

ALASKA LEGISLATURE

2692

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

Amendment #5 - Witness Immunity – PDA does not support this amendment.

SB170 as currently written conforms Alaska's immunity statute to the Alaska Constitution for witnesses who are potentially called to testify in a criminal proceeding after establishing a valid claim of privilege against self-incrimination. Sections 19, 20, and 21 amend AS 12.50.101 to provide transactional immunity as required by article I, section 9 of the Alaska Constitution and the Alaska Supreme Court holding in *State v. Gonzalez*, 853 P.2d 526 (Alaska 1993). This effort by the sponsor is commendable. Unfortunately, this intent would not be carried out if Amendment 5 passed. Allowing even a "special" prosecutor to hear the level of the offense for which the witness has a valid privilege does not put the witness in the same position he or she would have been in had they not been compelled to say anything. It provides a link in the chain of evidence that could lead to the prosecution of that witness. If the special prosecutor decides, after hearing the level of the offense, that the state will not grant the witness immunity, that fact will be obvious to all, when the witness does not testify. It offers no protection to that witness from later prosecution; the witness could still be prosecuted for the offense for which he or she has disclosed they have a valid privilege (most likely a higher level felony). This is not transactional immunity as is required under our state constitution. The incurable inability to prevent or even detect the non-evidentiary use of this compelled information is a fatal constitutional flaw of this amendment. The judge must only disclose to the prosecution that the witness has a valid privilege. Any further disclosure of information to the prosecutor beyond that would violate our state constitution. The Senate specifically deleted similar language from this bill.

Amendment #6 – PDA supports this amendment.**Amendment #7 – technical amendment; PDA takes no position.****Amendment #7B – PDA supports this amendment.****Amendment #8 – PDA supports this amendment.**



Alaska Association of Chiefs of Police

Via: US Mail

February 24, 2004

Mr. Dean Guaneli
Chief Assistant Attorney General
PO Box 110300
Juneau, Alaska 99801

RE: Governor's 2004 Crime Bill

Dear Dean,

The Alaska Association of Chiefs of Police would like to offer our support for the Governors 2004 Crime Bill. I believe this bill offers many potential solutions to problems we as Law Enforcement Officers and you as Prosecutors face day on a daily basis.

As an Alaskan Law Enforcement Officer for over 30 years I have watch our criminal justice system come from areas that were weak to a much stronger practice today. However there is still much to do to assure the safety of the people we serve as well as reducing the occurrence of serious and dangerous offenses. This bill assist's those communities that choose to reduce the use of alcohol; it improves our drunken driving laws and helps in the protection of children from juvenile offenders. These are important areas that need to be address and I believe the Governor has made a major step in the right direction.

We support this bill and offer any assistance we can provide. Please contact me if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Clemons", written in a cursive style.

Thomas Lee Clemons
Chief of Police

SB

170

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 04/02/04

REPORTED OUT APR 16 2004 SENATE FINANCE COMMITTEE
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FURTHER:

DATE TURNED IN TO OFFICE: 16 April 2004

Finance Committee considered

SENATE BILL NO. 170

SB 170 CRIMINAL LAW/SENTENCING/ PROBATION/PAROLE

"An Act relating to the Code of Criminal Procedure; relating to defenses, affirmative defenses, and justifications to certain criminal acts; relating to rights of prisoners after arrest; relating to discovery, immunity from prosecution, notice of defenses, admissibility of certain evidence, and right to representation in criminal proceedings; relating to sentencing, probation, and discretionary parole; amending Rule 16, Alaska Rules of Criminal Procedure, and Rules 404, 412, 609, and 803, Alaska Rules of Evidence; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS SB 170 (JUD)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
House Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero.	FN#
Admin	4/8/04	90.8			

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Corrections	3/10/04	3.4			#3

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
COCHAIR:				
COCHAIR:				

APR 16 2004

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB 170(JUD)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title An Act relating to murder in the BRU Legal and Advocacy Service
second degree,... Component Public Defender Agency
Sponsor Rules Committee
Requester Senale Finance Component No. 1631

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	74.5	74.5	74.5	74.5	74.5	74.5
Travel	2.1	2.1	2.1	2.1	2.1	2.1
Contractual	6.5	6.5	6.5	6.5	6.5	6.5
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	6.7	0.7	0.7	0.7	0.7	0.7
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	90.8	84.8	84.8	84.8	84.8	84.8

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	90.8	84.8	84.8	84.8	84.8	84.8
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	90.8	84.8	84.8	84.8	84.8	84.8

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	1	1	1	1	1	1
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Public Defender's operations will be fiscally affected by the first aspect of this proposed legislation, Sections 1-11, should it become law. If established villages and municipalities adopt lower amounts of alcohol for local option purposes than established in Title 4 that would increase the number of prosecutions per year, depending upon the number of local option areas that adopt lower amounts. The Agency cannot predict how many local option areas will lower the amounts, so the fiscal impact cannot be quantified. Clarifying the applicable local option law in overlapping areas may have a fiscal impact, but it is not possible to predict the impact with any accuracy. It is unknown how many cases involve importation or possession from overlapping areas. Expanding the circumstances under which the offense of furnishing alcohol to a minor is a class C felony instead of a class A misdemeanor, to include violations that occur See attached page.

Prepared by: Linda K. Wilson, Deputy Director Phone (907)-334-4416
Division Public Defender Agency Date/Time 4/8/04 9:55 AM
Approved by: Kevin Jardell, Assistant Commissioner Date 4/8/2004
Agency Department of Administration

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CS SB 170(JUD)

ANALYSIS CONTINUATION

within the boundaries of a local option area will have a fiscal impact on the operations of the Agency. Increasing what was a misdemeanor to a felony increases the workload of the Agency. Felonies are more difficult cases and often require more work, investigation, and resources to defend, especially in rural areas, that would be most impacted by this change. Allowing the forfeiture of money and other items used in financial transactions derived from prohibited activity violative of local option laws, will have a fiscal impact on the operations of the Agency, but more importantly Section 11 requiring forfeiture of aircraft, and vehicles or watercraft in certain circumstances, will surely have a fiscal impact, because there will be more hearings on the issue of forfeiture involving potential claims by lienholders, owners, and others with an interest in the property subject to forfeiture.

Section 14 expands the crime of assault in the third degree, a class C felony, to include when a person with criminal negligence causes serious physical injury by means of a dangerous instrument. This conduct is currently an A misdemeanor. Expanding the crime of third degree assault, a C felony, to include causing serious physical injury with criminal negligence, by means of a dangerous instrument, most likely a vehicle, will certainly have a fiscal impact on Agency operations. Increasing what is now a misdemeanor to a felony level offense increases the workload of the Agency. Felonies are more difficult cases that require more resources to defend. It cannot be accurately predicted however what the increased number of cases from misdemeanor to felony will be, that are the target of this section.

Section 17 (with conforming Sections 12 and 33(a)) seeks to increase the penalties for and create a new criminal offense for violations of a court-ordered third party custodian's duty. Changing what is now a contempt violation to a charge for a class A or B misdemeanor with significantly stiffer penalties will result in less clients getting out of jail on bail, which will increase the need to more quickly prepare a case for trial and then go to trial more quickly for these clients to ensure their right to a speedy trial. It will also increase the Public Defender Agency's caseloads because it may be appointed to represent many of these custodians charged with these misdemeanors for failing to immediately report a violation.

Section 18 will have a fiscal affect on the Agency operations because more cases will be prosecuted where self-defense used to be legitimately raised, but now will be disallowed, however, it is impossible to accurately predict how many of these new prosecutions will result.

The Agency will have increased investigative costs as a result of these changes, primarily in the Anchorage office that handles the most cases.

Sections 22, 23, 30-31, and 33(b) seek to amend the sentencing statutes to expand the situations in which consecutive sentencing is mandated and to eliminate or restrict the court's ability to determine the appropriate amount of consecutive time to be imposed for certain crimes. This change in the sentencing statutes will likely result in the inability to resolve cases short of trial, when the case is one in which conviction of more than one count would otherwise have been an appropriate resolution, now would be forced to go to trial because of the exposure to mandatory consecutive sentences. This fiscal impact is not easily determined, but inevitable.

Sections 25-29 concern drunk driving and refusal laws under Title 28. It broadens felony DUI and refusal to include a person driving under the influence who has any prior conviction for felony DUI or refusal. Making any subsequent DUI or refusal a felony if there is a prior conviction for felony DUI or refusal will impact the operations of the agency, probably not immediately, but in the future. It is unknown how many people convicted of felony DUI or refusal will allegedly reoffend after 10 years has elapsed. Since the enactment of felony DUI and refusal in 1996, the number of these cases handled by the Agency has increased every year, In FY 99 the Agency handled approximately 125 felony DUI and refusals, but in FY02 it handled over 300. Felony prosecutions are more difficult cases and require more work, investigation, and resources to defend, especially in rural areas.

For all of the above reasons, one full time investigator is required in the Anchorage office to meet the fiscal challenges this bill will have on the operations of the Agency.

APR 16 2004

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSIONFiscal Note Number: 3
Bill Version: CSSB 170(JUD)
(S) Publish Date: 4/2/04Revision Date/Time (Note if correction): _____ Dept. Affected: Corrections
Title Criminal Procedures, Sentencing & Related RDU Administration & Operations
Issues. Component Institution Director's Office
Sponsor Rules Committee
Requester Governor Component No. 1381

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	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	3.4	54.6	98.9	174.2	195.0	225.7
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	3.4	54.6	98.9	174.2	195.0	225.7

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

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	3.4	54.6	98.9	174.2	195.0	225.7
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	3.4	54.6	98.9	174.2	195.0	225.7

Estimate of any current year (FY2004) cost: 0.0Check 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	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Time served is estimated based on the time that would have been served under this bill for defendants sentenced during the time period 1/1/2001 through 12/31/2001. Time served under current law is not included on Fiscal Note estimates. Months are based on an average of 30 days per month and the FY04 cost of care of \$113.69. Sentences timeframe is estimated as beginning 7/1/2004.

See attached:

Prepared by: Jerry D. Burnett, Director Phone (907) 465-3339
 Division Administrative Services Date/Time 3/10/04 7:30 AM
 Approved by: Portia C.K. Parker, Deputy Commissioner Date 3/10/2004
 Agency Department of Corrections

FISCAL NOTE #3

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSSB 170(JUD)

ANALYSIS CONTINUATION

For years past FY 2010, there could be a cumulative effect of long-term and short-term sentence increases that would result in higher costs on an annual basis. We have not attempted to estimate these future year costs past FY 2010. Given the recidivism rates for many offenders, it is not clear that these longer sentences will actually have the effect of increasing costs to the Department of Corrections. Our costs are the same on a daily basis whether offenders are serving an extra period of incarceration or are reincarcerated for a new offense. To the extent that increased sentences reduce recidivism for this group of offenders, the legislation may result in lower costs in future years.

STATE OF ALASKA

DEPARTMENT OF LAW
CRIMINAL DIVISION

FRANK H. MURKOWSKI,
GOVERNOR

Mailing: PO Box 110300
Juneau, AK 99811-0300
Delivery: 123 4th Street, Ste 717
Juneau, AK 99801
Phone: (907) 465-3428
Fax: (907) 465-4043

April 13, 2004

Hon. Gary Wilken, Co-Chair
Senate Finance Committee
State Capitol, Room 518
Juneau, AK 99801-1182

Re: CSSB 170 (JUD)

Dear Senator Wilken:

Here are the highlights for CSSB 170 (JUD). I am also attaching a three-page sectional summary and letters of support from Mothers Against Drunk Driving (MADD), Alaska Network on Domestic Violence and Sexual Assault, Alaska Association of Police Chiefs, and Lisa Nelson.

Highlights of Governor's 2004 Crime Bill (CSSB 170 (JUD))

**MAKES CRIMINALS THINK TWICE
BEFORE COMMITTING DANGEROUS OFFENSES**

1. Adopts consecutive sentencing procedures so that some consecutive term is imposed for each victim or each conviction of a serious crime.
2. Disallows self-defense if the state proves a deadly weapon was possessed to further the felony criminal objectives of a gang, or to buy or sell felony amounts of illegal drugs.
3. Expands felony-murder law so offenders committing dangerous crimes can be charged with second-degree murder if their accomplice is killed.
4. Makes it a misdemeanor for a court-appointed custodian to knowingly fail to report that the defendant released to his custody has violated court-imposed conditions.

BOOTLEGGING: HELPS LOCAL OPTION COMMUNITIES

5. Allows communities to adopt lower limits of alcohol possession and importation as part of the local option system; closes a local option loophole.
6. Increases penalty to a class C felony for furnishing alcohol to minors in local option areas, and for sending large amounts of alcohol to local option areas.
7. Allows forfeiture of cash seized in bootlegging offenses. Mandates forfeiture of certain vehicles used in bootlegging, unless the vehicle is the sole means of transportation of a family in rural Alaska.

PROTECTS CHILDREN FROM JUVENILE OFFENDERS

8. Increases penalty for sexual abuse of young children by teenagers.
9. Allows greater disclosure of information about juvenile offenders.

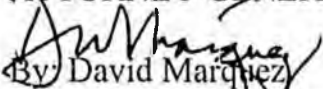
IMPROVES DRUNK DRIVING LAWS

10. Once a person has committed felony drunk driving (three times in 10 years), all additional drunk driving would be treated as a felony.
11. Increases penalty to a class C felony for criminally negligent offenses that cause serious physical injury with a dangerous instrument, which includes a motor vehicle.
12. Prohibits the "big gulp" defense in drunk driving cases that encourages drinking drivers to have "one for the road."

If you have any questions, please feel free to contact me,

Sincerely,

GREGG D. RENKES
ATTORNEY GENERAL


By David Marquez
Assistant Attorney General

Attachments

CS for SENATE BILL 170(JUD)

(April 5, 2004)

Sectional Summary

Sections 1 - 4 allow communities to adopt, as part of a local option, lower amounts of alcohol that may be possessed or imported into the community than may currently be possessed or imported, and still presumed to be for personal use rather than for sale. Certain communities have already adopted lower limits by ordinance. If it is part of a local option, however, state law enforcement authorities can help communities enforce these lower limits.

Sections 5 and 6 close a local option loophole. Under current law a local option limiting alcohol applies in a five-mile radius around the center of the village. This circle helps protect against bootleggers on skiffs and snowmachines from bringing alcohol to sell in local option villages. If villages are close together, the areas of protection may overlap, and a loophole in the law essentially wipes away the protective circle for both villages, and limits alcohol only in the village itself. These sections provide that the least restrictive local option applies in the overlapping areas.

Section 7 raises the penalty for furnishing alcohol to a person under 21 years of age from a class A misdemeanor to a class C felony, if the offense occurs in a village or municipality that has adopted a local option.

Sections 8 - 11 improve the law for forfeiture of property used in bootlegging in several ways. First, **Section 8** allows for the forfeiture of money used in bootlegging offenses. Second, **Sections 9 and 10** strengthen forfeiture law for vehicles, watercraft, and aircraft used to bootleg alcohol. It adopts the standards required in current law under *State v. Rice*, 626 P.2d 104 (Alaska 1981), for innocent owners to protect their interest in property subject to forfeiture for bootlegging. Third, **Section 11** makes it mandatory that means of transportation used in bootlegging be forfeited if (a) the bootlegger has a conviction for a violent felony or is on felony probation or parole; (b) the bootlegger has a prior bootlegging conviction; or (c) the alcohol transported was at least twice the amount presumed to be possessed for sale (24 liters of hard liquor, 48 liters of wine, or 24 gallons of beer). A court is not required to forfeit a car, truck, snowmachine, fourwheeler, or watercraft if it is the only means of transportation for a family in a village, and if the members of the family were innocent or could not prevent the bootlegging. **Section 11** also allows the state to share the proceeds from forfeited property with municipal law enforcement agencies that participate in the arrest or conviction of a bootlegger.

Section 12 is a conforming amendment to the change described in **Section 17**.

Section 13 expands the felony-murder rule so that an offender who commits a dangerous crime can be charged with second-degree murder if an accomplice is killed. The current

felony-murder rule allows an offender to be charged with second-degree murder if a person, such as a bystander, is killed during the commission of the crime, even if the offender did not directly cause the death. The purpose of the felony-murder rule is to discourage serious crimes. It will be more effective if it also applies to the death of a participant in the crime.

Section 14 increases the penalty from a class A misdemeanor to a class C felony for criminally negligent conduct that causes serious physical injury with a dangerous instrument. One example of this conduct is a person who drives partly impaired (but not enough to be DUI), drives in a dangerous manner, and causes serious injury to another person.

Sections 15 - 16 increase the penalty for sexual abuse by penetration of very young children by teenagers from a class A misdemeanor to a class C felony.

Section 17 adopts a new crime - that of violating a person's duty as a third party custodian. It applies to a person who agrees to be a third party custodian, but does not report to authorities if the person in custody violates release conditions. It is either a class A or class B misdemeanor, depending on the crime with which the person released is charged.

Section 18 disallows self-defense if the force applied resulted from use of a deadly weapon, and the state proves that the defendant was furthering his own felony criminal objectives or those of a gang, or was buying or selling a felony amount of illegal drugs.

Sections 19 - 21 and 24 adopt a procedure to determine if a witness has a valid Fifth Amendment privilege against self-incrimination. An attorney is appointed for the witness, and the court makes the determination in a closed proceeding outside the presence of the prosecution. Under these sections, the prosecution is provided no information needed to decide whether to grant immunity. These provisions essentially make no change to existing procedures.

Sections 22 - 23 and 30 - 31 give direction to courts in sentencing a defendant for more than one crime. Current law appears to require consecutive sentences, but was not interpreted that way because of bad drafting. This clarifies that for most crimes a court may impose sentences that are concurrent or partially concurrent. However, for homicides, kidnapping, and serious sex offenses, this section specifies the minimum amount of consecutive time that must be imposed. For example, for two counts of first-degree murder, the court must require the mandatory minimum term of the second offense to be served consecutively. For manslaughter and kidnapping, at least the period of the presumptive term of the second offense must be served consecutively.

