

ALASKA LEGISLATURE

2601

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

HB484



FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US

P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 2004

The Honorable Pete Kott
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Kott:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill that would impose a surcharge on persons convicted of an offense and on persons whose probation is revoked. The bill also would require a person under state probation or parole supervision to pay an application fee for a requested transfer of that supervision to another state.

Alaska has an urgent need to mitigate the cost of its correctional facilities. The bill imposes a surcharge on a person who pleads guilty or nolo contendere to, or is convicted of, a crime if the person was arrested and taken to a correctional facility or is sentenced to a term of imprisonment. The amount of the surcharge depends on the seriousness of the crime: \$100 for a felony and \$50 for a misdemeanor.

The bill also would impose a surcharge on a person placed on probation after conviction of a crime. The surcharge is collected only if the defendant's probation is revoked for a probation violation and the person was either arrested and taken to a correctional facility for the violation, or sentenced to prison for it.

Alaska participates in the Interstate Compact for Adult Offender Supervision (Compact), which regulates the transfer of supervision for persons under state probation and parole. The bill would establish an application fee for persons under active probation or parole supervision who request an interstate transfer of supervision under the Compact. According to the Department of Corrections, the great majority of other states already impose a fee for similar services. The bill also would require the applicant to post a bond or deposit cash, which would be forfeited if the state must escort the person back to Alaska for confined supervision.

I urge your prompt and favorable consideration of this proposal.

Sincerely yours,

Frank H. Murkowski
Governor

Enclosure

HB

486

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 486
 (H) Publish Date: 2/16/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
 Title: Mining Reclamation Bonding RDU: Resource Development
 Component: Claims, Permits and Leases
 Sponsor: Rules
 Requester: Governor Component No. 2460

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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 (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time	0	0	0	0	0	0
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill makes various changes to AS 27.19, and establishes a Mining Reclamation Trust Fund under AS 37.14.

The bill would require no additional staff at the Department of Natural Resources. The Mining Reclamation Trust Fund would allow the state to take in funds from a particular mine for use for reclamation at that mine. There would be no net change to funds available to the state for general government purposes.

The last financial change established by the bill is that income and other earnings on the reclamation bond pool, used for placer mines, would be returned to the pool (AS 27.19.040(b)). This amount is expected to be approximately \$50,000 in FY 04. The new language changes the location for holding for the funds but does not change the amount available to the state.

Prepared by: Bob Loeffler, Director Phone 269-8600
 Division: Mining, Land & Water Date/Time 1/21/04
 Approved by: Thomas Irwin, Commissioner Date 1/21/04
 Agency: Natural Resources

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 486
(H) Publish Date: 2/16/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Reclamation bonding for certain mines RDU Revenue Programs & Services
Component Treasury Division
Sponsor Rules Committee
Requester Request of the Governor Component No. 121

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	6.0	12.0	18.0	24.0	30.0	36.0
Travel						
Contractual	15.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	21.0	12.0	18.0	24.0	30.0	36.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	21.0	12.0	18.0	24.0	30.0	36.0
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	21.0	12.0	18.0	24.0	30.0	36.0

Estimate of any current year (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This fiscal note is predicated upon a trust fund build-up of \$10 million per year plus fund earnings. The cost of managing a fixed income trust fund internally is about 6 basis points. Additionally, this fund would require individual project fund tracking, something that is slightly different from anything now done at Treasury. A contractual cost of \$15.0 is included to originate that tracking with GeFONSI.

Prepared by: Tomas Coutin, Deputy Commissioner Phone 465-3669
Division Treasury Date/Time 1/20/04 1:41 PM
Approved by: Bill Corbus, Commissioner Date 1/20/2004
Agency Revenue

HOUSE BILL NO. 486

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 2/16/04

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to reclamation bonding and financial assurance for certain mines;
2 relating to financial assurance limits for lode mines; establishing the mine reclamation
3 trust fund; and providing for an effective date."

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

5 * Section 1. AS 27.19.040 is amended to read:

6 Sec. 27.19.040. Reclamation financial assurance [BONDING]. (a) The
7 commissioner shall require an individual financial assurance [PERFORMANCE
8 BOND] in an amount not to exceed an amount reasonably necessary to ensure the
9 faithful performance of the requirements of the approved reclamation plan. The
10 commissioner shall establish the amount of the financial assurance
11 [PERFORMANCE BOND] to reflect the reasonable and probable costs of
12 reclamation. The assurance amount [, BUT THE BOND] may not exceed \$750 for
13 each acre of mined area, except that the \$750 per acre limitation does not apply to
14 the assurance amount required for a lode mine.

1 (b) The commissioner shall establish a statewide bonding pool for mining
 2 operations as an alternative to individual financial assurance [PERFORMANCE
 3 BONDS]. The commissioner may determine which mining operations are eligible
 4 to participate in the bonding pool based on the projected cost of reclamation in
 5 relation to the size of the bonding pool; however, a mining operation may not be
 6 allowed to participate in the bonding pool if the mining operation will chemically
 7 process ore or has the potential to generate acid. A miner participating in the
 8 bonding pool shall contribute an initial deposit not to exceed 15 percent of the
 9 financial assurance amount [RECLAMATION BOND] plus an additional
 10 nonrefundable annual fee not to exceed five percent of the financial assurance
 11 amount [RECLAMATION BOND]. The commissioner shall refund the 15 percent
 12 deposit upon satisfactory completion of the approved reclamation plan. If requested
 13 by the miner, the commissioner may apply the deposit to a new reclamation plan. In
 14 addition to its use for mining operations under this chapter, the commissioner shall
 15 allow the bonding pool to be used to meet the requirements of AS 27.21.160. Income
 16 and other earnings on the bonding pool shall be added to the bonding pool.

17 (c) If the commissioner determines that a miner has violated or permitted a
 18 violation of the approved reclamation plan and has failed to comply with a lawful
 19 order of the commissioner, the commissioner shall forfeit the financial assurance
 20 [PERFORMANCE BOND] and deposit it [THE BOND] in the statewide bonding
 21 pool. The commissioner shall use the reclamation and administrative costs recovered
 22 under AS 27.19.070(a) to supplement the forfeited financial assurance [BOND]
 23 deposited in the statewide bonding pool for reclamation of the site subject to the
 24 forfeiture. If the commissioner is unable to recover the full cost of reclamation under
 25 AS 27.19.070(a), the commissioner may use the bonding pool to reclaim the site to
 26 the standards of this chapter, except that the commissioner may not use a deposit
 27 that is refundable under (b) of this section to fulfill another miner's reclamation
 28 obligation.

29 (d) A miner not required to post a financial assurance [BOND] may submit a
 30 reclamation plan under AS 27.19.030(a) and participate in the bond pool.

31 * Sec. 2. AS 27.19.040 is amended by adding a new subsection to read:

1 (e) A miner may satisfy the requirement under this section for an individual
 2 financial assurance by providing, in a form acceptable to and approved by the
 3 commissioner, any of the following:

4 (1) surety bond;

5 (2) letter of credit;

6 (3) certificate of deposit; ^{insert}

→ 7 (4) corporate guarantee; ^{insert} "that meet

8 (5) payments and deposits into the trust fund established in
 9 AS 37.14.800;

→ 10 (6) sinking fund, or any other form of financial assurance. ^{insert} "that meet

11 * Sec. 3. AS 27.19.050(d) is amended to read:

12 (d) A miner exempted from the requirements of AS 27.19.030(a) and
 13 27.19.040 under (a) of this section that fails to reclaim a mining operation to the
 14 standards of AS 27.19.020 is required for two consecutive years to conduct each
 15 subsequent mining operation, regardless of size, under an approved reclamation plan
 16 and to provide an individual financial assurance [POST A PERFORMANCE
 17 BOND].

18 * Sec. 4. AS 27.19.070(a) is amended to read:

19 (a) A miner who violates or permits a violation of an approved reclamation
 20 plan and fails to comply with a lawful order of the commissioner forfeits the financial
 21 assurance [RECLAMATION BOND] or a portion of the assurance [BOND] and is
 22 liable to the state in a civil action for the full amount of reclamation and administrative
 23 costs incurred by the state related to the action. A miner exempted under
 24 AS 27.19.050(a) is subject to civil action for the full amount of reclamation and
 25 administrative costs incurred by the state related to the action if the commissioner
 26 determines that reclamation was not conducted under AS 27.19.020.

27 * Sec. 5. AS 27.19.070(c) is amended to read:

28 (c) A miner who has forfeited a financial assurance [RECLAMATION
 29 BOND] or has been held liable in a civil action under (a) of this section may conduct
 30 future mining operations only after posting a reclamation risk assessment fee equal to
 31 five times the amount of financial assurance established under AS 27.19.040(a)

1 [BOND LIABILITY] for the proposed mining operation. The reclamation assessment
2 fee shall be refunded after two consecutive years of operation consistent with this
3 chapter.

4 * Sec. 6. AS 27.19.080 is amended by adding a new subsection to read:

5 (b) The commissioner may adopt regulations to carry out the purposes of this
6 chapter.

7 * Sec. 7. AS 27.19.100 is amended by adding a new paragraph to read:

8 (9) "lode mine" means a mining operation that removes the minerals
9 from consolidated rock rather than from a placer deposit.

10 * Sec. 8. AS 37.14 is amended by adding new sections to read:

11 **Article 9. Mine Reclamation Trust Fund.**

12 **Sec. 37.14.800. Mine reclamation trust fund established.** (a) The mine
13 reclamation trust fund is established as a separate trust fund of the state. The principal
14 and earnings of the fund shall be held by the state for the purpose of protecting the
15 public interest in reclaiming mine sites in the state. The fund is composed of the mine
16 reclamation trust fund income account and the mine reclamation trust fund operating
17 account.

18 (b) The mine reclamation trust fund income account consists of payments and
19 deposits made by miners to satisfy the miners' reclamation bonding or financial
20 assurance obligation under AS 27.19.040 or AS 27.21.160, and earnings on the
21 income account. The mine reclamation trust fund operating account consists of
22 appropriations by the legislature of the annual balance of the mine reclamation trust
23 fund income account, and any earnings on those appropriations while in the operating
24 account.

