

**ALASKA LEGISLATURE**

**2145**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 1999 - 2000**

**SB**

**288**

**HFIN**

**FILE**

KODIAK OFFICE  
112 MILL BAY ROAD  
KODIAK, ALASKA 99615  
(907) 486-4925  
(907) 486-5264 (FAX)

ALASKA STATE LEGISLATURE

STATE CAPITOL  
JUNEAU, ALASKA 99801-1182  
(907) 465-4925  
(800) 821-4925 (TOLL FREE)  
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**SENATOR JERRY MACKIE**

SENATE MAJORITY LEADER

SPONSOR STATEMENT

SB 288, Approving Clarke Bay Terminal Agreement.

SB 288 authorizes the Department of Transportation and Public Facilities to enter into an agreement with the Inter-Island Ferry Authority to operate the state's Clarke Bay marine terminal facility.

Rather than rely on the uncertain plans of the state, the communities of Prince of Wales Island took the initiative in 1997 to solve their own ferry service needs. They formed the Inter-Island Ferry Authority to provide daily ferry service from POW to Ketchikan and to provide a northern link to the communities of Petersburg and Wrangell. Currently, the service between Ketchikan and Clarke Bay (Hollis) by Alaska Marine Highway System ferries is five trips a week during the summer and three trips a week during the winter. For a substantial part of the winter, this service is further reduced to once a week.

The Authority is well on its way to establishing a revenue sustaining transportation system that meets the area's need for increased service. Completion of the first ship and inauguration of service is scheduled for June of next year.

A key feature of the Inter-Island Ferry Authority is the use and operation of the Clarke Bay terminal facility. The state is willing to come to an agreement with the Authority to operate the facility since it will be the principal user. Legislative approval, however, is required before such an agreement can be concluded [AS 29.35.722(2)]. This approval is provided in SB 288.

**Sec. 29.35.705. Audits.** (a) The board shall have the financial records of an authority audited annually by an independent certified public accountant.

(b) An authority shall make all of its financial records available to an auditor appointed by a municipality participating in the authority for examination. (§ 2 ch 97 SLA 1992)

**Sec. 29.35.710. Remedies.** A holder of bonds or notes or coupons attached to the bonds issued by an authority under AS 29.35.625, and a trustee under a trust agreement or resolution authorizing the issuance of the bonds, except as restricted by a trust agreement or resolution, either at law or in equity, may

(1) enforce all rights granted under AS 29.35.600 — 29.35.730, the trust agreement or resolution, or another contract executed by the authority; and

(2) compel the performance of all duties of the authority required by AS 29.35.600 — 29.35.730 or the trust agreement or resolution. (§ 2 ch 97 SLA 1992)

**Sec. 29.35.715. Claims.** For the purpose of judicial and regulatory proceedings by and against an authority, an authority and its board members and employees enjoy the same rights, privileges, and immunities as a municipality and municipal officers. (§ 2 ch 97 SLA 1992)

**Sec. 29.35.720. Conflicting laws inapplicable.** If provisions of AS 29.35.600 — 29.35.730 conflict with other provisions of this title, the provisions of AS 29.35.600 — 29.35.730 prevail. (§ 2 ch 97 SLA 1992)

**Sec. 29.35.722. Ownership or operation of certain state facilities prohibited.** The state may not, without the approval of the legislature,

(1) convey or transfer the Alaska marine highway system, the Anchorage or Fairbanks international airports, or any other state asset, except undeveloped state land as provided in AS 38.05.810 or surplus property, to an authority; or

(2) enter into an agreement with an authority under which the authority would operate the Alaska marine highway system, the Anchorage or Fairbanks international airports, or any other state facility, system, or function that employs one or more employees. (§ 2 ch 97 SLA 1992)

**Cross references.** — For Alaska marine highway system, see AS 19.65.

**Sec. 29.35.725. Definitions.** In AS 29.35.600 — 29.35.730, unless the context otherwise requires,

(1) "authority" means a port authority established under AS 29.35.605;

(2) "board" means the board of directors of an authority;

(3) "bonds" includes bonds, bond anticipation notes, notes, refunding bonds, or other forms of indebtedness of the authority;

(4) "bylaws" or "bylaws of the authority" means the guidelines adopted by and amended by the board from time to time in accordance with AS 29.35.600 — 29.35.730;

(5) "port" means a facility of transportation related commerce located within the state;

(6) "project" means a port, dock, and administrative facilities, including property necessary in connection with the operation of a port;

(7) "project cost" or "cost of a project" means all or any part of the aggregate costs determined by an authority to be necessary to finance the construction or acquisition of a project, including without limitation to the cost of acquiring real property, the cost of constructing buildings and improvements, the cost of financing the project, including, without limitation, interest charges before, during, or after construction or acquisition of the project, costs related to the determination of the feasibility, planning, design, or



March 6, 2000

Senator Jerry Mackie  
Room 427 State Capitol  
Mailstop: 3100  
Juneau, AK 99801-1182

Subject: Legislation for Interisland Ferry Authority Operation of Hollis Terminal

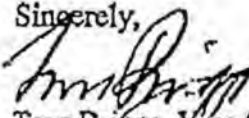
Dear Sen. Mackie:

The Interisland Ferry Authority, a Port Authority under Title 29.35.600, the Alaska Municipal Port Authority Act, is negotiating with the State of Alaska the terms of operation and maintenance of the Clark Bay (Hollis) Ferry Terminal. The need for the terminal is to facilitate the operational support of the daily ferry vessel to be brought online in the spring of 2001.

In a meeting last week, the Alaska Department of Transportation indicated that under state law, the operation of state owned assets by port authorities requires the approval of the Legislature. The Interisland Ferry Authority therefore respectfully requests your assistance in seeking legislative approval for the authority to enter into a long term agreement with the State of Alaska for operation and maintenance of the Clark Bay Ferry Terminal.

Your assistance of the Interisland Ferry Authority in this matter will be greatly appreciated.

Sincerely,

  
Tom Eriggs, Vice Chairman  
Interisland Ferry Authority

Cc: IFA Board of Directors

INTER-ISLAND FERRY AUTHORITY  
An Alaska Municipal Corporation  
P.O. Box 725 • Craig, Alaska 99921  
Telephone: (907) 826-3275 Telefax: (907) 826-3278

---

# Inter-island Ferry Project

## Project Description

### Project Overview

#### Introduction

The Inter-island Ferry Authority (IFA) proposes to design and construct a new passenger and vehicle ferry. The purpose of this ferry is to meet the growing demand for ferry transportation between Prince of Wales Island communities and Ketchikan.<sup>1</sup> The IFA is a recently formed port authority; it will own and operate this new ferry.

The proposed new ferry will replace an Alaska Marine Highway System (AMHS) ferry, MV AURORA, to provide service on a route between Prince of Wales Island and Ketchikan. Exhibit 1 includes a map showing the route of the proposed IFA ferry. The proposed IFA route is the same as that over which the State of Alaska operates the MV AURORA.<sup>2</sup>

The IFA plans to provide year-around twice-daily service on this route. The IFA will use a 17-hour, two-shift operating day to provide this level of service.

The IFA will use existing AMHS ferry terminals at Clark Bay on Prince of Wales Island and in Ketchikan to support its operations. Use agreements between the IFA and the State of Alaska Department of Transportation and Public Facilities will allow the IFA to use AMHS terminals.

Pro-forma financial analysis to date shows that the IFA operation will generate sufficient revenue to pay its operating, maintenance and repair costs. Those revenues will also support debt service sufficient to provide FTA grant matching funds.

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<sup>1</sup> See Project Justification elsewhere in this grant application for a more complete discussion of the justification for this project.

<sup>2</sup> The State of Alaska will reassign the MV AURORA to other AMHS routes once the proposed new IFA ferry begins operation.

(11)

# HOUSE COMMITTEE REPORT

Date Referred to Committee: April 14, 2000

FURTHER REFERRALS:

Date of Committee Action: 4/15/00

The FINANCE Committee considered:

SB 288

SENATE BILL NO. 288

APPROVE CLARKE BAY TERMINAL AGREEMENT

"An Act authorizing the Department of Transportation and Public Facilities to enter into an agreement with the Inter-Island Ferry Authority regarding the operation of the Clarke Bay Terminal, Prince of Wales Island."

recommends it be replaced with the following committee substitute \_\_\_\_\_  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) DOT 3-24-00

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

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>[Signature]</i> Therrault	X			
<i>[Signature]</i> Bunde	<input checked="" type="checkbox"/>			
<i>[Signature]</i> Rusterman	X			
<i>[Signature]</i> DAVIS	X			
<i>[Signature]</i> Grussendorf	X			
<i>[Signature]</i> Moses	X			
<i>[Signature]</i> Williams	X			
<i>[Signature]</i> Phillips	<input checked="" type="checkbox"/>			
<i>[Signature]</i> Foster	X			
<i>[Signature]</i> Mulder	X			

CHAIR'S SIGNATURE *[Signature]* *[Signature]*  
Mulder

# FISCAL NOTE

No. 1  
 Bill Version: SB288  
 BIL(S) Publish Date: 3/24/00

STATE OF ALASKA  
 2000 LEGISLATIVE SESSION

Revision Date/Time (Note if correction) _____	Dept. Affected <u>DOT&amp;PF</u>
Title <u>"An Act authorizing the DOT&amp;PF to enter into</u>	BRU <u>Marine Highway System</u>
<u>an agreement with the Inter-Island Ferry Authority....</u>	Component <u>Southeast Shore Operations</u>
Sponsor <u>Senate Labor &amp; Commerce</u>	<u>Engineering Mangement</u>
Requester <u>Senate Transportation</u>	Component Serial No. _____

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

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services		(115.0)	(115.0)	(115.0)	(115.0)	(115.0)
Travel		(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Contractual		(14.0)	(14.0)	(14.0)	(14.0)	(14.0)
Supplies		(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>(141.0)</b>	<b>(141.0)</b>	<b>(141.0)</b>	<b>(141.0)</b>	<b>(141.0)</b>

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

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other- Marine Highway Fund					(141.0)	(141.0)
<b>TOTAL</b>	<b>0.0</b>				<b>(141.0)</b>	<b>(141.0)</b>

Estimate of any current year (FY00) cost: \_\_\_\_\_

**POSITIONS**

Full-time						
Part-time						
Temporary						
					(2.0)	(2.0)

ORIGINAL

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

(See Attached)

Prepared by <u>Dennis Poshard, Legislative Liaison</u>	Phone <u>465-3904</u>
Division <u>Office of the Commissioner</u>	Date/Time <u>3/18/00 10:34 AM</u>
Approved by <u>Commissioner <i>Timothy L. Pashana</i></u>	Date <u>3/20/00</u>
Agency <u>Department of Transportation and Public Facilities</u>	

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53088  
#1

Department of Transportation and Public Facilities  
Fiscal Note Analysis  
SB 288  
March 18, 2000

*"An Act authorizing the Department of Transportation and Public Facilities to enter into an agreement with the Inter-Island Ferry Authority (IFA) regarding the operation of the Clarke Bay Terminal, Prince of Wales Island"*

This bill would allow the Department to transfer the operation and maintenance of the Clarke Bay Terminal to the Inter-Island Ferry Authority. The Department would therefore achieve operational savings as follows:

Personal Services - \$115,000. \$5,000 is the amount our maintenance workers charge per year for preventative and emergency maintenance at the terminal. The remaining \$110,000 represents the cost of two terminal agents working at Hollis. The third employee (seasonal) needs to be maintained to make AMHS reservations on Prince of Wales Island for passage on AMHS vessels. That work load would all shift to Ketchikan and further inconvenience AMHS customers if this services is not provided.

Travel - \$2,000. This is the amount of travel and per diem for the workers to travel from Ketchikan when working on the terminal.

Contractual - \$14,000. This covers electricity, phone, fuel oil, vehicle rental, and other miscellaneous expenses to operate the terminal for a year.

Supplies - \$10,000. This includes office supplies used at the terminal as well as maintenance and repair supplies used by the terminal maintenance workers. This includes maintaining and repairing the hydraulic ramp and other parts at the dock.

This fiscal note assumes a transfer date of July 1, 2001, pending delivery and operation of the IFA's first vessel.

# FISCAL NOTE

No. 1  
 Bill Version: SB288  
 BIL (S) Publish Date: 3/24/00

STATE OF ALASKA  
 2000 LEGISLATIVE SESSION

Revision Date/Time (Note if correction)		Dept. Affected	DOT&PF
Title	"An Act authorizing the DOT&PF to enter into an agreement with the Inter-Island Ferry Authority...."	BRU	Marine Highway System
Sponsor	Senate Labor & Commerce	Component	Southeast Shore Operations
Requester	Senate Transportation	Component Serial No.	Engineering Mangement

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CAPITAL EXPENDITURES						
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Estimate of any current year (FY00) cost: \_\_\_\_\_

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Full-time		(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Part-time						
Temporary						

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

(See Attached)

Prepared by Dennis Poshard, Legislative Liaison  
 Division Office of the Commissioner  
 Approved by Commissioner  
 Agency Department of Transportation and Public Facilities

Phone 465-3904  
 Date/Time 3/18/00 10:34 AM  
 Date 3/20/00

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**SB**

**288**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/24/00

REPORTED OUT OF  
SFC 4/5/00

FURTHER:

DATE TURNED  
IN TO OFFICE: 4/5/00

Finance Committee considered

SENATE BILL NO. 288

"An Act authorizing the Department of Transportation and Public Facilities to enter into an agreement with the Inter-Island Ferry Authority regarding the operation of the Clarke Bay Terminal, Prince of Wales Island."

and recommends:

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

Senate Bill:

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

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Roller</i>	✓	<i>Lyle</i>	✓		
<i>Alan D. Leman</i>	✓				
<i>Lang</i>	✓				
Co-Chair: <i>[Signature]</i>		Co-Chair:			
Co-Chair: <i>[Signature]</i>		Co-Chair: <i>Alan Parrott</i>	✓		

**NEW FISCAL NOTE(S):**

Department                      Date      Zero      Fiscal


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

Department                      Date      Zero      Fiscal

<i>DOT &amp; PF</i>	<i>3/20/00</i>	✓	

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# FISCAL NOTE

No. 1  
Bill Version: SB288  
BII (S) Publish Date: 3/24/00

STATE OF ALASKA  
2000 LEGISLATIVE SESSION

Revision Date/Time (Note if correction)	Dept. Affected	DOT&PF
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Sponsor Senate Labor & Commerce	Component	Southeast Shore Operations
Requester Senate Transportation	Component	Engineering Mangement
	Serial No.	

