

ALASKA LEGISLATURE

2711

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

277

SB 263

was referred to the
Senate Finance
Committee

No hearing was held
on this bill

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB263-DHSS-03-01-04
() Publish Date: _____

Revision Date/Time (Note if correction): Revised 3/4/04

Dept. Affected: Health & Social Services

Title EXTEND TERMINATION DATE OF
COMMISSION ON AGING

RDU Boards and Commissions

Component Commission on Aging

Sponsor DAVIS

Requester SENATE (L&C)

Component No. 2674

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	282.6	282.6	282.6	282.6	282.6	282.6
Travel	48.7	48.7	48.7	48.7	48.7	48.7
Contractual	80.3	80.3	80.3	80.3	80.3	80.3
Supplies	6.3	6.3	6.3	6.3	6.3	6.3
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	417.9	417.9	417.9	417.9	417.9	417.9

CAPITAL EXPENDITURES

CHANGE IN REVENUES (0)

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	48.8	48.8	48.8	48.8	48.8	48.8
1037 GF/Mental Health	7.6	7.6	7.6	7.6	7.6	7.6
Other(1007 Interagency Receipts)	268.6	268.6	268.6	268.6	268.6	268.6
Other(1092 MHTAAR)	92.9	92.9	92.9	92.9	92.9	92.9
TOTAL	417.9	417.9	417.9	417.9	417.9	417.9

Estimate of any current year (FY2004) cost: 407.7

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

POSITIONS

Full-time	4	4	4	4	4	4
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Alaska Commission on Aging (ACOA) is due to sunset on June 30, 2004. The ACOA is tasked with helping older Alaskans lead dignified, independent, and useful lives. ACOA is authorized to administer and coordinate state programs for older Alaskans and to administer federal programs funded under provisions of the Older Americans Act (OAA). The ACOA is required by federal regulations. Section 305 of the Older Americans Act requires each state to designate an agency as the sole state agency to 1) develop and administer a state plan and 2) coordinate all state activities related to the Older Americans Act and 3) serve as an effective and visible advocate for the elderly, and 4) distribute funds to individuals with the greatest economic or social need. The Department of Health and Social Services (DHSS) is designated as the sole

continued on Page 2.

Prepared by: Janet Clarke, Assistant Commissioner

Phone 465-1630

Division: Administrative Services

Date/Time 03/03/2004

Approved by: Joel S. Gilbertson, Commissioner

Date 03/04/2004

Agency: Department of Health and Social Services

FISCAL NOTE
FN #

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. SB263-DHSS-03-04-04

ANALYSIS CONTINUATION

state agency. The Division of Senior and Disabilities Services (DSDS) is responsible for coordinating all state activities and granting funds for older Alaskans. The ACOA has been charged with the responsibility of developing a state plan and working with the DSDS to implement the plan, and to serve as an effective advocate for the elderly. If the ACOA expires, the Department of Health and Social Services (DHSS) stands to lose \$13 million in federal dollars for senior services.

Extending the Commissioner does not have any fiscal impact since the funding in this fiscal note is reflected in the Governor's Amended budget proposal.

SB

267

SFIN

FILE

SB 267

was referred to the
Senate Finance
Committee

No hearing was held
on this bill

SB

271

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
MAR 23 2004
SENATE FINANCE
COMMITTEE

DATE: 2/18/04

FURTHER:

DATE TURNED IN TO OFFICE: 23 March 2004

Finance Committee considered SENATE BILL NO. 271

SB 271 NATURAL GAS DEVEL AUTHORITY PROJECTS

"An Act amending the purpose of the Alaska Natural Gas Development Authority to include planning, developing, constructing, managing, or operating an economically viable gas pipeline project from the North Slope of Alaska by a route that parallels the Trans Alaska Pipeline System or the Alaska Highway; authorizing evaluation of opportunities for private sector involvement in the project; amending requirements related to the Authority's preparation of a development plan; and providing for an effective date."

and recommends:

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

Senate Bill:
 Same Title
 New Title

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

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero.	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Revenue	7/16/04			✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Frank...</i>	✓			
<i>...</i>			✓	
<i>...</i>			✓	
<i>...</i>			✓	
COCHAIR: <i>Lynda Green</i>	✓			
COCHAIR: <i>...</i>	✓			

FISCAL NOTE

REPORTED OUT
MAR 23 2004
SENATE FINANCE
COMMITTEE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 271
(S) Publish Date: 2/18/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Natural Gas Dev Auth Projects RDU AK Natural Gas Dev Authority
Component AK Natural Gas Dev Authority
Sponsor Senator Ogan
Requester Senate Resources Component No. 2708

Expenditures/Revenues (Thousands of Dollars)

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

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

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

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

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*
**** This legislation expands the responsibility of the Alaska Natural Gas Development Authority to include the review of the economic viability of a gas pipeline by a route that parallels the Trans Alaska Pipeline System or the Alaska Highway to the Canadian border. The legislation also extends the deadline to January 1, 2005 for ANGDA to complete a development plan.

The State of Alaska is currently reviewing the economics of a gas pipeline to the Lower 48 through Canada. To reduce duplication the State will coordinate research on all gas pipeline options and provide ANGDA with any research it develops that may assist ANDGA in the fulfillment of its obligations. There may also be research that is appropriate for ANGDA to conduct and to provide that information to the State of Alaska.

Prepared by: Steve Porter, Deputy Commissioner Phone (907) 465-2365
Division Department of Revenue Date/Time 2/16/04 9:58 AM
Approved by: Steve Porter, Deputy Commissioner Date 2/16/2004
Agency Department of Revenue

SB 271 & SB 241

ANGDA work plan & supplementary funding request (\$2.15 million)

(Heinze on 2/16/04)

Covers major work areas related to:

- business structure for the lowest cost-of-service
- integrated analysis of the benefits to Alaska and Alaskans
- verification of key project design, cost, and schedule elements

Addresses all eleven elements listed in Ballot Measure 3 that must be included in the development plan

Interacts with State's consideration of the Stranded Gas applications:

- Help with the work (ie, benefits analysis)
- Provide a lower cost-of-service business alternative that help gas marketability
- Augment sponsors ability to provide gas and benefits to Alaskans
- Provides an alternative project for comparison (fall-back)

ANGDA is working with the Administration team to define and contract for most important ANGDA and Stranded Gas work efforts. Total funding requirement seems consistent with several alternative work emphasis scenarios. Timeline may slip depending on involvement with SGA applicants

Resolution of the ANGDA Board passed unanimously on Feb 9, 2004 in support of the Administration's proposal to combine efforts of State resources working on North Slope gas issues.

"The Board of the Alaska Natural Gas Development Authority supports the appropriation of \$3,000,000. in the remainder of FY 04 to the Department of Revenue for work related to bringing North Slope gas to market."

NO UNFUNDED MANDATES

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES



Alaska Division of Elections

INITIATIVE PETITION BILL LANGUAGE by Petition Sponsors

Petition ID: 01GSLN

The All-Alaskan Gasline Initiative:

An Act establishing the Alaska Natural Gas Development Authority,
to maximize revenues for Alaska and jobs and gas for Alaskans

Posted 9/20/01

Proposed Bill:

BE IT ENACTED BY THE PEOPLE OF THE STATE OF ALASKA:

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

FINDINGS AND INTENT. (a) The people find that

1. The Phillips-Marathon liquefaction facility at Nikiski has been supplying Cook Inlet natural gas to Japan and Southcentral Alaska at great profit and without interruption since 1969;
2. Cook Inlet gas supplies are dwindling rapidly with shortfalls anticipated as early as the winter of 2003;
3. Alaska's North Slope contains vast proven reserves of natural gas that have been known for at least 25 years but have never been developed;
4. these gas resources have never been offered for sale, because there has been no way to transport them to market;
5. multiple markets in North America and Asia have recently expressed an interest in receiving a proposal from Alaska for the purchase of Alaska gas;
6. if developed, these natural gas resources could represent substantial economic benefits to Alaskans in jobs, state revenue, and gas for Alaska citizens and businesses;
7. the major North slope leaseholders have competing gas reserves in other parts of the world vying for the same markets, creating a conflict of interest for them in advancing the sales of Alaska gas;
8. the North slope Producers agreed in 1991 to strand North Slope gas until at least 2005;
9. given the producer's conflicts of interest and their historic refusal to make North Slope natural gas available it may be necessary to take the gas back;
10. the permits necessary for an Alaskan gasline project have been pledged to the Alaska Natural Gas Development Authority, operating as a port authority, to facilitate the development of the project;

11. there is sufficient gas for an all-Alaskan gasline project;
12. the Alaska Natural Gas Development Authority offers substantial tax benefits that improve the economics of a gasline project;
13. state ownership of the pipeline and associated facilities has the potential to provide substantial revenues to the state and the Alaska Permanent Fund; and
14. Alaska's constitution requires that Alaska's resources are developed, utilized, and conserved for the maximum benefit of Alaska's people.
15. an all-Alaskan gasline maximizes jobs for Alaskans, revenues for the Alaskan treasury, and access to gas for Alaskans.

(b) It is the intent of this Act to create the All-Alaskan Natural Gas Development Authority for the purpose of developing, constructing, managing, and operating a gas pipeline from the North Slope of Alaska and a spur line to the Southcentral Alaska natural gas distribution grid.

*Sec. 2. AS 41 is amended by adding a new chapter to read:

Chapter 41. Alaskan Natural Gas Development Authority.
Article 1. Establishment of the Authority.

Sec. 41.41.010. Establishment of the authority. (a) There is established the Alaska Natural Gas Development Authority, the purpose of which is to provide one or more of the following services and functions in order to bring natural gas from the North Slope to market, including

1. the acquisition and conditioning of North Slope natural gas;
2. the design and construction of the pipeline system;
3. the operation and maintenance of the pipeline system;
4. the design, construction, operation, of other facilities necessary for delivering the gas to market and to Southcentral Alaska; and
5. the acquisition of natural gas market share sufficient to ensure the long-term feasibility of the pipeline system project.

(b) The authority is a public corporation and an instrumentality of the state within the Department of Revenue.

(c) The authority has a legal existence independent of and separate from the state.

(d) The acquisition of natural gas from the North Slope and its delivery to tidewater for shipment to market by the authority is an essential government function of the state.

(e) The authority may not be terminated as long as it has bonds, notes, or other obligations outstanding.

Sec. 41.41.020. Authority governing body. (a) The authority shall be governed by a board of directors consisting of seven members from the general public appointed by the Governor and confirmed by the legislature.

(b) The board shall annually elect a chair, and may elect other officers, from among its members.

Sec. 41.41.030. Term of office. (a) The members of the board shall be appointed for terms of three years, and they may be reappointed.

(b) The terms of the members shall be staggered.

Sec. 41.41.040. Removal and vacancies. (a) The governor may remove a member of the board from office. A removal must be in writing and must state the reason for the removal. A member who is removed may not participate in board business and may not be counted for purposes of establishing a quorum after the member receives written notice of removal. A member who is removed is not entitled to honoraria, per diem, or travel expenses authorized under AS 41.41.060 for work performed after the member receives the written notice of removal.

(b) The governor shall promptly fill a vacancy on the board by appointment. An appointee to a vacancy shall hold office for the balance of the term for which the appointee's predecessor on the board was appointed.

(c) A vacancy on the board does not impair the authority of a quorum of the board to exercise all the powers and perform all the duties of the board.

Sec. 41.41.050. Quorum and voting. Four members of the board constitute a quorum for the transaction of business and the exercise of the powers and duties of the board. Action may be taken only upon the affirmative vote of a majority of the full membership of the board.