25 (c) Before payments are accepted into the mine reclamation trust fund income
26 account for a particular mining operation, the commissioner of natural resources and
27 the miner may execute a memorandum of understanding that outlines a schedule of
28 expected payments into the trust fund, and the relationship of the payments and
29 accumulated earnings in the trust fund to reclamation obligations of the miner under
30 AS 27.19.040 or AS 27.21.160. The memorandum of understanding may also address
31 expected use of the fund under AS 37.14.820. If the memorandum of understanding

1 addresses investment of the fund with respect to payments made by the miner, the
2 commissioner of revenue must also sign the memorandum.

3 (d) Nothing in this section creates a dedicated fund.

4 **Sec. 37.14.810. Powers and duties of the commissioner of revenue.** The
5 commissioner of revenue is a fiduciary to the fund. The commissioner shall manage
6 both the mine reclamation trust fund income account and the mine reclamation trust
7 fund operating account and shall invest their assets in accordance with AS 37.10.071.

8 **Sec. 37.14.820. Use of the mine reclamation trust fund operating account.**

9 (a) The commissioner of the Department of Natural Resources may make
10 expenditures from the mine reclamation trust fund operating account for the following
11 purposes:

12 (1) reclamation of mining operations for which a payment or deposit
13 has been made into the fund;

14 (2) maintenance of dams and other permanent features related to a
15 mining operation;

16 (3) monitoring of site stability and water quality related to a mining
17 operation;

18 (4) control and treatment of acid rock drainage and other leachate
19 related to a mining operation;

20 (5) protection and treatment of surface water and groundwater related
21 to a mining operation;

22 (6) long-term site management of a mining operation;

23 (7) returns to miners of the deposits to the fund upon satisfactory
24 completion of reclamation tasks as determined by the Department of Natural
25 Resources.

26 (b) Subject to appropriation, the mine reclamation trust fund operating account
27 may be used to pay the expenses incurred by the commissioner of revenue in
28 managing the fund, and administrative expenses incurred by the Department of
29 Natural Resources in administering the fund and programs under AS 27.19 and
30 AS 27.21.

31 (c) The Department of Natural Resources may not spend money deposited in

1 the fund for one mining operation at another mining operation.

2 (d) In accordance with AS 37.14.800(b), and except as provided in (b) of this
3 section, earnings on the mine reclamation trust fund operating account are added to
4 that account, and are available for expenditure without further appropriation.

5 **Sec. 37.14.830. Regulations.** The commissioner of natural resources may
6 adopt regulations necessary to carry out the purposes of AS 37.14.800 and 37.14.820 -
7 37.14.840.

8 **Sec. 37.14.840. Definition.** Unless the context otherwise requires, in
9 AS 37.14.800 - 37.14.840, "fund" means the mine reclamation trust fund established
10 in AS 37.14.800.

11 * Sec. 9. This Act takes effect July 1, 2004.

AMENDMENT

Adopted

OFFERED IN THE HOUSE FINANCE COMMITTEE
BY REPRESENTATIVE CROFT

3/3/04

TO: HB 486

Page 3, line 7, after "guarantee":

Insert: "that meet the financial tests set in regulation by the commissioner"

Page 3, line 10:

Delete: "sinking fund"

Page 3, line 10, after "financial assurance"

Insert: "that meet the financial test or other conditions set in regulation by the
commissioner"

Renumber accordingly.

Called

HB486



FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US

P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 2004

The Honorable Pete Kott
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Kott:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill relating to mine reclamation bonding and financial assurance.

This bill would make three changes to existing law. First, it would remove "lode mines," sometimes referred to as "hard-rock mines," from the current bonding "cap" of \$750 per acre for mine reclamation responsibilities; the cap would remain in effect for placer mines. Second, it would replace the term "performance bond" with the term "financial assurance," and would list various ways to provide that assurance, in order to give mining companies and the state the flexibility to employ a variety of financial assurance vehicles. Third, it would create a mine reclamation trust fund, which would allow the build-up of an adequate reclamation fund through payments made over time and through the earnings on that fund.

These three changes all reflect the fact that satisfactory reclamation of a hard-rock mine is a site-specific issue. A generic dollar-per-acre bond "cap" simply does not work for reclamation responsibilities for hard-rock mines. Each mine is unique, and the optimal vehicle to use to ensure final reclamation depends on many factors including, by way of example: the projected mine life; the need for long-term site management measures (such as to address potential acid mine drainage); and the availability and cost of different bonding tools in the current financial market. Given these and other factors, the state and the mining industry need flexibility in selecting and constructing financial assurances for mine reclamation.

The third element of the bill, the mine reclamation trust fund, is an attempt to accommodate some fiscal realities faced by the industry. It provides the opportunity for the state to set up site-specific funding agreements to accommodate long-term or in-perpetuity reclamation tasks. Examples include the possible need for in-perpetuity water treatment at the Red Dog

The Honorable Pete Kott
February 13, 2004
Page 2

line, long-term monitoring at the Illinois Creek Mine, and in-perpetuity maintenance of the dam for the freshwater recreation lake that Fort Knox Mine is leaving to Alaskans at the request of the Department of Natural Resources. The trust fund concept provides for a method of accommodating long-term or in-perpetuity reclamation needs of this type.

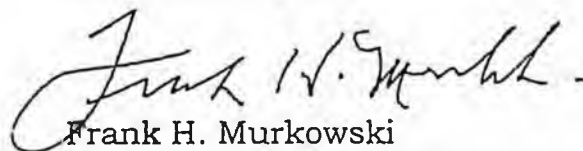
Making deposits into a state-controlled trust fund will have significant benefits for industry and the state. In addition to providing potential benefits under the federal tax code for companies, the state would have access to a fund for mine reclamation work that will retain earnings and increase over time.

The bill would provide that the Department of Revenue would manage investment of the fund, as it does already for a number of other similar state funds. But the Department of Natural Resources would be the agency authorized to make expenditures from the fund for mine reclamation and post-closure site management.

The state's resource agencies, under the leadership of the Department of Natural Resources, have crafted this bill with an understanding of the needs of the industry and the needs of Alaskans who rely on reclamation of the land. This bill is broadly supported by the mining industry.

I urge your prompt and favorable action on this measure

Sincerely yours,



Frank H. Murkowski
Governor

Enclosure

Briefing Paper: Mining Reclamation Bonding
SB 339 & HB 486
Department of Natural Resources
March 1, 2004

Background

- *Mine Reclamation Is Required By Law.* Reclaiming mined ground — returning it to a productive state — is required by law.
- *A Bond Protects Alaskans in Case a Company Fails to Reclaim.* The State requires a bond before mining begins to provide assurance that if the miner does not complete the reclamation obligation, the state can seize the bond and reclaim the land.
- *Alaska's Law was Designed for Placer Mines, not Large Lode Mines.* Alaska's reclamation statute took effect in 1991. At that time, Alaska's industry was primarily placer mines. Today, we have an active placer mining industry plus a new large mine industry: Red Dog, Greens Creek, Fort Knox, True North, and Pogo. Alaska hopes to host many new large mines in the future: Donlin, Pebble Copper and others.
- *Alaska's Law Limits a Reclamation Bond to \$750/acre; Large Mines Cannot Be Reclaimed For That Amount.* Alaska's reclamation law, intended for placer mines, puts a reclamation bond cap of \$750 per acre. In other words, DNR may not require the mining company to put up more than \$750 per acre as a reclamation bond. The law has worked well for the placer industry, but most large mines cannot be reclaimed for \$750 per acre. Most large mines require large reclamation expenditures. Greens Creek has approximately a \$26 million reclamation bond; Pogo is expected to require \$23 million. Red Dog's bond will eventually be significantly greater.
- *Alaska's Large Mines Have Voluntarily Given DNR a Large Bond.* To resolve this issue — that the state cannot require a bond big enough to reclaim a mine's disturbance — Alaska's lode mines have voluntarily provided a larger bond.

Three Changes. The bill makes three changes to Alaska's Reclamation Bond Statute to respond to the changes in Alaska's mining industry.

1. *Requires Full Bond For Large Mines.* The bill lifts the reclamation bond \$750/acre cap for lode mines (i.e., large mines). The law will continue to work as it has for most placer mines and for exploration projects, but for large mines DNR will require a company to bond for the "reasonable and probable cost of reclamation" before mining may begin.
 2. *Provides More Methods for Mines to Satisfy DNR's Bond Requirements.* The bill replaces the term "performance bond" with the term "financial assurance" and lists various ways that a mining company may provide that assurance: surety bond, letter of credit, certificate of deposit, corporate guarantee, or payments to the Mining Reclamation Trust Fund described below. Every mine is unique, and DNR expects that each mine will need to use a different suite of instruments to satisfy the requirement to provide financial assurance (bond) that the work will be done.
- *Mine Reclamation Trust Fund.* The Mine Reclamation Trust Fund provides a voluntary method by which a mining company may give money to the State, for the State to hold until the money is needed for reclamation. Interest and earnings on the money held for the

mining company is returned to the fund for eventual use for that mine's reclamation. The Trust Fund does not change the requirement to bond; it only provides one more method for companies to meet that requirement.

The Trust Fund has a number of advantages for the state:

- *It provides a method to accommodate long-term or perpetual reclamation requirements.* The Red Dog Mine is likely to need water quality treatment forever. Other mines have a similar need for perpetual or long-term reclamation funding. The only way to hold a fund that provides money for many decades (or forever) is to use a mini endowment (i.e., a mini permanent fund). Interest on the Trust needs to come back to the Trust to fund each year's reclamation work for a long time or for forever. The Mine Reclamation Trust Fund solves these problems.
- *Cash Is Best.* The most secure bond for the State is cash, held by the state. That provides the greatest assurance that money will be available if a company fails to complete its obligation.

The Trust Fund has a number of advantages for mining companies.