Sections 25, 27, and 29 disallow the "big gulp" defense in drunk driving cases. It reverses a recent court decision, *Conrad v. State*, 60 P.3d 701 (Alaska App. 2002), that allows a driver to claim that he drank alcohol just before driving, and was able to drive before the alcohol affected his perceptions. This case is a major step back in the state's efforts to reduce drunk driving, and requires expert testimony about alcohol assimilation rates and other issues confusing to jurors. The legislature, in prohibiting driving with .08 blood alcohol, as

determined by a chemical test taken within four hours of driving, intended to avoid this battle of chemical experts.

Sections 26 and 28 provide that once a person has been convicted of felony drunk driving or felony refusal to submit to a chemical test, any subsequent drunk driving or refusal offense will also be a felony.

Section 32 allows for greater disclosure to the public by a state or municipal agency of information about juvenile sex offenders, if necessary to protect children or vulnerable adults.

Section 33 provides conforming repealers.

Sections 34 and 35 include applicability and effective date provisions.

**THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES**



Mothers Against Drunk Driving
JUNEAU CHAPTER
211 4th St., Suite 314
Juneau, AK 99801
Phone (907)463-2562
Fax (907)463-2540
madd@alaska.net
www.madd.org/ak/juneau

Mothers Against Drunk Driving (MADD) supports CSSB 170 for House Bill 244.

MADD supports consecutive jail time for each death in a drunk driving crash in order for restorative justice to take place within our communities.

As a victim in the State v. Glaser case, I cannot begin to explain the unnecessary bitterness and frustration our families struggle with because of the court decision which refused to consider the multiple deaths in the drunk driving tragedy. Currently in Alaska, a loved one's life is less valuable than a stolen automobile in a felony case; this sends a dangerous message out to all Alaskans. Each life torn from us by drunk driving is certainly worth taking into individual consideration, to do otherwise would create additional headache and trauma for victims of this violent crime.

MADD also supports the right for communities to adopt lower limits of alcohol possession and importation in order to increase the health and safety of their people.

MADD supports stricter drunk driving sanctions for high risk drivers. Habitual drunk drivers who have repeatedly chosen to endanger themselves and everyone else who shares their road system must be held accountable for their crimes.

About one-third of all drivers arrested or convicted of driving under the influence are repeat offenders. These drivers are 40% more likely to be involved in a fatal crash than those without prior DUIs.

MADD supports increased penalties for those whose choice to drink and drive results in the serious injury of an innocent victim or victims.

People who drink and drive are unable to determine if they are sober before arriving at their destination. If a person chooses to drink and drive then that person has committed a crime and should be held accountable for his/her actions.

MADD supports the recommended changes in CSSB 170 for House Bill 224 as a way of deterring further drunk driving tragedies and improving Alaska's restorative justice system.

Sincerely,

Cindy Cashen
Executive Director

**ALASKA NETWORK ON
DOMESTIC VIOLENCE AND SEXUAL ASSAULT**

130 Seward, Rm 209
Juneau, Alaska 99801

(907) 586-3650 ph
(907) 463-4493 fx

SB170/HB244
March 2004

Please accept this memo as a letter of support for the Governor's crime bill.

The Network particularly appreciates the administration's stance on holding perpetrators accountable for each crime they've committed by requiring consecutive sentencing for multiple counts of particularly heinous crimes, including sexual assault. The longer sex offenders can be removed from the community the safer we all are. Consecutive sentences also provide some sense of approximate justice to each victim involved, that at least the perpetrator is being required to pay something, for the crime committed against her/him.

The Network supports increasing the penalty from a class A misdemeanor to a class C felony for the crime of sexual abuse when an older minor penetrates a very young minor. Recognizing that minors who commit sexual abuse crimes are sometimes victims themselves, it is still important that the crime carry a penalty severe enough that if the minor chooses to perpetrate a sexual assault as an adult, the previous conduct can be examined.

The Network also supports releasing documents concerning adjudication of a sexual offense to protect the safety of a child or vulnerable adult. Balancing the needs of families to protect children and vulnerable adults and the juvenile offender's right to confidentiality is something we believe can be achieved through the regulation process when the department begins to implement procedures to allow for the release of information.



Alaska Association of Chiefs of Police

Via: US Mail

February 24, 2004

Mr. Dean Guaneli
Chief Assistant Attorney General
PO Box 110300
Juneau, Alaska 99801

RE: Governor's 2004 Crime Bill

Dear Dean,

The Alaska Association of Chiefs of Police would like to offer our support for the Governor's 2004 Crime Bill. I believe this bill offers many potential solutions to problems we as Law Enforcement Officers and you as Prosecutors face day on a daily basis.

As an Alaskan Law Enforcement Officer for over 30 years I have watch our criminal justice system come from areas that were weak to a much stronger practice today. However there is still much to do to assure the safety of the people we serve as well as reducing the occurrence of serious and dangerous offenses. This bill assist's those communities that choose to reduce the use of alcohol; it improves our drunken driving laws and helps in the protection of children from juvenile offenders. These are important areas that need to be address and I believe the Governor has made a major step in the right direction.

We support this bill and offer any assistance we can provide. Please contact me if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Clemons", written in a cursive style.

Thomas Lee Clemons
Chief of Police

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

FRANK H. MURKOWSKI, GOVERNOR

1031 WEST 4TH AVENUE, SUITE 300
ANCHORAGE, ALASKA 99501-5903
PHONE: (907)269-5100
FAX: (907)276-3697

March 9, 2004

The Honorable Lesil McGuire, Representative
State Capitol
Juneau, Ak 99801-1182

Re: HB 244, Governor's 2004 Crime Bill

Dear Representative McGuire:

I am writing to voice my support of the Governor's 2004 Crime Bill, which I understand, will be considered as a committee substitute for HB 244. Although I support all the provisions in the Governor's new bill, there are some that are of particular interest to me because they are important in protecting children from abuse.

For over 20 years I have been working in Alaska as a prosecutor of adult sex offenders, as a prosecutor of juvenile offenders, and as a line attorney and supervisor of prosecutors of child protection (CINA) cases, many of which involve sexual abuse of children, as well as other types of abuse and neglect. I have also served on two Governor's Child Protection Task Forces and the Balloon Project Steering Committee. I continue to serve on the Juvenile Justice Working Group, the CINA and Juvenile Delinquency Court Rules Committee, the CINA Court Improvement Project and the Management Team of Alaska CARES (Anchorage's Child Advocacy Center). And I currently serve as chair of the Federal Children's Justice Act Task Force. Finally, I received the 2003 Commissioner's Award from the U.S. Department of Health and Human Services, Administration for Children and Families, Administration on Children, Youth and Families, for my "outstanding leadership and service in the prevention of child abuse and neglect." This was followed by a citation in my honor issued by the Alaska Legislature and sponsored by the Honorable Fred Dyson.

Because of my lengthy and broad experience in several aspects of the fight against child abuse and neglect articulated above, I would like to add my support and comments to four particular provisions of the Governor's crime bill that deal directly with this effort.

The Honorable Lesil McGuire, Representative

March 9, 2004

Page 2

First, the provisions giving direction to courts in imposing sentences for defendants convicted of more than one crime will help protect children from abusers. Current laws for sentencing offenders convicted of multiple offenses are confusing and unevenly applied. As I know you are aware, child abusers often victimize more than one child, and more than one time, and therefore these new sentencing provisions are of great interest to me.

Next, because I am well aware that sexual offenders are not always adults, I support the provisions that would increase the seriousness of abuse of young children by teenagers. A 14-year-old that sexually abuses a five-year-old by penetration should be adjudicated of a felony, not a misdemeanor. Even though the incarceration/treatment of these young offenders would not drastically change, increasing the class of the offense would send the correct message to these offenders about the seriousness of the offense. Currently, to a juvenile, it appears more serious to steal someone's laptop (a felony) than to engage in full sexual penetration with a kindergartner (a misdemeanor).


Thirdly, I support the provision that would allow greater information to be released about juvenile sex offenders. A parent should be able to find out if a potential babysitter for their children has been adjudicated in the juvenile justice system for a sex offense. As a mother of two young children, I know I would be horrified if I unwittingly hired a babysitter that perpetrated on one or both of my children. My children could be scarred for life.

Finally, the provisions giving local communities authority to adopt stronger controls over alcohol in local option areas, and related provisions to curb bootlegging, will contribute to a better environment for children in rural areas. Alcohol is almost always involved in incidents of child sexual abuse, physical abuse and neglect. If perpetrators who are prone to abusing children when they have consumed too much alcohol were not allowed access to it, I guarantee the rate of child abuse and neglect would plummet.

Thank you for hearing this legislation. I believe it will greatly assist our efforts to make Alaska a safer place to be a child.

Sincerely,

GREGG D. RENKES
ATTORNEY GENERAL

By 
Lisa B. Nelson
Assistant Attorney General

LBN:dal

LEGAL SERVICES

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

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


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

MEMORANDUM

April 2, 2004

SUBJECT: Of Authorized Employees and CSSB 170(JUD)
(Work Order No. 23-GS1024\Q)

TO: Senator Ralph Seekins
Attn: Brian Hove

FROM: Gerald P. Luckhaupt 
Legislative Counsel

Enclosed is the final CS(JUD) you requested. I have one comment. In sec. 32 of the bill we create a new AS 47.12.310(k) and allow state and municipal agencies and their "authorized employees" to release certain information. In AS 47.12.310(b) state and municipal agencies and their "employees," not "authorized employees," are required to release certain information. By inserting "authorized employees" instead of "employees" in this new subsection it appears that "unauthorized employees" will now be allowed to disclose information under AS 47.12.310(b) since that subsection allows "employees" to release information. In my opinion the inclusion of "authorized" in new (k) is not needed and causes more trouble than any possible comfort it could provide.

GPL:med
04-368.med

Enclosure

COMMITTEE COPY



FRANK H. MURKOWSKI
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 3, 2003

The Honorable Gene Therriault
President of the Senate
Alaska State Legislature
State Capitol, Room 107
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill making changes to criminal procedures that would allow for more straightforward and fair prosecution of crime in Alaska. Additionally, the bill would improve the criminal law regarding sentences.

The bill proposes the following changes in criminal procedures.

Deterring Those Who Take Deadly Weapons to a Fight. We have to cut down on the violence on our streets. There are too many drug dealers, gang members, and violent people who bring guns to situations where they know they will get into fights; they then claim self-defense when they use the gun. Too many innocent people die, and prosecution is too difficult. We need to put a stop to this. If you bring a gun to a fight, you should be responsible for the consequences. Self-defense should not excuse a killing if the defendant brought a deadly weapon to a confrontation with reason to believe that combat would result. The Alaska Supreme Court long ago declared in *Bangs v. State*, 608 P.2d 1 (Alaska 1980), that a person who brings a deadly weapon to a confrontation, having reason to know that the encounter will likely result in combat, should not be entitled to self-defense protection. But trial judges have become too loose in enforcing the Alaska Supreme Court's admonition. A defendant who brings a gun to an encounter and uses it to finish a fight should not be able to claim self-defense.

Improving the Law of Self-Defense, Deadly Force In Self-Defense, Heat Of Passion, And Other Defenses. A related change is also necessary in the law of self-defense and "heat of passion." The prosecution always bears the burden of proving the essential elements of an offense, but if the defendant is going to raise a defense of which the defendant has exclusive knowledge, the defendant should have the burden to prove the defense by a preponderance of the evidence. This is called an affirmative defense, and the legislature has already created many examples in the Alaska Statutes. For example, duress is an affirmative defense. To establish duress, the defendant must prove that the defendant was coerced to commit a crime by a threat of imminent harm. The burden is correctly on the defendant, because only the defendant knows the effect of the threat.

The bill would change several similar defenses -- heat of passion, self-defense, the use of deadly force in self-defense, and defense of a third person -- to affirmative defenses. Currently, prosecutors must prove a negative. For example, if the defendant claims heat of passion (a defense to intentional murder in the first and second degrees), the state would have to disprove that the victim, who is dead, acted in a way to arouse the passion of the defendant. The bill provides that the defendant, who is often the only eyewitness still alive at trial, would be required to prove that "heat of passion" was aroused because of provocation by the victim. Citizens who defend themselves in their own homes and must use force to protect their families are not affected by this change. If the person acting in self-defense is a peace officer, or is on the person's own premises and is not assaulting a household member, this bill leaves the current law on self-defense intact, and requires that the prosecution disprove self-defense.

Right of Arrested Person. The bill would clarify that a person who is arrested has the right to a telephone call or visit from a friend, relative, or attorney. However, the right belongs to the person arrested, to exercise at his or her discretion.

Limiting Collateral Attacks on Prior Convictions. When an habitual criminal commits a new crime, the punishment is often greater because of the person's prior convictions. But it is now a common tactic in the new criminal case to attack the old convictions on technicalities. This means that before the prosecutor can even begin to prove the new crime, the prosecutor is forced to validate what happened in an old conviction, which is often from another state. This is generally a fruitless inquiry. The law already provides many avenues by which offenders can have their convictions reviewed. Unless a conviction was invalid because the defendant was denied the right to counsel or to a jury trial, the state should be able to rely on those convictions in prosecuting repeat criminals.

Admissibility of Prior Convictions. In the criminal code, the conviction of a prior crime is, in a few cases, an element of another offense. For example, having two prior drunk driving convictions within a certain period of time is an element of felony drunk driving. The bill would clarify that in these circumstances, evidence of prior convictions is admissible in order to prove all the elements of the charged offense. Although generally courts do not admit this evidence, the legislature has the authority to allow it. The bill also would overrule *Ostlund v. State*, 51 P.2d 938 (Alaska App. 2002), which requires a bifurcated trial, by allowing, at any time in the prosecution, evidence of prior convictions in the state's case if the prior conviction is an element of the current crime.

Grants of Immunity. The bill would give prosecutors the information needed to decide whether to grant immunity to a witness. If a witness claims a privilege against self-incrimination and refuses to testify, the only way to obtain that testimony under the Alaska Constitution is to give the person complete immunity for any crime the person may testify about. This makes it critical for the state to know what crimes will be immunized before offering immunity, but that is impossible under current procedures used by the courts. The current practice is for the judge to decide whether the witness is entitled to immunity in a closed hearing in which the prosecution is not allowed to be present. The prosecutor thus does not know what crimes require immunity. A homicide prosecution that currently is awaiting trial is a good example. The defendant, while in jail, allegedly tried to arrange for the killing of the trooper transporting him to court, so the defendant could escape. A cellmate notified the police, but will not testify without immunity. The judge held a hearing without the prosecutor, and ruled that the cellmate had a privilege against self-incrimination, but wouldn't reveal how the cellmate's testimony would incriminate him -- or even whether the cellmate feared prosecution for a felony or a misdemeanor. Unwilling to grant immunity blindfolded, the prosecutor must forego this powerful evidence of consciousness of guilt of the defendant.

The bill would give guidance to the court for evaluating a claim of privilege, and would allow the prosecutor to obtain necessary information and to be present at any hearings on the matter. Judges thus would no longer decide these issues without hearing both sides, and the prosecutor can make an informed decision about immunity.

Consecutive sentences. This bill also would strengthen and clarify the law regarding consecutive sentences for conviction of more than one crime. In 1982, AS 12.55.025(e) and (g), which mandated full consecutive sentences for each count of homicide, assault, and sexual offense, were enacted. But because of imprecise drafting, this clear expression of legislative intent was instead interpreted to be merely a "legislative preference" for consecutive

sentences that courts were free to ignore. *State v. Andrews*, 707 P.2d 900 (Alaska App. 1985), *aff'd*. 723 P.2d 85 (Alaska 1986). Later, in 1988, the legislature mandated consecutive sentences for assaults against children, but the provision that was finally enacted provided no firm guidance to the courts, especially in the most serious sexual assaults. AS 12.55.025(h).

As a result of the interpretations of the courts, trial judges ignore or pay only nominal recognition to the legislature's preference for consecutive sentences. For example, in the recent case of *State v. Glaser*, the defendant was convicted of two counts of second degree murder and one count of first degree assault. The sentence imposed by the superior court treated the drunk driving killing of two people and the serious physical injury of a third person as if only one victim had been affected by the crime, and imposed a sentence only slightly longer than the mandatory minimum sentence for a single count of second degree murder.

This bill would adopt minimum requirements for consecutive sentencing in cases involving multiple counts of homicide, kidnapping, first degree sexual assault, and first degree sexual abuse of a minor (sexual penetration). Although this bill does not go so far as the fully consecutive sentencing reflected in the 1982 legislation, it does provide more specific guidance than exists in current law. In a second degree murder case such as *State v. Glaser*, for example, the bill would require that imprisonment for at least 10 consecutive years be imposed for the second conviction of second degree murder, and some additional consecutive term of imprisonment be imposed for the assault on the third victim.

Better Notice of Expert Witnesses And Defenses. Delay, confusion, and other problems often result from the inefficient exchange of information about defenses and expert witnesses in criminal prosecutions. The discovery rules are supposed to make pretrial procedure orderly and avoid surprises at trial. However, our prosecutors report that at times attorneys who give late notice or no notice rarely suffer adverse consequences from the court, which encourages further disregard of the rules. The bill would adopt procedures for a more orderly exchange of expert witness information, and it also would adopt firm sanctions for violation of the rules. If a party does not provide notice of an expert in the time set out in the rule, the person may not use the expert testimony. The bill also would require that notice of certain defenses be made as required by the rules or the offering of that defense could be forfeited.

Expanding Impeachment of Testimony. The bill also would amend several provisions in the Alaska Rules of Evidence. Under the current rules, a statement obtained from a defendant that was not preceded by the warnings required in *Miranda v. Arizona*, 384 U.S. 436 (1966), is not admissible except in a prosecution for perjury. That is, although the statement may not be used against the person for the underlying offense, it may be used in a subsequent perjury prosecution if the person testifies falsely at trial. The bill would expand this exception to allow the statement to be used for impeachment if the person testifies falsely. Under the current court rule, a defendant in a murder case whose statements to police were suppressed could lie with impunity on the stand, knowing that at most the defendant faced a later prosecution for perjury. The bill's change to the court rule would, however, allow the defendant's statement to be used to contradict the defendant's testimony in the murder trial if the defendant lied.