Sec. 41.41.060. Compensation of board members; per diem and travel expenses. Members of the board are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

Sec. 41.41.070. Authority staff. (a) The board may employ and determine the salary of a chief executive officer.

(b) The chief executive officer may, with the approval of the board, select and employ additional staff as necessary.

(c) An employee of the authority, including the chief executive officer, may not be a member of the board. The chief executive officer and the other employees of the board are in the exempt service under AS 39.25.110.

(d) In addition to its employees, the authority may contract for and engage the services of bond counsel, consultants, experts, and financial advisors the corporation considers necessary for the purpose of developing information, furnishing advice, or conducting studies, investigations, hearings, or other proceedings.

Sec. 41.41.080. Legal counsel. The attorney general

1. is the legal counsel for the authority;
2. shall advise the authority in legal matters; and
3. shall represent the authority in legal actions.

Sec. 41.41.090. Conflicts of interest. (a) Members of the board and the chief executive officer of the authority are subject to the provisions of AS 39.50.

(b) If a member of the board or an employee of the authority acquires, owns, or controls an interest, direct or indirect, in an entity or project in which assets of the authority are invested, the member shall immediately disclose the interest to the board. The disclosure is a matter of public record and shall be included in the minutes of the first board meeting following the disclosure.

Sec. 41.41.100. Budget. The revenue earned by operations of the authority must be identified as the source of the operating budget of the authority in the state's operating budget under AS 37.07 (Executive Budget Act).

Sec. 41.41.110. Audits. The Legislative Budget and Audit Committee may provide for an annual post audit and annual operational and performance evaluations of the authority's operations and budget.

Sec. 41.41.120. Reports and publications. (a) By September 30 of each year, the board shall publish a report of the authority for distribution to the governor and the public. The board shall notify the legislature that the report is available.

(b) The report must include financial statements audited by independent outside auditors and a statement of the amount of money received by the authority from its operations during the period covered.

Sec. 41.41.130. Tax exemption. The security instruments issued by the authority, the transfer of the security instruments, and the income on the security instruments are exempt from all taxes and assessments in the state.

Sec. 41.41.140. Political activities. The resources of the authority may not be used to finance or influence political activities.

Sec 41.41.150. Public access to information. (a) Information in the possession of the authority is a public record, except that information that discloses the particulars of the business or affairs of a private enterprise or investor is confidential and is not a public record for purposes of AS 40.25.110 - 40.25.140. Confidential information may be disclosed only for the purposes of an official law enforcement investigation or when its production is required in a court proceeding.

(b) The restrictions of (a) of this section do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports, items, persons, or enterprises.

Article 2. Powers of the Authority.

Sec. 41.41.200. Powers of the authority. In furtherance of its corporate purposes, in addition to its other powers, the authority may

1. sue and be sued;
2. adopt a seal;
3. adopt, amend, and repeal bylaws and regulations;
4. make and execute contracts and other instruments;
5. in its own name acquire property, lease, rent, convey, or acquire real and personal property; a project site or part of a project site may be acquired by eminent domain;
6. acquire natural gas supplies;
7. issue bonds and otherwise incur indebtedness in accordance with AS 41.41.300 - 41.41.410 in

- order to pay the cost of a project;
8. accept gifts, grants, or loans from and enter into contracts or other transactions regarding gifts, grants, or loans with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other source;
 9. enter into contracts or agreements with a federal agency, agency or instrumentality of the state, municipality, or public or private individual or entity, with respect to the exercise of its powers;
 10. charge fees or other forms of remuneration for the use of authority properties and facilities;
 11. defend and indemnify a current or former member of the board or an employee or agent of the authority against the costs, expenses, judgments, and liabilities as a result of actions taken in good faith on behalf of the authority; and
 12. purchase insurance to protect its assets, services, and employees against liabilities that may arise from authority operations and activities.

Article 3. Revenue Bonds and Notes.

Sec. 41.41.300. Bonds and notes of the authority. (a) The authority, by resolution, may issue revenue bonds and bond anticipation notes in order to provide funds to carry out the purposes set out in AS 41.41.010(a).

(b) The principal and interest on the revenue bonds or notes authorized and issued under (a) of this section are payable from authority funds. Bond anticipation notes may be payable from the proceeds of the sale of bonds or from the proceeds of the sale of other bond anticipation notes or, in the event bond or bond anticipation note proceeds are not available, the notes may be paid from other funds or assets of the authority.

(c) Bonds or notes may be additionally secured by a pledge of a grant or contribution from the federal government, or a corporation, association, institution, or person, or a pledge of money, income, or revenues of the authority from any source.

(d) Bonds or bond anticipation notes of the authority may be issued in one or more series and shall be dated, bear interest at the rate or rates per year or within the maximum rate, be in the denomination, be in the form, either coupon or registered, carry the conversion or registration provisions, have the rank or priority, be executed in the manner and form, be payable at the times, from the sources, and in the medium of payment and place or places within or outside the state, be subject to authentication by a trustee or fiscal agent, and be subject to the terms of redemption with or without premium, as the resolution of the authority may provide. Bond anticipation notes shall mature at the time or times that are determined by the authority. Bonds shall mature at a time not exceeding a number of years from their date that is determined by the authority. Before the preparation of definitive bonds or bond anticipation notes, the authority may issue interim receipts or temporary bonds or bond anticipation notes, with or without coupons, exchangeable for bonds or bond anticipation notes when these definitive bonds or bond anticipation notes have been executed and are available for delivery.

(e) Bonds or bond anticipation notes may be sold in the manner and on the terms the authority determines.

(f) If an officer whose signature or a facsimile of whose signature appears on a bond, note, or coupon attached to them ceases to be an officer before the delivery of the bond, note, or coupon, the signature or facsimile is valid to the same extent as if the officer had remained in office until delivery.

Sec. 41.41.310. Covenants. In a resolution of the authority authorizing or relating to the issuance of bonds or bond anticipation notes, the authority has power by provisions in the resolution that will constitute covenants of the authority and contracts with the holders of the bonds or bond anticipation notes to

1. pledge to a payment or purpose all or a part of its revenues to which its right then exists or may thereafter come into existence, and the money derived from the revenues, and the proceeds of bonds or notes;
2. covenant as to the use and disposition of payments of principal or interest received by the authority on loans or other investments held by the authority;
3. covenant as to establishment of reserves or sinking funds and the making of provision for and the regulation and disposition of the reserves or sinking funds;
4. covenant with respect to or against limitations on a right to sell or otherwise dispose of property of any kind;
5. covenant as to bonds and notes to be issued, and their limitations, terms, and conditions, and as to the custody, application, and disposition of the proceeds of the bonds and notes;
6. covenant as to the issuance of additional bonds or notes, or as to limitations on the issuance of additional bonds or notes and the incurring of other debts;
7. covenant as to the payment of the principal of or interest on the bonds or notes, as to the sources and methods of the payment, as to the rank or priority of the bonds or notes with respect to a lien or security, or as to the acceleration of the maturity of the bonds or notes;
8. for the replacement of lost, stolen, destroyed, or mutilated bonds or notes;
9. covenant as to the redemption of bonds or notes and privileges of their exchange for other bonds or notes of the authority;
10. covenant to create or authorize the creation of special funds of money to be held in pledge or otherwise for operating expenses, payment or redemption of bonds or notes, reserves, or other purposes;
11. establish the procedure, if any, by which the terms of a contract or covenant with or for the benefit of the holders of bonds or notes may be amended or abrogated, the amount of bonds or notes the holders of which must consent to amendment or abrogation, and the manner in which the consent may be given;
12. covenant as to the custody of property or investments, their safekeeping and insurance, and the use and disposition of insurance money;
13. agree with a corporate trustee that may be a trust company or bank having the powers of a trust company within or outside the state as to the pledging or assigning of revenue or funds to which or in which the authority has rights or an interest; the agreement may further provide for other rights and remedies exercisable by the trustee as may be proper for the protection of the holders of a bond or note of the authority and not otherwise in violation of law and may provide for the restriction of the rights of an individual holder of bonds or notes of the authority;
14. appoint and provide for the duties and obligations of a paying agent or paying agents or other fiduciaries as the resolution may provide within or outside the state;
15. limit the rights of the holders of a bond or note to enforce a pledge or covenant securing the bonds or notes;
16. make covenants other than and in addition to the covenants expressly authorized in this section of like or different character, and to make covenants to do or refrain from doing acts and things as may be necessary or convenient and desirable in order to better secure bonds or notes or that, in the absolute discretion of the authority, will tend to make bonds or notes more marketable, notwithstanding that the covenants, acts, or things may not be enumerated in this section.

Sec. 41.41.320. Limitations of issuance of bonds. (a) The authority may not issue bonds in an amount that exceeds the amount of bonds authorized to be issued by the legislature.

(b) This section does not apply to the issuance by the authority of refunding bonds or to the issuance by the authority of bonds the proceeds of which are intended to be used to refinance the loans held by the authority.

Sec. 41.41.330. Independent financial advisor. In negotiating the private sale of bonds or bond anticipation notes to an underwriter, the authority may retain a financial advisor. A financial advisor retained under this section must be independent from the underwriter.

Sec. 41.41.340. Validity of pledge. (a) The pledge of assets or revenue of the authority to the payment of the principal or interest on an obligation of the authority is valid and binding from the time the pledge is made, and the assets or revenue become immediately subject to the lien of the pledge without physical delivery or further act. The lien of a pledge is valid and binding against all parties having claims in tort, contract, or otherwise against the authority, irrespective of whether those parties have notice of the lien of the pledge.

(b) This section does not prohibit the authority from selling assets subject to a pledge, except that a sale may be restricted by the trust agreement or resolution providing for the issuance of the obligations.

Sec. 41.41.350. Capital reserve funds. (a) For the purpose of securing one or more issues of its obligations, the authority may establish one or more special funds, called "capital reserve funds," and shall pay into those capital reserve funds (1) money appropriated and made available by the state for the purpose of those funds, (2) proceeds of the sale of its obligations, to the extent provided in the resolution or resolutions of the authority authorizing their issuance, and (3) other money that may be made available to the authority for the purpose of those funds from another source. All money held in a capital reserve fund, except as provided in this section, shall, subject to appropriation, be used as required solely for the payment of the principal of obligations or of the sinking fund payments with respect to those obligations; the purchase or redemption of obligations; the payment of interest on obligations; or the payment of a redemption premium required to be paid when those obligations are redeemed before maturity. However, money in a fund may not be withdrawn from that fund at any time in an amount that would reduce the amount of that fund to less than the capital reserve requirement set out in (b) of this section, except for the purpose of making, with respect to those obligations, payment, when due, of principal, interest, redemption premiums, and the sinking fund payments for the payment of which other money of the authority is not available. Income or interest earned by, or increment to, a capital reserve fund due to the investment of the fund or other amounts in it may be transferred by the authority to other funds or accounts of the authority to the extent that the transfer does not reduce the amount of the capital reserve fund below the capital reserve fund requirement.

(b) If the authority decides to issue obligations secured by a capital reserve fund, the obligations may not be issued if the amount in the capital reserve fund is less than a percent, not exceeding 10 percent, of the principal amount of all of those obligations secured by that capital reserve fund then to be issued and then outstanding in accordance with their terms, as may be established by resolution of the authority, called the "capital reserve fund requirement," unless the authority, at the time of issuance of the obligations, deposits in the capital reserve fund from the proceeds of the obligations to be

issued or from other sources an amount that, together with the amount then in the fund, will not be less than the capital reserve fund requirement.

(c) In computing the amount of a capital reserve fund for the purpose of this section, securities in which all or a portion of the funds are invested shall be valued at par or, if purchased at less than par, at amortized costs as the term is defined by resolution of the authority authorizing the issue of the obligations or by some other reasonable method established by the authority by resolution. Valuation on a particular date must include the amount of interest earned or accrued to that date.

