

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 2898

1 (B) in instances of individual hardship.

2 * Sec. 27. AS 08.04.426 is repealed and reenacted to read:

3 Sec. 08.04.426. Quality review. (a) The board may require as a condition for
4 renewal of a license or a permit that the applicant for the renewal undergo a quality
5 review conducted as required by the board by regulation.

6 (b) The quality review required by (a) of this section must include verification
7 that the reviewing individual meets the competency requirements set out in the
8 professional standards established by the board for the services. In this subsection,
9 "reviewing individual" means the individual who is responsible for supervising and
10 signing off on or authorizing another individual to sign off on attest functions
11 performed by the applicant.

12 (c) The board shall adopt the regulations under (a) of this section in a
13 reasonable time before the regulations are scheduled to become effective.

14 (d) The regulations adopted under (a) of this section may require that

15 (1) an applicant demonstrate that the applicant has undergone a quality
16 review that is a satisfactory equivalent to the quality review required by (a) of this
17 section;

18 (2) the quality reviews be subject to supervision by an oversight body
19 established or approved by the board;

20 (3) the quality reviews be operated and the documents be maintained
21 in a manner that is designed to preserve confidentiality; and

22 (4) the board or another person, except for the oversight body
23 authorized by (2) of this subsection, may not access the documents furnished or
24 generated in the course of the quality review.

25 (e) An oversight body required by (d)(2) of this section shall

26 (1) periodically report to the board on the effectiveness of the quality
27 review program it is supervising; and

28 (2) provide the board with a list of the applicants who have
29 participated in a quality review program that is satisfactory to the board.

30 * Sec. 28. AS 08.04.440 is amended to read:

31 Sec. 08.04.440. Effect of failure to obtain license, permit, or practice

1 privilege. Failure of an individual, partnership, limited liability company, [OR]
2 corporation, or other legal entity to apply for the required license, permit, or
3 practice privilege [TO PRACTICE] or to pay the required fee within (1) three years
4 from the expiration date of the license, permit, or practice privilege [TO PRACTICE
5 OR REGISTRATION] last obtained or renewed, or (2) three years from the date
6 [UPON WHICH] the person [CERTIFICATE HOLDER OR LICENSEE] was
7 granted a [CERTIFICATE AS A CERTIFIED PUBLIC ACCOUNTANT OR] license
8 or permit as a public accountant valid under AS 08.04.661 deprives the individual,
9 partnership, limited liability company, [OR] corporation, or other legal entity of the
10 right to a license, permit, or practice privilege [REGISTRATION] or renewal of a
11 license, permit, or practice privilege unless the board determines that the failure is
12 excusable. In case of excusable failure, the fee for a license, permit, or practice
13 privilege [, REGISTRATION,] or renewal of a license, permit, or practice privilege
14 under this section may not exceed three times one year's portion of the fee that would
15 have otherwise been required for the license, permit, or practice privilege
16 [REGISTRATION], or renewal.

17 * Sec. 29. AS 08.04.450 is amended to read:

18 Sec. 08.04.450. Revocation or suspension of [CERTIFICATE,] license,
19 practice privilege [REGISTRATION], or permit. In addition to its powers under
20 AS 08.01.075, the board may revoke [OR SUSPEND A CERTIFICATE OR
21 LICENSE, OR MAY REVOKE], suspend, or refuse to renew : license, practice
22 privilege, or [ANY] permit, or may censure a [ANY CERTIFICATE] holder of a
23 license, practice privilege [, LICENSEE, REGISTRANT], or permit [HOLDER] for

24 (1) fraud or deceit in obtaining a [ANY CERTIFICATE,] license,
25 practice privilege [REGISTRATION], or permit required by this chapter;

26 (2) dishonesty or gross negligence in the practice of public accounting,
27 or other acts discreditable to the accounting profession;

28 (3) violation of a [ANY] provision of AS 08.04.500 - 08.04.610;

29 (4) violation of a rule of professional conduct or other regulation
30 adopted by the board;

31 (5) conviction of a felony under the laws of any state or of the United

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States;

(6) conviction of any crime, an essential element of which is dishonesty or fraud, under the laws of any state or of the United States;

(7) cancellation, revocation, suspension, or refusal to renew authority to practice as a certified public accountant or public accountant in any other state for any cause other than failure to pay a required fee;