- *Interest Accumulates Tax Free.* If a company puts aside funds for to be spent for reclamation a few decades later, the interest on the money is taxable. The state is not a taxable entity. Interest and earnings on a fund held by the state are not taxable.
- *Other Tax Advantages.* There are potentially other tax advantages for the mining company if the state holds the company's reclamation fund.

Questions & Answers

How would the Mine Reclamation Trust Fund work? An example. Imagine a large gold mine with a 30-year mine life. The company makes a reclamation agreement with the state. They use a variety of financial instruments to meet the multi-million dollar bond requirement: a part of their bond requirement may be met by a letter of credit, part by a surety company, and part by a corporate guarantee. The mining company also decides to put money away each year in a Mine Reclamation Trust Fund (and they correspondingly reduce the amount of another instrument, for example the corporate guarantee). The company signs a Memorandum of Understanding with DNR that addresses the conditions of that particular mine. The Memorandum forecasts a schedule of deposits into the Trust Fund and specifies which other bond mechanism is reduced. The Memorandum also specifies the conditions by which DNR would, in the latter years of the mine's life, reimburse the company for reclamation work they complete. The Department of Revenue invests the fund for the company and it grows through interest and deposits by the company. As the mine closure approaches, the Trust Fund is the major source of funding for reclamation. At the end of mine life, the company closes the mine, and as each reclamation task is completed, DNR reimburses the company for the cost of reclamation work.

Does use of a Trust Fund relieve a company of its responsibility to reclaim a mine? No. The Trust Fund is only a place to hold the money. The company still has the responsibility to reclaim the site. If the money is not adequate, it is still the company's responsibility to reclaim the mine.

Who Manages a Company's Mine Reclamation Trust Fund? Department of Revenue. The Department of Revenue manages the money in the trust fund. Through a Memorandum of Understanding, the company may advise the Department of Revenue on investment goals (i.e., be more aggressive on equities in the early years of the trust fund, but more conservative as mine closure approaches).

Who Authorizes Expenditures from the Fund for Reclamation? DNR. The Department of Natural Resources would authorize a reimbursement to the company for reclamation work done, or would spend the money itself in the event the company defaults on its reclamation obligation.

Most of this bill accommodates the statutory needs of "large mines." Is that the same as a "lode mine?" More or less. Most of this bill does not affect most placer mines and exploration projects. The bill's three major changes are useful for large mines such as Greens Creek, Red Dog, Pogo, or Fort Knox. All of these are lode mines. Because of the financial realities of the mining industry, all lode mines are expected to be large mines. Therefore, rather than define "large mines" in statute, the bill uses the term "lode mines" to accomplish the same result.

What are Alaska's reclamation bonds?

LARGE MINE BONDS		
Mine	Company	Amount
Red Dog	Teek-Cominco	\$ 21,910,250
Pogo	Teek-Cominco	\$ 22,474,816
Ft. Knox	FGMI	\$ 12,150,415
True North	FGMI	\$ 1,381,100
Greens Mine	Kennecott	\$ 26,238,518
Poker Flats	Usibelli Coal Mine	\$ 3,485,917
Two Bull Ridge	Usibelli Coal Mine	\$ 4,075,880
Gold Run Pass	Usibelli Coal Mine	\$ 637,100
ALASKA'S PLACER MINE BOND POOL		
Bond Pool	Refundable	\$ 342,621
	Non-Refundable	\$ 597,541
	TOTAL	\$ 93,294,158

HB

486

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 04/6/04

REPORTED OUT

APR 29 2004

SENATE FINANCE
COMMITTEE

FURTHER:

DATE TURNED IN TO OFFICE: 29 April 2004

Finance Committee considered CS FOR HOUSE BILL NO. 486(FIN)

HB 486 MINING RECLAMATION ASSURANCES/FUND

"An Act relating to reclamation bonding and financial assurance for certain mines; relating to financial assurance limits for lode mines; establishing the mine reclamation trust fund; and providing for an effective date."

and recommends:

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

Senate Bill:
 Same Title
 New Title

House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero.	FN#
Revenue	4/20/04	21.0			

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DNR	1/21/04			✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	X			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

FISCAL NOTE

REPORTED OUT

APR 29 2004

SENATE FINANCE
COMMITTEE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 486
(H) Publish Date: 2/16/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
Title: Mining Reclamation Bonding RDU: Resource Development
Component: Claims, Permits and Leases
Sponsor: Rules
Requester: Governor Component No.: 2460

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time	0	0	0	0	0	0
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
This bill makes various changes to AS 27.19, and establishes a Mining Reclamation Trust Fund under AS 37.14.

The bill would require no additional staff at the Department of Natural Resources. The Mining Reclamation Trust Fund would allow the state to take in funds from a particular mine for use for reclamation at that mine. There would be no net change to funds available to the state for general government purposes.

The last financial change established by the bill is that income and other earnings on the reclamation bond pool, used for placer mines, would be returned to the pool (AS 27.19.040(b)). This amount is expected to be approximately \$50,000 in FY 04. The new language changes the location for holding for the funds but does not change the amount available to the state.

Prepared by: Bob Loeffler, Director Phone: 269-8600
Division: Mining, Land & Water Date/Time: 1/21/04
Approved by: Thomas Irwin, Commissioner Date: 1/21/04
Agency: Natural Resources

REPORTED OUT

APR 29 2004

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number:

Bill Version:

CSHB 486(FIN)

() Publish Date:

Revision Date/Time (Note if correction):

Dept. Affected:

Revenue

Title Mining Reclamation Assurance/
Fund

RDU

Revenue Programs & Services

Component

Treasury Management

Sponsor Rules Committee

Requester Request of the Governor

Component No.

121

Expenditures/Revenues

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	6.0	12.0	18.0	24.0	30.0	36.0
Travel						
Contractual	15.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	21.0	12.0	18.0	24.0	30.0	36.0

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

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

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health						
Mine reclamation trust fund	21.0	12.0	18.0	24.0	30.0	36.0
TOTAL	21.0	12.0	18.0	24.0	30.0	36.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This fiscal note is predicated upon a trust fund build-up of \$10 million per year plus fund earnings. The cost of managing a fixed income trust fund internally is about 6 basis points. Additionally, this fund would require individual project fund tracking, something that is slightly different from anything now done at Treasury. A contractual cost of \$15.0 is included to originate that tracking with GeFONSI.

Prepared by: Tomas Boutin, Deputy Commissioner

Division: Treasury

Phone 465-3669

Date/Time 4/26/04 4:30 PM

Approved by: Steve Porter, Deputy Commissioner

Agency: Department of Revenue

Date 4/26/2004

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

400 WILLOUGHBY AVENUE
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400
FAX: (907) 465-3886

550 WEST 7TH AVENUE, SUITE 1400
ANCHORAGE, ALASKA 99501-3650
PHONE: (907) 269-8431
FAX: (907) 269-8918

April 6, 2004

The Honorable Gary Wilken, Co-Chair
The Honorable Lyda Green, Co-Chair
Senate Finance Committee
Alaska State Legislature
Juneau, AK 99801

RE: HB 486, Mining Reclamation Bonding

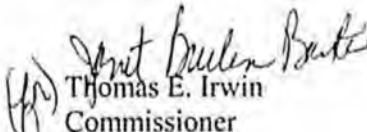
Dear Senators Wilken and Green:

I am writing to request a hearing in the Senate Finance Committee next week, for CSHB 486, a bill that relates to reclamation bonding and financial assurance. The companion bill, SB 339 is currently in the Senate Finance Committee. These bills amend mining law at AS 27.19. The Committee Substitute amends Section 2, AS 27.10.040(e)(4) and (6), page 3, lines 7 and 11, to require the department to ensure that certain financial instruments used for a reclamation bond meet regulatory tests. The Department of Natural Resources (DNR) intends to promulgate regulations and we have no problem with the amendment. The Senate Resources Committee heard CSHB 486 and passed the bill with five "do pass" votes.

The bill makes three changes to existing law. First, it removes "lode mines," sometimes referred to as "hard-rock mines," from the current bonding "cap" of \$750 per acre for mine reclamation responsibilities; the cap remains in effect for placer mines. Second, it replaces the term "performance bond" with the term "financial assurance," and lists various ways to provide that assurance. Replacing this term provides mining companies and the state the flexibility to employ a variety of financial assurance vehicles. Last, it creates a mine reclamation trust fund, which allows the build-up of an adequate reclamation fund through payments made over time and through the earnings on that fund. I have enclosed a copy of the Governor's Transmittal letter, a current fiscal note, a briefing paper, a copy of CSHB 486 with the amendment highlighted and an edited copy of the amendment showing changes from the original bill.

I appreciate your consideration in scheduling this bill. Please contact Janet Burleson Baxter at (907) 465-4730 if you have any questions. You may also contact Bob Loeffler, Director of the Division of Mining, Land and Water at (907) 269-8600.

Sincerely,


Thomas E. Irwin
Commissioner

Enclosures

cc: Bob Loeffler, Director, ML&W
Mike Tibbles, Legislative Liaison, Office of the Governor
Janet Burleson Baxter, Legislative Liaison, DNR

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

Briefing Paper: Mining Reclamation Bonding

SB 339 & ~~HB 486~~ CS HB 486

Department of Natural Resources

March 1, 2004

Background

- *Mine Reclamation Is Required By Law.* Reclaiming mined ground — returning it to a productive state — is required by law.
- *A Bond Protects Alaskans in Case a Company Fails to Reclaim.* The State requires a bond before mining begins to provide assurance that if the miner does not complete the reclamation obligation, the state can seize the bond and reclaim the land.
- *Alaska's Law was Designed for Placer Mines, not Large Lode Mines.* Alaska's reclamation statute took effect in 1991. At that time, Alaska's industry was primarily placer mines. Today, we have an active placer mining industry plus a new large mine industry: Red Dog, Greens Creek, Fort Knox, True North, and Pogo. Alaska hopes to host many new large mines in the future: Donlin, Pebble Copper and others.
- *Alaska's Law Limits a Reclamation Bond to \$750/acre; Large Mines Cannot Be Reclaimed For That Amount.* Alaska's reclamation law, intended for placer mines, puts a reclamation bond cap of \$750 per acre. In other words, DNR may not require the mining company to put up more than \$750 per acre as a reclamation bond. The law has worked well for the placer industry, but most large mines cannot be reclaimed for \$750 per acre. Most large mines require large reclamation expenditures. Greens Creek has approximately a \$26 million reclamation bond; Pogo is expected to require \$23 million. Pogo's bond will eventually be significantly greater.
- *Alaska's Large Mines Have Voluntarily Given DNR a Large Bond.* This issue — that the state cannot require a bond big enough to reclaim a mine's disturbance — Alaska's lode mines have voluntarily provided a larger bond.