(d) To assure the continued operation and solvency of the authority for the carrying out of its corporate purposes, provision is made in (a) of this section for the accumulation in capital reserve funds of an amount equal to their capital reserve fund requirement.

(e) The chair of the authority shall annually, not later than January 2, make and deliver to the governor and chairs of the house and senate finance committees a certificate stating the sum, if any, required to restore a capital reserve fund to the capital reserve fund requirement. The legislature may appropriate that sum, and all sums appropriated during the current fiscal year by the legislature for the restoration shall be deposited by the authority in the appropriate capital reserve fund.

(f) This section does not create a debt or liability of the state.

Sec. 41.41.360. Remedies. A holder of obligations or coupons attached to them issued under the provisions of this chapter, and a trustee under a trust agreement or resolution authorizing the issuance of the obligations, except as restricted by a trust agreement or resolution, either at law or in equity, may enforce all rights granted hereunder or under the trust agreement or resolution, or under another contract executed by the authority under this chapter, and may enforce and compel the performance of all duties required by this chapter or by the trust agreement or resolution to be performed by the authority or by an officer of it.

Sec. 41.41.370. Negotiable instruments. All obligations and interest coupons attached to them are negotiable instruments under the laws of this state, subject only to applicable provisions for registration.

Sec. 41.41.380. Obligations eligible for investment. Obligations issued under the provisions of this chapter are securities in which all public officers and public bodies of the state and its political subdivisions, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees, and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. These obligations may be deposited with a state or municipal officer of an agency or political subdivision of the state for a purpose for which the deposit of bonds, notes, or obligations of the state is authorized by law.

Sec. 41.41.390. Refunding bonds. (a) The authority may provide for the issuance of refunding bonds for the purpose of refunding an obligation then outstanding that has been issued under the provisions of this chapter, including the payment of redemption premium on them and interest accrued or to accrue to the date of redemption of the obligations. The issuance of the bonds, the maturities and other details of them, the rights of the holders of them, and the rights, duties, and obligations of the authority in respect of them are governed by the provisions of this chapter that relate to the issuance of obligations insofar as those provisions may be appropriate.

(b) Refunding bonds may be sold or exchanged for outstanding bonds issued under this chapter, and, if sold, the proceeds may be applied, subject to appropriation and in addition to another authorized purpose, to the purchase, redemption, or payment of the outstanding obligations. Pending the application of the proceeds of refunding bonds, with any other available funds, to the payment of the principal, accrued interest, and redemption premium on the obligations being refunded, and, if so provided or permitted in the resolution authorizing the issuance of the refunding bonds or in the trust agreement securing them, to the payment of any interest on the refunding bonds and expenses in connection with the refunding, the proceeds may be invested in direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States that mature or that will be subject to redemption, at the option of the holders of them, not later than the respective dates when the proceeds, together with the interest accruing on them, will be required for the purposes intended.

Sec. 41.41.400. Credit of state not pledged. (a) Obligations issued under the provisions of this chapter do not constitute a debt, liability, or obligation of the state or of a political subdivision of the state or a pledge of the faith and credit of the state or of a political subdivision of the state but are payable solely from the revenue or assets of the authority. Each obligation issued under this chapter must contain on its face a statement that the authority is not obligated to pay it or the interest on it except from the revenue or assets of the authority and that neither the faith and credit nor the taxing power of the state or of a political subdivision of the state is pledged to the payment of the principal of or the interest on the obligation.

(b) Expenses incurred by the authority in carrying out the provisions of this chapter are payable from funds provided under this chapter, and liability may not be incurred by the authority in excess of these funds.

Sec. 41.41.410. Officers not liable. A member or other officer of the authority is not subject to personal liability or accountability by reason of having executed or issued an obligation.

Article 4. Property of the Authority.

Sec. 41.41.450. Property of the authority. The authority may acquire, by purchase, lease, or gift, upon terms that it considers proper, land, structures, real or personal property rights, rights-of-way, franchises, easements, and other interests in land it considers necessary or convenient for the financing of the project or a part of the project.

Article 5. Project Construction.

Sec. 41.41.500. Contract terms relating to use of Alaska resources. (a) The authority shall enter into one or more prehire project term agreements with labor organizations that (1) contain no-strike clauses; and (2) secure timely completion of the project and maximum employment opportunities for state residents.

(b) To maximize the economic benefits of the project to Alaskan businesses, the authority shall use Alaska contractors and suppliers to the maximum extent possible to take advantage of the Alaska experience in Arctic engineering and construction.

Article 6. General Provisions.

Sec. 41.41.900. Tax exemption. All obligations issued under this chapter are declared to be issued

by a body corporate and public of the state and for an essential public and governmental purpose, and the obligations, and the interest and income on and from the obligations, and all fees, charges, funds, revenues, income, and other money pledged or available to pay or secure the payment of the obligations, or interest on the obligations, are exempt from state taxation except for transfer, inheritance, and estate taxes.

Sec. 41.41.990. Definitions. In this chapter,

1. "authority" means the Alaska Natural Gas Development Authority;
2. "board" means the board of directors of the Alaska Natural Gas Development Authority;
3. "project" means the gas transmission pipeline, together with all related property and facilities, to extend from the Prudhoe Bay area on the North Slope of Alaska to tidewater at a point on Prince William Sound and the spur line from Glennallen to the Southcentral gas distribution grid, and includes planning, design, and construction of the pipeline and facilities as described in AS 41.41.010(a)(1) - (5).

*Sec. 3. AS 39.25.110(11) is amended by adding a new subparagraph to read:

(G) Alaska Natural Gas Development Authority;

*Sec. 4. AS 39.50.200(b) is amended by adding a new paragraph to read:

(57) the board of directors and chief executive officer of the Alaska Natural Gas Development Authority (AS 41.41.020).

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

DEVELOPMENT OF PROJECT PLAN. Not later than one year after the first meeting of the board of directors of the Alaska Natural Gas Development Authority, the board shall produce a development plan. The development plan must include

1. estimates of construction costs and timelines;
2. gas procurement prices;
3. use of the state's royalty gas;
4. estimates of revenue to the general fund and the Alaska permanent fund;
5. a revenue sharing plan with municipal governments;
6. a plan for delivery and pricing of natural gas to communities along the pipeline route and to Southcentral Alaska through a spur line;
7. a plan for delivery and pricing of LNG to Yukon River and coastal communities;
8. a payment schedule to companies providing permits or other valuable assets;
9. a marketing plan to approach potential buyers;
10. a plan to maximize Alaskan hire, including project labor agreements; and
11. a plan to ensure meeting the highest environmental and safety standards, including a citizens advisory council.
12. The goal of the authority is to have the Alaskan gas line in full production by 2007.

*Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section to read:

INITIAL APPOINTMENTS OF MEMBERS OF ALASKA NATURAL GAS DEVELOPMENT

AUTHORITY BOARD OF DIRECTORS. Of the members first appointed under AS 41.41.020(a), enacted by sec. 2 of this Act,

1. three members shall be appointed to three-year terms;
2. two members shall be appointed to two-year terms; and
3. two members shall be appointed to one-year terms.



Initiative Petition Status Report



Alaska Division of Elections Home Page

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

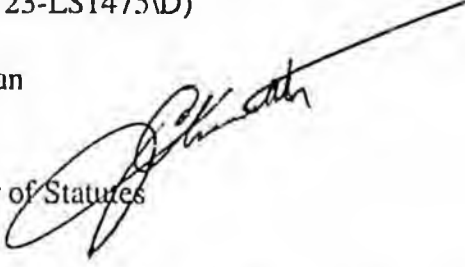
MEMORANDUM

January 22, 2004

SUBJECT: Senate Bill 271, amending material added by the Alaska Natural Gas Development Authority initiative -- sectional analysis (Work Order No. 23-LS1475\D)

TO: Senator Scott Ogan

FROM: Jack Chenoweth,
Assistant Revisor of Statutes



Linda Hay has requested a sectional analysis of the above-captioned bill. The measure addresses material added by the Alaska Natural Gas Development Authority initiative. The authority was established by initiative approved at the November 2002 general election to build a gas pipeline to tidewater and to market North Slope natural gas.

Bill section 3: The amendment made to AS 41.41.990(3) is the measure's principal substantive change. It amends the definition used in the Alaska Natural Gas Development Authority chapter to define the "project" to add the alternative of a route that parallels the TransAlaska Pipeline System or the Alaska Highway to the Canadian border, at which point the pipeline would interconnect with a TransCanada line. The amendment makes a conforming change by eliminating a specific reference to completion of a spur line from a point of origin in Glennallen to service the Southcentral gas distribution grid; while the inclusion of reference to a spur line remains part of the definition of the project, the spur line could originate at any appropriate point.

Bill section 1 adds a series of findings supportive of the changes proposed in the legislation.

Bill section 2, amending AS 41.41.010(d), makes a conforming change by eliminating reference to a delivery to tidewater for onward shipment; subsection (d) otherwise retains reference to the authority's ability to acquire North Slope natural gas for delivery to market as "an essential government function of the state."

Bill section 4: The 2002 Alaska Natural Gas Development Authority initiative included an interim provision directing the Authority's board to prepare a development plan within one year (or at a point later in this calendar year). The changes made in the bill section (1) delay the deadline to meet that requirement to January 1, 2005, so that the Authority's directors may respond to the new duties assigned in the bill, (2) direct the development of separate plans, and (3) add, as a further requirement, an evaluation of private sector

Senator Scott Ogan
January 22, 2004
Page 2

opportunities associated with planning, development, construction, management, and operation of the pipeline projects.

Bill section 5 gives these changes an immediate effective date.

JBC:med
04-070.med

SENATOR SCOTT OGAN

23RD Alaska State Legislature



Senate District H Lazy Mountain * Butte * Chugiak * Peters Creek * Fairview Loop
Knik-Goose Bay * Big Lake * Houston * Willow * Talkeetna * Trapper Creek

State Capitol, Room 103, Juneau Alaska 99801 * (907) 465-3878 * 1 (800) 862-3878 *
Fax (907) 465-3265

Senator_Scott_Ogan@legis.state.ak.us

[Http://www.akrepublicans.org/ogan](http://www.akrepublicans.org/ogan)

SPONSOR STATEMENT

SB 271 Natural Gas Development Authority Projects

SB 271 was introduced to expand the scope of the Alaska Natural Gas Development Authority (ANGDA) to include planning, developing, constructing, managing or operating an economically viable gas pipeline project from the North Slope to the Canadian Boarder. This approach also asks ANGDA to evaluate opportunities for private sector involvement in the project. With the recent announcement of applications by independent and producer pipeline operators under The Stranded Gas Act, SB 271 could be a key component to a link with existing infrastructure in Canada.

As one of the legislators that introduced the original legislation eventually passed by a voter initiative, I feel it was an omission to not allow for more private sector risk when considering this project. Under this bill, a private sector investor, constructor and or operator could build and operate the pipeline either to tidewater, the Canadian border or both. State ownership would give the advantage of tax-free status but the private sector would shoulder the risk in areas that the state traditionally should not undertake. Tax-free ownership dramatically changes the economics of a project.

SB 271 is project sponsor neutral, as all parties interested in bringing Alaska's North Slope Gas to market, could utilize this process. I think this makes LNG to tidewater a more viable project if the LNG line could piggyback off of the preplanned infrastructure of a route that parallels the Trans Alaska Pipeline System or the Alaska Highway.