(8) suspension or revocation of the right to practice before any state or federal agency;

(9) failure [OF A CERTIFIED PUBLIC ACCOUNTANT] to satisfy the continuing education requirements prescribed by the board under AS 08.04.425, except as conditioned, relaxed, or suspended by the board under AS 08.04.425(c) and (d); [OR]

(10) failure [OF A CERTIFIED PUBLIC ACCOUNTANT] to satisfactorily complete the supervision required by AS 08.04.423 or a quality review requirement under AS 08.04.426; or

(11) committing an act in another state for which the holder of the license, practice privilege, or permit would be subject to discipline in this state [UNDER AS 08.04.426 EXCEPT AS CONDITIONED, RELAXED, OR SUSPENDED BY THE BOARD UNDER AS 08.04.426(b) - (d)].

* Sec. 30. AS 08.04.470 is amended to read:

Sec. 08.04.470. Revocation of permit of partnership, limited liability company, corporation, or other legal entity [CORPORATE REGISTRATION OR PERMIT]. The board shall revoke the [REGISTRATION AND] permit [TO PRACTICE] of a partnership, limited liability company, [OR] corporation, or other legal entity if at any time it does not meet the qualifications prescribed by the sections of this chapter under which it qualified for the permit [REGISTRATION].

* Sec. 31. AS 08.04.480 is amended to read:

Sec. 08.04.480. Grounds for revocation or suspension of permit of partnership, limited liability company, corporation, or other legal entity [CORPORATE PERMIT]. The board may revoke or suspend the [REGISTRATION AND] permit [TO PRACTICE] of a partnership, limited liability company, [OR]

1 corporation, or other legal entity may revoke, suspend, or refuse to renew its permit
2 [TO PRACTICE], or may censure the partnership, limited liability company, [OR]
3 corporation, or other legal entity for any of the causes enumerated in AS 08.04.450
4 [AND 08.04.460,] or for any of the following additional causes:

5 (1) the revocation or suspension of the [CERTIFICATE,] license [,] or
6 practice privilege [REGISTRATION] of a [ANY] partner, a member, a [CR]
7 shareholder, or, if the permittee is a legal entity other than a partnership,
8 corporation, or limited liability company, an owner of the permittee;

9 (2) the revocation, suspension, or refusal to renew the permit [TO
10 PRACTICE] of a [ANY] partner, a member, or a shareholder, or, if the permittee is
11 a legal entity other than a partnership, corporation, or limited liability company,
12 an owner of the permittee;

13 (3) the cancellation, revocation, suspension, or refusal to renew the
14 authority of the partnership or any partner, the limited liability company or a member,
15 [OR] the corporation or a shareholder, or the other legal entity to practice public
16 accounting in another state for any cause other than failure to pay a required fee in that
17 state.

18 * Sec. 32. AS 08.04.490 is amended to read:

19 Sec. 08.04.490. Reinstatement. Upon application in writing and after a
20 hearing, the board may issue a new license or practice privilege [CERTIFICATE] to
21 an individual [A CERTIFIED PUBLIC ACCOUNTANT] whose license or practice
22 privilege [CERTIFICATE] has been revoked, or may issue a new permit to a person
23 [REREGISTRATION OF ONE] whose permit [REGISTRATION] has been revoked,
24 or may modify the suspension of or may reissue any [CERTIFICATE,] license,
25 practice privilege, or permit to practice public accounting that has been revoked or
26 suspended.

27 * Sec. 33. AS 08.04.495 is amended to read:

28 Sec. 08.04.495. Fees. The Department of Commerce, Community, and
29 Economic Development shall set fees under AS 08.01.065 for examinations,
30 reexaminations, permits, licenses, and practice privileges [CERTIFICATES, AND
31 REGISTRATIONS].

1 * Sec. 34. AS 08.04.500 is amended to read:

2 **Sec. 08.04.500. Individual posing as a certified public accountant.** (a) An
3 individual [A PERSON] may not assume or use the title or designation "certified
4 public accountant" or the abbreviation "CPA" or any other title, designation, word,
5 letter, abbreviation, sign, card, or device tending to indicate that the individual
6 [PERSON] is a certified public accountant, unless the individua. [PERSON] has
7 received a license [CERTIFICATE, HOLDS A LIVE PERMIT,] and all of the
8 individual's [PERSON'S] offices in this state for the practice of public accounting are
9 maintained as required by AS 08.04.360 - 08.04.380.