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CAPITAL EXPENDITURES						
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ANALYSIS: (Attach a separate page if necessary)

(See Attached)

Prepared by	Dennis Poshard, Legislative Liaison	Phone	465-3904
Division	Office of the Commissioner	Date/Time	3/18/00 10:34 AM
Approved by	Commissioner <i>Jim L. Pashare</i>	Date	3/20/00
Agency	Department of Transportation and Public Facilities		

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## SENATOR JERRY MACKIE

SENATE MAJORITY LEADER

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The Authority is well on its way to establishing a revenue sustaining transportation system that meets the area's need for increased service. Construction of the first ship is scheduled for June of next year. Considerable funds have also been secured to upgrade existing terminal facilities and construct the new ones needed for the northern portion.

A key feature of the Inter-Island Ferry Authority is the use and operation of the Clarke Bay terminal facility. The state is willing to come to an agreement with the Authority to operate the facility since it will be the principal user. Legislative approval, however, is required before such an agreement can be concluded (AS 29.35.722(2)). This approval is provided in SB 288.



March 6, 2000

Senator Jerry Mackie  
Room 427 State Capitol  
Mailstop: 3100  
Juneau, AK 99801-1182

Subject: Legislation for Interisland Ferry Authority Operation of Hollis Terminal

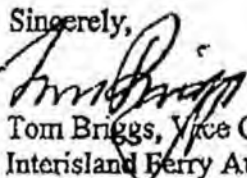
Dear Sen. Mackie:

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Your assistance of the Interisland Ferry Authority in this matter will be greatly appreciated.

Sincerely,

  
Tom Briggs, Vice Chairman  
Interisland Ferry Authority

Cc: IFA Board of Directors

INTER-ISLAND FERRY AUTHORITY  
An Alaska Municipal Corporation  
P.O. Box 725 • Craig, Alaska 99921  
Telephone: (907) 826-3275 Telefax: (907) 826-3278

---

# Inter-island Ferry Project

## Project Description

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#### Introduction

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The IFA plans to provide year-around twice-daily service on this route. The IFA will use a 17-hour, two-shift operating day to provide this level of service.

The IFA will use existing AMHS ferry terminals at Clark Bay on Prince of Wales Island and in Ketchikan to support its operations. Use agreements between the IFA and the State of Alaska Department of Transportation and Public Facilities will allow the IFA to use AMHS terminals.

Pro-forma financial analysis to date shows that the IFA operation will generate sufficient revenue to pay its operating, maintenance and repair costs. Those revenues will also support debt service sufficient to provide FTA grant matching funds.

---

<sup>1</sup> See Project Justification elsewhere in this grant application for a more complete discussion of the justification for this project.

<sup>2</sup> The State of Alaska will reassign the MV AURORA to other AMHS routes once the proposed new IFA ferry begins operation.

**Sec. 29.35.705. Audits.** (a) The board shall have the financial records of an authority audited annually by an independent certified public accountant.

(b) An authority shall make all of its financial records available to an auditor appointed by a municipality participating in the authority for examination. (§ 2 ch 97 SLA 1992)

**Sec. 29.35.710. Remedies.** A holder of bonds or notes or coupons attached to the bonds issued by an authority under AS 29.35.625, and a trustee under a trust agreement or resolution authorizing the issuance of the bonds, except as restricted by a trust agreement or resolution, either at law or in equity, may

(1) enforce all rights granted under AS 29.35.600 — 29.35.730, the trust agreement or resolution, or another contract executed by the authority; and

(2) compel the performance of all duties of the authority required by AS 29.35.600 — 29.35.730 or the trust agreement or resolution. (§ 2 ch 97 SLA 1992)

**Sec. 29.35.715. Claims.** For the purpose of judicial and regulatory proceedings by and against an authority, an authority and its board members and employees enjoy the same rights, privileges, and immunities as a municipality and municipal officers. (§ 2 ch 97 SLA 1992)

**Sec. 29.35.720. Conflicting laws inapplicable.** If provisions of AS 29.35.600 — 29.35.730 conflict with other provisions of this title, the provisions of AS 29.35.600 — 29.35.730 prevail. (§ 2 ch 97 SLA 1992)

**Sec. 29.35.722. Ownership or operation of certain state facilities prohibited.** The state may not, without the approval of the legislature,

(1) convey or transfer the Alaska marine highway system, the Anchorage or Fairbanks international airports, or any other state asset, except undeveloped state land as provided in AS 38.05.810 or surplus property, to an authority; or

(2) enter into an agreement with an authority under which the authority would operate the Alaska marine highway system, the Anchorage or Fairbanks international airports, or any other state facility, system, or function that employs one or more employees. (§ 2 ch 97 SLA 1992)

**Cross references.** — For Alaska marine highway system, see AS 19.65.

**Sec. 29.35.725. Definitions.** In AS 29.35.600 — 29.35.730, unless the context otherwise requires,

(1) "authority" means a port authority established under AS 29.35.605;

(2) "board" means the board of directors of an authority;

(3) "bonds" includes bonds, bond anticipation notes, notes, refunding bonds, or other forms of indebtedness of the authority;

(4) "bylaws" or "bylaws of the authority" means the guidelines adopted by and amended by the board from time to time in accordance with AS 29.35.600 — 29.35.730;

(5) "port" means a facility of transportation related commerce located within the state;

(6) "project" means a port, dock, and administrative facilities, including property necessary in connection with the operation of a port;

(7) "project cost" or "cost of a project" means all or any part of the aggregate costs determined by an authority to be necessary to finance the construction or acquisition of a project, including without limitation to the cost of acquiring real property, the cost of constructing buildings and improvements, the cost of financing the project, including, without limitation, interest charges before, during, or after construction or acquisition of the project, costs related to the determination of the feasibility, planning, design, or

SENATE FINANCE COMMITTEE

SIGN-IN

SB 288-APPROVE CLARKE BAY TERMINAL AGREEMENT

NAME: GEORGE CAPACCI / BRIAN BRADLEY Subject/Bill No: 288  
Co./Dept./Title: AMHS Phone: 465-3959  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: DAVE GRAY Subject/Bill No: 288  
Co./Dept./Title: Sen. Mackie Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

**SB**

**289**

**HFIN**

**FILE**

(11)

# HOUSE COMMITTEE REPORT

Date Referred to Committee: April 15, 2000

FURTHER REFERRALS:

Date of Committee Action: 4/24/00

The FINANCE Committee considered:

CSSB 289(FIN) am

CS FOR SENATE BILL NO. 289(FIN) am

TECH & VOC EDUC/ EMPLOYMENT ASSISTANCE

"An Act relating to technical and vocational education and to employment assistance and training; and providing for an effective date."

recommends it be replaced with the following committee substitute HCS CSSB 289(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) HFC for WA Labor

fiscal note(s) Senate DFC for Labor

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

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

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Greg Therriault</i>	Therriault			X	
<i>Wim Mulder</i>	Mulder	X			
<i>Ken Bunde</i>	Bunde				
<i>John Austerman</i>	Austerman	X			
<i>John Davies</i>	Davies			X	
<i>Ben Grussendorf</i>	Grussendorf			X	
<i>Alfred Moses</i>	Moses			X	
<i>John Davis</i>	Davis	X			
<i>W.B. Williams</i>	Williams			X	
<i>Gail Phillips</i>	Phillips			X	
<i>John Foster</i>	Foster	X			

CHAIR'S SIGNATURE

*Greg Therriault*  
*Wim Mulder*

# FISCAL NOTE

STATE OF ALASKA  
2000 LEGISLATIVE SESSION

BILL NO. HCS CSSB 289 (FIN) am

Revision Date/Time (Note if correction): \_\_\_\_\_  
 Title: Technical and Vocational  
Education  
 Sponsor: Senate Finance  
 Requestor: House Rules

Department Affected: Labor  
 BRU: Employment Security  
 Component: \_\_\_\_\_  
Unemployment Insurance  
 COMPONENT SERIAL NO. 2276

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
PERSONAL SERVICES	103.7	103.7	103.7	103.7	103.7	103.7
TRAVEL	0.1	0.1	0.1	0.1	0.1	0.1
CONTRACTUAL	44.5	44.5	44.5	44.5	44.5	44.5
SUPPLIES	0.9	0.9	0.9	0.9	0.9	0.9
EQUIPMENT	0.8	0.8	0.8	0.8	0.8	0.8
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>150.0</b>	<b>150.0</b>	<b>150.0</b>	<b>150.0</b>	<b>150.0</b>	<b>150.0</b>

CAPITAL						
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CHANGE IN REVENUE FUND SOURCE #						
------------------------------------	--	--	--	--	--	--

**FUNDING:** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
1007 Inter-Agency	150.0	150.0	150.0	150.0	150.0	150.0
<b>TOTAL</b>	<b>150.0</b>	<b>150.0</b>	<b>150.0</b>	<b>150.0</b>	<b>150.0</b>	<b>150.0</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY00) impact: \$ 0.0

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

(See Attached)

Prepared by: Rebecca Gomez, Director *RA 201* Phone: 465-2711  
 Division: Employment Security Division Date/Time: 4/25/00 9:21 AM

Approved by Commissioner: Ed Flanagan, Commissioner *[Signature]* Date: 4/25/00  
 Agency: Department of Labor

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ATTACHMENT

Fiscal Note for HCS CSSB 289 (FIN) am  
Short Title: Technical and Vocational Education  
4/25/2000

SB 289 realigns oversight and planning for vocational and technical education in Alaska. Additionally, the bill establishes a new supplementary grant program funded by employee Unemployment Insurance (UI) contributions.

Specifically, section AS 23.15.835 of SB 289 identifies the Department of Labor and Workforce Development as the entity that will collect from each employee an amount equal to one-tenth of one percent of the wages as set out in AS 23.20.175, on which the employee is required to make contributions under AS 23.20.290(c). The bill's effective date is July 1, 2000. In FY2001, the first year, collections are expected to be \$3,225,000. This is due to the lag in collections where revenues come in 30 days after the end of the calendar quarter. Therefore, the collections would occur for the quarters ending in September, December, and March. In FY2002 and subsequent years, \$4,300,000 in revenues is expected on an annual basis. The program is to be administered by the Alaska Human Resource Investment Council (AHRIC).

The UI program in the Employment Security Division of the Department of Labor and Workforce Development has an existing UI tax unit which collects Unemployment Insurance tax from Alaskan employers and workers. This tax unit and the infrastructure that currently exists to collect taxes from employers will be utilized to collect the new funds under SB 289. The collection process is expected to be almost identical to the existing system required for the State Training and Employment Program (STEP). The STEP funds are collected from workers through employers in addition to those collected for UI. The STEP currently pays for their fair and reasonable share of the process costs as established by a federally negotiated shared cost agreement. This is required since the UI program operations are exclusively funded by federal dollars and cannot contribute to non-federal program activities. It is expected the same will be required for SB 289. The estimated cost related to the collection and accounting of SB 289 funds will be \$200,000.

Historically, the annual cost of collection for the STEP program has ranged from \$250,000 to \$280,000. With the implementation of SB 289, the full cost is expected to be approximately \$300,000. SB 289's portion would be approximately one-half or \$150,000, based on the prorated share of anticipated collections for both STEP and SB 289.

FISCAL NOTE

No. 6

STATE OF ALASKA  
2000 Legislative Session

Bill Version: CSSB 289(FIN)

(S) Publish Date: 4-5-00

Revision Date: \_\_\_\_\_  
Title: Board of Technical and Vocational Education

Dept. Affected Labor  
BRU Employment Security  
Component Unemployment Insurance

Sponsor: Senate Finance  
Requester: Senate Finance

Component Serial No. \_\_\_\_\_

Expenditures/Revenues		(Thousands of Dollars)				
OPERATING EXPENDITURES	FY01	FY02	FY03	FY04	FY05	FY06
Personal Services	0.0					
Travel	4.5					
Contractual	3,124.9					
Supplies	1.5					
Equipment	0.0					
Land & Structures	0.0					
Grants & Claims	1,422.9					
Miscellaneous	0.0					
<b>TOTAL OPERATING</b>	<b>4,553.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES [ ]						
------------------------	--	--	--	--	--	--


FUND SOURCE		(Thousands of Dollars)				
1002 Federal Receipts	0.0					
1003 GF Match	0.0					
1004 GF	0.0					
1005 GF/Program Receipts	0.0					
1054 Empl Trng	4,553.8					
1091 Designated Program Receipts	0.0					
<b>TOTAL</b>	<b>4,553.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY99) costs: 0.0

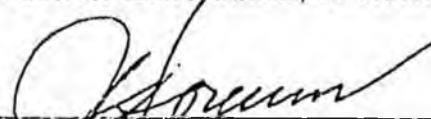
POSITIONS						
Full-time						
Part-time						
Temporary						

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

Prepared By: SENATE FINANCE COMMITTEE

  
SENATOR SEAN PARNELL, CO-CHAIR

Date: 4/05/00  
Phone: 465-2995

  
SENATOR JOHN TORGERSON, CO-CHAIR

Date: 4/05/00  
Phone: 465-2828

Attachment CS SB 289(FIN)

The current Statewide Employment Program, (STEP - AS 23.15) is funded with the inclusion of this SB 289 fiscal note.

This fiscal note for STEP matches the Governor's FY 01 amended request.

The new Alaska Technical and Vocational Education Program (ATV - AS 23.15 Article 7) is funded with the inclusion of this SB 289 fiscal note.

The fiscal note for ATV reflects a 2/10ths of one percent employee credit in a manner similar to that which is currently applied for the STEP program. It is estimated that in FY 2001, additional contributions to establish this account will total \$6,450,000. In subsequent years it is estimated that \$8,600,000 will be collected annually. This fiscal note addresses FY01. FY02-06 will be addressed by the administrative board for the new program.

The first year will be \$6,450,000 in the following percentage:

University of Alaska	76% = 4,902,000
Kotzebue Technical Center	8% = 516,000
Alaska Vocational Technical Center	16% = \$1,032,000

FISCAL NOTE

STATE OF ALASKA  
2000 LEGISLATIVE SESSION

BILL NO. HCS CSSB 289 (FIN)

Revision Date: \_\_\_\_\_  
Title: TECH & VOC EDUC/ EMPLOYMENT ASSISTANCE

Dept. Affected University of Alaska/Id.

BRU \_\_\_\_\_

Component \_\_\_\_\_

Sponsor: Senate Finance

Requester: \_\_\_\_\_

Component Serial No. \_\_\_\_\_

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures	3,225.0					
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>3,225.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES [ ]						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1054 Empl. Trng	3,225.0					
1091 Designated Program Receipts						
<b>TOTAL</b>	<b>3,225.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY00) cost: \_\_\_\_\_

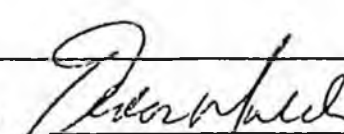
POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

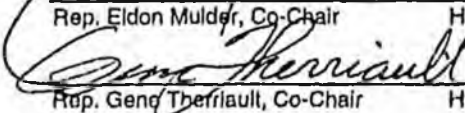
Technical and Vocational Education Board funds these one year grants to fund \$1,677,000 to the University of Alaska, \$516,000 to Kotzebue Tech and \$1,032,000 to AVTEC.