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 1/21/04

FURTHER: Finance

Date of 5-Day Notice: 1/22/04
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 2-17-04

Resources Committee considered SENATE BILL NO. 271

SB 271 NATURAL GAS DEVEL AUTHORITY PROJECTS

"An Act amending the purpose of the Alaska Natural Gas Development Authority to include planning, developing, constructing, managing, or operating an economically viable gas pipeline project from the North Slope of Alaska by a route that parallels the Trans Alaska Pipeline System or the Alaska Highway; authorizing evaluation of opportunities for private sector involvement in the project; amending requirements related to the Authority's preparation of a development plan; 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:	
<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#
Rev	7/16/04		✓		1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	No REC	AMEND
Seebins <i>Kepp Seebins</i>	✓			
Wagner <i>Thomas N. Wagner</i>	✓			
Lincoln <i>[Signature]</i>			✓	
Elton <i>[Signature]</i>			✓	
Plyson <i>[Signature]</i>	✓			
CHAIR: <i>[Signature]</i>	✓			

SB

272

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: May 6, 2004

FURTHER REFERRALS:

Date of Committee Action: 5/6/04

The FINANCE Committee considered:

CSSB 272(FIN)

CS FOR SENATE BILL NO. 272(FIN)

DEFERRED DEPOSIT ADVANCES (PAYDAY LOANS)

"An Act relating to certain monetary advances in which the deposit or other negotiation of checks to pay the advances is delayed until a later date; and providing for an effective date."

Recommends it be replaced with HCS or CS for _____ (_____)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of
Abbrev
for
Depts.:

- ADM
- CED
- COR
- CRT
- EED
- DEC
- DFG
- GOV
- HSS
- LEG
- LAW
- LWF
- MVA
- DNR
- DPS
- REV
- DOT
- UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
HRE for CED		✓		

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>		Printed Last Name	DP	DNP	NR	AM
		Hawk			X	
		Foster			X	
		Cheryl	X			
		Faye	✓			
		Foster	X			
		Meyer			X	
		Harris			+	

Vice Chair:

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB 272 (FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title Deferred Deposit Advances BRU Banking, Securities & Corp.
Component Banking, Securities & Corp.
Sponsor Sen. Rules
Requester House Finance Committee Component No. 1233

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	78.0	78.0	78.0	78.0	78.0	78.0
Travel	12.0	12.0	12.0	12.0	12.0	12.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	1.5	1.5	1.5	1.5	1.5	1.5
Equipment	4.0	4.0	4.0	4.0	4.0	4.0
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	95.5	95.5	95.5	95.5	95.5	95.5

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

CHANGE IN REVENUES ()	94.5	52.5	119.3	84.0	150.8	115.5
-------------------------------	-------------	-------------	--------------	-------------	--------------	--------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)	95.5	95.5	95.5	95.5	95.5	95.5
TOTAL	95.5	95.5	95.5	95.5	95.5	95.5

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						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation requires the Division of Banking, Securities and Corporations to license and supervise Alaska's payday lending establishments. The division anticipates two additional staff will be needed to implement these provisions.

Personal Services: One Financial Institution Examiner I working 3/4 time (\$46.3) and one Administrative Clerk III working 3/4 time (\$31.7) will conduct examinations of the new licensees. Regulation of these new licensees is expected to generate a significant number of consumer complaints and inquiries which will necessitate the need for a new clerk.

Prepared by:

Rep. Williams, Co-Chair

Rep. Harris, Co-Chair

Phone 465-3424

Date/Time 5/6/04 4:50 PM

Date 5/6/2004

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. _____

ANALYSIS CONTINUATION

STATE OF ALASKA BILL NO. HCS CSSB 272(FIN)
2004 LEGISLATIVE SESSION

ANALYSIS CONTINUATION

Travel: In-state and out-of-state travel to verify establishments have licenses and to examine licensed establishments

Contractual: There is no funding for contractual costs.

Supplies: Miscellaneous contractual expenses for two new employees (\$2.5)

Equipment: Computer equipment for new staff (\$4.0)

Change in Revenues: The total revenue for the first year would be an estimated \$94.5.

The division anticipates an increase in revenues (Receipt Supported Services/RSS) as a result of collecting new licensing fees required by this legislation. This estimate is based on the assumption that there are 20 establishments who will each pay \$3.0 for a biennial license which equates to \$60.0 in revenues on an annual basis in FY05. We estimate that the number of establishments would increase by 6 establishments in each of the next five years and then level off at 50 establishments.

The division also estimates there will be additional revenues collected to recover the cost of examining establishments for compliance with the provisions of this legislation. We estimate that we would recoup approximately \$1.125 per examination. This is based on the assumption that each examination would require an average of 15 examination hours at a cost of \$75 per hour. The division estimates that the cost of travel to be reimbursed will be \$12.0.

2004 HOUSE FINANCE
COMMITTEE VOTE SHEET

Motion to move bill
SB 272

DATE: 5.6.04

Amendment: _____

MEMBER	Favor	Oppose
FATE	✓	
FOSTER	✓	
HAWKER	✓	
JOULE		
MEYER	✓	
MOSES	✓	
STOLTZE	✓	
CHENAULT	✓	
CROFT		✓
HARRIS	✓	
WILLIAMS		

Yea 8

Nay 1

CS SB 272 (FIN)

5.6.04

Amendment 1

by Croft

Page 7, line 24

moved by Fate

Insert the following and renumber accordingly:

Failed 4-5

- (11) the total amount of fees received per AS 06.50.460;
- (12) the total amount of fees, costs, and other income received per AS 06.50.550;
- (13) the total number of recipients offered a payment plan;
- (14) the average length of the payment plans;
- (15) the total number of recipients whose payment obligation was assigned to a third party for collection;
- (16) the total number of recipients that had a court action initiated against them;

Fate
moved

amend Am # 1 include (13)-(16)
delete (11) + (12)

2004 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 5.6.04

Amendment to Amendment: #1 Croft
moved by Fate

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
CHENAULT		✓
CROFT	✓	
FATE	✓	
FOSTER		✓
HAWKER		✓
JOULE	✓	
MEYER		✓
MOSES	✓	
STOLTZE		✓
HARRIS		
WILLIAMS		

Yea 4

Nay 5

CS SB 272(FIN)

5.6.04

by Croft

Amendment 2

Page 10, line 28

Delete [TWO CONSECUTIVE TIMES]

Insert once

Failed 3-6

2004 HOUSE FINANCE COMMITTEE VOTE SHEET

Failed

DATE: 5.6.04

Amendment: # 2 Croft

MEMBER	Favor	Oppose
CROFT	✓	
FATE		✓
FOSTER		✓
HAWKER		✓
JOULE	✓	
MEYER		✓
MOSES	✓	
STOLTZE		✓
CHENAULT		✓
WILLIAMS		
HARRIS		

Yea 3

Nay 6

CS SB 272(FIN)

5.6.04

Amendment 3

by Croft

Page 4, line 4

Moved and
Withdrawn by

Delete [\$3,000]

Insert \$5,000

Rep. Hawker

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSSB 272(FIN)
 (S) Publish Date: 4/29/04

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Deferred Deposit Advances RDU Banking, Securities & Corporations (115)
 (Payday Loans) Component Banking, Securities & Corporations
 Sponsor Senate Rules
 Requester Senate Finance Component No. 1233

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	78.0	78.0	78.0	78.0	78.0	78.0
Travel	12.0	12.0	12.0	12.0	12.0	12.0
Contractual	35.0	45.0	50.0	55.0	65.0	70.0
Supplies	1.5	1.5	1.5	1.5	1.5	1.5
Equipment	4.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	130.5	136.5	141.5	146.5	156.5	161.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1156)	94.5	52.5	119.3	84.0	150.8	115.5
----------------------------------	-------------	-------------	--------------	-------------	--------------	--------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1156 Increase in Revenues (RSS)	130.5	136.5	141.5	146.5	156.5	161.5
TOTAL	130.5	136.5	141.5	146.5	156.5	161.5

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	2					
Part-time	0					
Temporary	0					

ANALYSIS: (Attach a separate page if necessary)

This legislation requires the Division of Banking, Securities and Corporations to license and supervise Alaska's payday lending establishments. The division anticipates two additional staff will be needed to implement these provisions.

Personal Services: One Financial Institution Examiner I working 3/4 time (\$46.3) and one Administrative Clerk III working 3/4 time (\$31.7) will conduct examinations of the new licensees. Regulation of these new licensees is expected to generate a significant number of consumer complaints and inquiries which will necessitate the need for a new clerk.

Prepared by: Mark Davis, Director Phone (907) 465-2521
 Division: Banking, Securities & Corporations Date/Time 4/28/04 6:29 PM
 Approved by: Edgar Blatchford, Commissioner Date 4/28/2004
 Agency: Department of Community & Economic Development

Amended Fiscal
note zeroing out
contractual in
FY 2005 — FY 2010

FISCAL NOTE #2

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSSB 272(FIN)

ANALYSIS CONTINUATION

Travel: In-state and out-of-state travel to verify establishments have licenses and to examine licensed establishments

Contractual: Hearings for applicants who file formal complaints regarding the denial of applications or revocation of a license (\$35.0), rent (\$1.2), and miscellaneous contractual expenses for two new employees (\$2.5)

Supplies: Miscellaneous contractual expenses for two new employees (\$2.5)

Equipment: Computer equipment for new staff (\$4.0)

Change in Revenues. The total revenue for the first year would be an estimated \$94.5.

The division anticipates an increase in revenues (Receipt Supported Services/RSS) as a result of collecting new licensing fees required by this legislation. This estimate is based on the assumption that there are 20 establishments who will each pay \$3.0 for a biennial license which equates to \$60.0 in revenues on an annual basis in FY05. We estimate that the number of establishments would increase by 6 establishments in each of the next five years and then level off at 50 establishments.

The division also estimates there will be additional revenues collected to recover the cost of examining establishments for compliance with the provisions of this legislation. We estimate that we would recoup approximately \$1.125 per examination. This is based on the assumption that each examination would require an average of 15 examination hours at a cost of \$75 per hour. The division estimates that the cost of travel to be reimbursed will be \$12.0.

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services
Department of Education & Early Development
State of Alaska

FISCAL NOTE #2

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSSB 272(FIN)

ANALYSIS CONTINUATION

Travel: In-state and out-of-state travel to verify establishments have licenses and to examine licensed establishments

Contractual: Hearings for applicants who file formal complaints regarding the denial of applications or revocation of a license (\$35.0), rent (\$1.2), and miscellaneous contractual expenses for two new employees (\$2.5)

Supplies: Miscellaneous contractual expenses for two new employees (\$2.5)

Equipment: Computer equipment for new staff (\$4.0)

Change in Revenues: The total revenue for the first year would be an estimated \$94.5.

The division anticipates an increase in revenues (Receipt Supported Services/RSS) as a result of collecting new licensing fees required by this legislation. This estimate is based on the assumption that there are 20 establishments who will each pay \$3.0 for a biennial license which equates to \$60.0 in revenues on an annual basis in FY05. We estimate that the number of establishments would increase by 6 establishments in each of the next five years and then level off at 50 establishments.

The division also estimates there will be additional revenues collected to recover the cost of examining establishments for compliance with the provisions of this legislation. We estimate that we would recoup approximately \$1.125 per examination. This is based on the assumption that each examination would require an average of 15 examination hours at a cost of \$75 per hour. The division estimates that the cost of travel to be reimbursed will be \$12.0.