10 (b) This section does not prohibit an individual [A CERTIFIED PUBLIC
11 ACCOUNTANT] in good standing in any state holding a practice privilege
12 [PERMIT] under AS 08.04.420 from using the title "certified public accountant." [.]

13 * Sec. 35. AS 08.04.505 is amended to read:

14 **Sec. 08.04.505. Issuance of reports.** Only a person who [OR FIRM THAT]
15 holds a valid license, practice privilege, or permit issued under this chapter may issue
16 a report on financial statements of another person [, FIRM, ORGANIZATION,] or
17 governmental unit. This restriction does not apply to

18 (1) an officer, partner, member, or employee of a sole proprietorship,
19 partnership, corporation, limited liability company, or other legal entity [FIRM
20 OR ORGANIZATION] affixing that person's signature to a statement or report in
21 reference to the financial affairs of the sole proprietorship, partnership,
22 corporation, limited liability company, or other legal entity [FIRM OR
23 ORGANIZATION] with wording designating the position, title, or office that the
24 person holds in the sole proprietorship, partnership, corporation, limited liability
25 company, or other legal entity [FIRM OR ORGANIZATION];

26 (2) an act of a public official or employee in the performance of
27 official duties;

28 (3) the performance by persons of other services involving the use of
29 accounting skills, including the preparation of tax returns, management advisory
30 services, and the preparation of financial statements without the issuance of reports on
31 them.

1 * Sec. 36. AS 08.04.510 is amended to read:

2 **Sec. 08.04.510. Partnership, limited liability company, [OR] corporation,**
3 **or other entity posing as a certified public accountant.** (a) A partnership, limited
4 liability company, [OR] corporation, **or other entity** may not assume or use the title
5 or designation "certified public accountant" or the abbreviation "CPA" or any other
6 title, designation, word, letter, abbreviation, sign, card, or device tending to indicate
7 that it is composed of certified public accountants, unless the partnership, limited
8 liability company, [OR] corporation, **or other entity** [IS REGISTERED AND] holds a
9 [LIVE] permit, is **engaging in the practice of public accounting** [PRACTICING]
10 under **the** [ITS REGISTERED] name **on its permit**, and its offices in this state for the
11 practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380.

12 (b) A partnership, limited liability company, [OR] corporation, **or other**
13 **entity consisting** of certified public accountants in good standing in any state, **that**
14 **does not have a permit** [REGISTERED] as a partnership, limited liability company,
15 [OR] corporation, **or other legal entity consisting** of certified public accountants
16 under AS 08.04.240 but **holds** [HOLDING] a permit under AS 08.04.420, may use the
17 title or designation "certified public accountants."

18 * Sec. 37. AS 08.04.520 is amended to read:

19 **Sec. 08.04.520. Individual posing as public accountant.** **An individual** [A
20 PERSON] may not assume or use the title or designation "public accountant" or the
21 abbreviation "PA" or other title, designation, word, letter, abbreviation, sign, card, or
22 device tending to indicate that **the individual** [THAT PERSON] is a public
23 accountant, unless the **individual** [PERSON] holds a **current license, practice**
24 **privilege, or** [LIVE] permit and the **individual's** [PERSON'S] offices in this state for
25 the practice of public accounting are maintained as required by AS 08.04.360 -
26 08.04.380.

27 * Sec. 38. AS 08.04.530 is amended to read:

28 **Sec. 08.04.530. Partnership, limited liability company, or corporation**
29 **posing as public accountant.** A partnership, limited liability company, or corporation
30 may not assume or use the designation "public accountant" or the abbreviation "PA"
31 or any other title, designation, word, letter, abbreviation, sign, card, or device tending

1 to indicate that the partnership, limited liability company, or corporation is composed
2 of public accountants, unless the partnership, limited liability company, or corporation
3 holds a current [LIVE] permit, is practicing under the name on its [REGISTERED
4 NAME] permit, and its office in this state for the practice of public accounting is
5 maintained as required by AS 08.04.360 - 08.04.380.