Prepared by

  
Rep. Eldon Mulder, Co-Chair

House Finance Committee

Phone 465-2647

  
Rep. Gene Theriault, Co-Chair

House Finance Committee

Phone 465-4797

Date 4/24/00

Passed from Committee

1-LS1525W-  
Ford  
4/24/00

Adopted

**HOUSE CS FOR CS FOR SENATE BILL NO. 289(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FIRST LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

Offered:  
Referred:

Sponsor(s): **SENATE FINANCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to technical and vocational education and to employment  
2 assistance and training; and providing for an effective date."

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

4 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new  
5 section to read:

6 **LEGISLATIVE INTENT; REPORT TO THE LEGISLATURE.** (a) It is the intent of  
7 the legislature that the Alaska Human Resource Investment Council undergo an internal  
8 reassessment and reorganization to minimize the number of members of the council and to  
9 improve its ability to efficiently and effectively serve as the state's primary planning and  
10 coordinating entity for vocational and technical education.

11 (b) The Alaska Human Resource Investment Council shall report to the legislature by  
12 the 15th legislative day of the First Regular Session of the Twenty-Second Alaska State  
13 Legislature on the

14 (1) reorganization undertaken to accomplish the goals identified in (a) of this

1 section; and

2 (2) development of regulations and guidelines for implementation of the grant  
3 programs for which it is responsible.

4 \* Sec. 2. AS 23.15.640 is amended by adding new subsections to read:

5 (b) A granting entity may award a grant that includes a program element listed  
6 in (a)(4), (a)(5), or (a)(6) of this section only if all funds from other assistance or aid  
7 programs or grants for that purpose are either not available to the granting entity or  
8 have been exhausted.

9 (c) The department shall, to the extent economically feasible for the individual,  
10 require an individual who participated in a program that was funded at least in part by  
11 a grant under AS 23.15.651 and that included as a program element the provision of  
12 necessary tools, work-related clothing, safety gear, or other necessities to obtain or  
13 retain employment under (a)(6) of this section to reimburse the department for the  
14 portion of the grant that was spent on an element listed in (a)(6) of this section. The  
15 department shall separately account for receipts under this subsection. The annual  
16 estimated receipts may be used by the legislature to make appropriations to the  
17 department to the employment assistance and training program account (AS 23.15.625)  
18 for grants under AS 23.15.651. The department shall implement this subsection by  
19 regulation.

20 (d) In this section, a support service under (a)(4) of this section means a  
21 service provided to an individual participating in a training program described in (a)(1)  
22 - (3) of this section to enable the individual to participate in the training.

23 \* Sec. 3. AS 23.15 is amended by adding new sections to read:

24 **Article 7. Alaska Technical and Vocational Education.**

25 **Sec. 23.15.820. Powers and duties of the Alaska Human Resource**  
26 **Investment Council.** (a) The Alaska Human Resource Investment Council shall

27 (1) administer the Alaska technical and vocational education program  
28 established in AS 23.15.820 - 23.15.850;

29 (2) facilitate the development of a statewide policy for a coordinated  
30 and effective technical and vocational education training system in this state and, to  
31 the extent authorized by federal and state law, plan and coordinate federal, state, and

1 local efforts in technical and vocational education programs;

2 (3) adopt regulations under AS 44.62 (Administrative Procedure Act)  
3 to carry out the purposes of AS 23.15.820 - 23.15.850, including regulations that set  
4 standards for the percentage of a grant that may be used for administrative costs; the  
5 regulations must clearly identify and distinguish between expenses that may be  
6 included in administrative costs and those that may not be included in administrative  
7 costs; the percentage allowed for administrative costs may not exceed the lesser of five  
8 percent or the amount permitted under the requirements of a federal program, if  
9 applicable;

10 (4) administer the grant program under AS 23.15.840 and establish  
11 grant administration requirements including accounting procedures that apply to  
12 qualified entities and their grantees.

13 (b) The council may

14 (1) receive money designated for technical and vocational education  
15 programs and may disburse money, including grants, to technical and vocational  
16 education projects in accordance with AS 37.07 (Executive Budget Act);

17 (2) enter into partnership agreements through appropriate administrative  
18 agencies with private industry training entities within the state in order to facilitate the  
19 coordination of training opportunities; and

20 (3) recommend to the legislature changes to enhance the effectiveness  
21 of the training programs it oversees under this section.

22 **Sec. 23.15.830. Alaska technical and vocational education program**  
23 **account.** The Alaska technical and vocational education program account is  
24 established in the general fund. The commissioner of administration shall separately  
25 account for money collected under AS 23.15.835 that the department deposits in the  
26 general fund. The legislature may appropriate the annual estimated balance in the  
27 account to the council to implement AS 23.15.820 - 23.15.850. The legislature may  
28 appropriate the lapsing balance of the account to the unemployment compensation fund  
29 established in AS 23.20.130.

30 **Sec. 23.15.835. Special employee unemployment contributions for program.**

31 (a) In the manner provided in AS 23.20, the department shall collect from each

1 employee an amount equal to one-tenth of one percent of the wages, as set out in  
2 AS 23.20.175, on which the employee is required to make contributions under  
3 AS 23.20.290(d). The department shall remit to the Department of Revenue, in  
4 accordance with AS 37.10.050, money collected under this subsection.

5 (b) Notwithstanding AS 23.20.290(d), the department shall credit each  
6 employee with an amount equal to the amount collected from the employee under (a)  
7 of this section against unemployment contributions owed by the employee under  
8 AS 23.20.

9 (c) The Department of Labor and Workforce Development shall assess and  
10 collect, under AS 23.20.185 - 23.20.275, interest and penalties for delinquent reports  
11 and payments due under this section. Interest and penalties collected shall be handled  
12 in accordance with AS 23.20.130(d).

13 **Sec. 23.15.840. Grants for technical and vocational education.** (a) The  
14 council shall award grants, in accordance with the priority list adopted under (f) of this  
15 section, to technical and vocational education entities. A technical and vocational  
16 entity is eligible for a grant under this section if the entity meets program  
17 requirements, the grant program is physically located in Alaska, and the entity can  
18 demonstrate that

19 (1) the entity's accounting systems include controls adequate to check  
20 the accuracy and reliability of accounting data, promote operating efficiency, and  
21 assure compliance with program requirements and generally accepted accounting  
22 principles;

23 (2) the entity's activities do not replace or compete in any way with a  
24 federally approved, jointly administered apprenticeship program or any other existing  
25 training programs; and

26 (3) the entity has secured matching funds for the program for which the  
27 grant is requested.

28 (b) The council may not award a grant if the grant would displace money  
29 available through existing public or private technical and vocational education  
30 programs.

31 (c) Subject to the limits of its grant, an entity receiving a grant under this

1 section shall provide one or more program elements. The program elements include

2 (1) industry-specific training;

3 (2) on-the-job training; and

4 (3) institutional or classroom job-linked training.

5 (d) A technical or vocational educational institution that receives a grant from  
6 the council shall give appropriate state agencies full access to accounting records  
7 concerning the grant to assure compliance with program standards.

8 (e) In making a grant under this section, the council shall require that the  
9 qualified entity and grantees of the qualified entity limit the amount of the grant  
10 proceeds spent on administration so that the total spent on administration from the  
11 proceeds of the technical and vocational education program account, including amounts  
12 spent by the council itself, does not exceed five percent. A training program funded  
13 by the council must

14 (1) meet the standards adopted by the council concerning the  
15 percentage of a grant that may be spent on administrative costs;

16 (2) be operated by an institution that holds a valid authorization to  
17 operate issued under AS 14.48 if the program is a postsecondary educational program  
18 operated by a postsecondary educational institution subject to regulation under  
19 AS 14.48.

20 (f) To the extent that funding is available, grants shall be awarded to entities  
21 that apply for funding by the deadline established by the council by regulation. The  
22 council shall give priority to grant applications from qualified entities whose purpose  
23 is listed first on the list of priorities adopted under this subsection. If money remains  
24 after grants for the first priority have been awarded, the council may make grants to  
25 entities whose purpose is listed next on the list of priorities. The council shall proceed  
26 in this fashion until it has exhausted the money available for granting for the year.  
27 The council shall adopt a priority list each year based on economic, employment, and  
28 other relevant data in order to maximize employment opportunities for participants.

29 **Sec. 23.15.850. Definitions.** In AS 23.15.820 - 23.15.850,

30 (1) "council" means the Alaska Human Resource Investment Council;

31 (2) "program" means the Alaska technical and vocational education

1 program established in AS 23.15.820 - 23.15.850.

2 \* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section  
3 to read:

4 PROVISIONS FOR FIRST-YEAR OPERATION. Notwithstanding AS 23.15.840(a),  
5 enacted by sec. 3 of this Act, for the fiscal year ending June 30, 2001, the money collected  
6 under AS 23.15.835, enacted by sec. 3 of this Act, or otherwise appropriated to the Alaska  
7 Human Resource Investment Council shall be allocated directly in the following percentages  
8 to the following institutions for programs consistent with AS 23.15.820 - 23.15.850; enacted  
9 by sec. 3 of this Act, and capital improvements:

10	University of Alaska	52 percent
11	Kotzebue Technical Center	16 percent
12	Alaska Vocational Technical Center	32 percent.

13 \* Sec. 5. This Act takes effect July 1, 2000.

FISCAL NOTE

STATE OF ALASKA  
2000 Legislative Session

No. 6  
Bill Version: CSSB 289(FIN)  
(S) Publish Date: 4-5-00

Revision Date: \_\_\_\_\_  
Title: Board of Technical and Vocational Education

Dept. Affected Labor  
BRU Employment Security  
Component Unemployment Insurance

Sponsor: Senate Finance  
Requester: Senate Finance

Component Serial No. \_\_\_\_\_

Expenditures/Revenues		(Thousands of Dollars)					
OPERATING EXPENDITURES	FY01	FY02	FY03	FY04	FY05	FY06	
Personal Services	0.0						
Travel	4.5						
Contractual	3,124.9						
Supplies	1.5						
Equipment	0.0						
Land & Structures	0.0						
Grants & Claims	1,422.9						
Miscellaneous	0.0						
<b>TOTAL OPERATING</b>	<b>4,553.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

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

CHANGE IN REVENUES [ ]						
------------------------	--	--	--	--	--	--


FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0						
1003 GF Match	0.0						
1004 GF	0.0						
1005 GF/Program Receipts	0.0						
1054 Empl Trng	4,553.8						
1091 Designated Program Receipts	0.0						
<b>TOTAL</b>	<b>4,553.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

Estimate of any current year (FY99) costs: 0.0


POSITIONS						
Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)  
See Attached

Prepared By: SENATE FINANCE COMMITTEE

  
SENATOR SEAN PARNELL, CO-CHAIR

Date: 4/05/00  
Phone: 465-2995

  
SENATOR JOHN TORGERSON, CO-CHAIR

Date: 4/05/00  
Phone: 465-2828

Attachment CS SB 289(FIN)

The current Statewide Employment Program, (STEP - AS 23.15) is funded with the inclusion of this SB 289 fiscal note.

This fiscal note for STEP matches the Governor's FY 01 amended request.

The new Alaska Technical and Vocational Education Program (ATV - AS 23.15 Article 7) is funded with the inclusion of this SB 289 fiscal note.

The fiscal note for ATV reflects a 2/10ths of one percent employee credit in a manner similar to that which is currently applied for the STEP program. It is estimated that in FY 2001, additional contributions to establish this account will total \$6,450,000. In subsequent years it is estimated that \$8,600,000 will be collected annually. This fiscal note addresses FY01. FY02-06 will be addressed by the administrative board for the new program.

The first year will be \$6,450,000 in the following percentage:

University of Alaska	76% = 4,902,000
Kotzebue Technical Center	8% = 516,000
Alaska Vocational Technical Center	16% = \$1,032,000



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### SB 289 Questions and Answers

(4-12-00)

#### 1. What training entities are affected by this bill?

The first year of the program, funds will go to the University of Alaska, the Kotzebue Technical Center, and the Alaska Vocational and Technical Center in Seward. The University of Alaska campuses that provide vocational and technical education are:

Anchorage Technical & Community College	Bethel
Dillingham	Ketchikan
Kenai Peninsula (Kenai/Soldotna & Homer)	Kodiak
Kotzebue <sup>1</sup>	Mat-Su (Palmer)
Nome	Sitka
Tanana Valley <sup>2</sup>	Valdez

The first year revenues (about \$6.4 million) are directed to those specific entities because the AHRIC will not have had the opportunity to formulate regulations to solicit grant applications. Those funds are directed to the University of Alaska (76% = \$4.902 million), Kotzebue Technical Center (8% = \$516,000) and Alaska Vocational Technical Center (16% = \$1.032 million).

Grants after the first year will be awarded according to regulations developed by the Alaska Human Resource Investment Council (AHRIC). The revenue from this source is expected to be about \$8.6 million annually. Entities eligible to receive grants are those that are authorized by and are physically located in the State of Alaska. Recipients are not restricted to only the public education institutions.

The AHRIC may only award grants to entities that have sufficient accounting systems, that have secured private sector contribution commitments for matching purposes, and whose grant application purpose is listed first on the list of priorities adopted by the AHRIC. The AHRIC will adopt a priority list each year based on economic, employment, and other relevant data in order to maximize employment opportunities for participants.

<sup>1</sup> Through Kotzebue Technical Center

<sup>2</sup> In coordination with the Hutchison Career Center

## **2. How does the bill affect the AHRIC?**

This bill affects the AHRIC (Alaska Human Resource Investment Council) in three areas. First, it makes AHRIC the responsible board for the new program. AHRIC is charged with the task of promulgating guidelines, which must be submitted to the next legislature by the 15<sup>th</sup> day of the session.

AHRIC is also charged with the task of conducting an internal reassessment and reorganization to minimize the number of members of the council and to improve its ability to efficiently and effectively serve as the state's primary planning and coordinating entity for vocational and technical education. They must also submit a report on that task to the next legislature by the 15<sup>th</sup> day of the session.

## **3. How does this bill affect the Statewide Employment Program (STEP)?**

There are six program elements of the STEP in current statute, shown below.

- (1) industry specific training
- (2) on-the-job training
- (3) institutional or classroom job-linked training
- (4) support services, including allowances
- (5) relocation assistance
- (6) provisions of necessary tools, work related clothing, safety gear, or other necessities to obtain or retain employment.

The bill adds clarifying language on three of those program elements: (4) support services, including allowances, (5) relocation assistance and (6) provisions of necessary tools, etc.. The new language requires that grants for those purposes may be awarded only if funds from other assistance programs or grants are either not available or have been exhausted.