SENATOR
JOHN J. COWDERY

Anchorage

Committees

Chair: Rules
Chair: Transportation
Chair: World Trade &
State/Federal Relations
Legislative Council
State Affairs



January - May:
State Capitol, Suite 101
Juneau, Alaska 99801-1182
Tel: 907-465-3879
Toll Free: 888-269-3879
Fax: 907-465-2069

May - December:
716 W. 4th Avenue
Anchorage, Alaska 99501
Tel: 907-269-0222
Fax: 907-269-0223

Senator_John_Cowdery@legis.state.ak.us

SPONSOR STATEMENT FOR SB 272

"An Act relating to certain monetary advances in which the deposit or other negotiation of certain instruments to pay the advances is delayed until a later date ..."

The deferred deposit advance industry, recognizing consumer demand for small, short-term credit, has rapidly expanded across the United States. Thirty-nine states and the District of Columbia specifically regulate this service; Alaska is currently unregulated.

The purpose of SB 272 is to regulate deferred deposit/payroll advance businesses in two ways. One is consumer protection – requiring reasonable fees and preventing predatory lending tactics. The second is to protect deferred deposit/payroll advance businesses from unreasonable regulatory burdens.

SB 272 proposes licensing and record-keeping requirements, limits on terms and the number of allowable renewals, fees, and reasonable limits on the amount of the advances. It would provide the consumer detailed information about the type of service and require full disclosure for all fees and costs incurred during the advance process.

Additionally, provisions of the bill create a next day "change of mind" provision allowing the consumer time to reconsider their decision for any reason. Also included is a requirement that the borrower be offered a repayment installment plan.

Additionally, SB 272 clearly states that businesses may not threaten customers with criminal action as a result of a payment deficit.

I urge your support for this legislation.

ALASKA STATE LEGISLATURE
SENATE DISTRICT 0

Interim:
716 West 4th Ave.
Anchorage, AK 99501
Phone: 907-269-0222
Fax: 907-269-0223
Toll Free: 1-888-269-3879



Session:
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Phone: 907-465-3879
Fax: 907-465-2069
Toll Free: 1-888-269-3879

John J. Cowdery
Senate Rules, Chair
Senate Transportation Committee, Chair
World Trade State & Federal Relations, Chair
State Affairs, Legislative Council

**Differences between the original bill (SB 272) and CS
(version LS1516\Q)**

1. \$500 cap (vs. \$1,000 cap in original bill)
2. Only 2 rollovers allowed (4 in original bill)
3. Lender must post a bond to get a license (no bond in original bill)
4. Lender will be subject to closer scrutiny by Division of Banking
5. Lender must offer consumer a payment plan option before initiating legal action to collect against a consumer in default, including sending a certified letter offering to assist consumer.
6. There is a \$700 cap on total damages lender can recover (in addition to face value of check) for collection efforts (\$1,000 in original bill).
7. Lender can only charge \$15 per \$100 loaned and NO OTHER FEES, CHARGES OR INTEREST OF ANY KIND (original bill allowed for additional interest).
8. There are specific disclosure requirements concerning fees, charges, penalties that were not in the original bill.
9. Language referring to \$25 NSF fee was changed to reflect possible changes in that amount, for example to \$30. So, new language refers to: "NSF fee allowed (by law)"

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 19, 2004

SUBJECT: Sectional summary of CSSB 272() relating to certain monetary advances (Work Order No. 23-LS1516\Q)

TO: Senator John Cowdery
Attn: Richard

FROM:  Theresa L. Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Adds licensees under the new chapter to the list of persons who are not covered by the authority of the Department of Community and Economic Development to authorize state financial institutions to exercise the powers of, or be subject to the limitations of, a federally chartered financial institution.

Section 2. Adds deferred deposit licensees to the definition of "financial institution" for the administration chapter of title on banks and financial institutions.

Section 3. Establishes a new chapter relating to deferred deposit advances.

Sec. 06.50.010. Requires a license for engaging in the business of making or offering deferred deposit advances.

Sec. 06.50.020. Lists the qualifications for a license.

Sec. 06.50.030. Requires an application for a license to be written, under oath, and on the Department's form, and identifies what it must include. Requires submission of an application fee and the bond required by sec. 06.50.040.

Sec. 06.50.040. Requires a bond. Sets the amount. Indicates what it must state regarding the obligation of the obligor. Requires the bond to remain in effect for three years after denial of a renewal of a license, or after the expiration of a license. Allows the department to require additional bonding if the filed bond is unsatisfactory.

Sec. 06.50.050. Directs the department to investigate the applicant and to issue the license if it finds the applicant satisfies the qualifications.

Sec. 06.50.060. Makes the requirements of certain statutes conditions precedent to the license.

Sec. 06.50.070. States that a license is valid for two calendar years.

Sec. 06.50.080. Indicates when and how a license is renewed.

Sec. 06.50.090. Requires the department to notify an applicant who is not qualified for a license or a license renewal. Allows for review of the denial under the Administrative Procedure Act. Requires a licensee to return a license to the department after the licensee receives notice that the denial of a renewal was upheld. When a license renewal is denied, or a license is surrendered, suspended, or revoked, subjects a licensee's accounts to this chapter until paid in full.

Sec. 06.50.200. Generally prohibits the transfer of a license, except to a new location.

Sec. 06.50.210. Requires the prior written approval of the department for a change in control of the licensee.

Sec. 06.50.220. Requires a licensee to notify the department before a proposed change in the business location or name.

Sec. 06.50.230. Allows a licensee to conduct other business at the licensed location except to evade or violate the chapter.

Sec. 06.50.300. Allows the department to suspend or revoke a license under certain conditions.

Sec. 06.50.310. Requires a licensee to file an annual report with the department. Lists what the report must include. Requires a licensee to file a report when certain events occur. Indicates that the department may consider one of the events to constitute grounds for suspension or revocation of a license.

Sec. 06.50.320. Requires a licensee to maintain its records at the location for which the licensee has the license. Establishes certain criteria for the records. Allows the department access to the records. Requires the licensee to retain advance records for two years after the last entry on the advance. Requires a licensee to retain advance records for at least two years after judgment in or settlement of a court action on the advance.

Sec. 06.50.330. Directs the department to examine the records of a licensee. Allows the department to examine a licensee's advances, business transactions, and records. Requires the licensee to provide the department with access to the licensee's offices,

places of business, and records. Requires a licensee to pay for an hourly examination rate. Gives the department certain other investigative powers. Allows the department to apply to the superior court to compel compliance with a subpoena or to compel testimony.

Sec. 06.50.400. Establishes certain requirements for advances, including a written signed agreement, a form approved by the department, certain disclosures, and prohibition of a particular waiver.

Sec. 06.50.410. Sets a maximum amount that a licensee may advance to one recipient at one time.

Sec. 06.50.420. Prohibits a licensee from inducing or permitting a recipient to divide advance amounts or to become indebted for more than one advance at one time in order to obtain more origination fees.

Sec. 06.50.430. Prohibits a licensee from accepting collateral or services as security or payment for an advance.

Sec. 06.50.440. Sets the minimum length of an advance.

Sec. 06.50.450. Prohibits a licensee from making an advance to someone acting on another's behalf.

Sec. 06.50.460. Establishes the fees that a licensee may charge. States that these fees are considered earned at the time of the advance and may not be prorated. Prohibits a fee to access the advance money.

Sec. 06.50.470. Sets the minimum term of an advance renewal. Prohibits renewing an advance more than two consecutive times. Prohibits a renewal fee from being greater than the fee under (a) of the section.

Sec. 06.50.480. Permits a recipient to rescind an advance without cause. Sets the conditions for the rescission.

Sec. 06.50.490. Prohibits requiring a recipient to agree to mandatory arbitration.

Sec. 06.50.500. Requires a licensee to post a notice in each business location that discloses the licensee's fees. Establishes some criteria for the notice.

Sec. 06.50.510. Requires a licensee to provide a disclosure statement before disbursing funds. States what the disclosure must contain.

Sec. 06.50.520. Indicates how a licensee may pay the advance amount to the recipient.

Sec. 06.50.530. Indicates how a recipient may repay an advance. States when the advance is paid in full. Prohibits a licensee from accepting payment from the proceeds of another advance by the same licensee.

Sec. 06.50.540. Sets the conditions for a licensee collecting certain fees when a recipient's payment is returned unpaid.

Sec. 06.50.550. When a recipient defaults, requires a licensee to take certain steps before assigning the payment obligation for collection and before initiating a court action. Allows a licensee to initiate a court action to recover damages and costs allowed under AS 09.68.115 if the licensee satisfies with certain conditions. Sets a maximum on the damages and costs that may be recovered.

Sec. 06.50.560. Prohibits a licensee from threatening a recipient with criminal action as a result of the recipient's default.

Sec. 06.50.600. Authorizes the department to adopt regulations for the chapter.

Sec. 06.50.610. Limits the application of the chapter if it is preempted by or conflicts with federal law. States that this chapter governs if it conflicts with another state law.

Sec. 06.50.900. Defines terms for the chapter.

Section 4. Adds the department's licensing and regulation of persons making advances to the administrative adjudication portion of the Administrative Procedure Act.

Section 5. Establishes some transitional provisions for the new chapter to cover current persons who are in the business of making advances.

Section 6. Establishes some transitional provisions for the department to start adopting regulations for the new chapter.

Section 7. Gives sec. 6 an immediate effective date.

Section 8. Gives secs. 1 - 5 an effective date.

If you may be of further assistance, please advise.

TLB:med
04-424.med

Facts and Fiction

Some consumer groups have fought the growth of the Deferred Deposit industry across the country calling us predatory lenders who prey on the poor and uneducated, charge ridiculous rates, and cause people to sink into a cycle of debt. The following is a response to that concern.

Fiction: Deferred Deposit/Payday Advance companies prey on poor, uneducated or older consumers.

Fact: Deferred Deposit customers represent the heart of the working middle class.

- Majority has income between \$25K and \$50K
- 72% are under 45 years old; only 2% are over 65, compared to 20% of the population
- 85% have a high school diploma or better, with 55% having some college or a degree
- 34% own their own homes
- 100% have a steady income and an active checking account (required for advances)

Facts and Fiction

Fiction: They charge outrageous rates.

Fact: Deferred Deposit Advance fees typically cost less than other alternatives.

- Bank/merchant fees on a bounced check can cost 2 times that of a \$100 advance
- APR's are often lower than customer's alternatives (on same 2 week term)
 - ▶ \$100 payday advance with \$15 fee = 365% APR
 - ▶ \$100 bounced check with \$47 NSF/merchant fees = 564% APR
 - ▶ \$100 utility bill with \$50 late/reconnect fees = 564% APR
 - ▶ \$100 credit card balance with \$29 late fee = 348% APR

Fiction: They force customers into a cycle of debt.

Fact: Most customers use Deferred Deposit Advances responsibly and moderately.

- It's a closed-end, short-term transaction with a one-time flat fee. No revolving debt and no additional fees or accruing interest if not paid when due
- 66% use Advances to cover unexpected expenses/temporary reduction in income
- 34% use it for planned expenses or other discretionary uses
- 60% either don't renew over a 12 month period or renew only 1-4 times
- Research and regulators confirm more than 70% use the service about once a month or less.

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

Facts and Fiction

Fiction: They take advantage of unsuspecting customers.

Fact: Deferred Deposit Advance customers make informed decisions and receive consumer protections under law.

- Millions choose Deferred Deposit Advances as a dignified, discreet solution for temporary cash flow problems without asking family for money
- 70% choose them for reasons of convenience (quick, easy, & fast approval)
- 96% are aware of the charges and 78% recalled it being disclosed as an APR
- 92% believe it is a useful service, only 12% were dissatisfied w/their last advance
- 35 States and the D.C. provide balanced, responsible regulation of Deferred Deposit Advances, most of them also providing the following:
 - ▶ Educational brochure that encourages consumer responsibility and warns against long-term use
 - ▶ Full disclosure on in-store signage and in Agreement (with TILA disclosure)
 - ▶ Privacy notice
 - ▶ Limit on rollovers
 - ▶ Cost-free right of rescission
 - ▶ Professional, fair and lawful collection practices and no threat or use of criminal prosecution

REFERENCES

All the information was taken from the following.