A similar court rule limits the use of evidence obtained with an invalid search warrant or if the police make a mistake in the technical rules governing search and seizure. Such evidence is not admissible for the underlying prosecution, and can only be used in a subsequent perjury case. This bill would allow this evidence to be used to impeach the defendant or other witness on cross-examination. The exclusionary rule discourages careless law enforcement by excluding illegally obtained evidence. It should not give witnesses a chance to testify falsely at trial.

Current rules also allow a witness's credibility to be impeached by a prior conviction for a crime involving dishonesty or false statement (for example, theft, robbery, burglary, perjury) if the conviction occurred within five years of the testimony. However, in many instances, the five-year period is over before the person is even out of jail, so juries never find out that the person has a conviction for dishonesty. This bill would amend the court rule to allow juries to be told of such convictions if less than five years has elapsed from the person's unconditional discharge from probation or parole.

Giving Juries the Full Picture in Domestic Violence Cases. Domestic abusers often succeed in pressuring their domestic partners into not testifying against the abuser. In order to prosecute such cases, the prosecutor must be able to introduce evidence from other persons to tell the jury the whole story. But if the jury isn't allowed to know what was said immediately after the assault, the jury only gets part of the story. We can change this, and provide more perpetrators with the help they need to stop abusing. Victims of domestic violence are often unavailable to testify at trial -- often for compelling reasons concerning their safety and the safety of their children. Under current court rules, if the victim is not present, the statements of the victim are admissible only if the statements qualify under the narrow rule for "excited utterances."

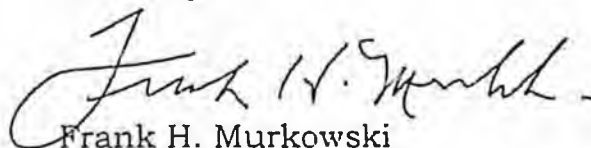
The Honorable Gene Therriault
April 3, 2003
Page 6

This bill would expand that rule in domestic violence cases, so that a jury can learn about all statements made within 24 hours of the crime, if there are other indications of reliability. This hearsay exception would apply to statements that an assault occurred, and also if the victim recanted and denied that an assault occurred.

New Mitigating Factor for Defendants Who Show Concern for Victims of Sexual Offenses. Victims of sexual offenses, more so than any other crime, dread testifying in open court and often view giving testimony as being victimized again. They must not only testify in front of a jury of citizens and the defendant who violated them, but it must be done in public and often in cases that gain press attention. This is very traumatic for the victim. Sex offenders who have genuine remorse for their crimes do not want to put the victim through this crucible. For those sex offenders who quickly plead guilty, thus sparing their victims the ordeal of public testimony, this bill would provide a statutory "mitigating factor" that the judge may take into consideration in reducing the person's sentence.

I urge your prompt and favorable consideration of this bill.

Sincerely,

A handwritten signature in cursive script, appearing to read "Frank H. Murkowski".

Frank H. Murkowski
Governor

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 4/4/03

FURTHER: Finance

Date of 5-Day Notice: 4/4/03
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4/2/04

Judiciary Committee considered SENATE BILL NO. 170

SB 170 CRIMINAL LAW/SENTENCING/ PROBATION/PAROLE

"An Act relating to the Code of Criminal Procedure; relating to defenses, affirmative defenses, and justifications to certain criminal acts; relating to rights of prisoners after arrest; relating to discovery, immunity from prosecution, notice of defenses, admissibility of certain evidence, and right to representation in criminal proceedings; relating to sentencing, probation, and discretionary parole; amending Rule 16, Alaska Rules of Criminal Procedure, and Rules 404, 412, 609, and 803, Alaska Rules of Evidence; and providing for an effective date."

and recommends:

be replaced with _____ CS SB 170 (JUD)

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

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
COR	3/10/04	✓		3

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		DO PASS	DO NOT PASS	NO REC	AMEND
Therriault	<i>[Signature]</i>			X	
Opun	<i>[Signature]</i>			X	
French	<i>[Signature]</i>			X	
CHAIR:	<i>Ralph Seelins</i>	✓			

Therriault
Opun
French

Seelins

SENATE FINANCE COMMITTEE

SIGN-IN

SB 170-CRIMINAL LAW/SENTENCING/ PROBATION/PAROLE

NAME: Susan Parkes Subject/Bill No: 170
Co./Dept./Title: Department of Law Phone: 907-269-6379
Address: 310 K Street Suite 507 Anchorage Zip: 99501
Do you wish to testify? Yes No Respond To Questions

NAME: Cindy Cashon Subject/Bill No: 170
Co./Dept./Title: MADD Phone: 463 2568
Address: 211 4th St, Suite 314, JNU Zip: 99804
Do you wish to testify? Yes No Respond To Questions

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

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

SB

173

HFIN

FILE

Failed

23-GH1092A.1
Bannister
5/6/03

AMENDMENT #1

OFFERED IN THE HOUSE

TO: ~~SB 173~~
SB 173 (efd fid)

- 1 Page 1, line 1:
2 Delete "repealing statutes pertaining"
3 Insert "relating"
4
5 Page 2, line 2:
6 Delete "eliminate the Alaska Science and Technology Foundation"
7 Insert "not use the Alaska Science and Technology Foundation at this time"
8
9 Page 9, line 13:
10 Delete "former"
11
12 Page 9, lines 17 - 18:
13 Delete "AS 37.17.010, 37.17.020, 37.17.030, 37.17.040, 37.17.050, 37.17.060,
14 37.17.070, 37.17.080, 37.17.090, 37.17.100, 37.17.110, 37.17.200"
15 Insert "AS 37.17.200"
16
17 Page 9, lines 20 - 21:
18 Delete "37.17.400, 37.17.410, 37.17.420, 37.17.430, 37.17.440; AS 39.25.110(25);
19 and AS 44.99.030(a)(11)"
20 Insert "and 37.17.440"
21
22 Page 9, line 23, following "appropriation,":
23 Insert "and notwithstanding AS 37.17.010 - 37.17.110 and 37.17.400 - 37.17.430."

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Page 9, line 24:

Delete "former"

Page 10, lines 7 - 8:

Delete ", as those statutes appeared on the day before the effective date of this Act,"

Page 10, line 8:

Delete "former"

Page 10, line 9:

Delete "former"

Page 10, line 11:

Delete "former"

Page 10, line 13:

Delete "former"

Page 10, line 16:

Delete "AS 37.17.090(g), 37.17.230 - 37.17.330"

Insert "AS 37.17.230 - 37.17.330"

Page 10, line 17, following "Act,":

Insert "and AS 37.17.090(g)"

Page 10, line 19:

Delete "those former statutes"

Insert "AS 37.17.090(g) and former 37.17.230 - 37.17.330, 37.17.350, and 37.17.390"

Page 10, line 21:

1 Delete "former AS 37.17.090(g)"

2 Insert "AS 37.17.090(g)"

3

4 Page 10, following line ~~25~~²⁶.

5 Insert a new subsection to read:

6 "(e) Notwithstanding AS 37.17.010 - 37.17.110 and 37.17.400 - 37.17.430, the
7 Alaska Science and Technology Foundation is not authorized to have members on its board,
8 to have meetings, to have an executive director or other staff, to receive money unless by
9 appropriation, or to perform any other functions, except as otherwise expressly allowed under
10 this Act."

House Finance Committee Vote Sheet

DATE: _____

SUBJECT: _____

Amend ment

MEMBER

YES

NO

CHENAULT		✓
CROFT	—	
FOSTER		✓
HAWKER		✓
JOULE	—	
MEYER		✓
MOSES	✓	
STOLTZE		✓
WHITAKER		✓
HARRIS		✓
WILLIAMS		✓
TOTAL:		

PASSED: _____

FAILED: _____

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB173
(S) Publish Date: 4/28/03

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title Science & Tech Foundation/BIDCO/Int.Trade BRU AIDEA (125)
Component AIDEA
Sponsor Rules by Request of the Governor
Requester Senate Finance Component No. 1234

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	75.5					
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	75.5	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1004)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	75.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	75.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time	1					
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation transfers oversight administration of outstanding Alaska Science & Technology Foundation grants to the Alaska Industrial Development & Export Authority. Pursuant to the existing grants, grantees have repayment obligations to the state. The requested funds will pay for one Grants Administrator at a range 20C. This position will administer the outstanding ASTF grants, including analyzing the grants that are in repayment status and the remaining open grants. The grants administrator will determine and then implement the appropriate management procedures for grants that are expected to repay or continue to repay funds under the terms of the ASTF grant agreements.

As of 4/1/03, \$299,345 has been returned to ASTF from 29 grantees. Repayments are based on either royalty income or annual gross revenues related to the funded project. SB173 requires that amounts required to be paid by a grantee under the terms of the respective grant agreement shall be paid into the general fund. In 2002 ASTF received over \$85,000 in grantee repayments. This position will develop an estimate of future grantee repayments.

Prepared by: Sara Fisher-Goad, Financial Analyst Phone 907.269.4623
Division Alaska Industrial Development and Export Authority Date/Time 4/8/03 4:05 PM
Approved by: Edgar Blatchford, Commissioner Date 4/8/2003
Agency Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 173
 (S) Publish Date: 4/4/03

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title ASTF Elimination BRU AK Science & Technology Foundation (128)
 Component AK Science & Technology Foundation
 Sponsor Governor Component No. 2012
 Requester Rules by Request of the Governor

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	0.0					
Travel	0.0					
Contractual	0.0					
Supplies	0.0					
Equipment						
Land & Structures						
Grants & Claims	0.0					
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES ()	0.0					
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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 (Statutory Designated)	0.0					
Other (Science & Tech Endowment)	0.0					
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 10,608.6

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 legislation repeals the statutes relating to the Alaska Science and Technology Foundation (ASTF) and its programs, including the BIDCO assistance program; transfers oversight of the former ASTF programs to the Alaska Industrial Development and Export Authority; and establishes a replacement Alaska BIDCO assistance program in the Department of Community and Economic Development. This legislation eliminates the Alaska Science and Technology Endowment as of June 30, 2003. Subject to an appropriation in the FY04 operating budget bill, the balance of the Endowment (estimated at \$89 million) will be transferred to the General Fund. This legislation also eliminates the International Trade & Business Endowment and subject to an appropriation in the FY04 operating budget bill, the balance (estimated at \$4.4 million) will be transferred to the General Fund.

Prepared by: Tom Lawson, Director
 Division: Administrative Services
 Approved by: Edgar Blatchford, Commissioner
 Agency: Department of Community & Economic Development

Phone 907-465-2505
 Date/Time 3/21/03 1:32 PM
 Date 3/21/2003

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



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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April 3, 2003

The Honorable Gene Therriault
President of the Senate
Alaska State Legislature
State Capitol, Room 107
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating primarily to the Alaska Science and Technology Foundation (ASTF) and the programs it currently administers.

The bill would repeal the existing AS 37.17 statutes that create the ASTF, its endowment fund, and the programs it administers -- foundation grants and the BIDCO assistance program. The statute creating the international trade and business endowment in the ASTF also would be repealed. Subject to appropriation, the bill would provide for the transfer to the general fund of the money remaining in the ASTF endowment fund and in the international trade and business endowment.

Oversight administration of existing ASTF foundation grants and BIDCO assistance program loans and other financial assistance would be transferred to the Alaska Industrial Development and Export Authority. A new Alaska BIDCO assistance program, very similar to the repealed BIDCO assistance program, also would be established, to be administered by the Department of Community and Economic Development.

The bill also would make amendments in several other statutes to conform them to the changes described above.

I urge your prompt and favorable consideration of this bill.

Sincerely,

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

Frank H. Murkowski
Governor

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 173
 (S) Publish Date: 4/4/03

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title ASTF Elimination BRU AK Science & Technology Foundation (128)
 Component AK Science & Technology Foundation
 Sponsor Governor Component No. 2012
 Requester Rules by Request of the Governor

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	0.0					
Travel	0.0					
Contractual	0.0					
Supplies	0.0					
Equipment						
Land & Structures						
Grants & Claims	0.0					
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	0.0					
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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 (Statutory Designated)	0.0					
Other (Science & Tech Endowment)	0.0					
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 10,608.6

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 legislation repeals the statutes relating to the Alaska Science and Technology Foundation (ASTF) and its programs, including the BIDCO assistance program; transfers oversight of the former ASTF programs to the Alaska Industrial Development and Export Authority; and establishes a replacement Alaska BIDCO assistance program in the Department of Community and Economic Development. This legislation eliminates the Alaska Science and Technology Endowment as of June 30, 2003. Subject to an appropriation in the FY04 operating budget bill, the balance of the Endowment (estimated at \$89 million) will be transferred to the General Fund. This legislation also eliminates the International Trade & Business Endowment and subject to an appropriation in the FY04 operating budget bill, the balance (estimated at \$4.4 million) will be transferred to the General Fund.

Prepared by: Tom Lawson, Director Phone 907-465-2505
 Division: Administrative Services Date/Time 3/21/03 1:32 PM
 Approved by: Edgar Blatchford, Commissioner Date 3/21/2003
 Agency: Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: SB173
 (S) Publish Date: 4/28/03

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Science & Tech Foundation/BIDCO/Int.Trade BRU AIDEA (125)
 Component AIDEA
 Sponsor Rules by Request of the Governor
 Requester Senate Finance Component No. 1234

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	75.5					
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	75.5	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (1004)	*	*				

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	75.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	75.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time	1					
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation transfers oversight administration of outstanding Alaska Science & Technology Foundation grants to the Alaska Industrial Development & Export Authority. Pursuant to the existing grants, grantees have repayment obligations to the state. The requested funds will pay for one Grants Administrator at a range 20C. This position will administer the outstanding ASTF grants, including analyzing the grants that are in repayment status and the remaining open grants. The grants administrator will determine and then implement the appropriate management procedures for grants that are expected to repay or continue to repay funds under the terms of the ASTF grant agreements.

As of 4/1/03, \$299,345 has been returned to ASTF from 29 grantees. Repayments are based on either royalty income or annual gross revenues related to the funded project. SB173 requires that amounts required to be paid by a grantee under the terms of the respective grant agreement shall be paid into the general fund. In 2002 ASTF received over \$85,000 in grantee repayments. This position will develop an estimate of future grantee repayments.

Prepared by: Sara Fisher-Goad, Financial Analyst Phone 907.269.4623
 Division Alaska Industrial Development and Export Authority Date/Time 4/8/03 4:05 PM
 Approved by: Edgar Blatchford, Commissioner Date 4/8/2003
 Agency Department of Community & Economic Development

FRANK H. MURKOWSKI
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April 3, 2003

The Honorable Gene Therriault
President of the Senate
Alaska State Legislature
State Capitol, Room 107
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating primarily to the Alaska Science and Technology Foundation (ASTF) and the programs it currently administers.

The bill would repeal the existing AS 37.17 statutes that create the ASTF, its endowment fund, and the programs it administers -- foundation grants and the BIDCO assistance program. The statute creating the international trade and business endowment in the ASTF also would be repealed. Subject to appropriation, the bill would provide for the transfer to the general fund of the money remaining in the ASTF endowment fund and in the international trade and business endowment.

Oversight administration of existing ASTF foundation grants and BIDCO assistance program loans and other financial assistance would be transferred to the Alaska Industrial Development and Export Authority. A new Alaska BIDCO assistance program, very similar to the repealed BIDCO assistance program, also would be established, to be administered by the Department of Community and Economic Development.

The bill also would make amendments in several other statutes to conform them to the changes described above.

I urge your prompt and favorable consideration of this bill.

Sincerely,

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

Frank H. Murkowski
Governor

SB 173 ASTF/BIDCO/International Trade

Testimony by Edgar Blatchford, Commissioner
Alaska Department of Community & Economic Development
to the Senate Finance Committee
9 April 2003

- The bill repeals the existing AS 37.17 statutes that create the Alaska Science and Technology Foundation (ASTF) and programs it administers: foundation grants and the BIDCO (Business and Industrial Development Corporation) assistance program.
- The statute creating the international trade and business endowment in the ASTF is also repealed.
- Subject to appropriation, the bill provides for the transfer to the general fund of the money remaining in the ASTF endowment fund and in the international trade and business endowment.
- Oversight administration of existing ASTF grants and BIDCO assistance program loans and other financial assistance would be transferred to the Alaska Industrial and Export Authority.
- A new BIDCO assistance program, very similar to the repealed BIDCO assistance program is established and administered by the Department of Community and Economic Development (DCED).
- ASTF was created in 1988 with an endowment of more than \$100 million to support grants for technology projects, knowledge projects, small business innovation research bridging grants and direct grants to teachers. Through its endowment, ASTF has generated about \$126 million in income for distribution. Between 1988 and 2002, one half the endowment income -- \$63 million -- has been appropriated and spent for "non-ASTF purposes":
 - \$35 million for University of Alaska operations, Alaska Aerospace Development Corporation (AADC) operations, and Trade and Development operations;
 - \$17 million was appropriated to the state general fund; and
 - \$11 million was used to match federal funding for construction of AADC's \$39 million Kodiak Launch Complex.
- The remaining \$63 million was distributed by the ASTF board over the last 14 years:
 - \$25 million in technology project grants;
 - \$10 million in knowledge project grants;
 - \$8 million to partners;
 - \$5 million to wiring K-12 schools and science museums or internet connectivity;
 - \$2 million in K-12 science and math teacher grants;
 - Contributions to the principal of the ASTF endowment (less than \$500,000); and
 - \$13 million in ASTF operations.
- In mid-March the Legislature passed and the Governor signed into law a supplemental appropriation reducing ASTF FY 2003 operations to amounts spent and obligated to date and included intent language to ASTF to wind down operations by May 15, 2003. The Governor's FY04 budget provided no funding for ASTF.
- Thank you for the opportunity to speak before you today and I urge you to support passage of SB173.