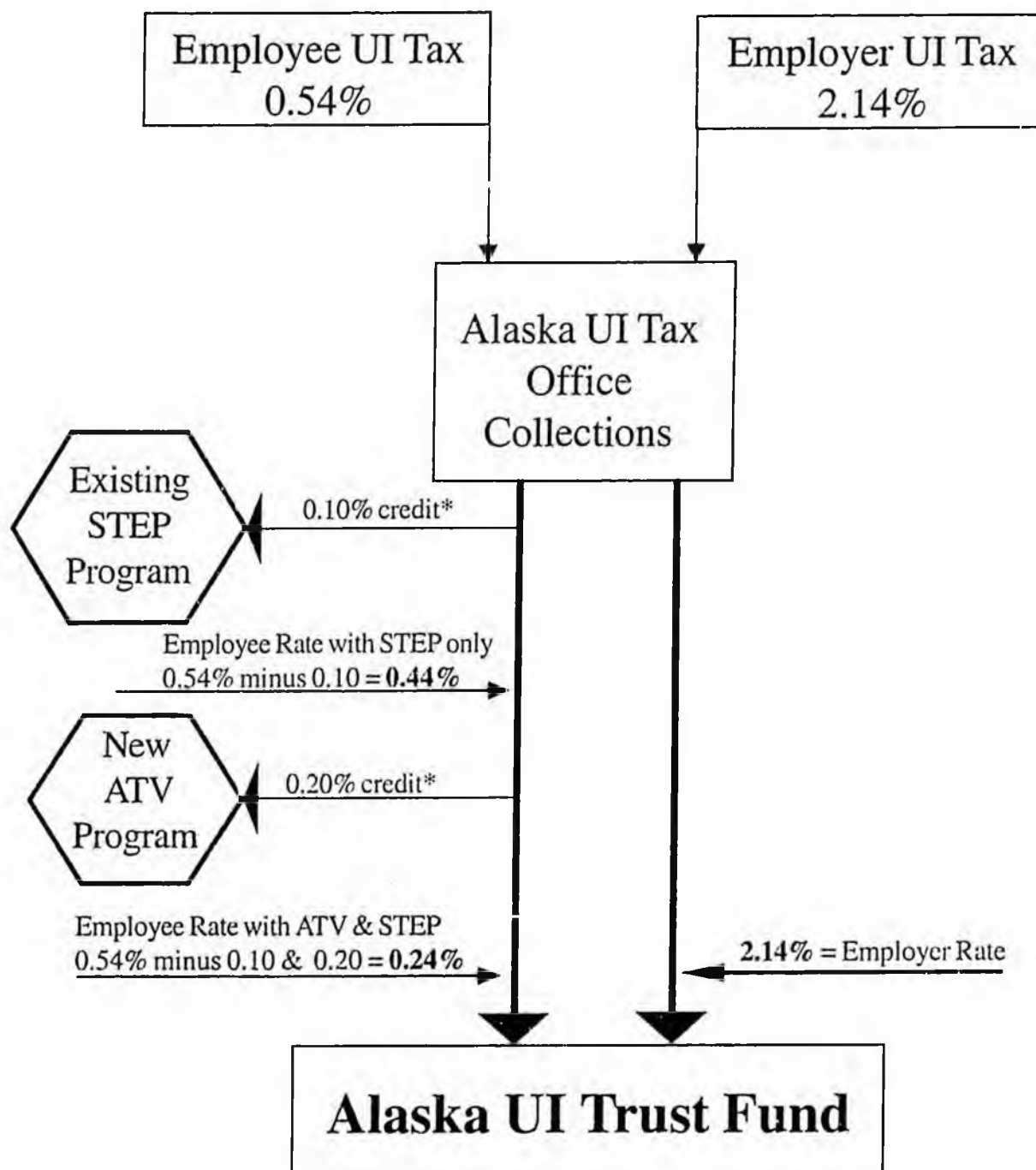
The bill also provides a definition for support services, now defined as a service to an individual that will enable the individual to participate in program elements (1) industry specific, (2) on-the-job, or (3) institutional or classroom job-linked training. In other words, support services can not be provided except to an individual for training under program elements (1) through (3).

Finally, when economically feasible, the individual will be required to reimburse the STEP for tools, work-related clothing, safety gear, or other similar items acquired under program element (6). The department will separately account for those reimbursements and the amounts may be used to make appropriations to the STEP account.

The intent is to have an individual, who is economically able, reimburse the program when they have obtained employment through the STEP program. Those monies can then be provided to other individuals.

# Attachment #1

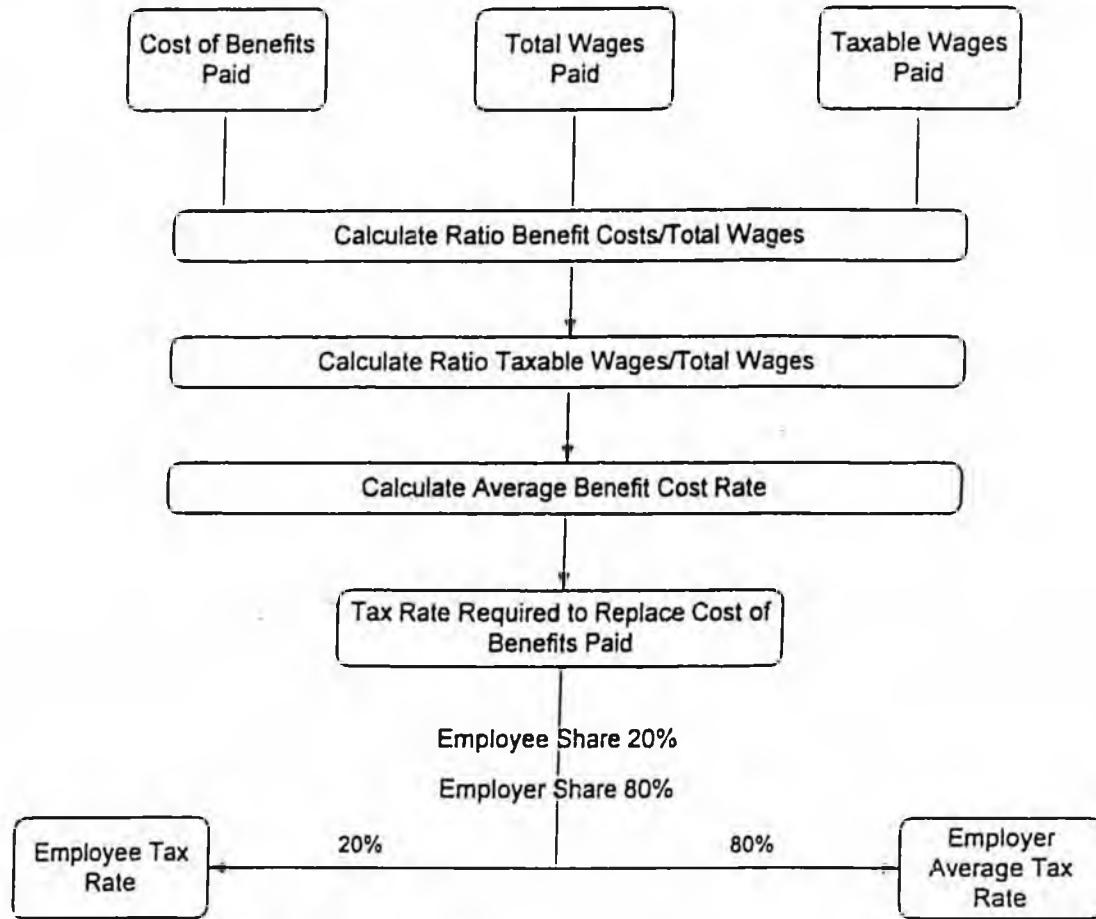
## Current STEP & New ATV Program Funding SB 289



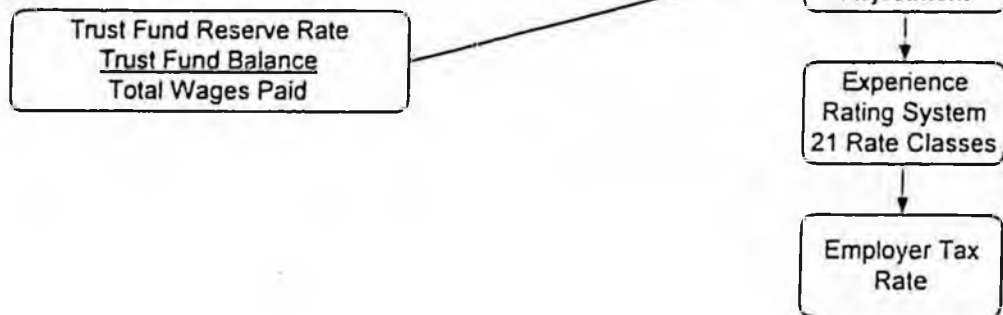
\*NOTE: This structure is a diversion from the trust fund and does not affect the employee UI Tax rate. If the trust fund balance requires a solvency adjustment, employer contributions are affected - see Attachment #2.

*ATTACHMENT #2 - SB 289*  
**Basic Parts of Unemployment Insurance (UI) Tax Rate Calculation**

First Stage: Affects Employers and Employees



Second Stage: Affects Employer Only



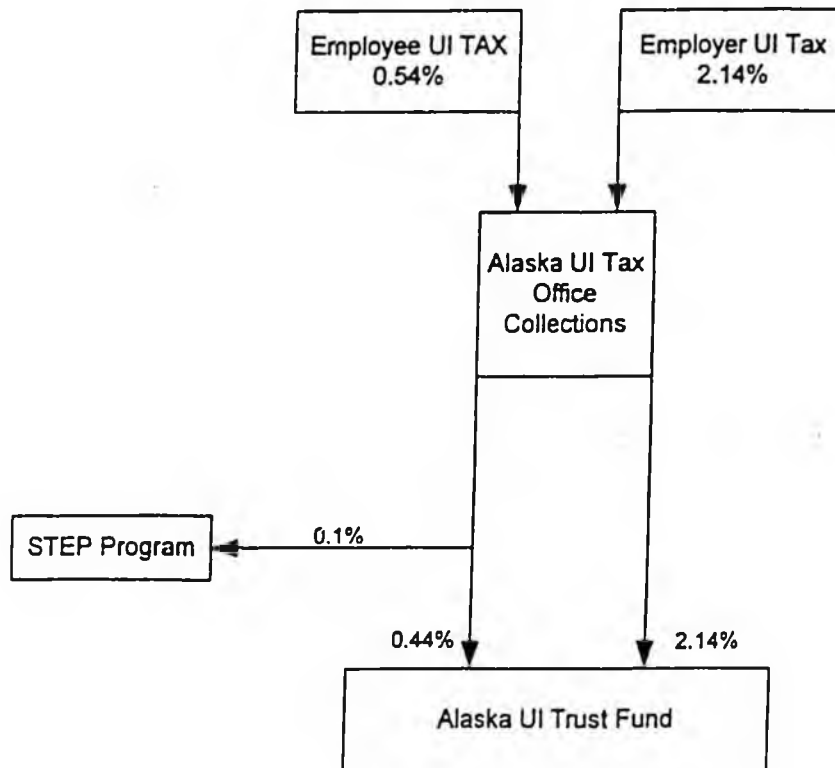
*From DOL-WA*

C:\21stLegis2ndUITaxRate.vsd

Friday, March 31, 2000; 3:51:27 PM

6

# STEP Program Funding



0.1% of Employee Tax is diverted to the STEP program

# Alaska UI Tax Calculation

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A step by step walk through the UI tax calculation process, with citations from the Law, and an explanation of each calculation. The calculation of the 2000 tax rates is used as the example.

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## UI Tax Rate Calculation Procedures, 2000

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There are three major steps to the calculation of UI tax rates, with several substeps.

Step 1. Calculation of the Average 3-year Benefit Cost Rate (ABCR).

Step 2. Calculation of the Trust Fund Solvency Adjustment.

Step 3. Calculation of employer and employee tax rates.

This explanation of the tax rate calculation may be clearer if you follow the actual calculations from the Tax Rate Calculation Worksheet and the Tax Base Calculation Worksheet. The "Line" references below refer to the Rate Calculation Worksheet. We suggest that you print a copy of the worksheets, and follow along through this detailed explanation of the tax rate calculation process.

---

### Step 1. Calculation of Average Benefit Cost Rate (ABCR)

#### Step 1a. (Benefit Costs)

**The Law:**

**AS 23.20.290(e)** The department shall determine the average benefit cost rate as follows:

- (1) the department shall determine the amount of benefits paid to insured workers during the last three computation years;
- (2) the department shall subtract from the amount determined in (1) of this subsection the amount of any benefits reimbursed to the fund and the amount of interest earned on the trust fund balance during those computation years;

**Translation:**

Calculate the amount of benefits paid to employees of taxable employers, minus interest earned on the fund balance, for the past three years. The result is benefits costs.

**Calculation:**

\$ 100,104,207 -- SFY 97  
\$ 99,378,442 -- SFY 98  
\$ 102,092,954 -- SFY 99

-----  
\$ 301,575,603 -- Line 4

Step 1b. (Total Wages & Ratio of Benefit Costs to Total Wages)

**The Law:**

(3) the department shall divide the amount determined in (2) of this subsection by the total wages paid by all employers required to pay contributions under this chapter during the first three of the last four computation years;

**Translation:**

Calculate the amount of wages paid to employees of taxable employers during the first three of the past four years, then divide the result into the benefits paid as calculated in Step 1a. The result is the ratio of benefit costs to total wages.

**Calculation:**

\$ 5,682,267,480 -- SFY 96  
\$ 5,783,006,707 -- SFY 97  
\$ 6,124,912,128 -- SFY 98

-----  
\$ 17,590,186,315 -- Line 5

\$ 301,575,603 / \$ 17,590,186,315 = 0.017145 -- Line 6

Step 1c. (Taxable Wages)

**The Law:**

(4) the department shall determine the amount of total wages subject to contributions under this chapter paid during the preceding computation year;

**Translation:**

Calculate the amount of taxable wages paid in the past year.

**Calculation:**

\$ 4,038,792,490 -- Line 3

Step 1d. (Total Wages of Taxable Employers)

**The Law:**

(5) the department shall determine the amount of all wages paid insured workers during the preceding computation year;

(6) the department shall subtract from the amount determined in (5) of this subsection the amount of wages paid during the preceding year by employers who elect to reimburse the department under AS23.30.276 and 23.20.277;

**Translation:**

Calculate the amount of wages paid to employees of taxable employers in the past year; this is same wage series used in the step 1.b calculation above, just a differently worded definition.

**Calculation:**

\$ 6,309,309,628 -- Line 2

**Step 1e. (Ratio of Taxable Wages to Total Wages)**

**The Law:**

(7) the department shall divide the amount in (4) of this subsection by the amount determined in (6) of this subsection; and

**Translation:**

Calculate the ratio of taxable wages (from Step 1c) to total wages (Step 1d).

**Calculation:**

\$ 4,038,792,490 / \$ 6,309,309,628 = 0.640132 -- Line 7

**Step 1f. (Average Benefit Cost Rate)**

**The Law:**

(8) the department shall divide the amount determined in (3) of this subsection by the amount determined in (7) of this subsection.