1. Financial Services of America (FiSCA), A National Trade Association
www.fiscal.org. Various reports available on website.
2. Community Financial Services Association of America (CFSA)
www.cfsa.net. Various reports available on website.
3. PAYDAY ADVANCE CREDIT IN AMERICA: An analysis of customer demand. Monogram #35, April 2001. Credit Research Center, McDonough School of Business, Georgetown University, Wash DC. Authors: Gregory Eliehausen, PhD, and Edward C. Lawrence, PhD.
4. UPDATE ON the PAYDAY LOAN INDUSTRY: OBSERVATIONS on RECENT INDUSTRY DEVELOPMENTS, September 2003. Stephen, Inc. Investment Bankers. Authors: Jerry L. Robinson, and John D. Wheeler.
5. PAYDAY ADVANCE CUSTOMER RESEARCH CUMULATIVE STATE RESEARCH REPORT, September 2002, Io Data Corporation, Salt Lake City, Utah.

The Growth of Internet Deferred Deposit Advances

- A 2000 survey commissioned by FiSCA found over 50 separate websites offering payroll/Deferred Deposit advances. Today a Google search for “Payday Loans Online” will bring up 775,000 websites.
- Internet fee rates range from 15% to as high as 35%; median rate is 25% per \$100
- Most sites offered loans of up to \$500; a few sites offering up to \$1000
- Many online lenders are based in California, Delaware or offshore locations such as Costa Rica
- Limited customer service; over 30% of the sites fail to provide a phone number for customer service support.

How a Deferred Deposit Works

A Deferred Deposit Advance provides a small, unsecured, short-term cash advance until payday. Customers chose Deferred Deposit Advances to cover small expenses and avoid costly bounced-check or late payment penalties and other less desirable short-term credit option.

- A customer with an active checking account and regular income simply supplies a State ID, a current pay stub, and reads and signs an agreement that discloses transaction terms.
- The customer writes a personal check drawn on their local bank for the loan amount plus a fee of \$15 per \$100 borrowed.
- The lender immediately cashes the check and gives the money, less the fee, to the customer.
- The check is held for an agreed-upon time, up to 15 days, at the end of which time the check is deposited or the customer returns with cash to reclaim the check.
- If a customer chooses to defer this deposit for an additional 15 days, s/he may choose to “rollover” the deposit.

Deferred Deposit Fees

Businesses offering Deferred Deposit service take a risk that traditional financial institutions are unwilling to assume. Thus fees charged by the industry are higher than the interest rates charged by banks and credit card companies.

- The industry believes fees should be reasonable, cover the cost of the service and provide a reasonable profit to the business. The standard fee nation-wide is \$15 to \$20 per \$100 advance. Some Internet online providers can charge up to \$60 per advance.
- Competition is the key and, within the confines of state regulation, the market itself assures customers of a competitive service fee.
- Critics of Deferred Deposit Advances have raised concerns about the fees being charged by the industry. The Deferred Deposit Advance industry reports the Annual Percentage Rates (APR) of the advance as required by the federal Truth in Lending Act. However, using the APR to evaluate the costs of Deferred Deposits is not accurate because of the short-term nature of the cash advance. The industry considers the charge for the service a fee rather than interest.

STATE LAW GOVERNING DEFERRED DEPOSIT SERVICES/PAYDAY ADVANCE

STATES	Deferred Deposit Available under Law	Permitted Fees	Permitted Period	Max. Amount of Check
Alabama	Yes	17.5% of the amount advanced	min. of 10 days and max. of 31 days	\$500
Arizona	Yes	15% of the check	min. of 5 days	\$500
Arkansas	Yes	10% of the check + \$10 charge + \$5 fee on 1st transaction	min. of 6 days and max. of 31 days	\$400
California	Yes	15% of the check	max of 30 days	\$300
Colorado	Yes	20% of the 1st \$300 - 7.5% on amt greater than \$300	max. of 40 days	\$500
Delaware	Yes	rate determined by parties	max. of 60 days	\$500
DC	Yes	scale of fees	max. of 31 days	\$1,000
Florida	Yes	10% of advance + \$5 verification fee	min. of 7 days and max. of 31 days	\$500
Hawaii	Yes	15% of the check	max. of 32 days	\$600
Idaho	Yes	rate determined by parties	term determined by parties	\$1,000
Illinois	Yes	N/A	max of 30 days	\$400
Indiana	Yes	15% of the check on the 1st \$100; 10% over \$100; fee cannot exceed \$35	min. of 14 days	\$400
Iowa	Yes	15% of the check on 1st \$100; 10% on subsequent \$100 increments	max. of 31 days	\$500
Kansas	Yes	scale of fees	max. of 30 days	\$860
Kentucky	Yes	\$15 per \$100 on face amt of check	min. of 14 days and max. of 60 days	\$500
Louisiana	Yes	16.75% of the check	max. of 30 days	\$350
Michigan	Yes *	n/a	n/a	n/a
Minnesota	Yes	scale of fees	max. of 30 days	\$350
Mississippi	Yes	18% of the check	max. of 30 days	\$400
Missouri	Yes	no limit, but total fees, inc rollovers, can't exceed 75% of loan	min. of 14 days and max. of 31 days	\$500
Montana	Yes	cannot exceed 25% of amount advanced	max. of 31 days	\$300
Nebraska	Yes	\$15 per \$100 on face amt of check	max. of 31 days	\$500

Nevada	Yes	rate determined by parties	term determined by parties	1/3 of borrower's
New Hampshire	Yes	rate determined by parties, however, after initial term of loan interest can't be > 6% per yr.	min. of 7 days and max. of 30 days	\$500
New Mexico	Yes *	rate determined by parties	term determined by parties	\$2,500
N. Dakota	Yes	20% of amount borrowed	max. of 45 days inc rollover period	\$500
Ohio	Yes	\$5 per \$50 + 5% per month	cannot exceed 6 months	\$500
Oklahoma	Yes	\$15% of the 1st \$300 + 10% on amount greater than \$300	min. of 13 days and max. of 45 days	\$500
Oregon	Yes	rate of loan determined by parties	max. of 60 days	\$50,000
Rhode Island	Yes	10% of the check or \$5, whichever is greater	fixed term of 14 days	\$300
S. Carolina	Yes	15% of the check	max. of 31 days	\$300
S. Dakota	Yes *	rate determined by parties	term determined by parties	N/A
Tennessee	Yes	15% of check or \$30, whichever is lesser	max of 31 days	\$500
Texas	Yes	scale of fees	no less than 7 days	N/A
Utah	Yes	rate determined by parties	term determined by parties	N/A
Virginia	Yes	15% of advance amt	min. of 7 days	\$500
Washington	Yes	15% of the principal on first \$500 borrowed; 10% on amount of \$500	max. of 45 days	\$700
Wisconsin	Yes *	rate determined by parties	term determined by parties	\$25,000
Wyoming	Yes	\$30 or 20% per mo. on the principal balance of check	one calendar month	no statutory cap
Alaska Proposed Draft	Yes	15% of the amount advanced	min. of 15 days	\$1,000

Deferred deposit services are not permitted under state law in the following jurisdictions: Connecticut, Georgia, Maine, Maryland, Massachusetts, New Jersey, New York, North Carolina, Pennsylvania, Vermont, and West Virginia.

* States regulated by Small Loan Acts or Dept of Commerce
Data current as of 10/03 per Financial Services of America (FiSCA)

Cash Alaska submission for Compass Piece, Anchorage Daily News, March 9, 2004.
by: Joe Davidson, General Manager, Cash Alaska, 1415 Gambell, Anch, Ak 99501
907 277-8224 (ph); 907 277-5204 (fax).

Payroll Advance Loans Can Prevent Bigger Problems

In my opinion, the Executive Director of AkPIRG, made an excellent case in his Compass article for passing the newly amended bill, CSHB389, regulating payday lending in Alaska. Although I am not personally aware of any payday lending nightmares such as he mentions in his article, I've read of similar situations that have occurred Outside prior to regulation. Currently 38 states are regulated by state statute. This new version, which has been worked on by the Attorney Generals office and the Alaska State Division of Banking and Securities, would go a long way toward eliminating potential abuses in Alaska.

Because the bill would limit rollovers to just two, fees would be held to a reasonable limit, and payday lending would be in line with it's stated intent of small, short-term cash advances against a person's next pay check. Generally people use these advances for an unexpected bill or to cover a temporary cash shortfall. In our experience at Cash Alaska, we find that most people don't rollover their advances but pay them off within the 15 day term. The majority of our customers utilize payday advances 5 or fewer times total over the course of 12 months, below the national average.

Most of us have bounced a check at one time or another and are aware that the average Alaskan NSF bank charge is \$18 with an additional merchant charge of \$25. Not only is the \$30 fee for a \$200 advance, as mentioned in the Compass article, a good financial alternative to paying the total of \$43 NSF charges occurring from just one bounced check but it can also prevent additional financial problems. In Alaska, paying rent late by 3 days can cost up to \$100; a credit card late fee can start at \$29; and late payment on a utility bill could result in a temporary loss of service, a late fee, and new hook-up charges. *For most people facing a temporary cash shortage, a payday advance is the best alternative available in the marketplace.*

AkPIRG suggests people could take ATM advances against their credit cards or take out a small loan from a bank or credit union. Although most payday advance customers have credit cards, they are often maxxed out. In Alaska and across the country, most banks and credit unions simply don't offer the small loans of \$500 and under because they aren't economically feasible for them, as they are far riskier and present more collection problems. In fact, the growth of the payday lending industry is a direct result of meeting a consumer demand in the financial services market that wasn't being met by more traditional lending institutions.

The article accurately reported that payday lending is unregulated in the State of Alaska. However, Cash Alaska operates under the \$500 exemption in the Small Loans Act which has been affirmed by both a court case and in writing by the Division of Banking and Securities. The industry could continue to operate legally regardless of whether a law passes this year or not. Isn't it better that Alaska, like other states, enact these consumer protections and regulate the industry rather than continue to allow unsupervised lending?

By passing the recently amended CSHB389 and regulating the payday lending industry, consumers will receive protections against abusive lenders and have the choice of a financial service that can help them out until their next payday while preventing the expensive consequences of late payments and the resulting bad credit rating. They won't find that the only alternative for short term cash might be an Internet site operating from Outside and charging up to \$60 for a \$200 loan. They will have the choice of an efficient financial service, employing Alaskans locally, under the supervision of the Alaska Division of Banking and Securities.

SB

272

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
APR 28 2004
SENATE FINANCE
COMMITTEE

DATE: 04/21/04

FURTHER:

DATE TURNED IN TO OFFICE: 28 April 2004

Finance Committee considered

SENATE BILL NO. 272

SB 272 DEFERRED DEPOSIT ADVANCES (PAYDAY LOANS)

"An Act relating to certain monetary advances in which the deposit or other negotiation of certain instruments to pay the advances is delayed until a later date; and providing for an effective date."

and recommends:

- be replaced with _____ CS SB 272 - (FIN)
- adopt previous _____ CS CS forthcoming - (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:
 Same Title
 New Title

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

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero.	FN#
		Fin forthcoming			
		DCED			
		\$			

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero.	FN#

APPROPRIATION - no fiscal note

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

APR 28 2004

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB 272 (FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title Deferred Deposit Advances RDU Banking, Securities & Corporations (115)
(Payday Loans) Component Banking, Securities & Corporations
Sponsor Senate Rules
Requester Senate Finance Component No. 1233

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	78.0	78.0	78.0	78.0	78.0	78.0
Travel	12.0	12.0	12.0	12.0	12.0	12.0
Contractual	35.0	45.0	50.0	55.0	65.0	70.0
Supplies	1.5	1.5	1.5	1.5	1.5	1.5
Equipment	4.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	130.5	136.5	141.5	146.5	156.5	161.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1156)	94.5	52.5	119.3	84.0	150.8	115.5
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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						
1156 Increase in Revenues (RSS)	130.5	136.5	141.5	146.5	156.5	161.5
TOTAL	130.5	136.5	141.5	146.5	156.5	161.5

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	2					
Part-time	0					
Temporary	0					

ANALYSIS: (Attach a separate page if necessary)

This legislation requires the Division of Banking, Securities and Corporations to license and supervise Alaska's payday lending establishments. The division anticipates two additional staff will be needed to implement these provisions.

