changes to allow for regulatory certainty. This line item will fund travel within Alaska, to consultants and to Washington, D. C. for these purposes.

Contractual: \$375,000.00

\$75,000.00 to fund a socioeconomic study on the impacts induced on the local communities by project development. This study is a necessary step in constructing the foundation for discussion with municipalities and negotiations with project sponsors about payments to municipalities in lieu of taxes for the costs of and impacts from additional services and construction resulting from project development.

N. Slope Gas Line
Bill Analysis
February 9, 1998
Page 3

\$300,000 to fund contractual services and advice from experts in fiscal, regulatory, contract negotiation, legal, and financial areas. These technical and evaluative services would be necessary to the tax and regulatory work planned for the federal level; they would be required to assist the state in substantive and complex contract development and negotiation, potentially with multiple sponsors. The state does not have all of this expertise in-house. \$75,000 of these costs will be incurred in preparation for the application process regardless of whether there are applicants.

As per the proposed bill, contract applications may be made until June 30, 2004. Expenditures for contractual services, therefore, may be necessary any time between July 1, 1998 and June 30, 2004. Because there is no way of knowing now specifically when expenditures would be required, it may be beneficial to treat this \$300,000 as a continuing appropriation

The proposed legislation allows reimbursement of the state by the applicant for the expenses of an independent contractor used to assist in the evaluation of an application. We estimate that \$100,000 of the \$300,000 expenditure would be from this non-general fund source, leaving \$200,000 from the general fund.

Miscellaneous: \$5000.00

To fund supplies, LNG conference participation, purchase of technical reports, etc.

Add a sentence to the existing AS.43.52.500, line 8, p24 stating:

"If the portion of periodic payments are less in the aggregate than the amount the municipality would receive from taxes imposed under 29.45.810, 29.46.010(b) or AS 43.82.200 and AS 43.82.210 during the period of exemption, the provision of the contract relating to the exemption must be approved by the Assembly of the revenue affected municipality before it becomes applicable to that municipality.