**Translation:**

Calculate the final Average Benefit Cost Rate (ABCR) by dividing the ratio of benefit costs to total wages (from Step 1b) by the ratio of taxable wages to total wages (from Step 1e).

**Calculation:**

0.017145 / 0.640132 = 0.026783 -- Line 8

**Step 2. Calculation of the Trust Fund Solvency Adjustment**

**The Law:**

**AS 23.20.290(f):**

An employer shall pay a fund solvency adjustment equal to the contribution rate set out in column B of the table in this subsection opposite the reserve rate of the fund set out in column A. However, the fund solvency adjustment rate of an employer may not increase or decrease more than three-tenths of one percent from one year to the next.

**AS 23.20.310(7):**

"reserve rate" means the ratio of the total amount available for benefits in the unemployment trust fund on September 30, immediately following the computation date, to the payroll of employers required to pay contributions under the provisions of AS 23.20.165 for the 12 consecutive calendar months ending on the computation date, expressed as a percentage.

**Translation:**

Calculate the reserve rate as the trust fund balance on September 30 divided by total wages as calculated in Step 1d above. Then compare to the TFSA table to get the TFSA. The TFSA can only increase or decrease by 0.003 each year.

**Calculation:**

$$\$199,789,331 / \$6,309,309,628 = 0.031666 \text{ -- Lines 9-11}$$

From TFSA table, the reserve rate is "at least 3.0% but less than 3.3%"  
Therefore, the TFSA = -0.000% . (In 1999 TFSA was -0.1%.)

### Step 3. Calculation of Rates for Employer Rate Classes, for Employees

**The Law:**

**AS 23.20.290:**

(c) Beginning January 1, 1997, the rate of contributions for each employer is 80 percent of the average benefit cost rate multiplied by the employer's experience factor set out in column C of the table in this subsection opposite the employer's applicable rate class set out in column A plus the fund solvency adjustment required under (f) of this section. However, the rate of contributions for an employer may not be less than one percent or more than six and one-half percent. The rate of contributions for an employer in rate class 21 may not be less than 5.4 percent. The rate of contributions for an employer must be rounded to the nearest 1/100th of one percent.

(d) Beginning January 1, 1997, and for each succeeding year thereafter, the rate of contributions payable by each employee of an employer who is subject to AS 23.20.165 is 20 percent of the average benefit cost rate as determined in (e) of this section rounded to the nearest 1/100th of one percent. However, the rate of contributions for an employee may not be less than one-half percent or more than one percent.

**Translation:**

Calculate the employer's share of the Average Benefit Cost Rate (ABCR) as 80%, and the employee's share as 20%. The employer's tax rate at each rate class is equal to 0.80 times the ABCR times the experience factor of the rate class plus the TFSA.

**Calculation:**

The employee tax is: . . . . (0.20 x 0.026783) = 0.54%

The average tax rate is: . . (0.80 x 0.026783 x 1.00) + .000 = 2.14%  
(employers in rate)  
(classes 10 and 11)

---

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## Total and Taxable Wages in SFY 1999 and UI Tax Base Calculation for 2000

YR/QTR	(1) TOTAL WAGES PD BY CONTRIBUTING EMPLOYERS	(2) TAXABLE WAGES	(3) TOTAL WAGES PD BY ALL COVERED EMPLOYERS	(4) AVG MO COVERED EMPLOYMENT
98/3	1,716,400,098	957,271,932	2,128,534,884	261,505
98/4	1,602,109,366	585,104,858	2,118,899,272	247,300
99/1	1,439,604,170	1,341,162,579	1,932,261,087	239,666
99/2	1,551,195,994	1,155,253,121	2,117,745,767	256,308
<b>TOTAL</b>	<b>6,309,309,628</b>	<b>4,038,792,490</b>	<b>8,297,441,010</b>	<b>251,195</b>
(a)	AVERAGE ANNUAL WAGE = (3)/(4)		=	\$33,031.87
(b)	75% OF AVERAGE ANNUAL WAGE = (a) X .75		=	\$24,773.90
(c)	TAXABLE WAGE BASE = (b) rounded to nearest \$100		=	\$24,800
(d)	RATIO OF TAXABLE TO TOTAL WAGES = (2)/(1)		=	0.640132
(e)	AVERAGE WEEKLY WAGE = (a) / 52		=	\$635.23

SOURCE: Alaska Department of Labor and Workforce Development.  
SFY 1998. Employment, Wages, and Contributions,  
ES-202 report to the U.S. Department of Labor.

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# Alaska UI Tax Rate Calculations and Tax Rates by Rate Class for 2000

## Tax Rate Calculations for 2000

	(1) Benefit Cost ( Benefits) (-Reimb-Int)	(2) Total Payroll ( Taxable) (employers)	(3) Taxable Payroll
SFY 1996		5,682,267,480	
SFY 1997	100,104,207	5,783,006,707	
SFY 1998	99,378,442	6,124,912,128	
SFY 1999	102,092,954	6,309,309,628	4,039,792,490
(4) Benefit Cost for 3 Prev SFY			\$301,575,603
(5) Total Payroll, First 3 of Last 4 SFY			\$17,590,186,315
(6) 3-Yr Benefit Cost/Total Payroll (4)/(5)			0.017145
(7) Taxable/Total Payroll, Last SFY (3)/(2)			0.640132
(8) Average Benefit Cost Rate (6)/(7)			0.026783
(9) UI Trust Fund Balance, Sep 30			\$199,789,331
(10) Total Payroll, Last SFY			\$6,309,309,628
(11) UI Trust Fund Reserve Rate (9)/(10)			0.031666
(12) Solvency Adjustment			0.000
(13) Average Employer Tax Rate as a Percent of Taxable Payroll (0.90 x ABCR) + TFSA = (0.80 x #8) + #12			2.14%
(14) Average Employee Tax Rate: (0.20 x ABCR) = (0.20 x #8)			0.54%

## Tax Rates for Employees and Experience Rated Employers:

Rate Class	Experience Factor	Employee Contribution Rate (%)	Employer Contribution Rate (%)	Total Contribution Rate (%)
1	0.40	0.54	1.00	1.54
2	0.45	0.54	1.00	1.54
3	0.50	0.54	1.07	1.61
4	0.55	0.54	1.18	1.72
5	0.60	0.54	1.29	1.83
6	0.65	0.54	1.39	1.93
7	0.70	0.54	1.50	2.04
8	0.80	0.54	1.71	2.25
9	0.90	0.54	1.93	2.47
10	1.00	0.54	2.14	2.68
11	1.00	0.54	2.14	2.68
12	1.10	0.54	2.36	2.90
13	1.20	0.54	2.57	3.11
14	1.30	0.54	2.79	3.33
15	1.35	0.54	2.89	3.43
16	1.40	0.54	3.00	3.54
17	1.45	0.54	3.11	3.65

18	1.50	0.54	3.21	3.75
19	1.55	0.54	3.32	3.86
20	1.60	0.54	3.43	3.97
21	1.65	0.54	5.40	5.94

Total payroll, taxable payroll, and UI benefits costs are all for employees (current or former) of contributing (taxable) employers only. Reimbursable employers are excluded.

Sources: Alaska Statutes 23.20.290.  
 Alaska Department of Labor and Workforce Development,  
 Research and Analysis Section:  
 ES-202 report to the U.S. Dept. of Labor.  
 ETA 2-112 report to the U.S. Dept. of Labor.

---

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# Alaska's Workforce Investment System

**Governor**

**State Workforce Investment Board/AHRIC**

**AKDOL**

**DEED**

**Employment Security Division**

**Alaska Commission on Postsecondary Education**

**Teacher Learning Support**  
**AVTEC**

**Muni of Anchorage**

**MCA Local Workforce Investment Board**

**EOS Local Workforce Investment Board**

**Alaska Training and Work Readiness**

**Anchorage One Stop System**

**Juneau Job Center**

**Yukon Delta Job Center**

**Barrow Job Center**

**Fairbanks Job Center**

**Ketchikan Job Center**

**Nenana Job Center**

**Nat'l Village Job Center**

**Local Advisory Committees and One Stop System**

**UA System**

**Kotzebue Technical Center**

**AWIA MANDATED PARTNERS**  
 • Job Training Programs (AKDOL) (Includes ANGET Grantees)  
 • Worker Payroll (AKDOL)  
 • Unemployment Insurance (AKDOL)  
 • Adult Basic Education (AKDOL)  
 • Vocational Rehabilitation (AKDOL)  
 • Workforce Workforce (AKDOL)  
 • Senior Services Training Programs  
 • Dislocated Worker Assistance Programs  
 • WIA-ESB  
 • WIA-ESB  
 • WIA-ESB  
 • WIA-ESB

## Matrix of Institutional Authorization Active Records

<i>School Name</i>	<i>Location</i>	<i>Type</i>	<i>Accreditation</i>	<i>Authorization</i>	<i>Non-Profit?</i>
AGC Safety, Inc.	Anchorage	Vo-Tech	None	Exempt	Yes
A Head of Time Design School	Anchorage	Beauty	None	ACPE	
Academy of Hair Design	Anchorage	Beauty	None	ACPE	
Access Alaska	Anchorage	Specialized	None	Exempt	Yes
Accupressure Institute	Juneau	Vo-Tech	None	Exempt	
Advanced Information Services Consulting	Anchorage	Vo-Tech	None	Exempt	
Aero Tech Flight Service, Inc.	Anchorage	Flight	None	ACPE	
Alaska Baptist Native School of Theology	Anchorage	Religious	None	Exempt	Unknown
Alaska Bar Review	Anchorage	Specialized	None	Exempt	
Alaska Bible College	Glennallen	Collegiate	Yes	ACPE	Yes
Alaska Charter Captain's Training School	Anchorage	Vo-Tech	None	Exempt	
Alaska Chopper Ratings	Anchorage	Flight	None	Exempt	
Alaska Clean Seas Training	Anchorage	Vo-Tech	None	Exempt	
Alaska Educational and Recreational Products	Anchorage	Specialized	None	Exempt	
Alaska Flying Network	Kenai	Flight	None	Exempt	
Alaska Job Corps	Palmer	Vo-Tech	None	Exempt	Yes
Alaska Medcode	Anchorage	Vo-Tech	None	Exempt	
Alaska Medical Training Tours	North Pole	Specialized	None	Exempt	
Alaska Pacific University	Anchorage	Collegiate	Yes	ACPE	Yes
Alaska Rural Electric Cooperative	Anchorage	Vo-Tech	None	Exempt	Yes
Alaska School of Taxidermy	Palmer	Specialized	None	Exempt	
Alaska School of Ministry and Missions	Anchorage	Religious	None	Exempt	
Alaska State Trooper Academy	Sitka	Vo-Tech	None	Exempt	Yes
Alaska Travel Concepts	Anchorage	Vo-Tech	None	Exempt	
Alaska Technical Center	Kotzebue	Vo-Tech	None	ACPE	Yes - Public
Alaska West Boot and Saddle	Anchorage	Specialized	None	Exempt	
Anchorage Pioneer Home	Anchorage	Vo-Tech	None	Exempt	Yes
Arctic Flyers	Anchorage	Flight	None	Exempt	
Arctic Slope Consulting Group	Anchorage	Vo-Tech	None	Exempt	
Ariel's Hair Design School	Anchorage	Beauty	None	ACPE	

<i>School Name</i>	<i>Location</i>	<i>Type</i>	<i>Accreditation</i>	<i>Authorization</i>	<i>Non-Profit?</i>
Asbestos Removal Specialists of Alaska	Anchorage	Vo-Tech	None	Exempt	
Associated Builders and Contractors, Inc.	Anchorage	Vo-Tech	None	Exempt	
Association of Clinical Pastoral Educators	Anchorage	Specialized	None	Exempt	
Association of Village Council Presidents	Bethel	Vo-Tech	None	Exempt	
Aurora North Emergency Services Academy	Anchorage	Vo-Tech	None	ACPE	
AVTEC	Seward	Vo-Tech	Yes	Exempt	Yes - Public
Bar Stars Professional Bartending School	Anchorage	Vo-Tech	None	Exempt	
Bio-environmental Alaska Response Training	Wasilla	Vo-Tech	None	Exempt	Unknown
Bootstraps of America	Anchorage	Vo-Tech	None	Exempt	
Brown's School of Phlebotomy	Palmer	Vo-Tech	None	Exempt	
Burlington Environmental	Anchorage	Vo-Tech	None	Exempt	
CHR 2000	Fairbanks	Vo-Tech	None	Exempt	
Calvary Bible College	Fairbanks	Religious	None	Exempt	Unknown
Career Academy	Anchorage	Vo-Tech	Yes	ACPE	
Career Track, Inc.	Varies	Vo-Tech	None	Exempt	
Center for Employment Education	Anchorage	Vo-Tech	None	ACPE	Yes
Center for Innovation	Varies	Specialized	None	Exempt	
CCMHA Vocational Training and Resource Center	Juneau	Vo-Tech	None	ACPE	Yes
Central Texas College	Wainwright	Collegiate	Yes	Exempt	Yes
Central Texas College	Richardson	Collegiate	Yes	Exempt	Yes
Central Texas College	Ft. Greely	Collegiate	Yes	Exempt	Yes
Channel Dive Center	Juneau	Specialized	None	Exempt	
Charter College	Anchorage	Collegiate and Vo-Tech	Yes	ACPE	
Chugiak Senior Center	Chugiak	Vo-Tech	None	ACPE	Yes - Public
Cimarron Tech	Anchorage	Vo-Tech	None	ACPE	
Class Act Nails	Anchorage	Vo-Tech	None	Exempt	
Cole Industrial	Varies	Vo-Tech	None	Exempt	
Colorado Outward Bound School	Varies	Specialized	None	Exempt	Yes
Comp USA	Anchorage	Vo-Tech	None	Exempt	
Computerland	Anchorage	Vo-Tech	None	Exempt	
Corcom	Anchorage	Vo-Tech	None	Exempt	
Covenant Life College	Haines	Religious	None	Exempt	Yes
Creative Solutions	Anchorage	Specialized	None	Exempt	