6 * **Sec. 39.** AS 08.04.540 is amended to read:

7 **Sec. 08.04.540. Use of deceptive title or abbreviation.** An individual,
8 partnership, limited liability company, [OR] corporation, or other entity may not
9 assume or use the title or designation "certified accountant," [,] "chartered
10 accountant," [,] "enrolled accountant," [,] "licensed accountant," [,] "registered
11 accountant," [,] or any other title or designation likely to be confused with "certified
12 public accountant" or "public accountant," [,] or any of the abbreviations "C," [,]
13 "EA," [,] "LA," [,] "RA," [,] or similar abbreviations likely to be confused with "CPA"
14 or "PA" except that "EA" may be used to the extent that it relates to the term "enrolled
15 agent" as defined by the federal Internal Revenue Service; however, an individual,
16 partnership, limited liability company, [OR] corporation, or other legal entity holding
17 a current license, [LIVE] permit under AS 08.04.240, or practice privilege and
18 whose offices in this state for the practice of public accounting are maintained as
19 required by AS 08.04.360 - 08.04.380 may hold out to the public as an accountant or
20 auditor.

21 * **Sec. 40.** AS 08.04.560 is amended to read:

22 **Sec. 08.04.560. Individual may not assume title.** An individual [A
23 PERSON] may not sign or affix any name or any trade or assumed name used by that
24 individual [PERSON] to any accounting or financial statement [,] or opinion or report
25 on any accounting or financial statement with any wording indicating that the person
26 is a certified public accountant or public accountant or with any wording indicating
27 that the person has expert knowledge in accounting or auditing, unless the individual
28 [PERSON] holds a current license or practice privilege [LIVE PERMIT] and the
29 individual's [PERSON'S] offices in this state for the practice of public accounting are
30 maintained as required by AS 08.04.360 - 08.04.380.

31 * **Sec. 41.** AS 08.04.580 is amended to read:

1 **Sec. 08.04.580. Partnership posing as accountants or auditors.** A person
2 may not sign or affix a partnership name to any accounting or financial statement [,] or
3 opinion or report on any accounting or financial statement with any wording
4 indicating that it is a partnership composed of certified public accountants or public
5 accountants or with any wording indicating that the partnership has expert knowledge
6 in accounting or auditing unless the partnership holds a current [LIVE] permit, it is
7 practicing under the [ITS REGISTERED] name on its permit, and its offices in this
8 state for the practice of public accounting are maintained as required by AS 08.04.360
9 - 08.04.380.

10 * **Sec. 42.** AS 08.04.590 is amended to read:

11 **Sec. 08.04.590. Use of title with corporate name.** A person may not sign or
12 affix a corporate name to any accounting or financial statement [,] or opinion or report
13 on any accounting or financial statement with any wording indicating that it is a
14 corporation composed of certified public accountants or public accountants or with
15 any wording indicating that the corporation has expert knowledge in accounting or
16 auditing unless the corporation holds a current [LIVE] permit, it is practicing under
17 the [ITS REGISTERED] name on the permit, and its offices in this state for the
18 practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380.

19 * **Sec. 43.** AS 08.04.595 is amended to read:

20 **Sec. 08.04.595. Use of title with limited liability company name.** A person
21 may not sign or affix a limited liability company name to an accounting or financial
22 statement, or opinion or report on an accounting or financial statement, with wording
23 indicating that the person is a limited liability company composed of certified public
24 accountants or public accountants or with wording indicating that the company has
25 expert knowledge in accounting or auditing unless the company holds a current
26 [LIVE] permit, it is practicing under the [ITS REGISTERED] name on the permit,
27 and its offices in this state for the practice of public accounting are maintained as
28 required by AS 08.04.360 - 08.04.380.

29 * **Sec. 44.** AS 08.04 is amended by adding a new section to read:

30 **Sec. 08.04.598. Use of title with name of other entity.** A person may not sign
31 or affix the name of an entity to an accounting or financial statement or opinion or

1 report on an accounting or financial statement with wording indicating that the person
2 is a legal entity composed of certified public accountants or public accountants or with
3 wording indicating that the entity has expert knowledge in accounting or auditing
4 unless the entity holds a current permit, it is practicing under the name on the permit,
5 and its offices in this state for the practice of public accounting are maintained as
6 required by AS 08.04.360 - 08.04.380.