Three Changes. The bill makes three changes to Alaska's Reclamation Bond Statute to respond to the changes in Alaska's mining industry.

1. *Requires Full Bond For Large Mines.* The bill lifts the reclamation bond \$750/acre cap for lode mines (i.e., large mines). The law will continue to work as it has for most placer mines and for exploration projects, but for large mines DNR will require a company to bond for the "reasonable and probable cost of reclamation" before mining may begin.
 2. *Provides More Methods for Mines to Satisfy DNR's Bond Requirements.* The bill replaces the term "performance bond" with the term "financial assurance" and lists various ways that a mining company may provide that assurance: surety bond, letter of credit, certificate of deposit, corporate guarantee, or payments to the Mining Reclamation Trust Fund described below. Every mine is unique, and DNR expects that each mine will need to use a different suite of instruments to satisfy the requirement to provide financial assurance (bond) that the work will be done.
- *Mine Reclamation Trust Fund.* The Mine Reclamation Trust Fund provides a voluntary method by which a mining company may give money to the State, for the State to hold until the money is needed for reclamation. Interest and earnings on the money held for the

mining company is returned to the fund for eventual use for that mine's reclamation. The Trust Fund does not change the requirement to bond; it only provides one more method for companies to meet that requirement.

The Trust Fund has a number of advantages for the state:

- *It provides a method to accommodate long-term or perpetual reclamation requirements.* The Red Dog Mine is likely to need water quality treatment forever. Other mines have a similar need for perpetual or long-term reclamation funding. The only way to hold a fund that provides money for many decades (or forever) is to use a mini endowment (i.e., a mini permanent fund). Interest on the Trust needs to come back to the Trust to fund each year's reclamation work for a long time or for forever. The Mine Reclamation Trust Fund solves these problems.
- *Cash Is Best.* The most secure bond for the State is cash, held by the state. That provides the greatest assurance that money will be available if a company fails to complete its obligation.

The Trust Fund has a number of advantages for mining companies.

- *Interest Accumulates Tax Free.* If a company puts aside funds for to be spent for reclamation a few decades later, the interest on the money is taxable. The state is not a taxable entity. Interest and earnings on a fund held by the state are not taxable.
- *Other Tax Advantages.* There are potentially other tax advantages for the mining company if the state holds the company's reclamation fund.

Questions & Answers

How would the Mine Reclamation Trust Fund work? An example. Imagine a large gold mine with a 30-year mine life. The company makes a reclamation agreement with the state. They use a variety of financial instruments to meet the multi-million dollar bond requirement: a part of their bond requirement may be met by a letter of credit, part by a surety company, and part by a corporate guarantee. The mining company also decides to put money away each year in a Mine Reclamation Trust Fund (and they correspondingly reduce the amount of another instrument, for example the corporate guarantee). The company signs a Memorandum of Understanding with DNR that addresses the conditions of that particular mine. The Memorandum forecasts a schedule of deposits into the Trust Fund and specifies which other bond mechanism is reduced. The Memorandum also specifies the conditions by which DNR would, in the latter years of the mine's life, reimburse the company for reclamation work they complete. The Department of Revenue invests the fund for the company and it grows through interest and deposits by the company. As the mine closure approaches, the Trust Fund is the major source of funding for reclamation. At the end of mine life, the company closes the mine, and as each reclamation task is completed, DNR reimburses the company for the cost of reclamation work.

Does use of a Trust Fund relieve a company of its responsibility to reclaim a mine? No. The Trust Fund is only a place to hold the money. The company still has the responsibility to reclaim the site. If the money is not adequate, it is still the company's responsibility to reclaim the mine.

Who Manages a Company's Mine Reclamation Trust Fund? Department of Revenue. The Department of Revenue manages the money in the trust fund. Through a Memorandum of Understanding, the company may advise the Department of Revenue on investment goals (i.e., be more aggressive on equities in the early years of the trust fund, but more conservative as mine closure approaches).

Who Authorizes Expenditures from the Fund for Reclamation? DNR. The Department of Natural Resources would authorize a reimbursement to the company for reclamation work done, or would spend the money itself in the event the company defaults on its reclamation obligation.

Most of this bill accommodates the statutory needs of "large mines." Is that the same as a "lode mine?" More or less. Most of this bill does not affect most placer mines and exploration projects. The bill's three major changes are useful for large mines such as Greens Creek, Red Dog, Pogo, or Fort Knox. All of these are lode mines. Because of the financial realities of the mining industry, all lode mines are expected to be large mines. Therefore, rather than define "large mines" in statute, the bill uses the term "lode mines" to accomplish the same result.

What are Alaska's reclamation bonds?

LARGE MINE BONDS		
Mine	Company	Amount
Red Dog	Teck-Cominco	\$ 21,910,250
Pogo	Teck-Cominco	\$ 22,474,816
Ft. Knox	FGMI	\$ 12,150,415
True North	FGMI	\$ 1,381,100
Greens Mine	Kennecott	\$ 26,238,518
Poker Flats	Usibelli Coal Mine	\$ 3,485,917
Two Bull Ridge	Usibelli Coal Mine	\$ 4,075,880
Gold Run Pass	Usibelli Coal Mine	\$ 637,100
ALASKA'S PLACER MINE BOND POOL		
Bond Pool	Refundable	\$ 342,621
	Non-Refundable	\$ 597,541
	TOTAL	\$ 93,294,158

DNR, April 5, 2004

House Finance Amendment, HB 486
Senate Resources Packet

The House Finance amendment to the original bill occurred in Sec. 2 and is shown below. Deletions are shown in [BRACKETS AND CAPS]; additions are underlined. The amendment is underlined in the attached Committee Substitute.

Sec. 2. AS 27.19.040 is amended by adding a new subsection to read:

(e) A miner may satisfy the requirement under this section for an individual financial assurance by providing, in a form acceptable to and approved by the commissioner, any of the following:

- (1) surety bond;
- (2) letter of credit;
- (3) certificate of deposit;
- (4) corporate guarantee that meets the financial tests set in regulation by the commissioner;
- (5) payments and deposits into the trust fund established in AS 37.14.800; or
- (6) any other form of financial assurance that meets the financial test or other conditions set in regulation by the commissioner. [SINKING FUND, OR ANY OTHER FORM OF FINANCIAL ASSURANCE]

FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

48486
P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

February 13, 2004

The Honorable Pete Kott
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Kott:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill relating to mine reclamation bonding and financial assurance.

This bill would make three changes to existing law. First, it would remove "lode mines," sometimes referred to as "hard-rock mines," from the current bonding "cap" of \$750 per acre for mine reclamation responsibilities; the cap would remain in effect for placer mines. Second, it would replace the term "performance bond" with the term "financial assurance," and would list various ways to provide that assurance, in order to give mining companies and the state the flexibility to employ a variety of financial assurance vehicles. Third, it would create a mine reclamation trust fund, which would allow the build-up of an adequate reclamation fund through payments made over time and through the earnings on that fund.

These three changes all reflect the fact that satisfactory reclamation of a hard-rock mine is a site-specific issue. A generic dollar-per-acre bond "cap" simply does not work for reclamation responsibilities for hard-rock mines. Each mine is unique, and the optimal vehicle to use to ensure final reclamation depends on many factors including, by way of example: the projected mine life; the need for long-term site management measures (such as to address potential acid mine drainage); and the availability and cost of different bonding tools in the current financial market. Given these and other factors, the state and the mining industry need flexibility in selecting and constructing financial assurances for mine reclamation.

The third element of the bill, the mine reclamation trust fund, is an attempt to accommodate some fiscal realities faced by the industry. It provides the opportunity for the state to set up site-specific funding agreements to accommodate long-term or in-perpetuity reclamation tasks. Examples include the possible need for in-perpetuity water treatment at the Red Dog

The Honorable Pete Kott
February 13, 2004
Page 2

Mine, long-term monitoring at the Illinois Creek Mine, and in-perpetuity maintenance of the dam for the freshwater recreation lake that Fort Knox Mine is leaving to Alaskans at the request of the Department of Natural Resources. The trust fund concept provides for a method of accommodating long-term or in-perpetuity reclamation needs of this type.

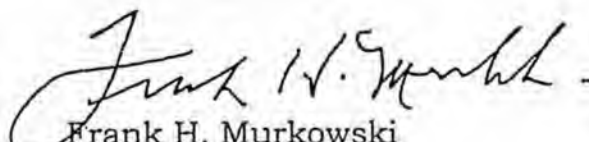
Making deposits into a state-controlled trust fund will have significant benefits for industry and the state. In addition to providing potential benefits under the federal tax code for companies, the state would have access to a fund for mine reclamation work that will retain earnings and increase over time.

The bill would provide that the Department of Revenue would manage investment of the fund, as it does already for a number of other similar state funds. But the Department of Natural Resources would be the agency authorized to make expenditures from the fund for mine reclamation and post-closure site management.

The state's resource agencies, under the leadership of the Department of Natural Resources, have crafted this bill with an understanding of the needs of the industry and the needs of Alaskans who rely on reclamation of the land. This bill is broadly supported by the mining industry.

I urge your prompt and favorable action on this measure

Sincerely yours,


Frank H. Murkowski
Governor

Enclosure



Briefing Paper

HB 486

Thank you for the opportunity to speak to this bill.