<i>School Name</i>	<i>Location</i>	<i>Type</i>	<i>Accreditation</i>	<i>Authorization</i>	<i>Non-Profit?</i>
Crossroads Leadership Institute	Anchorage	Vo-Tech	None	Exempt	Yes
D2000 New Dimensions Training	Anchorage	Specialized	None	Exempt	
DCI Alaska, Inc.	Juneau	Vo-Tech	None	Exempt	
Double Header Beauty-Barber Center	Anchorage	Beauty	None	ACPE	
Educational Consulting Group	Varies	Specialized	None	Exempt	Unknown
Eielson Aero Club	Eielson	Flight	None	Exempt	Yes
Elite Nail Studios	Anchorage	Beauty	None	Exempt	
Elmendorf Aero Club	Elmendorf	Flight	None	ACPE	Yes
Embry-Riddle Aeronautical University	Elmendorf	Collegiate	Yes	Exempt	Yes
Embry-Riddle Aeronautical University	Wainwright	Collegiate	Yes	Exempt	Yes
EMCON Alaska, Inc.	Anchorage	Vo-Tech	None	Exempt	
Envirocad	Anchorage	Vo-Tech	None	Exempt	
Environmental Science and Engineering	Varies	Vo-Tech	None	Exempt	Unknown
Environmental Management, Inc.	Anchorage	Vo-Tech	None	Exempt	
Even Start Literacy Program	Fairbanks	Specialized	None	Exempt	Unknown
Fairbanks Counseling and Adopted	Fairbanks	Specialized	None	Exempt	Yes
Fairbanks Leadership Institute	Fairbanks	Vo-Tech	None	Exempt	Unknown
Fairbanks Memorial Hospital	Fairbanks	Vo-Tech	None	Exempt	Yes
FairNet, Inc.	Fairbanks	Vo-Tech	None	Exempt	Yes
Fairweather, Inc.	Anchorage	Vo-Tech	None	Exempt	
Far North Bible College	Anchorage	Religious	None	Exempt	Yes
Fielding Institute	Anchorage	Collegiate	Yes	Exempt	Yes
Finicky Fingers Nail Artistry	Wasilla	Beauty	None	Exempt	
Fresno Pacific University	Varies	Collegiate	Yes	Exempt	Yes
GateKey School of Mind/Body Integration	Anchorage	Vo-Tech	None	Exempt	
Gibbor School of Dog Grooming	Juneau	Vo-Tech	None	ACPE	
Goldengate Seminary	Anchorage	Religious	None	Exempt	Unknown
Greater Alaska Bartending	Anchorage	Vo-Tech	None	Exempt	
HAL Aviation	Anchorage	Flight	None	Exempt	
H&R Block Tax Services	Anchorage	Vo-Tech	None	Exempt	
HAARTEC Training Center	Anchorage	Vo-Tech	None	Exempt	
HAZTEK, Inc.	Anchorage	Vo-Tech	None	Exempt	
Hazwoper Associates	Wasilla	Vo-Tech	None	Exempt	

<i>School Name</i>	<i>Location</i>	<i>Type</i>	<i>Accreditation</i>	<i>Authorization</i>	<i>Non-Profit?</i>
Health Education Center	Palmer	Vo-Tech	None	Exempt	
His and Hers School of Hairstyling	Wasilla	Beauty	None	ACPE	
Homer Volunteer Fire Department	Homer	Vo-Tech	None	Exempt	Yes
Human Resources Company	Wasilla	Vo-Tech	None	Exempt	Unknown
ITF Educational Services	Varies	Vo-Tech	Yes	Exempt	Unknown
Iisagvik College	Narrow	Collegiate and Vo-Tech	Yes	ACPE	Yes - Public
Interior Alaska Police Academy	Fairbanks	Vo-Tech	None	Exempt	Unknown
Interior Ambulance Rescue Squad	Fairbanks	Vo-Tech	None	Exempt	Yes
Interior Athabaskan Tribal College	Fairbanks	Collegiate	None	Exempt	Yes
Interior Aviation and Travel Academy	Varies	Vo-Tech	None	Exempt	
International Assoc for Spiritual Consciousness	Anchorage	Specialized	None	Exempt	
Jesco Services, Inc.	Anchorage	Vo-Tech	None	Exempt	
John Robert Powers Modeling School	Anchorage	Specialized	None	Exempt	
Joycraft Marine Safety Equipment	Kodiak	Specialized	None	Exempt	
Kenai Peninsula College (UAA)	Soldotna	Collegiate	Yes	Exempt	Yes - Public
Ketchikan Campus (UAS)	Ketchikan	Collegiate	Yes	Exempt	Yes - Public
Kodiak College (UAA)	Kodiak	Collegiate	Yes	Exempt	Yes - Public
Kuskokwim Campus (UAF)	Bethel	Collegiate	Yes	Exempt	Yes - Public
Lana's Perfect Ten	Anchorage	Beauty	None	Exempt	
Learn to Return	Anchorage	Specialized	None	Exempt	
Loyola University		Collegiate	Yes	Exempt	Yes
Mat Su College (UAA)	Palmer	Collegiate	Yes	Exempt	Yes - Public
Mat Su Phlebotomy Lab	Palmer	Vo-Tech	None	Exempt	
MetrOasis Advanced Training Center	Anchorage	Beauty	None	ACPE	
MicroAge	Anchorage	Vo-Tech	None	Exempt	
Mila Administrative Services	Anchorage	Vo-Tech	None	Exempt	
National Outdoor Leadership School	Palmer	Specialized	None	Exempt	Yes
Nautical Training Specialists	Palmer	Vo-Tech	None	ACPE	
Network Business Systems	Anchorage	Vo-Tech	None	Exempt	
New Concepts Beauty School	Fairbanks	Beauty	Yes	ACPE	
New Frontier Vo-Tech	Soldotna	Vo-Tech	None	ACPE	

School Name	Location	Type	Accreditation	Authorization	Non-Profit?
Nightingale Neighbors	Wasilla	Vo-Tech	None	Exempt	
Nine Star Enterprises	Anchorage	Vo-Tech	None	Exempt	Yes
North Pacific Business Institute	Wasilla	Vo-Tech	None	Exempt	
Northwest Campus (UAF)	Nome	Collegiate	Yes	Exempt	Yes - Public
Oil Spill Consultants Inc.	Anchorage	Vo-Tech	None	Exempt	
Portland State University	Varies	Collegiate	Yes	Exempt	Yes
Prince William Sound Community College (UAA)	Valdez	Collegiate	Yes	Exempt	Yes - Public
Pacific Rim Institution of Safety and Management	Kenai	Vo-Tech	None	ACPE	
Raven Contractors	Kenai	Vo-Tech	None	Exempt	
Regulatory Compliance Training Services	Anchorage	Vo-Tech	None	Exempt	
Renew U Design Academy	Soldotna	Beauty	None	ACPE	
Safety Training, Inc.		Vo-Tech	None	Exempt	
Saint Herman's Theological Seminary	Kodiak	Religious	None	Exempt	
Saybrook Institute	Anchorage	Collegiate	Yes	Exempt	
School of Integrating Shiatsu	Fairbanks	Vo-Tech	None	ACPE	
SERRC	Juneau	Vo-Tech	None	ACPE	Yes - Public
Shear Allusions 2000	Soldotna	Beauty	None	ACPE	
Sheldon Jackson College	Sitka	Collegiate	Yes	ACPE	Yes
Sitka Campus (UAS)	Sitka	Collegiate	Yes	Exempt	Yes - Public
Star Global	Ketchikan	Vo-Tech	None	Exempt	
Take Flight Alaska	Anchorage	Flight	None	ACPE	
Test the Waters	Palmer	Specialized	None	Exempt	
Testing Institute of AK	Anchorage	Vo-Tech	None	ACPE	
The Charisma Shop	Varies	Specialized	None	Exempt	
The Learning Center	Anchorage	Vo-Tech	None	ACPE	Yes
The Learning Connection	Juneau	Vo-Tech	None	Exempt	Unknown
Trend Setters School of Beauty	Anchorage	Beauty	None	ACPE	
Trinity College of Vermont	Varies	Collegiate	Yes	Exempt	Yes
Underway Alaska	Anchorage	Vo-Tech	None	Exempt	
University of Alaska Anchorage	Anchorage	Collegiate	Yes	Exempt	Yes - Public
University of Alaska Fairbanks	Fairbanks	Collegiate	Yes	Exempt	Yes - Public
University of Alaska Southeast	Juneau	Collegiate	Yes	Exempt	Yes - Public
University of LaVene	Eielson	Collegiate	Yes	Exempt	Yes
University of LaVerne	Elmendorf	Collegiate	Yes	Exempt	Yes
Valley Academy of Hair	Palmer	Beauty	None	ACPE	
Valley Academy of Nursing Assistants	Wasilla	Vo-Tech	None	ACPE	

<i>School Name</i>	<i>Location</i>	<i>Type</i>	<i>Accreditation</i>	<i>Authorization</i>	<i>Non-Profit?</i>
Via Vita Missions School of Health Care and Midwifery	Fairbanks	Vo-Tech	None	Exempt	Yes
Wayland Baptist University	Anchorage	Collegiate	Yes	Exempt	Yes
Western Governors University	Fairbanks	Collegiate	Yes	Exempt	Yes
Western Washington State College	Anchorage, Fairbanks, and Kenai	Collegiate	Yes	Exempt	Yes
White Horse Christian Training Center	Juneau	Religious	None	Exempt	Unknown
Wilderness First Responder	Wasilla	Vo-Tech	None	Exempt	Unknown
World Harvest Bible Training Center	Eagle River	Religious	None	Exempt	Yes

## Notes:

1. Matrix reflects organizational type only for ACPE authorized and Alaska public institutions.
2. "Type" is listed as Vo-Tech for all programs leading to salable skills, and for all programs designed to improve job skills.
3. Accreditation is listed only if granted from an institutional accrediting agency approved by the United States Secretary of Education.
4. Information on exempt schools is the most recent on record; however, exempt schools are not required to notify this agency of changes.

April 2000

# LEGAL SERVICES

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

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

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 21, 2000

**SUBJECT:** Appropriation for railroad equipment for development of coal deposits in the Matanuska-Susitna Valley (Work Order No. 21-LS1571)

**TO:** Representative Scott Ogan

**FROM:** George Utermohle *GU*  
Legislative Counsel

You have asked three questions regarding use of funds appropriated to the Alaska Railroad Corporation for the purchase of railroad equipment for the development of coal deposits in the Matanuska-Susitna Valley by sec. 145, ch. 208, SLA 1990, as amended by secs. 55 and 56, ch. 100, SLA 1997.

**BACKGROUND.** In 1990, the legislature made an appropriation of \$9,000,000 to the Alaska Railroad Corporation for the purchase of locomotives, rolling stock, and associated equipment costs. Sec. 145, ch. 208, SLA 1990. The Alaska Railroad has not expended any of the appropriation. The corporation has been holding the amount of the appropriation in an interest bearing account. In 1997, the legislature amended the purpose of the appropriation to provide that the money would be used to purchase railroad equipment for the development of coal deposits in the Matanuska-Susitna Valley. Sec. 55, ch. 100, SLA 1997. Also, in 1997 the legislature appropriated interest that the corporation had received on the original appropriation back to the corporation for the purchase of railroad equipment for the development of coal deposits in the Matanuska-Susitna Valley. Sec. 56, ch. 100, SLA 1997. A portion of the interest that was appropriated to the corporation by Sec. 56, ch. 100, SLA 1997 was reappropriated in 1999 as a grant to the Matanuska-Susitna Borough. Sec. 40(b), ch. 2, FSSLA 1999.

The appropriations made to the Alaska Railroad Corporation by sec. 145, ch. 208, SLA 1990, as amended by secs. 55 and 56, ch. 100, SLA 1997, currently state:

(a) The sum of \$9,000,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Alaska Railroad Corporation for the purchase of locomotives, rolling stock, and associated equipment costs for the development of coal deposits in the Matanuska-Susitna Valley.

(b) The interest and income earned since July 11, 1990, on the sum appropriated by (a) of this section is appropriated from proceeds received by the Alaska Railroad corporation from the investment or deposit of the sum

Representative Scott Ogan  
March 22, 2000  
Page 2

appropriated by (a) of this section to the Alaska Railroad Corporation for the purchase of locomotives, rolling stock, and associated equipment costs for the development of coal deposits in the Matanuska-Susitna Valley.

ONE: May the funds appropriated by sec. 145, ch. 208, SLA 1990, as amended, be expended?

According to the information that you provided there is only a very preliminary and speculative prospect of development of the coal deposits in the Matanuska-Susitna Valley and that, if locomotives and rolling stock were purchased with the appropriation, the equipment would be used to carry coal from Healy.

The legislature made it clear that the appropriated funds were to be used for the development of coal deposits in the Matanuska-Susitna Valley when it amended the appropriation in 1997. Prior to 1997, the appropriation under its own terms was available to purchase locomotives, rolling stock, and associated equipment for any purpose for use in any part of the state served by the railroad. By amending the original appropriation and by appropriating interest on the original appropriation to restrict the use of those funds to the purchase of certain railroad equipment for the development of coal deposits in the Matanuska-Susitna Valley, the legislature intended that the money would only be used to purchase railroad equipment for that purpose.

Unless the appropriated funds are expended for the purchase of locomotives, rolling stock, or associated equipment costs for the development of coal deposits in the Matanuska-Susitna Valley, the funds may not be expended.

If the development of coal deposits in the Matanuska-Susitna Valley is not likely in the foreseeable future, the funds, including the interest earned on the original appropriation, should either be reappropriated or returned to the Railbelt energy fund.

TWO: May the funds be expended to construct a rail spur to the Point Mackenzie Port?

The appropriations at issue here were made for the purchase of locomotives, rolling stock, and associated equipment costs. The construction of a railroad spur, regardless of whether the spur is associated with the development of coal deposits in the Matanuska-Susitna Valley, does not fit within the purpose of the appropriations. A railroad spur is an extension of the road bed and track of the railroad. A railroad spur is distinctly different from a locomotive or a piece of rolling stock. Also, the costs of constructing a railroad spur are not "associated equipment costs" under the terms of the appropriations. Associated equipment costs are those costs related to the purchase of the locomotives and rolling stock and may include equipment reasonably related to the locomotives and rolling stock that is purchased.

Without amending the purposes for which the appropriations were made, the appropriated funds may not be used to construct a railroad spur. The appropriations are for the purchase of locomotives and rolling stock and not the extension of railroad lines.

Representative Scott Ogan  
March 22, 2000  
Page 3

THREE: May the Alaska Railroad Corporation use the funds appropriated for the purchase of locomotives, rolling stock, and associated equipment costs to build a spur to Point Mackenzie Port, if it agrees to repay the funds if the development of coal deposits in the Matanuska-Susitna Valley does not occur within a certain period of time?

The funds appropriated by sec. 145, ch. 208, SLA 1990, as amended, were appropriated for the purchase of locomotives, rolling stock, and associated equipment costs. The money may not be expended for any other purpose. The funds may not be redirected to any other purpose, regardless of whether the corporation intends to repay the money. The funds must be reappropriated by the legislature before they may be used for any purpose other than that expressly and unequivocally stated in the appropriations -- the purchase of locomotives, rolling stock, and associated equipment costs for the development of coal deposits in the Matanuska-Susitna Valley.

If I may be of further assistance, please advise.

GU:pl:jr  
00-104.plm

GRANT AMOUNT

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ION. That portion of the  
 (Department of Military

1 and Veterans' Affairs for disaster planning and control - \$3,161,000) that was awarded by the  
 2 Department as a grant to the American Red Cross lapses into the funds from which  
 3 appropriated on June 30, 1998.