Personal Services: One Financial Institution Examiner I working 3/4 time (\$46.3) and one Administrative Clerk III working 3/4 time (\$31.7) will conduct examinations of the new licensees. Regulation of these new licensees is expected to generate a significant number of consumer complaints and inquiries which will necessitate the need for a new clerk.

Prepared by: Mark Davis, Director Phone (907) 465-2521
Division: Banking, Securities & Corporations Date/Time 4/28/04 6 29 PM
Approved by: Edgar Blatchford, Commissioner Date 4/28/2004
Agency: Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSSB 272(FIN)

ANALYSIS CONTINUATION

Travel: In-state and out-of-state travel to verify establishments have licenses and to examine licensed establishments

Contractual: Hearings for applicants who file formal complaints regarding the denial of applications or revocation of a license (\$35.0), rent (\$1.2), and miscellaneous contractual expenses for two new employees (\$2.5)

Supplies: Miscellaneous contractual expenses for two new employees (\$2.5)

Equipment: Computer equipment for new staff (\$4.0)

Change in Revenues: The total revenue for the first year would be an estimated \$94.5.

The division anticipates an increase in revenues (Receipt Supported Services/RSS) as a result of collecting new licensing fees required by this legislation. This estimate is based on the assumption that there are 20 establishments who will each pay \$3.0 for a biennial license which equates to \$60.0 in revenues on an annual basis in FY05. We estimate that the number of establishments would increase by 6 establishments in each of the next five years and then level off at 50 establishments.

The division also estimates there will be additional revenues collected to recover the cost of examining establishments for compliance with the provisions of this legislation. We estimate that we would recoup approximately \$1.125 per examination. This is based on the assumption that each examination would require an average of 15 examination hours at a cost of \$75 per hour. The division estimates that the cost of travel to be reimbursed will be \$12.0.

Attention: Sheila
Of Senator Wilken's office
RE: CS SB 272 (FIN)
Date: 4/28/04 Time: 11:40 A.M

The attached Senate Finance CS incorporates the amendment(s) your boss sponsored. Please review and approve so the bill can be forwarded to the Senate Secretary.

The CS is your copy.

Thanks,
Senate Finance Secretary
Mindy #4935
Robin #2618

*FYI
Lynne has
approved #4
changes
already*

Approved: _____
(please initial)

*A-OK
Sheila
4/28*

Return ASAP

Proof

23-LS1516V

CS FOR SENATE BILL NO. 272(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE

OK'd by
Lynne 4/28/04
11:40am
OK'd by
Sheila
2:10pm
4/29/04

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to certain monetary advances in which the deposit or other negotiation
2 of checks to pay the advances is delayed until a later date; and providing for an effective
3 date."

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

5 * Section 1. AS 06.01.020(a) is amended to read:

6 (a) Notwithstanding other provisions of this title, the department may by order
7 authorize state financial institutions, except licensees subject to AS 06.20, [OR]
8 AS 06.40, or AS 06.50, to exercise any of the powers conferred upon, or to be subject
9 to any of the limitations imposed upon, a federally chartered financial institution doing
10 business in this state with deposits insured by an agency of the federal government if
11 the department finds that the exercise of the power or imposition of the limitation both

- 12 (1) serves the public convenience and advantage; and
13 (2) equalizes and maintains the quality of competition between state
14 financial institutions and federally chartered financial institutions.

1 * Sec. 2. AS 06.01.050(3) is amended to read:

2 (3) "financial institution" means an institution subject to the regulation
 3 of the department under this title; in this paragraph, "institution" includes a
 4 commercial bank, savings bank, credit union, premium finance company, small loan
 5 company, bank holding company, financial holding company, trust company, [AND]
 6 savings and loan association, and a deferred deposit advance licensee under
 7 AS 06.50;

8 * Sec. 3. AS 06 is amended by adding a new chapter to read:

9 **Chapter 50. Deferred Deposit Advances.**

10 **Article 1. Licensing.**

11 **Sec. 06.50.010. License required.** A person, including a person doing
 12 business from outside this state, may not engage in the business of making or offering
 13 to make deferred deposit advances in this state without having a license under this
 14 chapter. A separate license is required for each location from which the person
 15 conducts the business.

16 **Sec. 06.50.020. Qualifications for license.** (a) To qualify for a license, an
 17 applicant shall

18 (1) have cash assets of at least \$25,000, as determined under generally
 19 accepted accounting principles, except an applicant who wants to engage in the
 20 business of making advances at more than one location in the state shall have cash
 21 assets of at least \$25,000 for each location;

22 (2) demonstrate the financial responsibility, financial condition,
 23 business experience, character, and general fitness that reasonably warrant the
 24 department's belief that the applicant's business will be conducted lawfully and fairly;
 25 when determining whether this qualification has been met, and for the purpose of
 26 investigating compliance with this chapter, the department may review

27 (A) the relevant business records of the applicant and the
 28 adequacy of the capital of the applicant;

29 (B) the competence, experience, integrity, and financial ability
 30 of the applicant, and, if the applicant is an entity, of any person who is a
 31 member, partner, director, senior officer, or owner of 10 percent or more of the

1 equity of the applicant; and

2 (C) a record of conviction, on the part of the applicant or a
3 person described in (B) of this paragraph, of

4 (i) criminal activity, fraud, or other act of personal
5 dishonesty;

6 (ii) an act, an omission, or a practice that constitutes a
7 breach of a fiduciary duty; or

8 (iii) a suspension, a revocation, a removal, or an
9 administrative act by an agency or a department of the United States or
10 a state from participation in the conduct of a business;

11 (3) if the person has a physical business location in the state, have a
12 physical business location that is accessible by and convenient to the public;

13 (4) have a current business license issued under AS 43.70; and

14 (5) if applicable, have a certificate of incorporation under
15 AS 10.06.218, have a certificate of authority under AS 10.06.705, have a copy of
16 articles of organization that satisfies AS 10.50.090, be registered under AS 10.50.605,
17 have a statement of foreign qualification filed under AS 32.06.922, have a certificate
18 of limited partnership filed under AS 32.11.060, or be registered under AS 32.11.420.

19 (b) The requirements in (a) of this section are continuing in nature and may be
20 reviewed periodically by the department.

21 **Sec. 06.50.030. Application.** (a) An application for a license must be in
22 writing and under oath, in a form prescribed by the department by regulation, and
23 include at least

24 (1) the legal name, residence, and business address of the applicant
25 and, if the applicant is not a natural person, of each member, partner, director, senior
26 officer, or owner of 10 percent or more of the equity of the applicant;

27 (2) the address and physical location of the principal place of business
28 named in the application; and

29 (3) other information the department may require with respect to the
30 applicant and, if the applicant is not a natural person, about the applicant's members,
31 partners, directors, senior officers, or owners of 10 percent or more of the equity of the

1 applicant.

2 (b) The applicant shall submit with the application the bond required by
3 AS 06:50.040 and a nonrefundable application fee in an amount that is established by
4 the department by regulation and that does not exceed \$3,000. The application fee for ~~the~~
5 the initial license may not be prorated.

6 **Sec. 06.50.040. Bond.** (a) An applicant for a license shall file with the
7 application a bond

8 (1) in a form to be approved by the department;

9 (2) in which the applicant is the obligor; and

10 (3) in the sum of \$25,000 for a business with one location and \$50,000
11 for a business with more than one location.

12 (b) Only one bond is required for an application for a business with more than
13 one location.

14 (c) The bond required by (a) of this section is for the use of the state and a
15 person who may have a cause of action against the obligor under this chapter.

16 (d) The bond must state that the obligor will

17 (1) faithfully conform to and abide by the provisions of this chapter
18 and regulations adopted by the department under this chapter; and

19 (2) pay to the state and to a person all money that may become due or
20 owing to the state or to the person from the applicant under this chapter.

21 (e) The bond must remain in effect for three years following the denial of a
22 renewal of a license or the expiration of a license.

23 (f) If, at any time, the department finds that a bond filed under (a) of this
24 section is unsatisfactory for any reason, the department may require the licensee to
25 file, within 10 days after the receipt of a written demand, an additional bond to comply
26 with this section.

27 (g) The licensee shall file a new bond that complies with this section each time
28 a license is renewed.

29 **Sec. 06.50.050. Investigation by department.** Within 60 days after an
30 applicant files a completed application, the bond, and an application fee, the
31 department shall investigate whether the applicant satisfies the qualifications of

1 AS 06.50.020(a). If the department finds that the applicant satisfies the qualifications,
 2 it shall approve the application and issue the applicant a license to engage in the
 3 business of making deferred deposit advances.

4 **Sec. 06.50.060. Conditions precedent to license.** The requirements of
 5 AS 06.50.030 - 06.50.050 are conditions precedent to the issuance of a license under
 6 this chapter. The license permits the applicant to make advances under this chapter at
 7 the location specified in the application.

8 **Sec. 06.50.070. Duration of license.** A license issued under this chapter is
 9 valid for two calendar years. Each license remains in force through the calendar year
 10 after the calendar year in which the license was issued unless surrendered, suspended,
 11 or revoked under this chapter.

12 **Sec. 06.50.080. Renewal of license.** A license issued under this chapter shall
 13 be renewed on or before the date set by the department by submitting to the
 14 department a completed renewal application on a form established by the department
 15 and paying a nonrefundable renewal fee established by the department, which may not
 16 exceed \$3,000. #4

17 **Sec. 06.50.090. Denial of license or renewal.** (a) If the department
 18 determines that an applicant is not qualified to receive a license or a license renewal,
 19 the department shall notify the applicant in writing within 20 days that the application
 20 has been denied and state the basis for the denial.

21 (b) The decision of the department to deny an application or a renewal may be
 22 reviewed in the manner provided in AS 44.62.330 - 44.62.630 (Administrative
 23 Procedure Act).

24 (c) If the denial of a renewal is upheld, the former licensee shall return the
 25 license to the department within 10 days after the former licensee receives notice of
 26 the denial.

27 (d) A license application shall be considered withdrawn within the meaning of
 28 this section if the applicant fails to respond to a written notification of a deficiency in
 29 the application within 60 days after the date of the notification.

30 (e) If a license renewal is denied or if a license is surrendered, suspended, or
 31 revoked, all accounts of the licensee remain subject to this chapter until paid in full.

1 **Article 2. Licensee Transfer, Assignment, Control, and Change.**

2 **Sec. 06.50.200. Transfer or assignment.** Except for the transfer of a license
3 to a new location under AS 06.50.220, a licensee may not transfer or assign the
4 licensee's license.

5 **Sec. 06.50.210. Change in control.** The prior written approval of the
6 department is required for the continued operation of a licensee's deferred deposit
7 advance business when a change in control of the licensee is proposed. The
8 department may require the information it considers necessary to determine whether a
9 new application is required. The licensee requesting approval of the change in control
10 shall pay all reasonable expenses incurred by the department to investigate and
11 approve or deny the change in control.