My name is Rich Heig. I am president of the Council of Alaska Producers, and also General Manager of Greens Creek Mining Company.

The Council of Alaska Producers is an organization that educates and promotes responsible development of natural resources in the State of Alaska. We are made up of the larger mining operations and potential operations of Alaska, all of which are also members of the Alaska Mining Association.

The Producers Council supports HB 486.

This bill will make several important changes to the requirements for bonding and financial assurance for mining operations.

This bill allows the state to recognize the higher reclamation requirements associated with hard rock mining operations as compared to placer operations. These mines recognize their responsibility for reclamation and closure. This bill supports what DNR and DEC have also been requiring for several years.

This bill also recognizes the need for companies to have several methods available to them for providing financial assurances for reclamation and closure requirements. The cost and availability of bonds or letters of credit are becoming more difficult. This bill allows for other means of financial assurance, including CD's, treasury accounts, corporate guarantees, or other methods.

The third part of the bill establishes a trust fund held by the state that can assist in long term closure and monitoring. This account, funded by mining companies, is another alternative to ensure long term closure and reclamation are accounted for.

The Producers Council supports passage of HB 486 and ask that it be passed out of Committee.

Rich Heig

SENATE COMMITTEE REPORT

DATE: 3/26/04

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 4-5-04

Resources Committee considered CS FOR HOUSE BILL NO. 486(FIN)

HB 486 MINING RECLAMATION ASSURANCES/FUND

"An Act relating to reclamation bonding and financial assurance for certain mines; relating to financial assurance limits for lode mines; establishing the mine reclamation trust fund; and providing for an effective date."

and recommends:

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

Senate Bill:
 Same Title
 New Title

House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
REV	1/20/04	✓			2
DWR	1/21/04			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Dyson <i>[Signature]</i>	✓			
Seekins <i>[Signature]</i>	✓			
B. Skens <i>[Signature]</i>	✓			
Wagner <i>[Signature]</i>	✓			
CHAIR: <i>[Signature]</i>	✓			

Dyson
Seekins
B. Skens
Wagner

Ogden

SENATE FINANCE COMMITTEE

SIGN-IN

HB 486-MINING RECLAMATION ASSURANCES/FUND

NAME: NANCY WEICH Subject/Bill No: HB 486
Co./Dept./Title: DNR Special Assistant Phone: 465-4730
269-8426
Address: 550 W 7th Ave, Suite 1400, Anch Zip: 99501
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

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

HB

487

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 487
 (H) Publish Date: 2/16/04
 Dept. Affected: Health & Social Services
 RDU Juvenile Justice
 Component Delinquency Prevention

Revision Date/Time (Note if correction):
 Title RELATING TO DETENTION OF JUVENILES

Sponsor (RLS) BY REQUEST OF THE GOVERNOR

Requester _____ Component No. 248

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
CHANGE IN REVENUES (0)						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: _____
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 The proposed changes to statute will have no fiscal impact on the Division of Juvenile Justice. The proposed changes will put the state in compliance with the federal Juvenile Justice and Delinquency Act (JJDP) formula grant program.

Prepared by: Karen Forrest Phone 465-2339
 Division Juvenile Justice Date/Time 02/11/2004
 Approved by: Joel S. Gilbertson, Commissioner Date 02/12/2004
 Agency Department of Health and Social Services

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 487
(H) Publish Date: 2/16/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Public Safety
Title: Juvenile Detention RDU: Alaska State Troopers
Component: AST Detachments
Sponsor: Rules Committee
Requester: Governor Component No.: 2325

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill will amend AS 47.12.240, AS 47.30.705 and AS 47.37.170. The stated purpose of this bill is to preserve Alaska's federal formula grant receipts of approximately \$700,000 and to meet certain requirements to apply for other federal grant money. The bill, in essence, states that "emergency protective custody under these sections may not include placement of a minor in a jail or secure facility". The bill addresses minors who are taken into protective custody for mental health issues or those in protective custody due to intoxication because of drugs or alcohol.

The Department of Health and Social Service, Division of Juvenile Justice, has committed to supplying training and training materials to law enforcement officers to insure compliance with this statute.

There is no fiscal impact anticipated by the Department of Public Safety.

Prepared by: Lt. Al Storey Phone 269-4532
Division: Alaska State Troopers Date/Time 2/12/04 3:19 PM
Approved by: Commissioner William Tandeske Date 2/12/2004
Agency: Department of Public Safety

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110601
JUNEAU, ALASKA 99811-0601
PHONE: (907) 465-3030
FAX: (907) 465-3068

February 17, 2004

Honorable Lesil McGuire, Chair
House Judiciary Committee
Alaska State Capitol; Rm. 118
Juneau, AK 99801-1182

Dear Representative McGuire,

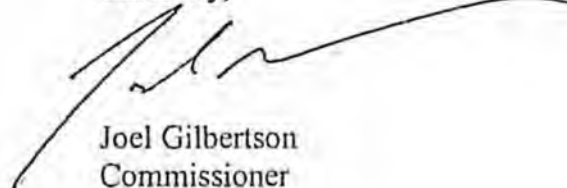
The Department of Health and Social Services respectfully requests a hearing in the House Judiciary Committee on House Bill 487 "An Act relating to the detention of delinquent minors in correctional facilities; relating to emergency detention of minors for evaluation for involuntary admission for mental health treatment; relating to detention of intoxicated minors incapacitated by alcohol or drugs; and providing for an effective date."

The purpose of this bill is to bring Alaska into compliance with recent revisions to the federal Juvenile Justice and Delinquency Act. Under the Act, emergency protective custody of juveniles may not include placement in a locked jail or youth facility. Failure to comply with this federal requirement jeopardizes receipt of approximately \$700,000 in federal funds that are a cornerstone of the department's juvenile justice program.

The Governor's transmittal letter and zero fiscal note relating to HB 487 are on file with the committee.

Your favorable consideration of this request will be appreciated.

Sincerely,



Joel Gilbertson
Commissioner

cc: Mike Tibbles, Director
Legislative Office, Office of the Governor
Patty Ware, Director, DJJ

SB 340 /HB 487 Relating to the Detention of Juveniles
Department of Health and Social Services
Division of Juvenile Justice- 2/20/04

Highlights related to the Proposed Legislation:

- ❖ Modifies AS 47.12.240, AS 47.30.705 and AS 47.37.170 to prohibit the placement of minors in a jail or secure facility who are in protective custody due to mental illness, grave disability, intoxication or incapacitation by alcohol or drugs.
- ❖ Required for DHSS/DJJ to be in compliance with the 2002 reauthorization of the federal Juvenile Justice and Delinquency Prevention Act of 1974 (JJDPA) that went into effect on October 1, 2003.
- ❖ Does not affect existing statutory provisions for the detention of minors for delinquent or "criminal-type" offenses described in AS 47.12.240. The emphasis is on ensuring that state statute comports with the federal requirements for not holding non-offenders in a locked facility when they have not committed a crime.

Background:

DHSS, DJJ receives approximately \$700,00 annually through the federal Juvenile Justice and Delinquency Prevention Act (JJDPA) formula grant program. Funds are used to pay for a variety of services, including nonsecure shelters and prevention/intervention services for juveniles. States receiving JJDP funds must meet four core juvenile justice mandates. The mandates along with the actual numerical standards for "violations" are:

- a. Deinstitutionalization of status offenders and non-offenders: 5.7 per 100,000;
- b. Separation of juveniles from adult offenders in institutions: Zero (0);
- c. Removal of juveniles from adult jails and lockup facilities: 9.0 per 100,000;
- d. Reduction of disproportionate minority contact: no statistical de minimis.

Alaska is currently out of compliance with these standards at a fairly significant rate. Violation rates for the first three core mandates in FY02 and FY03 are as follows:

- a. Deinstitutionalization: FY02 at 47.70 and FY03 at 37.82;
- b. Separation from Adult offenders: FY02 at 21.35 and FY03 at 4.1; and,
- c. Jail Removal: FY02 at 68.08 and FY03 at 47.05.

Without passage of this legislation, the Department will lose 40% of the FFY2004 grant award, or \$280,000 in the first year and an additional 40% of the FFY2005 award, for a total anticipated loss of \$560.0 in federal grant funds.

If violations of the JJDP Act are incurred once the statute is changed, the argument can be made to OJJDP that all violations were in violation of existing state law, which is an allowable "exception" to the de minimum numerical standards for monitoring compliance with the JJDP Act.

The change in state statute is consistent with best practice, i.e. juveniles should not be held in a locked facility when they have not committed a crime.

The Division will continue to work with local and state law enforcement, as well as within this Department with the Division of Behavioral Health, to further develop the alternatives that will provide the appropriate response for these juveniles.

HB487



FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US

P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 2004

The Honorable Pete Kott
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Kott:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill relating to the detention of delinquent and other juveniles.

The 2002 reauthorization of the Juvenile Justice and Delinquency Prevention Act of 1974 (JJJPA) went into effect on October 1, 2003. The JJJPA has traditionally prohibited incarceration of non-offenders and status offenders in adult jails and "lock-ups." New language in the 2002 reauthorization prohibits the use of juvenile detention facilities for these non-offenders and status offenders as of October 1, 2003.

This bill would modify AS 47.12.240, AS 47.30.705, and AS 47.37.170 to come into compliance with the federal requirements set out in the Guidance Manual for Monitoring Facilities Under the Juvenile Justice and Delinquency Prevention Act of 2003. Under these amendments, emergency protective custody of minors may not include placement in a jail or other secure facility. This language is also found in current law relating to placement of children in need of aid in AS 47.10.141(c), and has been interpreted by both state and federal officials to provide sufficient flexibility for holding minors until a more appropriate facility can be found or until transportation to such a facility is feasible. The purpose of this draft bill is to preserve Alaska's federal formula grant receipts of approximately \$700,000 and to meet certain requirements to apply for other federal grant money through the federal office of juvenile justice and delinquency prevention.

I urge your prompt and favorable action on this measure.