4 \* Sec. 54. An amount equal to the balance of the earnings reserve account (AS 37.13.145)  
 5 on June 30, 1997, less \$100,000,000, less the amount calculated under AS 37.13.145 to offset  
 6 the effect of inflation on the principal of the permanent fund during fiscal year 1997, and less  
 7 the amount authorized under AS 37.13.145(b) for transfer to the dividend fund  
 8 (AS 43.23.045(a)) for the payment of 1997 permanent fund dividends, is appropriated to the  
 9 principal of the Alaska permanent fund.

10 \* Sec. 55. Section 145, ch. 208, SLA 1990, is amended to read:

11 Sec. 145. (a) The sum of \$9,000,000 is appropriated from the Railbelt energy  
 12 fund (AS 37.05.520) in the general fund to the Alaska Railroad Corporation for the  
 13 purchase of locomotives, rolling stock, and associated equipment costs for the  
 14 development of coal deposits in the Matanuska-Susitna Valley.

15 \* Sec. 56. Section 145, ch. 208, SLA 1990, is amended by adding a new subsection to  
 16 read:

17 (b) The interest and income earned since July 11, 1990, on the sum  
 18 appropriated by (a) of this section is appropriated from proceeds received by the  
 19 Alaska Railroad Corporation from the investment or deposit of the sum appropriated  
 20 by (a) of this section to the Alaska Railroad Corporation for the purchase of  
 21 locomotives, rolling stock, and associated equipment costs for the development of coal  
 22 deposits in the Matanuska-Susitna Valley.

23 \* Sec. 57. DEPARTMENT OF PUBLIC SAFETY. The proceeds from the sale of five  
 24 patrol vessels, including parts inventory, by the Department of Public Safety are appropriated  
 25 to the Department of Public Safety for the purchase of two replacement vessels.

26 \* Sec. 58. (a) The unexpended and unobligated balance, not to exceed <sup>117,500</sup>~~250,000~~ of the  
 27 appropriation made in sec. 21, ch. 79, SLA 1993, page 105, lines 29 - 31 (Badger flood  
 28 control and drainage - \$750,000) is reappropriated to the Department of Administration for  
 29 payment as a grant under AS 37.05.316 to the following recipients for the purposes and in the  
 30 amounts stated:

31 RECIPIENT AND PURPOSE GRANT AMOUNT

sum of \$25,000,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Department of Administration and Export Authority for the design and construction of the Healy cogeneration project.

On the amount appropriated by (a) of this section until the \$25,000,000 is transferred to the Alaska Industrial Development and Export Authority is appropriated to the Alaska Industrial Development and Export Authority for the design and construction of the Healy cogeneration project.

On the amount transferred to the Alaska Industrial Development and Export Authority under (a) of this section is appropriated to the Alaska Industrial Development and Export Authority for the design and construction of the Healy cogeneration project.

~~of the legislature that the Department of Administration and Export Authority on the effective date of this section to the amount appropriated in (a) of this section to the Alaska Industrial Development and Export Authority on the effective date of this section.~~

~~of the legislature that the appropriations of funds not be expended until the Alaska Public Utilities Commission has approved power sales agreements for the Healy cogeneration project.~~

~~of the legislature that the Alaska Public Utilities Commission has approved power sales agreement for a clean coal technology under this section only if~~

~~it is not contingent in any way on legislative action, and~~

~~has been executed by the parties and approved by the parties.~~

\* Sec. 144. The sum of \$9,500,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Department of Administration for payment as a grant under AS 37.05.315 to the City of Seward for the design and construction of the Seward transmission line from Lawing to Fort Raymond substation.

\* Sec. 145. The sum of \$9,000,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Alaska Railroad Corporation for the purchase of locomotives, rolling stock, and associated equipment costs.

\* Sec. 146. Contingent upon the execution of a long-term, no-cost lease between the Alaska Railroad Corporation and the Municipality of Anchorage that designates the Alaska Railroad Corporation's Government Hill bluff land as open space or for public use, the sum of \$2,500,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Department of Administration for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for road and bridge improvements for the Anchorage Ship Creek Original Townsite Redevelopment Project, including extension of Warehouse Avenue, realignment of C Street, and construction of a Ship Creek pedestrian bridge.

\* Sec. 147. (a) The sum of \$1,600,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Department of Community and Regional Affairs for weatherization and energy conservation and for the energy efficient residential housing incentive program under AS 37.05.900 of SCS CSSHB 358 (Fin) am S (efd fld), enacted by the Sixteenth Alaska State Legislature.

(b) The sum of \$600,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Department of Community and Regional Affairs to match federal receipts for the weatherization and energy conservation program.



# Alaska State Legislature

Official Business

P.O. Box 1  
State Capitol  
Juneau, Alaska 99811

TO: Robert Hatfield  
FROM: Representative Larson and Senator Menard  
SUBJ: 1990 Railbelt Energy Appropriation  
DATE: May 8, 1992

It is perhaps a good time to restate some of the history surrounding an appropriation, made nearly two years ago.

Repeatedly, over the last few months, we have been asked the status of the \$9,000,000 appropriation made in SCS CSHB 463(Fin), Chapter 208, SLA 1990, Page 115, section 145, line 5-9 (attached), which states: The sum of \$9,000,000 is appropriated from the Railbelt Energy fund (AS 37.05.520) in the general fund to the Alaska Railroad Corporation for the purchase of locomotives, rolling stock, and associated equipment costs.

Because we were both quite instrumental in the crafting and approval of this appropriation, we thought we should share some of the reasons for the appropriation with you. This capital inclusion was accompanied by the following DOTPF/OMB backup. The project description states:

Capital funding to support transportation of coal from Wishbone Hill for export purposes. Expenditure details will be resolved by the department based on financial plan review and acceptable resolution of rate negotiations with the Alaska Railroad Corporation.

The project justification states:

The economic benefits from the Wishbone Hill project are considerable for the state, Mat-Su Borough, Municipality of Anchorage, and the City of Seward. This includes royalty payments, local tax receipts, and approximately 150 to 200 permanent jobs during the 15-year plus mine life.

At the time that this appropriation was done, it was extremely clear as to the purpose and definition of the line item. We remain confident that this appropriation is secure and awaiting its' allocation specific to the intent, as clarified in the above language.

Please feel free to contact us if you have any questions or information to the contrary.

7450888 P.01  
Washburne Hill  
K. RR Agency

1990 Appropriation

SCS CSHB 463 (Fin)

Post-it brand fax transmittal memo 7671 Vol pages 25

To Don Moore	From Barbara
Co.	Co.
Dept.	Phone # 746-1046
Fax #	Fax #

Chapter 206

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\* Sec. 144. The sum of \$9,500,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Department of Administration for payment as a grant under AS 37.05.315 to the City of Seward for the design and construction of the Seward transmission line from Lawing to Fort Raymond substation.

\* Sec. 145. The sum of \$9,000,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Alaska Railroad Corporation for the purchase of locomotives, rolling stock, and associated equipment costs.

\* Sec. 146. Contingent upon the execution of a long-term, no-cost lease between the Alaska Railroad Corporation and the Municipality of Anchorage that designates the Alaska Railroad Corporation's Government Hill bluff land as open space or for public use, the sum of \$2,500,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Department of Administration for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for road and bridge improvements for the Anchorage Ship Creek Original Townsite Redevelopment Project, including extension of Warehouse Avenue, realignment of C Street, and construction of a Ship Creek pedestrian bridge.

\* Sec. 147. (a) The sum of \$1,600,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Department of Community and Regional Affairs for weatherization and energy conservation and for the energy efficient residential housing incentive program under sec. 9 of SCS CSHB 358 (Fin) am 5 (cfd fld), enacted by the Sixteenth Alaska State Legislature.

(b) The sum of \$600,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Department of Community and Regional Affairs to match federal receipts for the weatherization and energy conservation program.

OMB had this backup from our commissioner which had not been typed up in the Governor's backup yet.

"Project Description: Capital funding is needed to support transportation of coal from Wishbone Hill for export purposes. Expenditure details will be resolved by the department based on financial plan review and acceptable resolution of rate negotiations with the Alaska Railroad Corporation.

Project Justification: The economic benefits from the Wishbone Hill project are considerable for the state, Mat-Su Borough, Municipality of Anchorage, and the City of Seward. This includes royalty payments, local tax receipts, and approximately 150 to 200 permanent jobs during the 15-year plus mine life."

FEB 02 '90 10:35 DOT&PF COMM. OFFICE JUNEAU

P.1

**DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES**

**FACSIMILE TRANSMITTAL SHEET**

FAX NO. (907) 586-8385

TO: Barbara Hunt  
Gov. Benson's Office PHONE: 376-8628

FROM: Carol Taylor PHONE: 465-4070

NUMBER OF PAGES INCLUDING THIS COVER SHEET: 2

COMMENTS: OMB gave me a handwritten note as backup which will be input in the Gov's budget for Coal Development Project Implementation

sum of \$25,000,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Department of Administration for payment as a grant under AS 37.05.315 to the City of Seward for the design and construction of the Seward transmission line from Lawing to Fort Raymond substation.

on the amount appropriated by (a) of this section until the \$25,000,000 is transferred to the Alaska Industrial Development and Export Authority is appropriated from the Alaska Industrial Development and Export Authority under (a) of this section to the Alaska Industrial Development and Export Authority for the design and construction of the Healy cogeneration project.

of the legislature that the Department of Administration appropriated in (a) of this section to the Alaska Industrial Development and Export Authority on the effective date of this section and thereafter.

of the legislature that the appropriations of funds not be expended until the Alaska Public Utilities Commission has approved power sales agreements for the Healy cogeneration project.

of the legislature that the Alaska Public Utilities Commission power sales agreement for a clean coal technology under this section only if the agreement is not contingent in any way on legislative contingencies; and

has been executed by the parties and approved by the parties.

\* Sec. 144. The sum of \$9,500,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Department of Administration for payment as a grant under AS 37.05.315 to the City of Seward for the design and construction of the Seward transmission line from Lawing to Fort Raymond substation.

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\* Sec. 146. Contingent upon the execution of a long-term, no-cost lease between the Alaska Railroad Corporation and the Municipality of Anchorage that designates the Alaska Railroad Corporation's Government Hill bluff land as open space or for public use, the sum of \$2,500,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Department of Administration for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for road and bridge improvements for the Anchorage Ship Creek Original Townsite Redevelopment Project, including extension of Warehouse Avenue, realignment of C Street, and construction of a Ship Creek pedestrian bridge.

\* Sec. 147. (a) The sum of \$1,600,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Department of Community and Regional Affairs for weatherization and energy conservation and for the energy efficient residential housing incentive program under AS 37.05.9 of SCS CSSHB 358 (Fin) am S (efd fld), enacted by the Sixteenth Alaska State Legislature.

(b) The sum of \$600,000 is appropriated from the Railbelt energy fund (AS 37.05.520) in the general fund to the Department of Community and Regional Affairs to match federal receipts for the weatherization and energy conservation program.

1991 Alaska Railroad Annual Report

1. Organization and Operations

Congress authorized construction of the Alaska Railroad (Railroad) in 1977. The federal government operated the Railroad until its sale to the State of Alaska in January 1985. The sale of the Railroad to the State of Alaska was authorized under the Alaska Railroad Transfer Act of 1982 (ARTA), which was signed into law on January 14, 1983. The Alaska Railroad Corporation (ARRC) is a public corporation created by the State of Alaska Legislature to own and operate the Railroad and manage the Railroad's rail, industrial, port, and other properties. The ARRC commenced operations on January 6, 1985, and adopted the accounting policies of a commercial enterprise.

The ARRC operates 525 route miles, providing both freight and passenger services. The ARRC serves the Alaska cities of Anchorage and Fairbanks as well as the ports of Whittier, Seward, and Anchorage; Denali National Park; and military installations. Vessel and rail barge connections are provided from Seattle, Washington and Prince Rupert, British Columbia.

2. Significant Accounting Policies

MATERIALS AND SUPPLIES INVENTORY

Operating materials and supplies are carried at the lower of cost (average cost) or market. Road materials and supplies include rail, ties, ballast, and other track materials, and because these items are generally capitalized when placed into service, they are included in property and equipment at cost.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets. Preacquisition depreciable property has been depreciated on a straight-line basis over its estimated original remaining life of five years.

CAPITALIZED INTEREST

The ARRC capitalizes interest costs as part of the cost of constructing major facilities and equipment. Interest costs of \$84,000 and \$122,000 were capitalized in 1991 and 1990, respectively.

INCOME TAXES

As a public corporation, the ARRC is exempt from federal and state income taxes.

3. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and repurchase agreements with original maturities of three months or less. Temporary investments are carried at cost which approximates market value.

Cash and cash equivalents are summarized at December 31, 1991 as follows:

	Carrying Amount	Bank Statement Balance
	(IN THOUSANDS)	
Checking accounts and repurchase agreements	\$ 3,566	\$ 4,859
U.S. Government obligations	500	500
Time certificates of deposit	1,860	1,860
Total cash and temporary investments	\$ 5,926	\$ 7,219
Collateralized by U.S. Government obligations	\$ 4,694	\$ 4,694
Insured by FDIC	300	300
Uninsured and uncollateralized	242	2,233
Total cash and temporary investments	\$ 5,934	\$ 7,227

U.S. Government obligations, which are carried at cost, had a market value of \$128,000 at December 31, 1991.

4. Leases

The ARRC leases certain locomotives, freight cars, computer equipment, and other property under capital leases. Future minimum lease payments for capital leases as of December 31, 1991 are summarized as follows (in thousands):

Year ending December 31,	1992	\$ 1,625
	1993	1,776
	1994	871
	1995	85

During 1991, the ARRC acquired no additional equipment under capital lease agreements. The cost of equipment held under capital leases aggregated \$10,934,000 and \$20,832,000 at December 31, 1991 and 1990, respectively. Capital leases on assets with a cost of \$9,596,600 and accumulated amortization of \$1,162,000 were paid off during 1991. The related accumulated amortization was \$3,663,000 and \$6,634,000 at December 31, 1991 and 1990, respectively. Amortization expense is included in depreciation expense in the statement of income.

A lease for freight cars requires that \$220,000 be kept on deposit with a financial institution for the term of the lease agreement.

5. Land

Certain parcels of land are leased under agreements which are cancellable upon 90 days notice by the lessee. The lease terms vary from 2 to 55 years. Annual rentals on the leases were approximately \$3,979,000 in 1991 and \$4,016,000 in 1990.

6. Wishbone Hill

The ARRC received \$9 million from the State of Alaska in 1990 for the purchase of locomotives and coal hopper cars for the Wishbone Hill Coal Project. Any remaining funds, along with interest earned on the \$9 million while in the possession of the ARRC, may be used to purchase other equipment and improvements related to the project. This contribution from the State is accounted for as deferred revenue, which will be amortized over the life of the project. During 1991, the \$9 million was invested in U.S. Government securities. At December 31, 1991, these investments had a carrying value of \$9,798,000 at cost and a market value of \$10,102,800. According to the current agreement, ARRC is to refund the \$9,000,000 plus interest earned during the holding period if the Wishbone Hill Coal Project is cancelled.