The Alaska Science and Technology Foundation

Governor Murkowski's FY04 budget eliminates the Alaska Science and Technology Foundation (ASTF) and returns the remainder of its assets - \$87 million- to the General Fund. A program designed to provide high risk capital grants is beyond what government should be doing at a time when the state is struggling to reduce its dependence on withdrawals from the Constitutional Budget Reserve and is reducing state services to Alaskans.

ASTF was created in 1988 with an endowment of \$100 million to support grants for technology projects, knowledge projects, small business innovation research bridging grants, and direct grants to teachers. Through its endowment, ASTF has generated about \$126 million in income for distribution. Between 1988 and 2002, one half the endowment income - \$63 million - has been appropriated and spent for "non-ASTF purposes":

- \$35 million for University of Alaska operations, Alaska Aerospace Development (AADC) Corporation operations, and International Trade and Development office operations;
- \$11 million was used to match federal funding for construction of the AADC's \$39 million Kodiak Rocket Launch Center; and
- \$17 million was appropriated to the state general fund.

See attached excerpt from the 2002 annual report.

Distributions to support core programs totaled: \$25 million in technology grants, \$10 million for other knowledge grants, \$8 million for business partners, and \$2 million in grants to math and science teachers. Foundation operating expenses totaled \$13 million, equal to 35% of the \$45 million spent for core purpose grants.

In mid-March the Legislature passed and the Governor signed into law a supplemental appropriation reducing ASTF FY 2003 operations to amounts spent and obligated to date and included instruction to ASTF to wind down operations by May 15th. The Governor's FY 2004 budget supports the Legislative directive - no funding is provided for ASTF.

While the ASTF was a noble idea, it has neither proven to be an essential or effective function of state government. Nevertheless it addressed an important function, the use of science and advanced technology to improve the economy of Alaska and the lives of Alaskans. With the elimination of ASTF, the Administration will support these important and legitimate functions and want to see them continue.

To achieve this objective, the Governor will establish by administrative order a Science Advisory Board. This board would work with governments, the private sector and higher education to strengthen the link between science and commercialization, to promote cooperation on issues of scientific importance, and to advise the Administration on policy issues related to scientific research and its applications. The Administration will work with current and former members of the ASTF Board of Directors to formulate specific goals for a new advisory board and pursue Federal Government funding.

ASTF has reported that each new job it has helped to create cost the state \$56,000. Grantees have reported gross revenues of \$29 million resulting from ASTF grants. The cost of each business started or helped that is still in business is \$300,000 per business. ASTF has no valid measurement for the effectiveness of educational grants showing student improvement.

The Following are examples of some of the grants the ASTF have issued in recent years to build Alaska:

- A 1999 grant of \$18,000 to the Alaskan Chopped Stick Factory in Fairbanks for assistance in mass production. We cannot find that the company exists in 2003;
- A 1997 grant of \$20,000 to test growing wild ginseng;
- A 1992 grant of \$17,529 to a man from **Florida** to develop a plastic prototype of a full-body shower system;
- A 1999 grant of \$19,986 to an **Oregon** foundation to study the use of discarded chum and pink salmon for human consumption; and
- A 1999 grant of \$1,265 to ALK Environmental of Batavia, **Ohio** to investigate the use of fish oil as an insect repellent.
- Alaska Carbon Fiber Boat Production – March 1995 grant of \$84,840 – to develop and test market boats from carbon fiber and isophthalic resins. Ended up being used as a voc-tec activity. No boats sold yet.
- Grant to Alaska Public Radio Network Feb. 1992 of \$19,500 – to develop a “Science Reporting Unit”



ALASKA
Growth Capital

ak/ma
Alaska Manufacturers' Association



PRODUCTS
+
RISK CAPITAL
+
HIGH-TECH WORKERS
+
KNOWLEDGE
+
KNOWHOW NETWORK

G R O W T H

2002**ASTF's FINANCIAL STATUS****ENDOWMENT EARNINGS HAVE DECLINED**

Endowment earnings have declined beginning in FY99:

- ASTF's endowment is co-invested with the Alaska Permanent Fund; and,
- Earnings have significantly declined due to the stock market downturn and a smaller earnings base.

ASTF'S RESPONSE TO THE STOCK MARKET DOWNTURN

The ASTF Board reduced distributions in FY02 by:

- Reducing operations costs;
- Deferring consideration of new proposals;
- Reducing payments to partners;
- Prorating available earnings to ASTF, UA and AADC; and,
- Closely managing payments to existing grantees.

LEGISLATIVE APPROPRIATIONS FOR NON-ASTF PURPOSES

Over the last five years, the legislature appropriated \$14.2 million of ASTF's endowment earnings for non-ASTF purposes:

- \$11.4 million to the University of Alaska;
- \$2.3 million to Alaska Aerospace Development Corp.;
- \$0.5 million for DCED International Trade;
- In FY02, the ASTF Board prorated available income and paid \$1.1 million to UA and AADC equivalent to approximately 100 percent of its FY02 endowment earnings; and,
- For FY03, the legislature appropriated \$2.3 million to UA from the ASTF endowment.

EXPENDITURES FOR ASTF PURPOSES AND THE OVERALL ENDOWMENT VALUE HAVE DECLINED

Expenditures for ASTF purposes have declined and fallen short of legislative appropriations due to:

- The significant reduction in endowment earnings; and,
- Continued legislative appropriations for non-ASTF purposes.

Senate FINANCE Minute



Apr 09, 2003

SENATE BILL NO. 173

"An Act repealing statutes pertaining to the Alaska Science and Technology Foundation and transferring money in the foundation's endowment; repealing statutes relating to the BIDCO assistance program; repealing statutes pertaining to the international trade and business endowment and transferring money in the international trade and business endowment; transferring oversight administration of outstanding Alaska Science and Technology Foundation loans and grants to the Alaska Industrial Development and Export Authority; establishing an Alaska BIDCO assistance program to be administered by the Department of Community and Economic Development; making conforming amendments; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

Co-chair Wilken explained that this bill, which is requested by the Governor, would repeal the statutes relating to the Alaska Science and Technology Foundation (ASTF) and its programs. He specified that the BIDCO (Business and Industrial Development Corporation) assistance program would be replaced with a program within the Department of Community and Economic Development, and that oversight of the former ASTF program would be transferred to the Alaska Industrial Development & Export Authority (AIDEA).

EDGAR BLATCHFORD, Commissioner, Department of Community and Economic Development read the language included in the title of the bill. He then read a portion of the Department overview titled "The Alaska Science and Technology Foundation," [copy on file], dated March 25, 2003 as follows.

ASFT was created in 1988 with an endowment of more than \$100 million to support grants for technology projects, knowledge projects, small business innovative research bridging grants, and direct grants to teachers. Through its endowment, ASTF has generated about \$126 million in income for distribution. Between 1988 and 2002, one half of the endowment income - \$63 million - has been appropriated and spent for "non-ASTF purposes":

- \$35 million for University of Alaska operations, Alaska Aerospace Development (AADC) Corporation operations, and International Trade and Development office operations;
- \$11 million was used to match federal funding for construction of the AADC's \$39 million Kodiak Rocket Launch Center; and
- \$17 million was appropriated to the state general fund.

Distributions to support core programs totaled: \$25 million in technology grants, \$10 million for other knowledge grants; \$8 million for business partners, and \$2 million in grants to math and science teachers. Foundation operating expenses totaled \$13 million, equal to 35% of the \$45 million spent for core purpose grants.

In mid-March the Legislature passed and the Governor signed into law a supplemental appropriation reducing ASTF FY 2003 operations to amounts spent and obligated to date and included th

instruction to ASTF to wind down operations by May 15. The Governor's FY 2004 budget supports the Legislative directive - no funding is provided for ASTF.

Commissioner Blatchford informed the Members that due to serving on a Native tribal council, which has applied for ASTF grants, he wished to declare a potential conflict of interest on this matter.

Senator Stevens asked the identity of the business partners who received the \$8 million.

TOM LAWSON, Director, Division of Administrative Services, Department of Community and Economic Development, specified that the partners include the BIDCO entities of: the Alaska Growth Capital; Alaska Manufacturer's Association; Alaska InvestNet; and the Alaska Hi-Tech Business Council. He stated that the money was allotted to those entities to allow them to operate various functions.

Co-Chair Wilken asked for information regarding language in Section 5 (1) on page 2, line 15 of the bill that reads as follows.

(1) administering the Alaska BIDCO assistance program related to loans and other financial assistance made or provided under AS 37.17.500 - 37.17.690;

Mr. Lawson responded that the intent of this language is "to replicate the BIDCO program" in the Department of Community and Economic Development rather than in ASTF. He asserted that while the "shell of the program" is being transferred, there is no accompanying request for funding. He stated that further information regarding the language would be supplied.

Co-chair Wilken asked that information regarding Alaska statute AS 37.17.500 be supplied to the Committee, as it is frequently referenced in the bill.

Co-Chair Wilken ordered the bill HELD in Committee.

Bill Root: Display Bill Root



TO REPORT PROBLEMS WITH BASIS INQUIRY

LIVE KTOO STREAMS



Return to Basis Main Menu (23 Legislature)

Return to Legislature Home Page

Subject: Alaska Science & Technology Foundation

Formed in 1988, by Governor Steve Cowper, promising the Foundation would enable Alaska to be **the world leader in arctic research.**¹ Since its start with a \$106,000,000 endowment, ASTF has been promoted as an economic engine and job creator for the state. Among other things, it issues what is categorized on its web site as entrepreneur and teaching grants.

If the entrepreneur grants result in a commercialized product than the grant recipient is obligated to make repayments to ASTF. 359 entrepreneur grants are listed on ASTF's web site www.astf.org. \$29,6 million have been spent by ASTF on 81 projects that are expected to generate repayments to the state. Of these 81, only 29 are actually making repayments and the total amount of payments received since program inception in 1988 is approximately \$299,345².

A review of ASTF's web site and its annual reports reflects the following:

1. ASTF has issued entrepreneur grants to people and institutions in:

- Brazil
- British Columbia
- Nova Scotia

- California
- District of Columbia
- Florida
- Maryland
- Massachusetts
- Minnesota
- Nevada
- New Hampshire
- New York
- Oklahoma
- Oregon
- Vermont
- Washington
- Wisconsin

2. Grants classified as "entrepreneur grants" have been issued to:

- U.S. Army
- National Marine Fisheries Service
- Alaska DEC
- Alaska Dept. of Public Safety
- Alaska Dept. of Education

¹ "Anchorage Daily News" May 14, 1988, page B6.

² Please see attached spreadsheet based on information received from ASTF staff.

- Alaska Dept. of Fish & Game
- Municipality of Anchorage
- Anchorage School District
- University of Alaska—Fairbanks, Anchorage & Juneau campuses

3. Over \$6,000,000 in "entrepreneur" grants are listed on the web site without published results, including some grants issued over 12 years ago.

4. ASTF has been used as a supplemental means of funding University of Alaska operations and research outside the normal general funds appropriation processes. Operations were funded by legislature-directed appropriations of ASTF funds totaling \$13.7 million during the period 1997-2003. Additionally, approximately \$7,000,000 in "entrepreneur" grants have been issued by ASTF to University of Alaska staff for research, ostensibly through the competitive application process. Some grants were issued to University departments and some issued to individual professors. Some of those issued to individual professors were issued to the professors' private business but list a University telephone and email for contact.

5. QUESTIONABLE PROJECTS. (Numbers are ASTF's grant designations.)

\$1,121,426 to a UCLA Professor to commercialize a radioactive waste treatment technology that had been patented by the professor. #91-2-060
Alaska doesn't have a radioactive waste problem and the funds were used to supplement funding the professor received from Westinghouse-Hanford.

\$17,341 for a drug addict needle exchange program in Anchorage. #96-3-056.

\$197,233 to investigate use of North Slope wild grass to keep Canada geese away from Anchorage. #98-2-090.

\$233,949 to convince Alaskans to stop smoking. #94-4-128/#99-3-102.

\$20,000 to Louisiana State University to develop a plan for the University of Alaska to better transfer technology to the private sector. #91-2-070

\$44,299 for a workshop for Russian nuclear plant workers. #97-1-079.

\$232,889 to manufacture yurts in Nome that would be shipped to Southcentral Alaska for assembly. The grant recipient promised to create a new industry and jobs in Nome. The recipient never manufactured yurts in Nome: with the ASTF money, he opened a shop in Homer where he makes and sells yurts. #97-1-060/#98-4-121.

\$646,620 to a Maryland firm to design and develop a small satellite launch vehicle that was never developed. #91-1-057.

\$111,195 to manufacture bows and arrows in Alaska. 91-2-069

\$100,000 to the University of Alaska/Fairbanks to develop construction materials using vegetable oil. Alaska doesn't produce vegetable oil. #00-2-054.

\$40,568 to cross breed wild pigs with domestic pigs. #97-1-001.

\$2,252,000 to a resident of Washington State to develop a machine to remove pin-bones from salmon. #97-1-004. The grant recipient had never developed fish processing equipment before and the machine produced fillets that were not acceptable to the market. The grant was made at the time that the firm Carnitech was already producing and selling state of the art pin-bone removal machines.

\$232,439 to the University of Alaska Southeast to study how to increase pink salmon returns to hatcheries. #90-1-040. Do we need more pink salmon?

\$207,292 to a University of Alaska Anchorage professor to study the acceptability of composting toilets in rural Alaska. #92-2-083/#96-2-0212. Composting toilets have been in use in rural Alaska since the 1970's which would seem to indicate that they are acceptable.

\$960,000 to an Anchorage company to cut and bag vegetables for sale in the local market. The grant was justified with the claim that it would develop new technology to handle the unique characteristics of Alaska vegetables. Vegetables are vegetables, and Alaska vegetables are available only 3 months a year which means the company is processing imported vegetables 9 months a year with the same equipment. Is vegetable packaging "cutting edge" technology?

6. Projects that demonstrate a lack of due diligence by ASTF.

\$78,338 to study over-wintering bees in Alaska. #89-1-217. This same issue was studied under the Hammond administration program's resource development grant program. The latest study has not led to any measurable increase in honey production in Alaska.

\$399,622 in 1999 to a Fairbanks company to build composite shelters. One of the principals of the Fairbanks company had filed Chapter 7 bankruptcy years prior to getting the ASTF grant. Since receiving the ASTF funds the company has sold 11 shelters: all of which were manufactured outside Alaska. #99-1-102.

\$1,037,346 to Scott Thompson (from Nevada) who promised to build cutting edge energy systems in rural Alaska but tried to sell milk tanks for use as fuel tanks in bush Alaska and left unpaid debts all over the state.

Even an internal ASTF audit in 1997 concluded they had wasted \$millions and that a more thorough review of applications would have resulted in rejection of 20% of the projects they had funded.³ This begs the question of why weren't the applications subjected to thorough review before the money was granted?

7. ASTF made grants to agencies that issue grants, essentially increasing the administrative costs for a project.

Example

\$496,200 in grants to the Alaska Fisheries Development Foundation a foundation that ,itself, issues grants for fishery development projects and is funded by federal funds.

8. ASTF duplicated the work of other organizations.

Examples

\$408,506 for fish marketing projects that should be funded by ASMI.

\$201,000 to the Univ. of Alaska to improve pink salmon management. #90-1-008. This is the function of ADF&G.

9. ASTF grants have been made to the University of Alaska that were actually subsidies for graduate thesis projects.

10. Some of ASTF's claims seem to be overstated.

Claims have been made that ASTF is responsible for delivering \$150 million in benefits to the surimi industry on Kodiak by underwriting the development and demonstration of new equipment. In fact, the equipment (a decanter) had already been developed and produced by Alfa Laval and ASTF actually spent \$150,708 to subsidize Alfa Laval's sales demonstration on Kodiak. The industry would have purchased the equipment without ASTF's involvement.

ASTF also claims that it is responsible for the success of the Alaska shellfish mariculture industry which it values at \$200 million annually. ASTF has assisted the industry, but it was in existence and producing value prior to ASTF's existence and is only producing less than \$1 million in products annually according to the Alaskan Shellfish Growers Association.

Note: The Anchorage Daily News (ADN) editorial combined these inflated numbers when it claimed that ASTF's work was on the verge of delivering \$350 million in returns to the Alaska fishing industry.⁴

³ "Anchorage Daily News", page C1, February 9, 1997

⁴ "Anchorage Daily News", Opinion, March 15, 2003

Also note that the ADN editorial claims that Pat Simpson's company, Scientific Fishery Systems, Inc. would not have opened in Anchorage Without a \$65,000 grant from ASTF. Actually, ASTF gave Simpson \$165,000 that was used to get \$1.2 million in grants from the federal government.⁵

Highly publicized grants went to companies that moved their businesses out of Alaska. E.G., Autogenesis received \$250,000 from ASTF and is now doing business in Baltimore, MD and Grant#98-2-082 for \$380,207 to a company to make glass tiles in Fairbanks that is now operating out of Boise, Idaho.

11. ASTF's recent actions weigh against continuing the program.

On Feb. 12, 2003 ASTF's Board passed a resolution authorizing the initiation of a "Conversion Credit" program that would forgive 2/3's of any repayment obligation grant recipients have. The criteria for granting reduction credits are vague and difficult to quantify and would be the subject of personal interpretation by ASTF staff. ASTF staff have long taken the position that the measurement of success for their projects is not a return to the general fund.

Attached is a spread sheet that demonstrates the maximum potential impact of the Conversion Credit program. Assuming all repayment projects repay the obligated amount, the state could eventually receive \$39.6 million from these projects. If the Conversion Credit program were implemented, the state could receive a maximum of \$13 million. (These numbers are based on information supplied by ASTF.)

****NOTE: As of April 14, 2003 ASTF has decided to put its Conversion Credit plan on hold.**

Conclusion:

After 15 years and the expenditure of over \$100 million the state is no closer to being **the world leader in arctic research**. What is the connection among yurt making, bow & arrow manufacturing, composting-toilet use, smoking prevention, clean needles for drug addicts, wild pig breeding and arctic research?