Sincerely yours,

Handwritten signature of Frank H. Murkowski in cursive.
Frank H. Murkowski
Governor

Enclosure

HB

489

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 489
(H) Publish Date: 2/16/04

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
Title: "An Act relating to the administration of the
Alaska Vocational Technical Center..." RDU: Business Partnerships
Component: Alaska Vocational Technical Center
Sponsor: Rules Committee
Requester: Governor Component Number: 2686

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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 (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: None
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There is no anticipated fiscal impact to the department as a result of this legislation.

Prepared by: Katherine Farnham, Director Phone 269-7490
Division: Business Partnerships Division Date/Time 2/12/04 3:49 PM
Approved by: Greg O'Claray, Commissioner Date 2/12/2004
Agency: Department of Labor and Workforce Development

HB489



FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US

P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 2004

The Honorable Pete Kott
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Kott:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska Vocational Technical Center (AVTEC). AVTEC is a vocational training provider located in Seward. In 2003, the responsibility to administer AVTEC was transferred from the Department of Education and Early Development to the Department of Labor and Workforce Development. However, the authority for the Department of Labor and Workforce Development (department) to administer and set rates for AVTEC's programs and services was not provided for in the transfer. This bill would correct that oversight.

Section 1 of the bill proposes to amend AS 44.31.020 to provide the statutory authority for the department to administer the programs of AVTEC and to set rates for student tuition and room and board, and other fees for the programs and services provided by AVTEC.

I urge your prompt and favorable action on this measure.

Sincerely yours,

Frank H. Murkowski
Governor

Enclosure

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 489
(H) Publish Date: 2/16/04

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
Title: "An Act relating to the administration of the RDU: Business Partnerships
Alaska Vocational Technical Center..." Component: Alaska Vocational Technical Center
Sponsor: Rules Committee
Requester: Governor Component Number: 2686

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: None
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There is no anticipated fiscal impact to the department as a result of this legislation.

Prepared by: Katherine Farnham, Director Phone 269-7490
Division: Business Partnerships Division Date/Time 2/12/04 3:49 PM
Approved by: Greg O'Claray, Commissioner Date 2/12/2004
Agency: Department of Labor and Workforce Development

HB

489

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/1/04

FURTHER:

REPORTED OUT

MAY 05 2004

SENATE FINANCE
COMMITTEE

DATE TURNED
IN TO OFFICE: 5 May 2004

Finance Committee considered

HOUSE BILL NO. 489

HB 489 AVTEC ADMINISTRATION

"An Act relating to the administration of the Alaska Vocational Technical Center; and providing for an effective date."

and recommends:

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

Senate Bill:

- Same Title
- New Title

House Bill:

- Same Title
- Technical Title Change
- New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero.	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Labor	7/2/04			✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✗			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

FISCAL NOTE

REPORTED OUT

MAY 05 2004

SENATE FINANCE
COMMITTEE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 489
(H) Publish Date: 2/16/04

Revision Date/Time (Note if correction):
Title: "An Act relating to the administration of the
Alaska Vocational Technical Center..."
Sponsor: Rules Committee
Requester: Governor

Department: Labor and Workforce Development
RDU: Business Partnerships
Component: Alaska Vocational Technical Center
Component Number: 2686

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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 (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: None

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

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

There is no anticipated fiscal impact to the department as a result of this legislation.

Prepared by: Katherine Farnham, Director
Division: Business Partnerships Division
Approved by: Greg O'Claray, Commissioner
Agency: Department of Labor and Workforce Development

Phone 269-7490
Date/Time 2/12/04 3:49 PM
Date 2/12/2004

STATE OF ALASKA

Department Of Labor and Workforce Development

FRANK H. MURKOWSKI, GOVERNOR

P. O. Box 21149
Juneau, AK 99802-1149
Phone: (907)465-2700
Fax: (907)465-2784

OFFICE OF THE COMMISSIONER

April 13, 2004

HAND DELIVERED

The Honorable Lyda Green, Co-Chair
The Honorable Gary Wilken, Co-Chair
Senate Finance Committee
Alaska State Legislature
Capitol Building,
Juneau, AK 99801

RE: Senate Bill 341


Dear Senators Green and Wilken:

Senate Bill 341 was introduced February 16, 2004, referred and passed out of the Labor and Commerce Committee and then referred to your committee. I am writing to respectfully request a hearing on this bill at your earliest convenience.

Passage of Senate Bill 341 would correct an oversight, so that the Alaska Department of Labor and Workforce Development could administer and set rates for the Alaska Vocational Technical Center (AVTEC). When legislation was passed last year transferring AVTEC to the Alaska Department of Labor and Workforce Development, authority language was not included. Senate Bill 341 has a zero fiscal note.

Your consideration of this request would be appreciated. Please do not hesitate to contact me should you have questions or need more information about this legislation.

Sincerely,



Greg O'Claray
Commissioner

Alaska Department of Labor and Workforce Development
HB 489- AVTEC Fee Authorization

During the 2003 session, the legislature enacted SB 192, transferring the Alaska Vocational Technical Education Center (AVTEC) from the Alaska Department of Education and Early Development to the Alaska Department of Labor and Workforce Development (DOLWD).

It was recently discovered that the legislation transferring AVTEC did not incorporate the statutory authority for DOLWD to set student tuition and fees.

This legislation simply corrects that oversight.

NOTES

1. DOE has broad statutory authority to set student tuition and fees for state owned institutions under the powers of the Commissioner.
2. AVTEC charges the following types of fees: tuition; technical; student services; books and tools; application; room and board.
3. Programs operated by AVTEC include nursing; web application development; culinary arts; business and office technology; certified nurse assistant; licensed practical nurse; maritime; automotive technology; diesel and heavy equipment; industrial electricity; power plant operation and bulk fuel storage; welding tech; pipe welding; facility maintenance and construction; and information technology.
4. Annual tuition and fee revenue is just under \$2 million of AVTEC's \$7.2 million budget.

Alaska Vocational Technical Center (AVTEC) Training Programs/Courses Listed by Department

[Home](#) | [Admissions](#) | [Training Programs/Courses](#) | [Training Cost/Dates](#) | [Student Services](#)



To learn more about a training program or course offered at AVTEC, click on one of the links below. To request additional program/course information or a school catalog, [click here](#).

AVTEC online

⊕ [WebCT/Distance delivered classes @ http://avteconline.alaska.edu](http://avteconline.alaska.edu)

Note: You must be enrolled in a current WebCT/Distance delivered class in order to access the AVTEC online site.

Allied Health Department

- ⊕ [Certified Nurse Assistant - Anchorage Area Training](#)
- ⊕ [Certified Nurse Assistant Reciprocity Course - Anchorage Area Training](#)
- ⊕ [Certified Nurse Assistant Skills Upgrade Course - Anchorage Area Training](#)
- ⊕ [Licensed Practical Nurse - Anchorage Area Training](#)
- ⊕ [Certified Nurse Assistant - Seward Area Training](#)

Business & Office Technology Department

Business & Office Technology

- ⊕ [Administrative Assistant with specialization in Information Processing, Legal Information, or Medical Information](#)
- ⊕ [Accounting Clerk](#)
- ⊕ [Administrative Assistant](#)
- ⊕ [General Business/Office Assistant](#)
- ⊕ [Business/Office Clerk](#)

Department of Applied Technology

- ⊕ [Automotive Technology](#)
- ⊕ [Diesel/Heavy Equipment Technology](#)
- ⊕ [Industrial Electricity](#)
- ⊕ [Inspection and Maintenance of Emission Systems \(I/M\)](#)
- ⊕ [Pipe Welding](#)
- ⊕ [Power Plant Operation](#)
- ⊕ [Welding Technology](#)

Culinary Arts & Sciences Department

- ⊕ [Professional Cooking & Baking](#)

Information Technology Department

- ⊕ [Information Technology](#)
PC/Network Support Technician
- ⊕ [Cisco Networking Academy Program](#)
- ⊕ [Village Internet Agent](#)
- ⊕ [Web Application Developer](#)

Alaska Maritime Training Center

U.S. Coast Guard Approved Courses

- ⊕ [Able Seaman](#)

- Ⓢ Automatic Radar Piloting Aids (ARPA) Operations
- Ⓢ Bridge Resource Management (BRM), 3 Days
- Ⓢ Bridge Resource Management (BRM), 5 Days
- Ⓢ Celestial Navigation; Lifeboatman
- Ⓢ Global Maritime Distress & Safety System (GMDSS)
- Ⓢ Lifeboatman
- Ⓢ Master 100 Ton/OUPV
- Ⓢ Master/Mate Limited
- Ⓢ Merchant Mariner Document (MMD)/Renewal
- Ⓢ Operator of Uninspected Passenger Vessels (OUPV)
- Ⓢ Proficiency in Survival Craft (Restricted)
- Ⓢ Proficiency in Survival Craft
- Ⓢ Radar Observer (Unlimited)
- Ⓢ Radar Observer, Refresher & Recertification
- Ⓢ Rating Forming Part of Navigational Watch
- Ⓢ Western Rivers OUPV

Marine Safety Training

- Ⓢ Basic Safety Training - STCW'95
 - Basic First Aid
 - Personal Safety and Social Responsibilities
 - Basic Fire Fighting
 - Personal Survival Techniques
- Ⓢ Medical Care Provider
- Ⓢ Personal Survival Craft - Restricted
- Ⓢ Seafood Processor Orientation and Safety Course
- Ⓢ Shipboard Emergency Medicine and CPR/Industrial First Aid
- Ⓢ Vessel Operator and Crewmember Safety Training

Technical Assistance Classes

- Ⓢ Net Construction and Repair
- Ⓢ Small Boat Electrics

Emergency Medical Services

- Ⓢ Adult Heartsaver
- Ⓢ Basic Life Support
- Ⓢ Emergency Medical Technician I (EMT I)
- Ⓢ EMT I Recertification
- Ⓢ Industrial First Aid/CPR