7. Long-Term Debt

Long-term debt at December 31, 1991 consists of the following (in thousands):

Note payable, secured by equipment, due in semi-annual principal payments of \$201,391, plus interest, beginning October 1, 1991. Interest is accrued at 9% through September 1991 and thereafter at the two year treasury note rate.	\$ 5085
Note payable, secured by various assets, requires maintenance of a net worth of at least \$30 million and a debt service coverage ratio of at least 1.25, due in monthly payments of \$118,659, including interest at 8%. The ARRC was in compliance with loan covenants at December 31, 1991.	4297
Other notes payable, secured by equipment, with varying maturities through 1997 with interest from 7.82% to 8.75%.	481
	9,861
Less current portion	1,671
	\$ 8,188

Long-term debt maturities are as follows (in thousands):

Year ending December 31,	1992	\$ 1,677
	1993	1,734
	1994	1,811
	1995	1,097
	1996	449
	Thereafter	3,994
		\$ 9,861

The ARRC has arrangements for short-term operating borrowing up to \$10 million with two banks at December 31, 1991. The amount outstanding on the first line is \$3 million at December 31, 1991 with interest at 75 percent of the prime rate of a major bank. The amount outstanding at December 31, 1991 on the second line was \$3 million with interest at 74 percent of the prime rate of the bank. In addition, the ARRC has available a line of credit of up to \$10 million for the purpose of insuring self-insurance claims. There is no outstanding balance on the self-insurance line at December 31, 1991.

8. Employer Benefits

The ARRC has a defined benefit pension plan (the Plan) that covers all non-represented permanent employees who have not qualified in the Civil Service Retirement System and permanent employees who are members of collective bargaining units which have opted to be covered by this plan. Benefits

**1990 appropriations from the Railbelt Energy Fund**

\$25,000,000 to the Healy Cogeneration project

\$9,500,000 to Seward for the Seward transmission line from Lawing to Fort Raymond

\$9,000,000 to the Alaska Railroad for locomotives, rolling stock and associated equipment

\$2,500,000 to Anchorage for Ship Creek redevelopment

\$1,600,000 to C&RA for weatherization

\$600,000 to C&RA for weatherization to match federal money

\$600,000 to Alaska Home Craftsman Program

\$2,200,000 to C&RA for energy efficiency and retrofit program

\$1,700,000 to Mat-Su for job corps

\$23,000,000 University, Fairbanks Natural Sciences Building

\$16,500,000 University, Anchorage Classroom Building

\$2,300,000 to Anchorage to reconstruct Alyeska water and sewer

\$3,800,000 to Anchorage Economic Development for Alyeska

\$1,100,000 to Kenai for a solid waste facility

\$1,000,000 to University for a fire training facility on the Kenai Peninsula

\$3,300,000 to City of Kenai for a congregate housing facility

\$1,700,000 to Anchorage Neighborhood Housing Services

\$100,000,000 to the Railbelt intertie reserve

**\$205,400,000 Total**

\$26,800,000 Anchorage Total

\$10,700,000 Mat-Su Total

\$14,900,000 Kenai Total

\$48,000,000 Fairbanks Total

468-5522

Post-It® Fax Note	7671	Date 4/19/00	# of pages 1
To	Rick Halford	From	Michael Scott

**DRAFT**

April 19, 2000

Honorable Rick Halford  
Honorable Lyda Green  
Honorable Vic Kohring  
Honorable Bev Masek  
Honorable Scott Ogan  
State Capitol  
Juneau, Alaska 99811

**Re: Appropriation Letter of Understanding**

Dear Delegation Members:

In regards to the appropriation for development of Mat-Su coal, the Mat-Su Borough intends to use those funds for the rail spur from the Parks Highway to Port MacKenzie and other port-related improvements. The funds will be used primarily to leverage federal funds for the rail spur. The Mat-Su state legislative delegation will be consulted before the Mat-Su Borough would change the current intent of the appropriation. This is the same consultative relationship the borough and the legislative delegation have honored and respected for the past several years.

Sincerely,

Michael J. Scott  
Borough Manager

C: Borough Assembly and Mayor



# Alaska State Legislature

*Continuation*

Please enter into the record my testimony to the \_\_\_\_\_ *HFin*  
committee name

committee on \_\_\_\_\_, dated \_\_\_\_\_  
bill/subject

for an institution to deny benefits for any reason when  
it is the workers own \$\$?

- The funds will be regulated by committees & councils.  
If they decide to buy new furniture or build walls,  
they can.

- UAA & the Technical Centers are merely a  
fraction of the Alaskan Employment Training  
Pictures.

Thank you

Signed: *Ray C. Nassar* *Tony C. Nassar*  
Testifier

Representing (Optional)  
Po Box 870382  
Address  
357-3833  
Phone No.

(2)



# Alaska State Legislature

2 PAGES

Please enter into the record my testimony to the House Finance committee name  
committee on SB 289, dated April 20, 2000,  
bill/subject

I am opposed to this Bill for several reasons:

- Increase taxes ( $\frac{1}{10}$  of 1% to  $\frac{2}{10}$  of 1%)
- May cause the UI Trust Fund to become insolvent.  
This will make employers' pick up the tab making more taxes
- Alaska is 38<sup>th</sup> in the Nation in Unemployment Benefits  
Alaska's workforce is highly seasonal and I would not want to be the one to explain to the working men & women of Alaska that they cannot use the money that they paid in unless they want under UAA or the Technical Centers demands. Also, is it right ->

Signed: [Signature]  
Testifier

Representing (Optional)  
PO Box 870382  
Address  
357-3833  
Phone No.

①



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
committee name  
committee on SB 289, dated 4/20/00  
bill/subject

U.I. dollars should not be used  
to fund other projects. The intent  
of U.I. is to have a bank account  
for the worker who is layed off because  
the job is finished.

Using U.I. dollars to support other  
things will deplete the fund and employers  
will be charged an additional tax.

When the U.I. fund was established and  
set into law - it was a fund for the  
unemployed and no provisions were made  
or even considered for the use of these dollars.  
Please vote not to pass this bill.

Signed: Janice Tallow  
Testifier

Representing (Optional)

P.O. Box 1621 Palmer AK. 99645

Address

745-4488

Phone No.

**BILL NO:** SB 289  
**TITLE:** TECHNICAL AND VOCATIONAL EDUCATION

**DATE:** April 13, 2000  
**CONTACT:** Dwight Perkins  
465-2700


The Department of Labor and Workforce Development is opposed to SB 289 in its current form [CSSB 229(FIN)am]. While the department strongly supports the intent of the bill – to adequately fund vocational and technical education and build capacity at the post-secondary level, primarily through the University, Seward Skills Center and Kotzebue Technical Center – we are adamantly opposed to the diversion of funds from the Unemployment Insurance Trust Fund to achieve that laudable intent.

The UI Trust Fund is just that - a protected, dedicated fund comprised of employer and employee payroll taxes. It is held in trust for the state by the federal government for the sole purpose of paying unemployment benefits to Alaskan workers in times of individual and, often, community-wide economic hardship. The solvency of the trust fund is not, barring a major recession, a large concern, since the formula for determining employer and employee insurance contributions renders it "self-adjusting" over the long term. The impact on employer tax rates, however, is a major concern. Trust fund solvency adjustments are charged to employers, and the diversion of \$8.6 million from the corpus of the trust fund will result in higher employer tax rates than would have occurred without the diversion.

The result is, in effect, a vocational and technical education tax on private sector, for profit employers (approximately 25% of the state's workforce works for "reimbursable" employers who do not pay UI tax – state and federal governments, the University of Alaska, most local governments, and many non-profits.) The department is not opposed to some form of tax support for vocational and technical education. The use of UI taxes, however, is inappropriate; they should be restricted to their intended purpose.

It is true that there is currently a diversion of .1% of the employee UI contribution to the State Training and Employment Program (STEP), which was established by legislation in 1989. STEP, however, is closely tied to the Unemployment Insurance Program: eligibility for service is restricted to workers who have contributed to UI by working for a contributing employer; the statutory purpose of the program is to reduce claims against unemployment benefits and reduce unemployment costs; when not reappropriated to the STEP account, unexpended funds have always been deposited back into the corpus of the UI Trust Fund.

APPROVED:



Ed Flanagan, Commissioner

DATE:

4/13/00

**POSITION PAPER/Department of Labor**

## **House CS SB 289 (FIN) Sponsor Statement**

This bill establishes a new Alaska Technical and Vocational Education Program which is funded through an employee credit on the Unemployment Insurance Trust Fund. The new credit is one-tenth of one percent and is patterned after the credit currently in place for the Statewide Employment Program (STEP).

The new program will be administered by the existing Alaska Human Resource Investment Council (AHRIC), which is charged with the responsibility of determining the priorities for grant submittal and distributions on an annual basis. The revenue from this source is expected to be about \$4.3 million annually. Entities eligible to receive grants are those that are authorized by and are physically located in the State of Alaska.

The first year revenues (about \$3.2 million) are directed to specific entities because the AHRIC will not have had the opportunity to formulate regulations to solicit grant applications. Those funds are directed to the University of Alaska (52% = \$1.725 million), Kotzebue Technical Center (16% = \$516,000) and Alaska Vocational Technical Center (32% = \$1.032 million).

The bill also provides for the AHRIC to act as the lead state planning and coordinating entity for Alaska. The state will then be in position to receive funds from the federal government for technical and vocational education programs.

After the first year, grants shall be awarded to programs in Alaska run by technical and vocational entities that hold valid authorization to operate. The AHRIC will award grants to entities that have sufficient accounting systems, that have secured private sector contribution commitments for matching purposes, and whose grant application purpose is listed first on the list of priorities adopted by the AHRIC. The AHRIC will adopt a priority list each year based on economic, employment, and other relevant data in order to maximize employment opportunities for participants.

The bill sets out intent language directing the AHRIC to undergo an internal review to improve its efficiency and minimize its membership and requires a report to the 22<sup>nd</sup> Legislature on that review and also on the developed guidelines for implementing the new grant program.

Finally, the bill revises some program elements of the existing STEP by adding clarifying language on grant fund use for relocation assistance, tools and other gear, and support services, including allowances.



# Alaska State Senate

## Senate Finance Committee

Official Business

### CS SB 289 (FIN) am Sponsor Statement

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

This bill establishes a new Alaska Technical and Vocational Education Program which is funded through an employee credit on the Unemployment Insurance Trust Fund. The new credit is two-tenths of one percent and is patterned after the credit currently in place for the Statewide Employment Program (STEP).

The new program will be administered by the existing Alaska Human Resource Investment Council (AHRIC), which is charged with the responsibility of determining the priorities for grant submittal and distributions on an annual basis. The revenue from this source is expected to be about \$8.6 million annually. Entities eligible to receive grants are those that are authorized by and are physically located in the State of Alaska.

The first year revenues (about \$6.4 million) are directed to specific entities because the AHRIC will not have had the opportunity to formulate regulations to solicit grant applications. Those funds are directed to the University of Alaska (76% = \$4.902 million), Kotzebue Technical Center (8% = \$516,000) and Alaska Vocational Technical Center (16% = \$1.032 million).

The bill also provides for the AHRIC to act as the lead state planning and coordinating entity for Alaska. The state will then be in position to receive funds from the federal government for technical and vocational education programs.

After the first year, grants shall be awarded to programs in Alaska run by technical and vocational entities that hold valid authorization to operate. The AHRIC will award grants to entities that have sufficient accounting systems, that have secured private sector contribution commitments for matching purposes, and whose grant application purpose is listed first on the list of priorities adopted by the AHRIC. The AHRIC will adopt a priority list each year based on economic, employment, and other relevant data in order to maximize employment opportunities for participants.

The bill sets out intent language directing the AHRIC to undergo an internal review to improve its efficiency and minimize its membership and requires a report to the 22<sup>nd</sup> Legislature on that review and also on the developed guidelines for implementing the new grant program.

Finally, the bill revises some program elements of the existing STEP by adding clarifying language on grant fund use for relocation assistance, tools and other gear, and support services, including allowances.



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### CSSB 289(FIN) am – Board of Technical and Vocational Education Sectional Analysis

**Section 1** Intent language so that AHRIC minimizes its membership; develops regulations on the new grant program, and reports to the legislature on both by the 15<sup>th</sup> day of next session.

**Section 2** Amends AS 23.15.640 (STEP Program) by inserting new subsections (b), (c), and (d) that add clarifying language on three of the six program elements for STEP, which are; (4) support services, including allowances, (5) relocation assistance and (6) provisions of necessary tools, etc..

(b) requires that grants for elements (a) 4, 5, and 6 may be awarded only if funds from other assistance programs or grants are either not available or have been exhausted.

(c) requires reimbursement by the individual, if economically feasible, for funds provided for items under program element (a)(6) tools, etc., and requires the department to account for the receipts and implement the subsection by regulation.

(d) Clarifies that "support service" for program element (a)(4) can be extended to an individual only when they are participating in program elements (a)(1), (a) (2), (a) (3).

**Section 3** New section defining the new program – Article 7. Alaska Technical and Vocational Education.

Sec. 23.15.820 This section outlines the powers and duties of the Alaska Human Resource Investment Council as administrators of the new program.

Sec. 23.15.830 This section formally establishes the account for the new program and specifies the functions of the departments in regards to the account.

Sec. 23.15.835 This section sets out the amount and collection method for the new program – a credit of two-tenths of one percent in a manner similar to the existing Statewide Employment Program.

Sec. 23.15.840 This section identifies the process for the grants for the new program.

- (a) The AHRIC awards grants to technical and vocational education/ training entities, according to a priority list (f) they develop. The entity is eligible if its program is physically located in Alaska and they:
  - (1) have adequate accounting systems
  - (2) do not replace or compete with certain other training programs
  - (3) have secured matching funds for the program
- (b) The AHRIC can not award if it would displace money through existing programs.
- (c) An entity receiving a grant must provide at least one of:
  - (1) industry-specific training;
  - (2) on-the-job training; and
  - (3) institutional or classroom job-linked training
- (d) An educational institution that receives a grant must provide full access to records for accounting purposes.
- (e) When making a grant, AHRIC will limit the amount spent by entities on administration to not exceed five percent. A program funded must:
  - (1) meet the standards on the administrative costs percentage
  - (2) be operated by an institution authorized under AS 14.48 if the program is one operated by an institution subject to AS 14.48.
- (f) Grants are awarded based on the list of priorities adopted by the AHRIC. That list is based on economic, employment, and other data that is reviewed annually by AHRIC.

**Section 4** This section specifies that the funds collected for the first year of the program will be distributed to the institutions listed.

**Section 5** The effective date of the legislation.