⁵ ASTF web site, "Anchorage SBIR Bridging Grant".

Open/ Closed	Type	Status	Grant #	Grantee	Final Report Received	Status of Grant Funds Paid to Grantees				50% Grant Balance of those > %	Equipment Budget Information			Potential Repayments to the State General Fund			
						Total Grant Amt	Total Paid to Grantee 4/1/03	% of Grant Paid	Grant Balance		Equip Budget	Equip spent	Equip balance	1.5X Grant Amt	Total Pd by Grantee as of 4/1/03	Balance Due to State	Balance Due from those paying
C	G		1 99-3-1065	Dan Bonosci	02	14,000.00	14,000.00	100%	-	-	-	-	21,000.00	41.00	20,959.00	20,959.00	6,959.00
C	G		3 99-2-091	John Gately	02	18,000.00	18,000.00	100%	-	-	-	-	27,000.00	72.00	26,928.00	26,928.00	8,928.00
C	G		1 97-2-090S	Loi Dilley	01	14,110.00	14,110.00	100%	-	-	-	-	21,165.00	75.00	21,090.00	21,090.00	6,980.00
C	G		1 96-1-009S	Jill Weitzin	00	19,835.00	19,835.00	100%	-	-	-	-	29,752.50	223.00	29,529.50	29,529.50	9,694.50
C	G		1 98-2-090	Patric Scorup	01	197,232.00	197,232.00	100%	-	-	-	-	295,648.00	307.00	295,541.00	295,541.00	96,309.00
C	G		1 94-1-003S	Lawrence Bennett	96	19,198.00	19,198.00	100%	-	-	-	-	28,797.00	317.00	28,480.00	28,480.00	9,282.00
C	G		1 98-1-069	Mike Cook	03	200,832.00	200,832.00	100%	-	-	-	-	301,248.00	334.00	300,914.00	300,914.00	100,082.00
C	G		2 97-1-0632	Loi Nottingham	00	160,344.00	160,344.00	100%	-	-	-	-	240,516.00	378.00	240,138.00	240,138.00	79,794.00
C	K		4 92-4-237S	Koven Curtis	94	19,887.00	19,887.00	100%	-	-	-	-	29,830.50	500.00	29,330.50	29,330.50	9,443.50
C	G		1 99-4-114	Duane Wagner	05	70,203.00	70,203.00	100%	-	-	-	-	105,304.50	550.00	104,754.50	104,754.50	34,551.50
C	G		1 96-3-057S	Don Peterson	98	16,151.00	16,151.00	100%	-	-	-	-	24,226.50	960.00	23,266.50	23,266.50	7,115.50
C	R		1 94-1-004	William Watson	99	180,539.00	180,539.00	100%	-	-	-	-	270,808.50	1,000.00	269,808.50	269,808.50	89,269.50
C	G		1 96-4-085	William Wiebe	99	29,868.00	29,868.00	100%	-	-	-	-	44,799.00	1,007.00	43,792.00	43,792.00	13,926.00
C	R		3 95-1-0112	William McClintock	96	99,500.00	99,500.00	100%	-	-	-	-	149,250.00	1,188.00	148,062.00	148,062.00	48,562.00
C	G		1 98-1-002	Florence VonFintel	00	202,808.00	202,808.00	100%	-	-	-	-	304,212.00	1,329.00	302,883.00	302,883.00	100,075.00
C	G		1 99-2-079	Patrick Simpson	01	250,000.00	250,000.00	100%	-	-	-	-	375,000.00	2,124.00	372,876.00	372,876.00	122,876.00
C	G		1 96-1-007	Duff Mitchell	99	279,365.00	279,365.00	100%	-	-	-	-	419,047.50	2,217.00	416,830.50	416,830.50	137,485.50
C	G		1 95-4-120	Dane Wagner	98	182,387.00	182,387.00	100%	-	-	-	-	273,550.50	2,469.00	271,081.50	271,081.50	88,714.50
C	G		1 98-1-010S	Randy Pralar	99	20,000.00	20,000.00	100%	-	-	-	-	30,000.00	3,154.00	28,846.00	28,846.00	6,846.00
C	R		1 92-2-089	Gou Choudhury	98	279,934.00	279,934.00	100%	-	-	-	-	419,901.00	3,568.00	416,333.00	416,333.00	136,399.00
O	S		1 95-4-1262	Bari Gabber	96	288,808.00	288,808.00	100%	-	-	-	-	433,212.00	3,895.00	429,317.00	429,317.00	140,509.00
C	R		1 91-1-037	Scott Handerson	95	124,721.00	124,721.00	100%	-	-	-	-	187,081.50	4,864.00	182,217.50	182,217.50	57,496.50
C	S		1 97-1-075	Larry Cotter	99	139,817.00	139,817.00	100%	-	-	-	-	209,725.50	5,630.00	204,095.50	204,095.50	64,278.50
O	G		1 95-3-104R	Patrick Simpson	97	55,965.00	55,965.00	100%	-	-	-	-	83,947.50	5,887.00	78,060.50	78,060.50	22,095.50
C	S		1 95-1-0142	Patric Zimmerman	96	436,815.00	436,815.00	100%	-	-	-	-	655,222.50	8,866.00	646,356.50	646,356.50	209,541.50
C	R		1 94-4-121R	Patrick Simpson	96	65,000.00	65,000.00	100%	-	-	-	-	97,500.00	13,196.00	84,304.00	84,304.00	19,304.00
C	G		1 97-4-152	Brian Rogers	01	598,534.00	598,534.00	100%	-	-	-	-	897,801.00	14,326.00	883,475.00	883,475.00	284,941.00
C	G		1 98-4-115a	Dusty Kaser	01	220,073.00	220,073.00	100%	-	-	-	-	330,109.50	60,000.00	270,109.50	270,109.50	50,038.50
C	R		1 90-2-097	Tim Newton	96	323,117.00	323,117.00	100%	-	-	-	-	484,675.50	160,868.00	323,807.50	323,807.50	690.50
C	G		2 00-1-003	Don Voigt	01	117,987.00	117,987.00	100%	-	-	-	-	176,980.50	-	176,980.50	176,980.50	58,993.50
C	G		2 00-3-064S	John Mickelson	02	10,795.00	10,795.00	100%	-	-	-	-	16,192.50	-	16,192.50	16,192.50	5,397.50
C	S		1 01-1-003	John Stolgers	02	70,396.00	70,396.00	100%	-	-	-	-	105,594.00	-	105,594.00	105,594.00	35,198.00
C	R		2 89-1-172	Clint Elston	93	99,500.00	99,500.00	100%	-	-	-	-	149,250.00	-	149,250.00	149,250.00	49,750.00
C	R		2 89-2-284	Gerald Myers	92	214,886.00	214,886.00	100%	-	-	-	-	322,329.00	-	322,329.00	322,329.00	107,443.00
C	S		1 91-2-060	Alfred Wong	98	1,121,426.00	1,121,426.00	100%	-	-	-	-	1,682,139.00	-	1,682,139.00	1,682,139.00	560,713.00
C	S		2 91-2-069	Jack Harrison	94	111,195.00	111,195.00	100%	-	-	-	-	166,792.50	-	166,792.50	166,792.50	55,597.50
C	R		2 92-3-192	Jack Harrison	95	175,000.00	175,000.00	100%	-	-	-	-	262,500.00	-	262,500.00	262,500.00	87,500.00
C	R		2 92-3-230S	John Bottoms	94	17,529.00	17,529.00	100%	-	-	-	-	26,293.50	-	26,293.50	26,293.50	8,764.50
C	R		2 92-4-260S	Marquita Walker	94	20,000.00	20,000.00	100%	-	-	-	-	30,000.00	-	30,000.00	30,000.00	10,000.00
C	R		2 92-4-277	Scott Thompson	94	249,438.00	249,438.00	100%	-	-	-	-	374,157.00	-	374,157.00	374,157.00	124,719.00
C	R		2 93-2-037S	William Wiebe	95	20,791.00	20,791.00	100%	-	-	-	-	31,186.50	-	31,186.50	31,186.50	10,395.50
C	R		2 93-4-106S	Yin Ng	95	18,608.00	18,608.00	100%	-	-	-	-	27,912.00	-	27,912.00	27,912.00	9,304.00
C	R		2 93-4-133S	Jesse Owens	95	18,746.00	18,746.00	100%	-	-	-	-	28,119.00	-	28,119.00	28,119.00	9,373.00
C	S		1 94-1-001	Patric Zimmerman	95	88,500.00	88,500.00	100%	-	-	-	-	132,750.00	-	132,750.00	132,750.00	44,250.00
C	R		2 94-1-009	Frederic Brown	97	84,840.00	84,840.00	100%	-	-	-	-	127,260.00	-	127,260.00	127,260.00	42,420.00
C	R		2 94-1-027	Scott Thompson	97	81,167.00	81,167.00	100%	-	-	-	-	121,750.60	-	121,750.60	121,750.60	40,583.50
C	R		2 94-2-029	Hsing Kuang Lin	97	71,835.00	71,835.00	100%	-	-	-	-	107,752.50	-	107,752.50	107,752.50	35,917.50
C	R		2 94-2-075S	Duane Andross	96	20,731.00	20,731.00	100%	-	-	-	-	31,096.50	-	31,096.50	31,096.50	10,365.50
C	R		2 94-2-078S	Randolf Brand	94	26,564.00	26,564.00	100%	-	-	-	-	39,846.00	-	39,846.00	39,846.00	13,282.00
C	R		2 94-2-079S	Robert Crosby	94	13,101.00	13,101.00	100%	-	-	-	-	19,651.50	-	19,651.50	19,651.50	6,550.50
C	R		2 94-3-106S	Don Peterson	96	26,807.00	26,807.00	100%	-	-	-	-	40,210.50	-	40,210.50	40,210.50	13,403.50
C	R		1 95-1-031	Joseph Imbachi	98	55,768.00	55,768.00	100%	-	-	-	-	83,652.00	-	83,652.00	83,652.00	27,884.00
C	R		2 95-3-094S	Vickie Talbot	96	20,000.00	20,000.00	100%	-	-	-	-	30,000.00	-	30,000.00	30,000.00	10,000.00
C	R		2 95-3-095S	David Lappl	00	18,000.00	18,000.00	100%	-	-	-	-	27,000.00	-	27,000.00	27,000.00	9,000.00
C	G		2 95-3-103R	Patrick Simpson	97	50,000.00	50,000.00	100%	-	-	-	-	75,000.00	-	75,000.00	75,000.00	25,000.00
C	G		2 95-3-051S	Brent Shaller	97	19,100.00	19,100.00	100%	-	-	-	-	28,650.00	-	28,650.00	28,650.00	9,550.00
C	S		2 96-3-065	Ray Wadsworth	98	45,000.00	45,000.00	100%	-	-	-	-	67,500.00	-	67,500.00	67,500.00	22,500.00
C	G		2 96-3-066S	David Smith	98	20,000.00	20,000.00	100%	-	-	-	-	30,000.00	-	30,000.00	30,000.00	10,000.00
C	G		2 96-4-079S	Loi Nottingham	07	17,889.00	17,889.00	100%	-	-	-	-	28,833.50	-	28,833.50	28,833.50	8,844.50
C	S		2 97-1-0042	Ray Wadsworth	00	2,252,184.00	2,252,184.00	100%	-	-	-	-	3,378,276.00	-	3,378,276.00	3,378,276.00	1,126,092.00
C	G		2 97-1-052S	Diane McLean	98	20,000.00	20,000.00	100%	-	-	-	-	30,000.00	-	30,000.00	30,000.00	10,000.00
C	G		2 97-1-053	Marc Jones	00	401,632.00	401,632.00	100%	-	-	-	-	602,448.00	-	602,448.00	602,448.00	200,818.00
C	S		1 97-1-054	David Hoffman	00	3,000,685.00	3,000,685.00	100%	-	-	-	-	76,348.50	-	76,348.50	76,348.50	25,449.50
C	G		1 97-1-060	Lee Tenhoff	98	50,899.00	50,899.00	100%	-	-	-	-	113,487.50	-	113,487.50	113,487.50	37,822.50
C	G		2 97-1-0622	Vickie Talbot	02	75,645.00	75,645.00	100%	-	-	-	-	1,060,116.00	-	1,060,116.00	1,060,116.00	353,372.00
C	S		1 97-3-122	Scott Thompson	01	706,744.00	706,744.00	100%	-	-	-	-	300,000.00	-	300,000.00	300,000.00	100,000.00
C	G		2 97-3-134	Kuk Shudnbakar	99	200,003.00	200,003.00	100%	-	-	-	-	120,000.00	-	120,000.00	120,000.00	40,000.00
C	G		2 97-4-140	David Smith	02	80,000.00	80,000.00	100%	-	-	-	-	27,277.50	-	27,277.50	27,277.50	9,092.50
C	G		2 98-1-074S	Dave Sczawinski	02	18,185.00	18,185.00	100%	-	-	-	-	570,310.50	-	570,310.50	570,310.50	190,103.50
C	G		1 98-2-082	Terril Rauckmbush	00	380,207.00	380,207.00	100%	-	-	-	-	604.50	-	604.50	604.50	20