Additional AVTEC Maritime Courses

- Ⓢ Alaska Marine Safety Education Association (AMSEA)
- Ⓢ Instructor Course
- Ⓢ Electronic Navigation Systems (GPS+)
- Ⓢ FCC Marine Radio Operators Permit Examination Preparation
- Ⓢ FCC Marine Radio Operators Permit Examination
- Ⓢ Fish Finding Systems
- Ⓢ Fishing Vessel Operator
- Ⓢ Longlining
- Ⓢ Net Construction and Repair
- Ⓢ Small Boat Electronics

Learning Resources Department

- Ⓢ Student Learning Center
- Ⓢ Jack Werner Memorial Library
- Ⓢ Multimedia Computer Lab
- Ⓢ Testing and Assessment Services
- Ⓢ Non-Traditional Occupations
- Ⓢ Technical Mathematics
- Ⓢ Applied Communications
- Ⓢ The Applied Academic Learning Center
- Ⓢ Standards for Success
- Ⓢ Community Services & Classes for Adult Basic Education



Including:
GED Preparation
Reading Improvement
Mathematics Improvement
Writing Skills
English as a Second Language
Introduction to Computers
Keyboarding

Physical Plant Technology Department

- ⊕ Facility Maintenance Construction Trades
- ⊕ Facility Maintenance Mechanical Trades
- ⊕ Related Studies Program (Apprenticeship Correspondence Courses)

[AVTEC Home](#) | [Admissions](#) | [Training Programs/Courses](#) | [Training Cost/Dates](#)

Alaska Vocational Technical Center (AVTEC) ~ www.avtec.alaska.edu
AVTEC is a division of the Alaska Department of Labor and Workforce Development
P.O. Box 889 ~ 809 2nd Avenue ~ Seward, Alaska 99664
Admissions Office (907) 224-4141 ~ 1-800-478-5389 ~ FAX (907) 224-4143

⊕ **Back to Top**

The AVTEC web site is designed and maintained by
AVTEC Business & Office Technology Instructor Ken Werner.

HB489



FRANK H. MURKOWSKI

GOVERNOR

GOVERNOR@GOV.STATE.AK.US

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 2004

The Honorable Pete Kott
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Kott:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska Vocational Technical Center (AVTEC). AVTEC is a vocational training provider located in Seward. In 2003, the responsibility to administer AVTEC was transferred from the Department of Education and Early Development to the Department of Labor and Workforce Development. However, the authority for the Department of Labor and Workforce Development (department) to administer and set rates for AVTEC's programs and services was not provided for in the transfer. This bill would correct that oversight.

Section 1 of the bill proposes to amend AS 44.31.020 to provide the statutory authority for the department to administer the programs of AVTEC and to set rates for student tuition and room and board, and other fees for the programs and services provided by AVTEC.

I urge your prompt and favorable action on this measure.

Sincerely yours,

A handwritten signature in cursive script that reads "Frank H. Murkowski".

Frank H. Murkowski
Governor

Enclosure

HB

493

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 493(W&M)
(H) Publish Date: 4/21/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Long Term Fiscal Plan RDU: Revenue Programs & Services
Component: Tax Division
Sponsor: Representative Harris
Requester: House Ways & Means Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	***	***	***	***	***	***

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	***	***	***	***	***	***

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

*** The senior audit and economic research staff of the Tax Division have spent many hours over the last several years analyzing both widely used fiscal tools as well as unique and untested approaches to the gap between the state's revenue forecast and spending. This bill would require the same expertise and effort to be available in a legislative agency. We believe two analysts at the the Economist III/Revenue Auditor V level and one additional staffer at the Economist II/Revenue Auditor IV level for a total cost of just under \$300,000 a year would represent the minimum effort necessary to support the development of a long term fiscal plan. Furthermore, we believe there would be a useful and ongoing level of support requested by the administration in their effort to design such a plan. Therefore, the Tax Division requests the same increment to allow the audit and research staff to refocus on their duties associated with current tax types.

Prepared by: Dan Dickinson, Director Phone (907) 269-1033
Division: Tax Division Date/Time 2/25/04 6:18 AM
Approved by: Steve Porter, Deputy Commissioner Date 2/25/2004
Agency: Department of Revenue

Alaska State Legislature

House of Representatives



Official Business

State Capitol
Juneau, AK 99801-1182

Representative John Harris

Representative Max Gruenberg

SPONSOR STATEMENT

CSHB 493 (W&M) Adoption of State Fiscal Plan

House Bill 493 would require the legislature to adopt and annually revise a fiscal plan to balance state revenues and expenditures for the succeeding five fiscal years. The state's current budgetary system encourages legislators and the governor to focus only on the fiscal year immediately ahead. This bill would mandate a more comprehensive approach to fiscal planning by requiring the legislature to project revenues and expenditures five years into the future. This would allow legislators to anticipate and plan for budgetary shortfalls before they reach crisis proportions.

The fiscal plan must include: (1) the means to foster a stable economy that encourages economic growth; (2) procedures to improve governmental efficiency and cost-savings; (3) policies that protect the permanent fund while using earnings to maintain a strong dividend program and legislative flexibility to determine the use of the remaining earnings; (4) ways to raise revenues while maintaining a stable tax environment; and (5) provisions to maintain the integrity of the budget reserve fund.

This bill addresses a critical issue facing Alaska and will institutionalize appropriate long-range fiscal planning as part of the legislative process.

Alaska State Legislature

House of Representatives



Official Business

State Capitol
Juneau, AK 99801-1182

Representative John Harris

Representative Max Gruenberg

SECTIONAL ANALYSIS

CSHB 493 (W&M)

Adoption of State Fiscal Plan

Section 1. Makes the following legislative findings: (1) the legislature and governor are responsible for fulfilling constitutionally mandates including providing for the public health and welfare, for public education and for the utilization, development and conservation of the state's natural resources; they are also responsible for public safety, the construction and maintenance of public facilities and transportation infrastructure and the protection of the environment; (2) in order to carry out these responsibilities, the legislature must budget a reasonable level of expenditures to finance the operations of state government; (3) there is a significant disparity between revenue sources that are currently being utilized and the expenditures necessary to maintain a reasonable level of state services; (4) for several years the legislature has addressed the disparity between state revenues and expenditures by drawing against the balance of the budget reserve fund; (5) the budget reserve fund is rapidly declining to a level that requires the development of a sound fiscal plan to address current budgetary needs as well as future state revenues and expenditures; (6) there is not a simple solution to the state's current fiscal dilemma; a combination of fiscal measures will be required to achieve a fiscal plan that is fair and balanced for all Alaskans; (7) a long-term fiscal plan will encourage the discipline necessary to assure that the state budget remains balanced and properly planned in the future; and (8) the implementation of a comprehensive long-range fiscal plan will help stabilize the state's economy and level out its historical pattern of boom and bust cycles.

Section 2. This bill section adds a new section to the executive budget act that requires the legislature to adopt and annually revise a long-term fiscal plan for balancing state revenues and expenditures for the succeeding five fiscal years. The fiscal plan must include: (1) ways

to foster a stable economy that encourages economic growth; (2) procedures to improve governmental efficiency; (3) policies that protect the permanent fund while using earnings to maintain a strong dividend program and the legislative flexibility to determine the use of the remaining earnings; (4) ways to raise revenues while maintaining a stable tax environment; and (5) provisions to maintain the integrity of the budget reserve fund.

HB

494

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB494CS-DOLWD-UI-03-16-04
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
Title: Electronic Payment for State Business RDU: Employment Security
Component: Unemployment Insurance
Sponsor: Representative Kott
Requester: Governor Component Number: 2276

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: None
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See Attached Analysis.

Prepared by: Thomas W. Nelson, Director Phone 465-5933
Division: Employment Security Division Date/Time 3/16/04 3:29 PM
Approved by: Greg O'Claray, Commissioner Date 3/16/2004
Agency: Department of Labor and Workforce Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL VERSION: HB494CS-DOLWD-UI-03-16-04

ANALYSIS: (continued)

This legislation would make disbursements issued under AS 23.20 subject to a new section of statute, AS 37.25.050. AS 37.25.050 provides that disbursements can only be made through an electronic funds transfer (EFT) or through an electronic payment card unless doing so would cause substantial hardship to the recipient.

Section 3304 of the Federal Unemployment Tax Act (FUTA) prohibits the use of Unemployment Insurance Trust Fund monies for any purpose other than the actual benefit payment.

The use of electronic fund transfers (EFT):

The Unemployment Insurance Program already provides an EFT option. Estimated annual increase in cost to have all claimants move to this option would be \$30,000. This is based on set-up and monthly maintenance fees in the current direct deposit contract. The cost increase would be offset by savings from not having to produce printed benefit checks.

The use of a debit card:

Estimated initial implementation costs could be as high as \$269,500. Annual costs thereafter are estimated at \$63,000.

Other methods:

Amendments to AS 37.25.050 authorizes the Commissioner of Revenue to adopt regulations that would clarify when a state agency could use alternative disbursement methods. This provides an avenue for disbursing a paper check to a claimant if electronic disbursement would cause the claimant substantial hardship. Although it is not clear what constitutes "substantial hardship", this would not raise an issue with section 30(a)(1), of the Social Security Act.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB494CS-DOLWD-ES-03-16-04
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
Title: Electronic Payment for State Business RDU: Employment Security
Sponsor: Representative Kott Component: Employment Services
Requester: Governor Component Number: 275

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2. 04) cost: No 1e
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See Attached Analysis.

Prepared by: Thomas W. Nelson, Director Phone 465-5933
Division: Employment Security Date/Time 3/16/04 3:27 PM
Approved by: Greg O'Claray, Commissioner Date 3/16/2004
Agency: Department of Labor and Workforce Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL VERSION: HB494CS-DOLWD-ES-03-16-04

ANALYSIS: (continued)

This legislation would make disbursements issued under AS 23.20 subject to a new section of statute, AS 37.25.050. AS 37.25.050 provides that disbursements can only be made through an electronic funds transfer (EFT) or through an electronic payment card unless doing so would cause substantial hardship to the recipient.