12 **Sec. 06.50.220. Change in location or name.** A licensee shall notify the
13 department in writing at least 15 days before any proposed change in the licensee's
14 business location or name, and shall provide the department with the information
15 described in AS 06.50.030(a).

16 **Sec. 06.50.230. Conduct of other business.** A licensee may conduct other
17 business at a location where it engages in making advances unless it conducts the
18 other business for the purpose of evading or violating the provisions of this chapter.

19 **Article 3. Department Supervision.**

20 **Sec. 06.50.300. Suspension or revocation of license.** (a) The department
21 may suspend or revoke a license under AS 44.62 (Administrative Procedure Act) if the
22 department finds that

23 (1) the licensee has failed to pay the license fee, failed to maintain the
24 required bond in effect, or failed to comply with a demand, ruling, or requirement of
25 the department made under this chapter;

26 (2) the licensee has violated a provision of this chapter or a regulation
27 adopted by the department under this chapter; or

28 (3) a fact or condition exists that, if it had existed at the time of the
29 original application for the license, clearly would have constituted ground for denial of
30 the issuance of the license.

31 (b) If the reason for suspension or revocation of a licensee's license at one

1 location applies generally to all locations operated by the licensee, the department may
2 suspend or revoke all licenses issued to the licensee.

3 **Sec. 06.50.310. Reports to department.** (a) On or before March 15 of each
4 year, a licensee shall file with the department a composite annual report for the
5 preceding calendar year in the form prescribed by the department relating to all
6 advances made by the licensee. The department may require that the report be
7 submitted under oath or affirmation, or with notice that false statements made are
8 punishable as unsworn falsification under AS 11.56.210.

9 (b) The report must include

10 (1) the total number and dollar amount of advances made by the
11 licensee;

12 (2) the total number of individual customers who received advances;

13 (3) the minimum, maximum, and average amount of advances;

14 (4) the average annual percentage rate of the fee charged for advances;

15 (5) the average number of days of the advances;

16 (6) the total number and dollar amount of returned checks;

17 (7) the total number and dollar amount of checks paid by advance
18 recipients;

19 (8) the total number and dollar amount of checks charged off as a loss;

20 (9) the total dollar amount of outstanding advances as of the last day of
21 the calendar year;

22 (10) the total number of outstanding advances as of the last day of the
23 calendar year; and

24 (11) any other information the department determines is required to
25 conduct its review.

26 (c) Within 15 days after the occurrence of any of the following events, a
27 licensee shall file a written report with the department describing the event and its
28 expected effect on the activities of the licensee in the state:

29 (1) filing for bankruptcy or reorganization by the licensee;

30 (2) institution of suspension or revocation proceedings against the
31 licensee by a state or other governmental authority;

1 (3) a felony indictment or felony conviction of the licensee and, if the
2 licensee is not a natural person, of a member, partner, director, senior officer, or holder
3 of 10 percent or more of the licensee's equity; and

4 (4) other events that the department determines and identifies by
5 regulation that may impair the ability of the licensee to operate its business under this
6 chapter.

7 (d) In the discretion of the department, the occurrence of an event in (c) of this
8 section may constitute grounds for suspension or revocation of a license.

9 **Sec. 06.50.320. Records.** (a) A licensee shall maintain all records relating to
10 this chapter at the location for which the licensee has a license. The records must
11 conform to generally accepted accounting principles and practices in a manner that
12 will enable the department to determine whether the licensee is complying with the
13 provisions of this chapter. The department shall have unrestricted access to the
14 records of the licensee.

15 (b) A licensee shall retain records relating to an advance for at least two years
16 after the last entry on the advance, unless otherwise required by the department.

17 (c) A licensee shall retain records of an advance that is the subject of a court
18 action for at least two years after a judgment or settlement of the court action.

19 **Sec. 06.50.330. Examinations and investigations.** (a) The department shall
20 examine the business records of a licensee at intervals the department considers
21 appropriate. In addition, for the purpose of discovering violations of this chapter or
22 securing information lawfully required, the department may, at any time, investigate
23 the advances, business transactions, and records of a licensee. For these purposes, the
24 licensee shall provide the department with unrestricted access to the offices, places of
25 business, and records of the licensee. Within 30 days after the department requests
26 payment, the licensee shall pay the department the cost of examination at a rate of \$75
27 an hour for each examiner.

28 (b) For the purposes of this section, the department may administer oaths or
29 affirmations and, upon its own motion or upon request of a party, may subpoena
30 witnesses, compel the attendance of witnesses, take evidence, and require the
31 production of material that is relevant to the investigation, including the existence,

1 description, nature, custody, condition, and location of books, documents, and other
 2 tangible items, and the identity and location of persons having knowledge of relevant
 3 facts, or other material reasonably calculated to lead to the discovery of admissible
 4 evidence.

5 (c) Upon failure without lawful excuse to obey a subpoena or to give
 6 testimony, and upon reasonable notice to all persons affected by the failure, the
 7 department may apply to the superior court for an order compelling compliance.

8 **Article 4. Licensee Practices and Recipient Rescission and Payment.**

9 **Sec. 06.50.400. Advance agreement.** (a) An advance shall be documented in
 10 a written agreement that is signed by the advance recipient and on a form approved by
 11 the department.

12 (b) The agreement must clearly and conspicuously disclose
 13 (1) the name of the licensee;
 14 (2) the date of the advance;
 15 (3) the principal amount of the advance;
 16 (4) a statement of the total amount of fees that may be charged under
 17 AS 06.50.460(a) as a condition of making the advance, expressed both as a dollar
 18 amount and as an annual percentage rate;
 19 (5) the repayment terms;
 20 (6) the due date;
 21 (7) an itemization of all disbursements, including disbursements to
 22 third parties;
 23 (8) the name and title of the employee who signs the agreement on
 24 behalf of the licensee; and
 25 (9) any other item required to be disclosed under state or federal law.

26 (c) The written agreement required by (a) of this section may not require an
 27 advance recipient to waive any rights under 15 U.S.C. 1692 - 1692o (Fair Debt
 28 Collection Practices Act) or other state or federal laws that regulate debt collection
 29 practices.

30 **Sec. 06.50.410. Maximum amount of advances.** A licensee, including a
 31 licensee with more than one location, may not make advances to an advance recipient

1 that exceed \$500 outstanding in advances to the recipient at one time.

2 **Sec. 06.50.420. Prohibition on dividing advance amount or increasing**
3 **number of advances.** A licensee may not induce or permit an advance recipient to
4 divide the amount of an advance, or to become obligated, directly, contingently, or
5 both, for more than one advance at the same time, if the purpose or result is to obtain
6 additional origination fees under AS 06.50.460(a)(1).

7 **Sec. 06.50.430. Prohibition on collateral and services.** The licensee may
8 not accept collateral or services as security for or payment of an advance.

9 **Sec. 06.50.440. Duration of advances.** The minimum duration of an advance
10 is 14 days.

11 **Sec. 06.50.450. Prohibition on advances on behalf of another.** A licensee
12 may not make an advance to a person who purports to be acting on behalf of another
13 person.

14 **Sec. 06.50.460. Fees.** (a) Notwithstanding any other provision of law, except
15 for the fee allowed under AS 06.50.510(b)(3) and where federal law provides
16 otherwise, a licensee may only charge

17 (1) a nonrefundable origination fee in an amount not to exceed \$5; and

18 (2) a fee that does not exceed \$15 for each \$100 of an advance, or 15
19 percent of the total amount of the advance, whichever is less.

20 (b) A licensee may not charge a fee other than the fees allowed under (a) of
21 this section.

22 (c) The fees allowed by (a) of this section are considered earned at the time of
23 the transaction and may not be prorated.

24 (d) A licensee may not charge the advance recipient an additional fee to access
25 the proceeds of an advance.

26 **Sec. 06.50.470. Renewal of advance.** (a) The minimum term of a renewal of
27 an advance is 14 days.

28 (b) A licensee may not renew an advance more than two consecutive times,
29 after which the licensee shall require the advance recipient to repay the advance in
30 full.

31 (c) A licensee may not renew an advance for fees greater than the fees under

1 AS 06.50.460(a).

2 **Sec. 06.50.480. Rescission.** A person who receives an advance may rescind
3 an advance without cause and without cost, except for the nonrefundable origination
4 fee, at any time before the close of business on the business day following the day on
5 which the advance was made by paying the principal amount of the advance to the
6 licensee in cash or other immediately available funds.

7 **Sec. 06.50.490. Prohibited arbitration requirement.** A licensee may not
8 require a recipient to agree to mandatory arbitration.

9 **Sec. 06.50.500. Posted fee notice.** A licensee shall post a notice in each
10 business location that discloses the fees that the licensee charges for advances. The
11 fees in the notice must be expressed as a dollar amount, as an annual percentage rate
12 for 14 days for each \$100, and as an annual percentage rate for 30 days for each \$100.
13 The notice must also contain any other reasonably necessary information required by
14 the department by regulation. The notice shall be posted so that it is conspicuous to an
15 advance recipient or a potential advance recipient. The lettering in the notice must be
16 legible and at least one inch in height.

17 **Sec. 06.50.510. Required disclosures before disbursement.** (a) Before
18 disbursing funds under an advance, a licensee shall provide a clearly written statement
19 that is separate from the written advance agreement required by AS 06.50.400(a).
20 This disclosure statement must be reviewed and signed by the advance recipient. The
21 licensee shall keep the signed original in the advance file for the recipient and give a
22 copy to the recipient.

23 (b) The disclosure statement required by (a) of this section must

24 (1) indicate the advance is intended to address short-term, not long-
25 term, financial needs;

26 (2) include an explanation of all fees for advances and renewals of
27 advances;

28 (3) state that the licensee may charge an advance recipient a bad check
29 fee for costs as allowed under AS 09.68.115(a)(2) if a payment is returned unpaid;

30 (4) state that, in the event of the advance recipient's default, the
31 licensee may sue the recipient and recover up to \$700 over the amount of the payment

1 and, if the payment is a check, recover as permitted under AS 06.50.550(b);

2 (5) give the department's address and telephone number for receiving
3 calls regarding customer complaints and concerns;

4 (6) state that the licensee may not accept collateral or services for an
5 advance;

6 (7) state that the check given as security for the advance may be
7 negotiated as part of the advance;

8 (8) state that

9 (A) the advance recipient may rescind the advance without
10 cause at any time before the close of business on the business day following
11 the day on which the licensee makes the advance by paying the principal
12 amount of the advance to the licensee in cash or other immediately available
13 funds;

14 (B) if the advance recipient rescinds under this paragraph, the
15 origination fee is not refundable, but the licensee may not charge the recipient
16 another fee, except for a bad check fee for costs as allowed under
17 AS 09.68.115(a)(2) if the payment is returned unpaid;

18 (9) state that a criminal action may not be brought against the advance
19 recipient for failure to pay the advance; and

20 (10) include other information reasonably required by the department
21 to inform and protect advance recipients.

22 **Sec. 06.50.520. Payment by licensee.** (a) A licensee may give an advance
23 recipient the amount of the advance in cash, by the licensee's business check, by a
24 money order, or by a reasonable electronic payment mechanism, including an
25 electronic funds transfer to the advance recipient's account.

26 (b) A licensee may not use another form of payment than the form of payment
27 authorized in (a) of this section to make an advance to an advance recipient. In this
28 subsection, "another form of payment" includes coupons, merchandise, services, or
29 chattel of any kind.

30 **Sec. 06.50.530. Payment by advance recipient.** (a) An advance recipient
31 may repay an advance