Open/ Closed	Type	Status	Grant #	Grantee	Final Report Received	Status of Grant Funds Paid to Grantees				50%			Equipment Budget Information			Potential Repayments to the State General Fund			
						Total Grant Amt	Total Paid to Grantees 4/1/03	% of Grant Paid	Grant Balance	Grant Balance of those > %	Equip Budget	Equip spent	Equip balance	1.5X Grant Amt as of 4/1/03	Balance Due to State	Balance Due from those paying	Balance Due w/ Conversion Credits		
C	G		1 99-1-012	Gerald Meyers	02	399,622.00	399,622.00	100%	-	-	-	-	599,433.00	599,433.00	-	-	169,811.00		
C	S		2 99-1-064	Raymond Roberts	01	352,248.00	352,248.00	100%	-	-	-	-	528,372.00	528,372.00	-	-	178,124.00		
C	G		2 99-1-070S	Barry Creighton	00	29,357.00	29,357.00	100%	-	-	-	-	44,035.50	44,035.50	-	-	14,678.50		
C	G		2 99-2-072S	Larry Rivera	99	18,824.00	18,824.00	100%	-	-	-	-	28,238.00	28,238.00	-	-	9,412.00		
C	G		2 99-2-092a	Scott Thomas	01	212,027.00	212,027.00	100%	-	-	-	-	318,040.50	318,040.50	-	-	106,013.50		
C	G		2 99-2-093	Lisa Johnson	01	54,500.00	54,500.00	100%	-	-	-	-	81,750.00	81,750.00	-	-	27,250.00		
C	G		1 99-2-094	Key Slack	03	43,983.00	43,983.00	100%	-	-	-	-	65,974.50	65,974.50	-	-	21,991.50		
C	S		2 99-3-100a	Carl Rosati	00	200,000.00	200,000.00	100%	-	-	-	-	300,000.00	300,000.00	-	-	100,000.00		
C	G		1 99-3-110	Mark Pearson	01	450,000.00	450,000.00	100%	-	-	140,792.00	103,034.00	37,758.00	675,000.00	675,000.00	-	-	225,000.00	
C	G		2 99-4-115	Mike Shelton	01	37,000.00	37,000.00	100%	-	-	-	-	65,500.00	65,500.00	-	-	18,500.00		
C	G		2 99-4-118S	Henry Cole	02	20,000.00	20,000.00	100%	-	-	-	-	30,000.00	30,000.00	-	-	10,000.00		
C	G		2 99-4-119	Mark Duckley	02	355,905.00	355,905.00	100%	-	-	-	-	533,857.50	533,857.50	-	-	177,952.50		
C	G		1 99-4-122	Tim Veenstra	03	104,023.00	104,023.00	100%	-	-	-	-	158,034.50	158,034.50	-	-	52,011.50		
O	G		1 00-1-001	Kenneth Hanson		150,000.00	142,500.00	95%	7,500.00	7,500.00	58,500.00	58,500.00	-	213,750.00	213,750.00	-	-	71,250.00	
O	O		00-1-009			677,573.00	550,981.00	81%	126,592.00	126,592.00	-	-	826,471.50	826,471.50	-	-	275,490.50		
O	O		00-1-042			200,000.00	180,000.00	90%	20,000.00	20,000.00	173,830.00	173,830.00	-	270,000.00	270,000.00	-	-	90,000.00	
O	O		00-1-049			196,500.00	176,850.00	90%	19,650.00	19,650.00	-	-	265,275.00	265,275.00	-	-	88,425.00		
O	G		1 00-1-050	David Lawrence		174,181.00	152,405.00	87%	21,776.00	21,776.00	14,424.00	14,424.00	-	228,607.50	228,607.50	-	-	76,202.50	
O	G		2 00-1-052	Raymond Latchem		465,300.00	148,700.00	32%	316,600.00	-	206,000.00	-	209,000.00	223,050.00	223,050.00	-	-	36,800.00	
O	G		2 00-2-054	Ludli Raad		100,000.00	73,600.00	74%	26,400.00	26,400.00	27,202.00	36,024.00	(8,824.00)	110,400.00	110,400.00	-	-	68,832.00	
O	O		00-2-055			190,700.00	137,304.00	72%	53,396.00	53,396.00	20,000.00	12,220.00	7,780.00	205,956.00	205,956.00	-	-	187,500.00	
O	G		1 00-2-058	Dennis Crews		425,000.00	31,500.00	8%	393,500.00	50,000.00	314,000.00	274,217.00	39,783.00	562,500.00	562,500.00	-	-	25,748.00	
O	O		00-3-063			57,219.00	51,497.00	90%	5,722.00	5,722.00	-	-	77,245.50	77,245.50	-	-	27,743.00		
O	O		00-3-067			91,230.00	65,488.00	71%	25,742.00	25,742.00	-	-	83,229.00	83,229.00	-	-	6,125.00		
O	O		00-3-070S			20,000.00	12,250.00	61%	7,750.00	7,750.00	-	-	18,375.00	18,375.00	-	-	19,007.50		
O	O		00-3-071			64,045.00	38,015.00	59%	26,030.00	26,030.00	-	-	57,022.50	57,022.50	-	-	5,850.00		
O	G		1 01-2-042S	Al Kegler		13,000.00	11,700.00	90%	1,300.00	1,300.00	3,925.00	-	3,925.00	17,550.00	17,550.00	-	-	38,250.00	
O	O		01-2-047F			85,000.00	76,500.00	90%	8,500.00	8,500.00	21,500.00	19,000.00	2,500.00	114,750.00	114,750.00	-	-	22,500.00	
O	O		02-4-027			147,000.00	45,000.00	31%	102,000.00	-	2,000.00	-	2,000.00	67,500.00	67,500.00	-	-	62,500.00	
O	O		02-4-028			500,000.00	125,000.00	25%	375,000.00	-	8,400.00	-	8,400.00	187,500.00	187,500.00	-	-	10,500.00	
O	O		02-4-029			69,988.00	21,000.00	30%	48,988.00	-	9,000.00	-	9,000.00	31,600.00	31,600.00	-	-	150,149.00	
O	S		2 91-2-118	Richard Sewell		316,103.00	300,298.00	95%	15,805.00	15,805.00	162,318.00	173,234.00	(10,916.00)	450,447.00	450,447.00	-	-	107,883.00	
O	O		93-4-112			303,351.00	215,766.00	71%	87,585.00	87,585.00	-	-	323,649.00	323,649.00	-	-	430,504.50		
O	O		96-2-055			4,250,000.00	861,009.00	20%	3,388,991.00	-	161,823.00	322,997.00	(161,174.00)	670,878.50	570,878.50	-	-	301,888.00	
O	O		95-3-064			422,723.00	380,451.00	90%	42,272.00	42,272.00	10,688.00	6,688.00	4,000.00	911,064.00	911,064.00	-	-	153,978.00	
O	O		97-1-010			607,376.00	607,376.00	100%	-	-	-	-	-	153,978.00	153,978.00	-	-	843,787.50	
O	O		97-2-112			270,084.00	102,652.00	38%	167,432.00	-	20,000.00	-	20,000.00	843,787.50	843,787.50	-	-	150,853.50	
O	O		97-3-1312			669,390.00	562,525.00	84%	106,865.00	106,865.00	3,500.00	-	3,500.00	150,853.50	150,853.50	-	-	25,593.00	
O	G		2 97-4-147	Vikas Sonwalkar		111,743.00	100,563.00	90%	11,179.00	11,179.00	-	-	-	25,593.00	25,593.00	-	-	29,595.00	
O	G		2 98-1-076S	Kenneth Hoops		20,000.00	17,062.00	85%	2,938.00	2,938.00	10,052.00	10,052.00	-	29,595.00	29,595.00	-	-	31,197.00	
O	O		98-2-088S			21,700.00	19,730.00	91%	1,970.00	1,970.00	9,709.00	8,253.00	1,456.00	31,197.00	31,197.00	-	-	202,500.00	
O	G		2 98-2-089S	Russell Thynas		23,109.00	20,798.00	90%	2,311.00	2,311.00	-	-	-	202,500.00	202,500.00	-	-	97,146.00	
O	O		98-2-0942			148,667.00	135,000.00	91%	13,667.00	13,667.00	-	-	-	97,146.00	97,146.00	-	-	297,099.00	
O	O		98-3-110			64,764.00	64,764.00	100%	-	-	22,673.00	-	22,673.00	297,099.00	297,099.00	-	-	99,886.50	
O	O		98-4-115b			198,066.00	198,066.00	100%	-	-	2,430.00	4,759.00	(2,329.00)	99,886.50	99,886.50	-	-	33,295.50	
O	O		98-4-116			73,990.00	66,591.00	90%	7,399.00	7,399.00	-	-	-	250,905.00	250,905.00	-	-	111,521.00	
O	O		98-4-124			185,544.00	167,270.00	90%	18,274.00	18,274.00	5,575.00	-	5,575.00	334,563.00	334,563.00	-	-	584,490.00	
O	O		98-4-128			252,655.00	223,042.00	88%	29,613.00	29,613.00	-	-	-	684,490.00	684,490.00	-	-	620,350.00	
O	O		99-1-012			399,622.00	389,660.00	98%	9,962.00	9,962.00	65,400.00	78,991.00	(13,591.00)	520,350.00	520,350.00	-	-	140,940.00	
O	O		99-2-074			554,000.00	348,900.00	63%	207,100.00	207,100.00	-	-	(855.00)	140,940.00	140,940.00	-	-	91,600.00	
O	O		99-2-078			104,400.00	93,960.00	90%	10,440.00	10,440.00	1,700.00	2,555.00	(855.00)	91,600.00	91,600.00	-	-	688,770.00	
O	O		99-2-092b	Scott Thomas		212,027.00	61,000.00	29%	151,027.00	-	8,659.00	1,916.00	4,743.00	568,770.00	568,770.00	-	-	277,306.50	
O	O		99-3-097			445,740.00	379,180.00	85%	66,560.00	66,560.00	10,000.00	4,420.00	5,580.00	313,500.00	313,500.00	-	-	104,500.00	
O	O		99-3-100b	Carl Rosati		200,000.00	84,871.00	42%	115,129.00	15,129.00	-	-	-	313,500.00	313,500.00	-	-	223,123.50	
O	O		99-3-102			209,000.00	39,000.00	19%	170,000.00	10,000.00	-	-	-	223,123.50	223,123.50	-	-	248,300.00	
O	O		99-3-103			158,749.00	148,749.00	94%	10,000.00	10,000.00	-	-	-	248,300.00	248,300.00	-	-	189,738.50	
O	O		99-3-104			183,000.00	164,200.00	90%	18,800.00	18,800.00	23,000.00	11,709.00	11,291.00	189,738.50	189,738.50	-	-	431,310.00	
O	G		2 99-3-105	Joseph Imlach		251,828.00	126,491.00	50%	125,337.00	125,337.00	6,500.00	4,069.00	2,431.00	431,310.00	431,310.00	-	-	90,739.50	
O	O		99-3-108			323,054.00	287,540.00	89%	35,514.00	35,514.00	-	-	-	90,739.50	90,739.50	-	-	1,141,324.50	
O	O		99-3-107			67,214.00	60,493.00	90%	6,721.00	6,721.00	-	-	-	2,344,383.00	2,344,383.00	-	-	781,461.	

SB

173

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT First Committee of Referral

DATE: 4/4/03

REPORTED OUT

FURTHER:

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

APR 28 2003

DATE TURNED IN TO OFFICE: 4/28/03

SENATE FINANCE
COMMITTEE

Finance Committee considered

SENATE BILL NO. 173

SB 173 SCIENCE & TECH FOUNDATION/BIDCO/INT.TRADE

"An Act repealing statutes pertaining to the Alaska Science and Technology Foundation and transferring money in the foundation's endowment; repealing statutes relating to the BIDCO assistance program; repealing statutes pertaining to the international trade and business endowment and transferring money in the international trade and business endowment; transferring oversight administration of outstanding Alaska Science and Technology Foundation loans and grants to the Alaska Industrial Development and Export Authority; establishing an Alaska BIDCO assistance program to be administered by the Department of Community and Economic Development; making conforming amendments; 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

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DCED AIDEA	4/8/03	75.5		

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DCED AK SCIENCE	3/21/03		X	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>Ben Steens</i>	✓			
COCHAIR: <i>Lyda Green</i>	✓			
COCHAIR: <i>Conrad</i>	✓			

FISCAL NOTE

**STATE OF ALASKA
2003 LEGISLATIVE SESSION**

APR 28 2003

SENATE FINANCE
COMMITTEE

Fiscal Note Number: 1
 Bill Version: SB 173
 (S) Publish Date: 4/4/03

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title ASTF Elimination BRU AK Science & Technology Foundation (128)
 Component AK Science & Technology Foundation
 Sponsor Governor Component No. 2012
 Requester Rules by Request of the Governor

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	0.0					
Travel	0.0					
Contractual	0.0					
Supplies	0.0					
Equipment						
Land & Structures						
Grants & Claims	0.0					
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES ()	0.0					
-------------------------------	------------	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Statutory Designated)	0.0					
Other (Science & Tech Endowment)	0.0					
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 10,608.6

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 legislation repeals the statutes relating to the Alaska Science and Technology Foundation (ASTF) and its programs, including the BIDCO assistance program; transfers oversight of the former ASTF programs to the Alaska Industrial Development and Export Authority; and establishes a replacement Alaska BIDCO assistance program in the Department of Community and Economic Development. This legislation eliminates the Alaska Science and Technology Endowment as of June 30, 2003. Subject to an appropriation in the FY04 operating budget bill, the balance of the Endowment (estimated at \$89 million) will be transferred to the General Fund. This legislation also eliminates the International Trade & Business Endowment and subject to an appropriation in the FY04 operating budget bill, the balance (estimated at \$4.4 million) will be transferred to the General Fund.

Prepared by: Tom Lawson, Director
 Division: Administrative Services
 Approved by: Edgar Blatchford, Commissioner
 Agency: Department of Community & Economic Development

Phone 907-465-2505
 Date/Time 3/21/03 1:32 PM
 Date 3/21/2003

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

APR 28 2003

Fiscal Note Number: _____

Bill Version: SB173

() Publish Date: _____

Revision Date/Time (Note if correction): _____

Dept. Affected: DCED

Title: Science & Tech Foundation/BIDCO/Int:Trade

BRU: AIDEA (125)

Component: AIDEA

Sponsor: Rules by Request of the Governor

Component No.: 1234

Requester: Senate Finance

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	75.5					
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	75.5	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES (1004)						
---------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	75.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	75.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

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

POSITIONS

Full-time	1					
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation transfers oversight administration of outstanding Alaska Science & Technology Foundation grants to the Alaska Industrial Development & Export Authority. Pursuant to the existing grants, grantees have repayment obligations to the state. The requested funds will pay for one Grants Administrator at a range 20C. This position will administer the outstanding ASTF grants, including analyzing the grants that are in repayment status and the remaining open grants. The grants administrator will determine and then implement the appropriate management procedures for grants that are expected to repay or continue to repay funds under the terms of the ASTF grant agreements.

As of 4/1/03, \$299,345 has been returned to ASTF from 29 grantees. Repayments are based on either royalty income or annual gross revenues related to the funded project. SB173 requires that amounts required to be paid by a grantee under the terms of the respective grant agreement shall be paid into the general fund. In 2002 ASTF received over \$85,000 in grantee repayments. This position will develop an estimate of future grantee repayments

Prepared by: Sara Fisher-Goad, Financial Analyst

Phone 907.269.4623

Division: Alaska Industrial Development and Export Authority

Date/Time 4/8/03 4:05 PM

Approved by: Edgar Blatchford, Commissioner

Date 4/8/2003

Agency: Department of Community & Economic Development



Personalized Service by Experienced Alaskans

We understand the unique challenges facing Alaskan businesses.

Founding President/CEO David Hoffman has been an Alaskan leader in business and economic development for 29 years. He has managed businesses, ranging from start-ups to a corporation with annual sales of \$90 million. He is the former Commissioner of the Alaska Department of Community and Regional Affairs and has been a consultant to businesses throughout the country.

Development Officer and Business Consultant Jason Evans is an Inupiaq from Nome. He has worked throughout Alaska as a business consultant and project manager. Loan Closer/Administrator Carrie Couey has 15 years of Alaskan experience in all aspects of lending. She is also a paralegal. Executive Assistant Alice Ahmaogak Glenn ("Kannik") is an Inupiaq from Barrow who lived in California's Silicon Valley for many years before returning home. She has strong ties to her Inupiaq culture and heritage.

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A L A S K A
Growth Capital

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The New Source
For Business Financing
and
Consulting Services



Alaska Growth Capital - What Are We?

WE FOCUS ONLY ON BUSINESSES

Alaska Growth Capital is a commercial lending institution that is licensed and regulated by the State of Alaska. We can make loans to viable businesses that are deemed "too risky" by banks. We do not accept deposits, do consumer lending, or finance housing projects.

FINANCIAL PRODUCTS

We provide financing for all business needs, including construction lending, lines of credit, permanent working capital, equipment, and leasehold improvements. We participate in the SBA, USDA, and BIA loan guarantee programs.

LOANS AND TERMS

Our loans range from \$100,000 to \$600,000 and normally have terms from three to seven years. Interest rates depend on the risk level of the business. We customize each financing package to meet the unique needs of your business.

CONSULTING SERVICES

We often provide no cost consulting services to our borrowing clients, before and after closing. We also provide strategic planning services on a fee basis to businesses that are not borrowers. Our clients benefit from our affiliation with the 21 subsidiary companies of Arctic Slope Regional Corporation (ASRC). ASRC, the owner of Alaska Growth Capital, is the largest corporation based in Alaska.

WE REACH OUT TO NONTRADITIONAL BORROWERS

Alaska Growth Capital provides a financing alternative to businesses that may have trouble gaining access to traditional bank financing. We can provide stand-alone financing or participate with banks in joint financing. We make a special effort to reach out to businesses that are rural, minority-owned, or technology-oriented.

WE TARGET BUSINESSES THAT ARE EXPANDING ALASKA'S ECONOMY

Alaska Growth Capital can finance any business operation within the state, but we focus on businesses that are expanding Alaska's economy. We are primarily interested in industrial sectors such as manufacturing, resource development and service providers that have the potential to capture business held by out-of-state companies.

VENTURE CAPITAL INVESTMENTS

In addition to lending funds, we can make a venture capital investments in new or rapidly-growing companies. If we can make an equity investment, we must have a clear "exit strategy" that allows us to get our money back once the client company has achieved its financial goals.

THE APPLICATION PROCESS

Call today for a loan application or download the application from our website. Once you provide the required information, we can quickly make a decision on whether you qualify for a loan.

Alaska Growth Capital seeks to work with healthy companies that have the potential for significant growth and profitability. The primary criteria we consider are the following:

- ☑ Dedicated and experienced management
- ☑ Past performance
- ☑ Current economic viability of the business
- ☑ Potential for future growth in sales and profits
- ☑ Competitive advantages such as proprietary technology, technical superiority, unique skills or special access to a specific resource or market

If you want your company to grow with the help of Alaska Growth Capital contact us at:

(907) 349-4904 or 1-888-315-4904

E-mail us at: info@alaskagrowth.com
or check our website at: www.alaskagrowth.com

Alaska Growth Capital is licensed as a BIDCO (Business and Industrial Development Corporation.) It has received financial support through a loan from the Alaska Science and Technology Foundation.

A L A S K A
Growth  Capital

Subject: Alaska Science & Technology Foundation

Formed in 1988, by Governor Steve Cowper promising the Foundation would enable Alaska to be **the world leader in arctic research**.¹ Since its start with a \$106,000,000 endowment, ASTF has been promoted as an economic engine and job creator for the state. Among other things, it issues what is categorized on its web site as entrepreneur and teaching grants.

If the entrepreneur grants result in a commercialized product than the grant recipient is obligated to make repayments to ASTF. 359 entrepreneur grants are listed on ASTF's web site www.astf.org. \$29,6 million have been spent by ASTF on 81 projects that are expected to generate repayments to the state. Of these 81, only 29 are actually making repayments and the total amount of payments received since program inception in 1988 is approximately \$299,345².

A review of ASTF's web site and its annual reports reflects the following:

1. ASTF has issued entrepreneur grants to people and institutions in:

- Brazil
- British Columbia
- Nova Scotia

- California
- District of Columbia
- Florida
- Maryland
- Massachusetts
- Minnesota
- Nevada
- New Hampshire
- New York
- Oklahoma
- Oregon
- Vermont
- Washington
- Wisconsin

2. Grants classified as "entrepreneur grants" have been issued to:

- U.S. Army
- National Marine Fisheries Service
- Alaska DEC
- Alaska Dept. of Public Safety
- Alaska Dept. of Education

¹ "Anchorage Daily News" May 14, 1988, page B6.

² Please see attached spreadsheet based on information received from ASTF staff.

- Alaska Dept. of Fish & Game
- Municipality of Anchorage
- Anchorage School District
- University of Alaska—Fairbanks, Anchorage & Juneau campuses

3. Over \$6,000,000 in "entrepreneur" grants are listed on the web site without published results, including some grants issued over 12 years ago.

4. ASTF has been used as a supplemental means of funding University of Alaska operations and research outside the normal general funds appropriation processes. Operations were funded by legislature-directed appropriations of ASTF funds totaling \$13.7 million during the period 1997-2003. Additionally, approximately \$7,000,000 in "entrepreneur" grants have been issued by ASTF to University of Alaska staff for research, ostensibly through the competitive application process. Some grants were issued to University departments and some issued to individual professors. Some of those issued to individual professors were issued to the professors' private business but list a University telephone and email for contact.

5. QUESTIONABLE PROJECTS. (Numbers are ASTF's grant designations.)

\$1,121,426 to a UCLA Professor to commercialize a radioactive waste treatment technology that had been patented by the professor. #91-2-060
Alaska doesn't have a radioactive waste problem and the funds were used to supplement funding the professor received from Westinghouse-Hanford.

\$17,341 for a drug addict needle exchange program in Anchorage. #96-3-056.

\$197,233 to investigate use of North Slope wild grass to keep Canada geese away from Anchorage. #98-2-090.

\$233,949 to convince Alaskans to stop smoking. #94-4-128/#99-3-102.

\$20,000 to Louisiana State University to develop a plan for the University of Alaska to better transfer technology to the private sector. #91-2-070

\$44,299 for a workshop for Russian nuclear plant workers. #97-1-079.

\$232,889 to manufacture yurts in Nome that would be shipped to Southcentral Alaska for assembly. The grant recipient promised to create a new industry and jobs in Nome. The recipient never manufactured yurts in Nome: with the ASTF money, he opened a shop in Homer where he makes and sells yurts. #97-1-060/#98-4-121.