The use of electronic fund transfers (EFT):

Employment Services prepares Trade Readjustment Allowance (TRA) and Needs Related Payment (NRP) requests. Currently warrants are processed through the Alaska State Accounting System (AKSAS). Two warrants are issued if a claimant has a Child Support Enforcement Division (CSED) garnishment, one to the claimant and the other to CSED. AKSAS does not currently have the ability to directly deposit the payments into the workers bank account, nor withhold a portion of the payment for IRS tax reporting purposes.

TRA falls under the Federal Unemployment Benefit Act (FUBA). If the claimant did not have a bank account in which the payment could be deposited or if a cost to the claimant were involved, such payment procedure may create an administrative barrier to the receipt of full benefits when due and therefore raise an issue with Section 301(a)(1), of the Social Security Act (SSA).

In addition, Employment Services provide Individual Training Accounts (ITAs) for training and supportive services that clients need in order to complete training and secure suitable jobs. Currently, ITAs are generated, and warrants are issued directly to the vendor or client through the State of Alaska Accounting System.

The total financial impact if electronic fund transfers are used would be minimal to the division as long as the program criteria in the above paragraphs are met.

The use of a debit card:

The total financial impact if a debit card system is used is estimated to be five new Community Development Specialist II staff positions totaling \$325,000 per fiscal year. In addition, treasury systems and processes would have to be setup prior to implementation. The direct financial impacts of these systems are unknown at this time.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB494CS(FIN)-DHSSI-D

() Publish Date: _____
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction): _____
 Title: RELATING TO DISBURSEMENTS OF MONEY
BY THE STATE

RDU: Departmental Support Services
 Component: Information Technology Services

Sponsor: KOTT
 Requester: HOUSE (FIN)

Component No. 2754

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: _____

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This CS for HB 494 eliminates the requirement for warrants to be used for issuance of state payments.

Currently the department's public assistance payments, e.g. portion of Adult Public Assistance caseload, all Food Stamp and Alaska Temporary Assistance benefits, are distributed via an Electronic Benefits Transfer (EBT) process. The department does not anticipate any change in the current process and will continue to process payments with state warrants for individuals who can not receive EBT payments.

There is no impact anticipated as a result of this legislative proposal.

Prepared by: Janet Clarke, Assistant Commissioner
 Division: Administrative Services
 Approved by: Joel S. Gilbertson, Commissioner
 Agency/Dep: Department of Health and Social Services

Phone: 465-1630
 Date/Time: 03/18/2004
 Date: 03/19/2004

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB494CS(FIN)-DHSS-D
 () Publish Date: _____
 Dept. Affected: Health & Social Services
 RDU Departmental Support Services
 Component Administrative Support Svcs

Revision Date/Time (Note If correction): _____
 Title RELATING TO DISBURSEMENTS OF MONEY BY THE STATE

Sponsor KOTT
 Requester HOUSE (FIN) Component No. 320

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: _____

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

CSHB 494 provides options to the vendors or clients to receive payments via electronic deposit or by receiving a state warrant for payment. No savings or additional costs will be incurred by DHSS.

Prepared by: Janet Clarke, Assistant Commissioner Phone 465-1630
 Division: Administrative Services Date/Time 03/18/2004
 Approved by: Joel S. Gilbertson, Commissioner Date 03/19/2004
 Agency/Dep: Department of Health and Social Services

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB494CS(FIN)-DHSS-DI

() Publish Date: _____

Revision Date/Time (Note if correction): _____

Dept. Affected: Health & Social Services

Title RELATING TO DISBURSEMENTS OF MONEY BY THE STATE

RDU Public Assistance

Component Public Assistance Field Svcs

Sponsor KOTT

Requester HOUSE (FIN)

Component No. 236

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: _____
Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
This bill suggests that all disbursements of state money to be carried out electronically. This may include benefits disbursed by DPA for the Adult Public Assistance Program, Heating Assistance and General Relief. Food Stamp and Alaska Temporary Assistance Program benefits are currently disbursed electronically.

Because this bill does not require all disbursements to be made electronically, we assume few if any recipients will elect to switch to electronic disbursement.

Prepared by: Angela Salerno Phone 465-3200
Division Public Assistance Date/Time 03/18/2004
Approved by: Joel S. Gilbertson, Commissioner Date 03/19/2004
Agency/Dep Department of Health and Social Services

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CS HB 494
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: All
 Title A bill relating to disbursement of RDU All
money by the state Component All
 Sponsor Rep. Kolt and Hawker
 Requester _____ Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual		(46.0)	(92.0)	(92.0)	(92.0)	(92.0)
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	(46.0)	(92.0)	(92.0)	(92.0)	(92.0)

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Various in all state agencies		(46.0)	(92.0)	(92.0)	(92.0)	(92.0)
TOTAL	0.0	(46.0)	(92.0)	(92.0)	(92.0)	(92.0)

Estimate of any current year (FY2004) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This analysis assumes all state payroll would be made with electronic funds transfer, except for the first and last paycheck for each employee and a limited number of hardship exceptions for payroll. All savings from payroll direct deposit is predicated on replacing printed, mailed paper advices with online presentment information.

The cost of making vendor payments using EDI is calculated for all general warrants at effectively a wash because the cost of bank services is estimated at 32.5 cents each, which is essentially the cost of printing and mailing warrants. The set up effort for state agencies and vendors can be absorbed as long as the process is not mandatory for reluctant vendors or other situations not suited for electronic payments. Quickly increasing the number of EDI-capable vendors from the current 500 to over 50,000 would require substantial staff resources in each agency, as well as the central Finance and Treasury divisions.

Prepared by: Kim J. Garner, Director Phone 465-3435/465-5615
 Division Finance Date/Time 3/16/04 7:08 AM
 Approved by: Mike Miller, Commissioner Date 3/16/2004
 Agency Department of Administration

Analysis for general warrants under HB 494

FY 2003 general warrants statistics

Warrants	414,496
EDI	10,793
Total	<u>425,289</u>

Analysis excludes all program specific warrant types such as PFDs, retirement, welfare payments, court warrants. Also excludes handwrite and field warrants.

Potential savings to mailroom chargeback for reduced costs of:

Paper used in paying warrants:

Warrants	415,000	0.01825	\$ 7,574	
Envelopes	415,000	0.02063	\$ 8,561	
			<u>\$ 16,135</u>	annual usage ==> <u>\$ 16,135</u>

Postage: (first class pre-sort with bar code 27.8 cents per item) (1.5% @ 35.2 for non bar code)

Bar coded	408,775	0.278	\$ 113,639	
Not bar coded	6,225	0.352	2,191	
			<u>\$ 115,831</u>	annual usage ==> <u>\$ 115,831</u>

Total projected mailroom chargeback savings \$ 131,966

Potential increased cost for ACH origination:

425,000 transactions at \$.325 each (estimated 2 addenda totaling 500 chars) \$ 138,125

Net potential cost on statewide basis: \$ 6,159

Analysis for payroll warrants under HB 494

Average payroll statistics (based on average of August and December payrolls)

	Mailed	Delivered	Total Annualized		Mailed	Delivered	Total	
Warrants	1,439	390	1,829	44,000	Warrants	9%	2%	11%
Advices	12,279	1,809	14,088	340,000	Advices	77%	11%	89%
Total	13,718	2,199	15,917	384,000	Total	86%	14%	100%

Assumptions:

All new employees (about 5,000 per year) get their first payroll via warrant when the prenote test is done.

500 employees continue to receive warrants under the hardship exemption.

Total warrants still needed = $(500 * 24) + 5,000 = \underline{\underline{17,000}}$

Potential savings to mailroom chargeback for reduced costs of:

Paper used in paying payroll:

Warrants	27,000	0.01825	\$ 493	(40,000 for \$730)	
Advices	340,000	0.01683	5,722	(300,000 for \$5,049)	
Envelopes	367,000	0.02063	7,571	(500,000 for \$10,315)	
			<u>\$ 13,786</u>	annual usage ==>	<u>\$ 13,786</u>

Postage: (first class pre-sort with bar code 27.8 cents per item) (200 @ 35.2 for non bar code)

Bar coded	13,500	0.278	\$ 3,753		
Not bar coded	200	0.352	70		
			<u>\$ 3,823</u>	for 24 pay periods =	\$ 91,762

Less postage on 17,000 warrants annually = (4,760)
\$ 87,002

Total projected mailroom chargeback savings \$100,788

Potential increased cost to Division of Finance:

Direct deposit costs: (November invoice was \$2,570 for 31,705 ACH txns)

New direct deposit costs:

1,329 @ 8.1 cents each = \$ 108 for 24 pay periods = \$ 2,584

Net potential savings on statewide basis: \$ 98,204

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB494(FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Electronic Payments for State RDU Revenue Programs & Services
Business Component Treasury Division
Sponsor Representative Kott
Requester House Finance Component No. 121

Expenditures/Revenues (Thousands of Dollars)
Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
Actual costs to the Treasury Division could vary significantly. If the division continues its current efforts to maximize payments made electronically, few or no additional costs may be incurred. If, however, we ensure that all payments are made electronically by 2006, an additional staff member, acting as project manager and ACH payments coordinator will be required by the division. This position would require a full time, temporary addition to the Cash Management staff, costing the division approximately \$45.0 in FY05, \$60.0 in FY06, FY07, and FY08, and \$30.0 in FY09 in additional personal services costs. Further, contractual costs for additional programming enhancements of the state's electronic fund origination system, BEACHES, would likely also be incurred. These costs are estimated to be \$25.0 in FY05, \$60.0 in FY06, and \$15.0 in each FY07, FY08, and FY09. We are assuming Treasury will cover the costs of making BEACHES ready to accept agency interfaces. The cost estimates above reflect those start-up costs. Each agency will have costs associated with modifications to their specific applications so that those applications will interface with BEACHES. We assume that the cost savings from not issuing warrants will exceed the cost of implementation of this legislation.

Prepared by: Tom Boutin, Deputy Commissioner Phone 465-3669
Division Treasury Division Date/Time 3/19/04 5:16 PM
Approved by: Steve Porter, Deputy Commissioner Date 3/19/2004
Agency Department of Revenue