\$646,620 to a Maryland firm to design and develop a small satellite launch vehicle that was never developed. #91-1-057.

\$111,195 to manufacture bows and arrows in Alaska. 91-2-069

\$100,000 to the University of Alaska/Fairbanks to develop construction materials using vegetable oil. Alaska doesn't produce vegetable oil. #00-2-054.

\$40,568 to cross breed wild pigs with domestic pigs. #97-1-001.

\$2,252,000 to a resident of Washington State to develop a machine to remove pin-bones from salmon. #97-1-004. The grant recipient had never developed fish processing equipment before and the machine produced fillets that were not acceptable to the market. The grant was made at the time that the firm Carnitech was already producing and selling state of the art pin-bone removal machines.

\$232,439 to the University of Alaska Southeast to study how to increase pink salmon returns to hatcheries. #90-1-040. Do we need more pink salmon?

\$207,292 to a University of Alaska Anchorage professor to study the acceptability of composting toilets in rural Alaska. #92-2-083/#96-2-0212. Composting toilets have been in use in rural Alaska since the 1970's which would seem to indicate that they are acceptable.

\$960,000 to an Anchorage company to cut and bag vegetables for sale in the local market. The grant was justified with the claim that it would develop new technology to handle the unique characteristics of Alaska vegetables. Vegetables are vegetables, and Alaska vegetables are available only 3 months a year which means the company is processing imported vegetables 9 months a year with the same equipment. Is vegetable packaging "cutting edge" technology?

6. Projects that demonstrate a lack of due diligence by ASTF.

\$78,338 to study over-wintering bees in Alaska. #89-1-217. This same issue was studied under the Hammond administration program's resource development grant program. The latest study has not led to any measurable increase in honey production in Alaska.

\$399,622 in 1999 to a Fairbanks company to build composite shelters. One of the principals of the Fairbanks company had filed Chapter 7 bankruptcy years prior to getting the ASTF grant. Since receiving the ASTF funds the company has sold 11 shelters: all of which were manufactured outside Alaska. #99-1-102.

\$1,037,346 to Scott Thompson (from Nevada) who promised to build cutting edge energy systems in rural Alaska but tried to sell milk tanks for use as fuel tanks in bush Alaska and left unpaid debts all over the state.

Even an internal ASTF audit in 1997 concluded they had wasted \$millions and that a more thorough review of applications would have resulted in rejection of 20% of the projects they had funded.³ This begs the question of why weren't the applications subjected to thorough review before the money was granted?

7. ASTF made grants to agencies that issue grants, essentially increasing the administrative costs for a project.

Example

\$496,200 in grants to the Alaska Fisheries Development Foundation a foundation that, itself, issues grants for fishery development projects and is funded by federal funds.

8. ASTF duplicated the work of other organizations.

Examples

\$408,506 for fish marketing projects that should be funded by ASMI.

\$201,000 to the Univ. of Alaska to improve pink salmon management. #90-1-008. This is the function of ADF&G.

9. ASTF grants have been made to the University of Alaska that were actually subsidies for graduate thesis projects.

10. Some of ASTF's claims seem to be overstated.

Claims have been made that ASTF is responsible for delivering \$150 million in benefits to the surimi industry on Kodiak by underwriting the development and demonstration of new equipment. In fact, the equipment (a decanter) had already been developed and produced by Alfa Laval and ASTF actually spent \$150,708 to subsidize Alfa Laval's sales demonstration on Kodiak. The industry would have purchased the equipment without ASTF's involvement.

ASTF also claims that it is responsible for the success of the Alaska shellfish mariculture industry which it values at \$200 million annually. ASTF has assisted the industry, but it was in existence and producing value prior to ASTF's existence and is only producing less than \$1 million in products annually according to the Alaskan Shellfish Growers Association.

Note: The Anchorage Daily News (ADN) editorial combined these inflated numbers when it claimed that ASTF's work was on the verge of delivering \$350 million in returns to the Alaska fishing industry.⁴

³ "Anchorage Daily News", page C1, February 9, 1997

⁴ "Anchorage Daily News", Opinion, March 15, 2003

Also note that the ADN editorial claims that Pat Simpson's company, Scientific Fishery Systems, Inc. would not have opened in Anchorage Without a \$65,000 grant from ASTF. Actually, ASTF gave Simpson \$165,000 that was used to get \$1.2 million in grants from the federal government.⁵

Highly publicized grants went to companies that moved their businesses out of Alaska. E.G., Autogenesis received \$250,000 from ASTF and is now doing business in Baltimore, MD and Grant#98-2-082 for \$380,207 to a company to make glass tiles in Fairbanks that is now operating out of Boise, Idaho.

11. ASTF's recent actions weigh against continuing the program.

On Feb. 12, 2003 ASTF's Board passed a resolution authorizing the initiation of a "Conversion Credit" program that would forgive 2/3's of any repayment obligation grant recipients have. The criteria for granting reduction credits are vague and difficult to quantify and would be the subject of personal interpretation by ASTF staff. ASTF staff have long taken the position that the measurement of success for their projects is not a return to the general fund.

Attached is a spread sheet that demonstrates the maximum potential impact of the Conversion Credit program. Assuming all repayment projects repay the obligated amount, the state could eventually receive \$39.6 million from these projects. If the Conversion Credit program were implemented, the state could receive a maximum of \$13 million. (These numbers are based on information supplied by ASTF.)

****NOTE: As of April 14, 2003 ASTF has decided to put its Conversion Credit plan on hold.**

Conclusion:

After 15 years and the expenditure of over \$100 million the state is no closer to being the **world leader in arctic research**. What is the connection among yurt making, bow & arrow manufacturing, composting-toilet use, smoking prevention, clean needles for drug addicts, wild pig breeding and arctic research?

⁵ ASTF web site, "Anchorage SBIR Bridging Grant".

Open/	Final Report	Status	Grant #	Grantee	Total Grant Amt	Total Paid to Grantees	% of Grant Paid	Grant Balance	50% Grant Balance of those > %	Equip Budget	Equip spent	Equip balance	1.5% Grant Amt	Potential Repayments to the State General Fund	Balance Due from Conversion Credits
Closed	Received				4/1/03	4/1/03								as of 4/1/03	4/1/03
C		G	1	99-3-1065	Dan Bionacci	14,000.00	14,000.00	100%	41.00	21,000.00	21,000.00	20,959.00	6,959.00	20,959.00	6,959.00
C		G	2	99-2-091	John Gaudy	18,000.00	18,000.00	100%	72.00	27,000.00	26,928.00	26,928.00	6,998.00	26,928.00	6,998.00
C		G	3	97-2-0905	Loi Dilly	14,110.00	14,110.00	100%	75.00	21,165.00	21,090.00	21,090.00	6,999.00	21,090.00	6,999.00
C		G	4	96-1-0095	Jail Weibin	19,835.00	19,835.00	100%	203.00	29,750.00	29,529.50	29,529.50	9,839.00	29,529.50	9,839.00
C		G	5	98-2-090	Peter Scopop	197,232.00	197,232.00	100%	307.00	295,541.00	295,541.00	295,541.00	9,839.00	295,541.00	9,839.00
C		G	6	1-94-1-0035	Lawrence Bennett	19,198.00	19,198.00	100%	317.00	28,480.00	28,480.00	28,480.00	9,839.00	28,480.00	9,839.00
C		G	7	1-94-1-0035	Mike Cook	200,832.00	200,832.00	100%	334.00	300,914.00	300,914.00	300,914.00	10,082.00	300,914.00	10,082.00
C		G	8	2-97-1-0632	Loi Hellingham	160,344.00	160,344.00	100%	376.00	240,138.00	240,138.00	240,138.00	79,794.00	240,138.00	79,794.00
C		G	9	4-92-4-2375	Karen Charts	18,887.00	18,887.00	100%	500.00	29,830.50	29,830.50	29,830.50	9,443.50	29,830.50	9,443.50
C		G	10	99-4-1120	Diane Wagner	70,203.00	70,203.00	100%	550.00	104,754.50	104,754.50	104,754.50	34,551.50	104,754.50	34,551.50
C		G	11	1-96-3-0575	Don Pelegrin	16,151.00	16,151.00	100%	1,000.00	24,225.00	23,266.50	23,266.50	7,115.50	23,266.50	7,115.50
C		G	12	99-3-0575	William Watson	180,539.00	180,539.00	100%	1,000.00	270,808.50	269,808.50	269,808.50	89,269.50	269,808.50	89,269.50
C		G	13	1-94-1-004	William Wiebe	99,500.00	99,500.00	100%	1,000.00	144,799.00	143,792.00	143,792.00	43,952.00	143,792.00	43,952.00
C		G	14	1-96-4-085	William Watson	202,808.00	202,808.00	100%	1,188.00	302,893.00	302,893.00	302,893.00	100,075.00	302,893.00	100,075.00
C		G	15	1-95-1-0112	Florence VonFinel	250,000.00	250,000.00	100%	2,124.00	372,876.00	372,876.00	372,876.00	122,876.00	372,876.00	122,876.00
C		G	16	1-95-1-002	Patrick Simpson	279,365.00	279,365.00	100%	2,469.00	419,047.50	418,530.50	418,530.50	137,465.50	418,530.50	137,465.50
C		G	17	1-95-1-007	Duff Mitchell	182,367.00	182,367.00	100%	3,154.00	273,550.50	271,081.50	271,081.50	88,714.50	271,081.50	88,714.50
C		G	18	1-95-4-120	Diane Wagner	20,000.00	20,000.00	100%	3,154.00	30,000.00	28,846.00	28,846.00	8,846.00	28,846.00	8,846.00
C		G	19	1-95-1-0105	Randy Prator	279,934.00	279,934.00	100%	3,154.00	419,901.00	416,333.00	416,333.00	136,389.00	416,333.00	136,389.00
C		G	20	1-92-2-089	Gour Choudhury	286,808.00	286,808.00	100%	3,895.00	433,212.00	429,317.00	429,317.00	140,509.00	429,317.00	140,509.00
C		G	21	1-95-4-1262	Bart Gieber	124,721.00	124,721.00	100%	4,864.00	182,217.50	182,217.50	182,217.50	57,496.50	182,217.50	57,496.50
C		G	22	1-91-1-037	Scott Henderson/n	139,817.00	139,817.00	100%	5,630.00	204,055.50	204,055.50	204,055.50	64,278.50	204,055.50	64,278.50
C		G	23	1-91-1-075	Larry Conter	55,965.00	55,965.00	100%	8,867.00	78,060.50	78,060.50	78,060.50	22,095.50	78,060.50	22,095.50
C		G	24	1-95-3-1043	Patrick Simpson	436,815.00	436,815.00	100%	8,867.00	646,356.50	646,356.50	646,356.50	209,541.50	646,356.50	209,541.50
C		G	25	1-95-1-0142	Peter Zimmerman	65,000.00	65,000.00	100%	13,198.00	84,304.00	84,304.00	84,304.00	19,304.00	84,304.00	19,304.00
C		G	26	1-94-4-1218	Patrick Simpson	588,534.00	588,534.00	100%	14,326.00	883,475.00	883,475.00	883,475.00	284,941.00	883,475.00	284,941.00
C		G	27	1-97-4-152	Brian Progers	220,073.00	220,073.00	100%	60,000.00	330,109.50	330,109.50	330,109.50	50,036.50	330,109.50	50,036.50
C		G	28	1-96-4-115k	Dusty Kalar	323,117.00	323,117.00	100%	176,980.50	484,875.50	484,875.50	484,875.50	160,669.00	484,875.50	160,669.00
C		G	29	1-95-2-097	Tim Newton	117,987.00	117,987.00	100%	16,192.50	176,980.50	176,980.50	176,980.50	69,950.50	176,980.50	69,950.50
C		G	30	2-05-3-0245	John Mickelson	10,795.00	10,795.00	100%	105,594.00	105,594.00	105,594.00	35,198.00	105,594.00	35,198.00	
C		G	31	1-01-1-003	John Slegers	70,396.00	70,396.00	100%	149,250.00	149,250.00	149,250.00	49,750.00	149,250.00	49,750.00	
C		G	32	2-85-1-172	Clint Elston	99,500.00	99,500.00	100%	322,329.00	322,329.00	322,329.00	107,443.00	322,329.00	107,443.00	
C		G	33	2-85-2-284	Gerald Myers	214,886.00	214,886.00	100%	1,682,139.00	1,682,139.00	1,682,139.00	560,713.00	1,682,139.00	560,713.00	
C		G	34	1-91-2-060	Alfred Wong	1,121,436.00	1,121,436.00	100%	1,682,139.00	1,682,139.00	1,682,139.00	560,713.00	1,682,139.00	560,713.00	
C		G	35	1-91-2-063	Jack Harrison	111,195.00	111,195.00	100%	262,500.00	262,500.00	262,500.00	87,500.00	262,500.00	87,500.00	
C		G	36	2-92-3-192	Jack Harrison	175,000.00	175,000.00	100%	26,293.50	26,293.50	26,293.50	8,764.50	26,293.50	8,764.50	
C		G	37	2-92-3-2305	John Bottoms	17,529.00	17,529.00	100%	30,000.00	30,000.00	30,000.00	10,000.00	30,000.00	10,000.00	
C		G	38	2-92-4-2603	Marquita Walker	249,438.00	249,438.00	100%	374,157.00	374,157.00	374,157.00	124,719.00	374,157.00	124,719.00	
C		G	39	2-92-4-277	Scott Thompson	20,791.00	20,791.00	100%	31,186.50	31,186.50	31,186.50	10,395.50	31,186.50	10,395.50	
C		G	40	2-93-4-1065	Yin Ng	18,608.00	18,608.00	100%	28,119.00	28,119.00	28,119.00	9,375.00	28,119.00	9,375.00	
C		G	41	2-93-4-1333	Jessie Owens	18,746.00	18,746.00	100%	132,750.00	132,750.00	132,750.00	44,250.00	132,750.00	44,250.00	
C		G	42	1-94-1-001	Peter Zimmerman	88,500.00	88,500.00	100%	121,750.50	121,750.50	121,750.50	40,583.50	121,750.50	40,583.50	
C		G	43	2-94-1-009	Frederic Brown	84,840.00	84,840.00	100%	107,752.50	107,752.50	107,752.50	35,917.50	107,752.50	35,917.50	
C		G	44	2-94-1-027	Scott Thompson	81,167.00	81,167.00	100%	39,846.00	39,846.00	39,846.00	13,282.00	39,846.00	13,282.00	
C		G	45	2-94-2-029	Hsing Kuang Lin	71,835.00	71,835.00	100%	19,651.50	19,651.50	19,651.50	6,550.50	19,651.50	6,550.50	
C		G	46	2-94-2-0753	Duans Andress	20,731.00	20,731.00	100%	40,210.50	40,210.50	40,210.50	13,403.50	40,210.50	13,403.50	
C		G	47	2-94-2-0185	Randolf Brand	26,564.00	26,564.00	100%	83,632.00	83,632.00	83,632.00	27,884.00	83,632.00	27,884.00	
C		G	48	2-94-2-0785	Robert Crosby	13,101.00	13,101.00	100%	30,000.00	30,000.00	30,000.00	10,000.00	30,000.00	10,000.00	
C		G	49	2-94-3-1065	Don Peterson	26,807.00	26,807.00	100%	27,000.00	27,000.00	27,000.00	9,000.00	27,000.00	9,000.00	
C		G	50	1-95-1-031	Joseph Imlich	55,768.00	55,768.00	100%	75,000.00	75,000.00	75,000.00	25,000.00	75,000.00	25,000.00	
C		G	51	2-95-3-0945	Vickie Talbot	20,000.00	20,000.00	100%	28,650.00	28,650.00	28,650.00	9,550.00	28,650.00	9,550.00	
C		G	52	2-95-3-0985	David Lappi	18,000.00	18,000.00	100%	67,500.00	67,500.00	67,500.00	22,500.00	67,500.00	22,500.00	
C		G	53	2-95-3-103R	Patrick Simpson	90,000.00	90,000.00	100%	30,000.00	30,000.00	30,000.00	10,000.00	30,000.00	10,000.00	
C		G	54	2-96-3-0815	Brent Shaller	19,100.00	19,100.00	100%	26,833.50	26,833.50	26,833.50	8,944.50	26,833.50	8,944.50	
C		G	55	2-96-3-065	Ray Wadsworth	45,000.00	45,000.00	100%	3,378,276.00	3,378,276.00	3,378,276.00	1,126,092.00	3,378,276.00	1,126,092.00	
C		G	56	2-96-3-0655	David Smith	20,000.00	20,000.00	100%	50,000.00	50,000.00	50,000.00	16,666.00	50,000.00	16,666.00	
C		G	57	2-96-4-0788	Loi Hellingham	17,889.00	17,889.00	100%	602,448.00	602,448.00	602,448.00	200,816.00	602,448.00	200,816.00	
C		G	58	2-97-1-0242	Ray Wadsworth	2,252,184.00	2,252,184.00	100%	76,348.50	76,348.50	76,348.50	25,449.50	76,348.50	25,449.50	
C		G	59	2-97-1-0525	Diana McLein	20,000.00	20,000.00	100%	113,467.50	113,467.50	113,467.50	37,822.50	113,467.50	37,822.50	
C		G	60	1-97-1-053	Marc Jones	401,832.00	401,832.00	100%	1,060,116.00	1,060,116.00	1,060,116.00	353,372.00	1,060,116.00	353,372.00	
C		G	61	2-97-1-054	David Holman	3,000,685.00	3,000,685.00	100%	300,000.00	300,000.00	300,000.00	100,000.00	300,000.00	100,000.00	
C		G	62	1-97-1-0623	Vickie Talbot	75,645.00	7								

Open/ Closed	Type	Status	Grant #	Grantee	Final Report Received	Total Grant Amt	Grant Paid to % of Grant	50% Grant Balance of those >=	Equipment Budget Information	Potential Repayments to the State General Fund	Balance Due w/ Contingency Credits				
						Amt	Grantee Amt	of those >=	Equip Budget	Equip spent	Equip balance	Total Pd by Grantee	Balance Due to those paying	State	
C	G		1 99-1-012	Gerald Meyers	02	399,622.00	399,622.00	100%				599,433.00	599,433.00	189,811.00	
C	S		2 99-1-054	Raymond Robbins	01	352,248.00	352,248.00	100%				528,372.00	528,372.00	176,124.00	
C	G		2 99-1-076S	Barry Creighton	00	29,357.00	29,357.00	100%				44,035.50	44,035.50	14,678.50	
C	G		2 99-2-072S	Larry Rivers	99	18,824.00	18,824.00	100%				28,236.00	28,236.00	9,412.00	
C	G		2 99-2-092a	Scott Thomas	01	212,027.00	212,027.00	100%				318,040.50	318,040.50	106,013.50	
C	G		2 99-2-093	Lisa Johnson	00	54,500.00	54,500.00	100%				81,750.00	81,750.00	27,250.00	
C	G		1 99-2-094	Kay Slack	03	43,983.00	43,983.00	100%				65,974.50	65,974.50	21,991.50	
C	S		2 99-3-100a	Con Rossat	00	200,000.00	200,000.00	100%	140,792.00	103,034.00	37,758.00	675,000.00	675,000.00	225,000.00	
C	G		1 99-3-110	Mark Pearson	01	450,000.00	450,000.00	100%				55,500.00	55,500.00	18,500.00	
C	G		2 99-4-115	Mike Shelton	02	37,000.00	37,000.00	100%				30,000.00	30,000.00	10,000.00	
C	G		2 99-4-118S	Henry Cole	02	20,000.00	20,000.00	100%				53,857.50	53,857.50	17,857.50	
C	G		2 99-4-119	Mark Buckley	02	355,905.00	355,905.00	100%				156,034.50	156,034.50	52,011.50	
C	G		1 99-4-122	Tim Veenstra	03	104,023.00	104,023.00	100%				213,750.00	213,750.00	71,250.00	
C	G		1 00-1-001	Kenneth Hanson	00	160,000.00	142,500.00	95%	50,500.00	58,500.00		826,471.50	270,000.00	275,490.50	
C	G		00-1-002		00	577,573.00	550,981.00	95%	173,830.00	173,830.00		270,000.00	270,000.00	90,000.00	
C	G		00-1-042		00	200,000.00	180,000.00	90%	14,424.00	14,424.00		265,275.00	265,275.00	88,435.00	
C	G		1 00-1-050	David Lawrence	00	196,500.00	178,850.00	90%	206,000.00	206,000.00	206,000.00	228,607.50	228,607.50	74,350.00	
C	G		2 00-1-052	Raymond Lachern	00	465,300.00	448,700.00	32%	27,200.00	36,024.00	(8,824.00)	110,400.00	110,400.00	36,800.00	
C	G		2 00-2-054	Lutfi Riad	02	100,000.00	73,600.00	74%	20,000.00	12,220.00	7,780.00	205,956.00	205,956.00	68,635.00	
C	G		00-2-055		00	190,700.00	137,304.00	72%	314,000.00	274,217.00	39,783.00	562,500.00	562,500.00	187,500.00	
C	G		1 00-2-058	Dennis Crews	00	425,000.00	375,000.00	88%				77,245.50	77,245.50	25,740.50	
C	G		00-3-063		00	67,219.00	61,487.00	90%				83,229.00	83,229.00	27,743.00	
C	G		00-3-067		00	91,230.00	55,468.00	61%				18,375.00	18,375.00	6,125.00	
C	G		00-3-076S		00	20,000.00	12,250.00	61%				57,022.50	57,022.50	19,007.50	
C	G		00-3-071		00	84,045.00	38,015.00	45%				17,350.00	17,350.00	5,860.00	
C	G		1 01-2-042S	Al Kogler	00	13,000.00	11,700.00	90%				114,750.00	114,750.00	38,250.00	
C	G		01-2-047F		00	85,000.00	76,500.00	90%				67,500.00	67,500.00	22,500.00	
C	G		02-4-028		02	147,000.00	45,000.00	31%				187,500.00	187,500.00	62,500.00	
C	G		02-4-028		02	500,000.00	125,000.00	25%				8,400.00	8,400.00	2,800.00	
C	G		02-4-029		00	69,988.00	21,000.00	30%				31,500.00	31,500.00	10,500.00	
C	S		91-2-118	Richard Sorelli	00	316,103.00	300,998.00	95%	162,316.00	173,234.00	(10,918.00)	450,447.00	450,447.00	150,149.00	
C	G		96-2-055		00	303,351.00	215,768.00	71%				323,649.00	323,649.00	107,883.00	
C	G		96-2-064		00	4,250,000.00	861,009.00	20%				1,291,513.50	1,291,513.50	430,504.50	
C	G		97-1-010		00	422,723.00	380,451.00	90%				570,676.50	570,676.50	190,225.50	
C	G		97-1-112		00	607,376.00	607,376.00	100%				911,694.00	911,694.00	303,668.00	
C	G		97-3-1312	Vikas Somvillal	00	270,684.00	102,652.00	38%				153,978.00	153,978.00	51,265.00	
C	G		2 97-4-147	Kenneth Hoopes	00	669,390.00	582,525.00	87%				843,787.50	843,787.50	281,262.50	
C	G		98-2-068S		00	11,743.00	109,569.00	90%				150,853.50	150,853.50	50,284.50	
C	G		98-2-069S	Russell Thynes	00	20,000.00	17,065.00	85%				25,593.00	25,593.00	8,531.00	
C	G		90-3-110		00	21,700.00	19,250.00	90%				29,595.00	29,595.00	9,865.00	
C	G		98-4-115b		00	198,065.00	198,065.00	100%				31,187.00	31,187.00	10,390.00	
C	G		98-4-116		00	21,000.00	20,799.00	99%				202,500.00	202,500.00	67,500.00	
C	G		98-4-124		00	185,544.00	167,270.00	90%				37,146.00	37,146.00	12,382.00	
C	G		98-4-128		00	232,655.00	223,042.00	96%				297,099.00	297,099.00	99,033.00	
C	G		99-1-312		00	399,622.00	389,660.00	98%				99,886.50	99,886.50	33,295.50	
C	G		99-2-074		00	554,000.00	346,000.00	63%				250,905.00	250,905.00	83,635.00	
C	G		99-2-078		00	104,000.00	93,500.00	90%				334,563.00	334,563.00	111,521.00	
C	G		99-2-092b	Scott Thomas	00	415,027.00	379,180.00	91%				684,490.00	684,490.00	228,350.00	
C	G		99-3-097	Con Rossat	00	200,000.00	184,871.00	92%				520,350.00	520,350.00	174,500.00	
C	G		99-3-102		00	259,000.00	209,000.00	80%				820,350.00	820,350.00	273,500.00	
C	G		99-3-103		00	158,749.00	148,749.00	94%				140,840.00	140,840.00	46,880.00	
C	G		99-3-104		00	183,000.00	164,200.00	90%				91,500.00	91,500.00	30,500.00	
C	G		99-3-105	Joseph Imlach	00	251,828.00	126,491.00	50%				56,770.00	56,770.00	19,500.00	
C	G		99-3-107		00	323,054.00	287,540.00	89%				27,306.50	27,306.50	9,235.50	
C	G		99-4-113		00	67,214.00	60,193.00	90%				313,500.00	313,500.00	104,500.00	
C	G		99-4-116		00	845,425.00	760,883.00	90%				1,413,241.50	1,413,241.50	468,411.50	
C	G		99-4-116		00	1,567,922.00	1,562,922.00	100%				2,344,383.00	2,344,383.00	781,461.00	
						35,510,453.00	29,815,076.00	84%	1,899,315.00	1,810,381.00	279,934.00	299,345.00	39,622,441.50	6,491,186.50	13,007,850.50

Notes:
 0 = Income may be received from grant income as a result of the project
 S = Fiscal year 2000
 B = Fiscal year 2001
 R = Fiscal year 2002
 W = Fiscal year 2003
 X = Fiscal year 2004
 Y = Fiscal year 2005
 Z = Fiscal year 2006
 A = Fiscal year 2007
 B = Fiscal year 2008
 C = Fiscal year 2009
 D = Fiscal year 2010
 E = Fiscal year 2011
 F = Fiscal year 2012
 G = Fiscal year 2013
 H = Fiscal year 2014
 I = Fiscal year 2015
 J = Fiscal year 2016
 K = Fiscal year 2017
 L = Fiscal year 2018
 M = Fiscal year 2019
 N = Fiscal year 2020
 O = Fiscal year 2021
 P = Fiscal year 2022
 Q = Fiscal year 2023
 R = Fiscal year 2024
 S = Fiscal year 2025
 T = Fiscal year 2026
 U = Fiscal year 2027
 V = Fiscal year 2028
 W = Fiscal year 2029
 X = Fiscal year 2030
 Y = Fiscal year 2031
 Z = Fiscal year 2032
 A = Fiscal year 2033
 B = Fiscal year 2034
 C = Fiscal year 2035
 D = Fiscal year 2036
 E = Fiscal year 2037
 F = Fiscal year 2038
 G = Fiscal year 2039
 H = Fiscal year 2040
 I = Fiscal year 2041
 J = Fiscal year 2042
 K = Fiscal year 2043
 L = Fiscal year 2044
 M = Fiscal year 2045
 N = Fiscal year 2046
 O = Fiscal year 2047
 P = Fiscal year 2048
 Q = Fiscal year 2049
 R = Fiscal year 2050

SB 173 ASTF/BIDCO/International Trade

Testimony by Edgar Blatchford, Commissioner Alaska Department of Community & Economic Development to the Senate Finance Committee

9 April 2003

- The bill repeals the existing AS 37.17 statutes that create the Alaska Science and Technology Foundation (ASTF) and programs it administers: foundation grants and the BIDCO (Business and Industrial Development Corporation) assistance program.
- The statute creating the international trade and business endowment in the ASTF is also repealed.
- Subject to appropriation, the bill provides for the transfer to the general fund of the money remaining in the ASTF endowment fund and in the international trade and business endowment.
- Oversight administration of existing ASTF grants and BIDCO assistance program loans and other financial assistance would be transferred to the Alaska Industrial and Export Authority.
- A new BIDCO assistance program, very similar to the repealed BIDCO assistance program is established and administered by the Department of Community and Economic Development (DCED).
- ASTF was created in 1988 with an endowment of more than \$100 million to support grants for technology projects: knowledge projects, small business innovation research bridging grants and direct grants to teachers. Through its endowment, ASTF has generated about \$126 million in income for distribution. Between 1988 and 2002, one half the endowment income -- \$63 million -- has been appropriated and spent for "non-ASTF purposes":
 - \$35 million for University of Alaska operations, Alaska Aerospace Development Corporation (AADC) operations, and Trade and Development operations;
 - \$17 million was appropriated to the state general fund; and
 - \$11 million was used to match federal funding for construction of AADC's \$39 million Kodiak Launch Complex.
- The remaining \$63 million was distributed by the ASTF board over the last 14 years:
 - \$25 million in technology project grants;
 - \$10 million in knowledge project grants;
 - \$8 million to partners;
 - \$5 million to wiring K-12 schools and science museums or internet connectivity;
 - \$2 million in K-12 science and math teacher grants;
 - Contributions to the principal of the ASTF endowment (less than \$500,000); and
 - \$13 million in ASTF operations.
- In mid-March the Legislature passed and the Governor signed into law a supplemental appropriation reducing ASTF FY 2003 operations to amounts spent and obligated to date and included intent language to ASTF to wind down operations by May 15, 2003. The Governor's FY04 budget provided no funding for ASTF.
- Thank you for the opportunity to speak before you today and I urge you to support passage of SB173.

The Alaska Science and Technology Foundation

Governor Murkowski's FY04 budget eliminates the Alaska Science and Technology Foundation (ASTF) and returns the remainder of its assets - \$87 million- to the General Fund. A program designed to provide high risk capital grants is beyond what government should be doing at a time when the state is struggling to reduce its dependence on withdrawals from the Constitutional Budget Reserve and is reducing state services to Alaskans.

ASTF was created in 1988 with an endowment of \$100 million to support grants for technology projects, knowledge projects, small business innovation research bridging grants, and direct grants to teachers. Through its endowment, ASTF has generated about \$126 million in income for distribution. Between 1988 and 2002, one half the endowment income - \$63 million - has been appropriated and spent for "non-ASTF purposes":

- \$35 million for University of Alaska operations, Alaska Aerospace Development (AADC) Corporation operations, and International Trade and Development office operations;
- \$11 million was used to match federal funding for construction of the AADC's \$39 million Kodiak Rocket Launch Center; and
- \$17 million was appropriated to the state general fund.

See attached excerpt from the 2002 annual report.

Distributions to support core programs totaled: \$25 million in technology grants, \$10 million for other knowledge grants, \$8 million for business partners, and \$2 million in grants to math and science teachers. Foundation operating expenses totaled \$13 million, equal to 35% of the \$45 million spent for core purpose grants.

In mid-March the Legislature passed and the Governor signed into law a supplemental appropriation reducing ASTF FY 2003 operations to amounts spent and obligated to date and included instruction to ASTF to wind down operations by May 15th. The Governor's FY 2004 budget supports the Legislative directive - no funding is provided for ASTF.

While the ASTF was a noble idea, it has neither proven to be an essential or effective function of state government. Nevertheless it addressed an important function, the use of science and advanced technology to improve the economy of Alaska and the lives of Alaskans. With the elimination of ASTF, the Administration will support these important and legitimate functions and want to see them continue.

To achieve this objective, the Governor will establish by administrative order a Science Advisory Board. This board would work with governments, the private sector and higher education to strengthen the link between science and commercialization, to promote cooperation on issues of scientific importance, and to advise the Administration on policy issues related to scientific research and its applications. The Administration will work with current and former members of the ASTF Board of Directors to formulate specific goals for a new advisory board and pursue Federal Government funding.

ASTF has reported that each new job it has helped to create cost the state \$56,000. Grantees have reported gross revenues of \$29 million resulting from ASTF grants. The cost of each business started or helped that is still in business is \$300,000 per business. ASTF has no valid measurement for the effectiveness of educational grants showing student improvement.

The Following are examples of some of the grants the ASTF have issued in recent years to build Alaska:

- A 1999 grant of \$18,000 to the Alaskan Chopped Stick Factory in Fairbanks for assistance in mass production. We cannot find that the company exists in 2003;
- A 1997 grant of \$20,000 to test growing wild ginseng;
- A 1992 grant of \$17,529 to a man from **Florida** to develop a plastic prototype of a full-body shower system;
- A 1999 grant of \$19,986 to an **Oregon** foundation to study the use of discarded chum and pink salmon for human consumption; and
- A 1999 grant of \$1,265 to ALK Environmental of Batavia, **Ohio** to investigate the use of fish oil as an insect repellent.

- Alaska Carbon Fiber Boat Production – March 1995 grant of \$84,840 – to develop and test market boats from carbon fiber and isophthalic resins. Ended up being used as a voc-tec activity. No boats sold yet.

- Grant to Alaska Public Radio Network Feb. 1992 of \$19,500 – to develop a “Science Reporting Unit”



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G R O W T H

2002**ASTF's FINANCIAL STATUS****ENDOWMENT EARNINGS HAVE DECLINED**

Endowment earnings have declined beginning in FY99:

- ASTF's endowment is co-invested with the Alaska Permanent Fund; and,
- Earnings have significantly declined due to the stock market downturn and a smaller earnings base.

ASTF'S RESPONSE TO THE STOCK MARKET DOWNTURN

The ASTF Board reduced distributions in FY02 by:

- Reducing operations costs;
- Deferring consideration of new proposals;
- Reducing payments to partners;
- Prorating available earnings to ASTF, UA and AADC; and,
- Closely managing payments to existing grantees.

LEGISLATIVE APPROPRIATIONS FOR NON-ASTF PURPOSES

Over the last five years, the legislature appropriated \$14.2 million of ASTF's endowment earnings for non-ASTF purposes:

- \$11.4 million to the University of Alaska;
- \$2.3 million to Alaska Aerospace Development Corp.;
- \$0.5 million for DCED International Trade;
- In FY02, the ASTF Board prorated available income and paid \$1.1 million to UA and AADC equivalent to approximately 100 percent of its FY02 endowment earnings; and,
- For FY03, the legislature appropriated \$2.3 million to UA from the ASTF endowment.

EXPENDITURES FOR ASTF PURPOSES AND THE OVERALL ENDOWMENT VALUE HAVE DECLINED

Expenditures for ASTF purposes have declined and fallen short of legislative appropriations due to:

- The significant reduction in endowment earnings; and,
- Continued legislative appropriations for non-ASTF purposes.

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 3, 2003

The Honorable Gene Therriault
President of the Senate
Alaska State Legislature
State Capitol, Room 107
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating primarily to the Alaska Science and Technology Foundation (ASTF) and the programs it currently administers.

The bill would repeal the existing AS 37.17 statutes that create the ASTF, its endowment fund, and the programs it administers -- foundation grants and the BIDCO assistance program. The statute creating the international trade and business endowment in the ASTF also would be repealed. Subject to appropriation, the bill would provide for the transfer to the general fund of the money remaining in the ASTF endowment fund and in the international trade and business endowment.

Oversight administration of existing ASTF foundation grants and BIDCO assistance program loans and other financial assistance would be transferred to the Alaska Industrial Development and Export Authority. A new Alaska BIDCO assistance program, very similar to the repealed BIDCO assistance program, also would be established, to be administered by the Department of Community and Economic Development.

The bill also would make amendments in several other statutes to conform them to the changes described above.

I urge your prompt and favorable consideration of this bill.

Sincerely,

A handwritten signature in black ink that reads "Frank H. Murkowski".

Frank H. Murkowski
Governor

4/28/03

SB 173 ASTF

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QUESTIONS ONLY!