7 * Sec. 45. AS 08.04.600 is amended to read:

8 **Sec. 08.04.600. Disclosure of lack of license or permit.** An individual,
9 partnership, limited liability company, [OR] corporation, or other entity that does not
10 hold a current license, a current practice privilege, or a current [LIVE] permit
11 may not hold out to the public as a certified public accountant or public accountant by
12 use of such words or abbreviations on any sign, card, letterhead, or in any
13 advertisement or directory, without indicating that the individual, partnership, limited
14 liability company, [OR] corporation, or other entity does not hold a current license,
15 a current practice privilege, or a current permit. This section does not prohibit

16 (1) an officer, employee, partner, member, or principal of an
17 organization from self-description through the position, title, or office that the person
18 holds in the organization;

19 (2) an act of a public official or public employee in the performance of
20 that individual's duties; or

21 (3) a person from maintaining a bookkeeping or tax service.

22 * Sec. 46. AS 08.04.610 is amended to read:

23 **Sec. 08.04.610. Deceptive use of title or designation by partnership, limited**
24 **liability company, [OR] corporation [TITLE], or other entity.** A person may not
25 assume or use the title or designation "certified public accountant" or "public
26 accountant" or an abbreviation of them, in conjunction with a name indicating or
27 implying that there is a partnership, limited liability company, [OR] corporation, or
28 other entity, or in conjunction with the designation "and Company," "and Co.,"
29 "L.L.C.," "LLC," "Ltd.," or any similar designation unless there is a bona fide
30 partnership, limited liability company, [OR] corporation, or other legal entity
31 holding a permit issued [REGISTERED] under that name. However, a sole

1 proprietor or partnership lawfully using the title or designation "certified public
2 accountant" or "public accountant" or an abbreviation of them in conjunction with
3 such names or designation on April 26, 1960, may continue to do so if the person or
4 partnership otherwise complies with this chapter.

5 * Sec. 47. AS 08.04.620 is amended to read:

6 **Sec. 08.04.620. Exceptions.** This chapter does not prohibit

7 (1) an individual who does [A PERSON] not hold a current license
8 or practice privilege [A CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC
9 ACCOUNTANT] from serving as an employee of or as an assistant to an individual,
10 partnership, limited liability company, [OR] corporation, or other legal entity holding
11 a current license, a current practice privilege, or a current [LIVE] permit so long
12 as the employee or assistant does not use the employee's or the assistant's name in
13 connection with an accounting or financial statement;

14 (2) an individual who holds a valid license or equivalent
15 authorization in another state [A CERTIFIED PUBLIC ACCOUNTANT OR
16 PUBLIC ACCOUNTANT] from indicating that the individual is entitled to use the
17 title "certified public accountant" [OR PUBLIC ACCOUNTANT HOLDS A
18 CERTIFICATE OR LICENSE ENTITLING THE CERTIFIED PUBLIC
19 ACCOUNTANT OR PUBLIC ACCOUNTANT TO THAT DESIGNATION IF THE
20 CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC ACCOUNTANT HOLDS A
21 VALID CERTIFICATE OR LICENSE IN ANY STATE], but the individual
22 [PERSON] may not indicate that services are available to the public unless the
23 individual [CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC ACCOUNTANT]
24 holds a current license or practice privilege [LIVE PERMIT] issued under this
25 chapter;

26 (3) a holder of a certificate, license, or degree from a foreign country
27 that [WHICH] constitutes a recognized qualification for the practice of public
28 accounting in that country from indicating that the person holds the certificate, license,
29 or degree, but the person may not indicate that the person's services are available to
30 the public unless the person holds a current license, practice privilege, or [LIVE]
31 permit issued under this chapter.

1 * **Sec. 48.** AS 08.04.640 is amended to read:

2 **Sec. 08.04.640. Penalty.** A person who violates a provision of AS 08.04.500 -
3 08.04.610 is guilty of a misdemeanor and upon conviction is punishable by a fine of
4 not more than \$500, or by imprisonment for not more than one year, or by both.
5 [WHENEVER THE BOARD HAS REASON TO BELIEVE THAT A PERSON HAS
6 VIOLATED A PROVISION OF AS 08.04.500 - 08.04.610 IT MAY CERTIFY THE
7 FACTS TO THE ATTORNEY GENERAL OF THIS STATE OR OTHER
8 APPROPRIATE ENFORCEMENT OFFICER, WHO MAY CAUSE APPROPRIATE
9 PROCEEDINGS TO BE BROUGHT.]

10 * **Sec. 49.** AS 08.04.660 is amended to read:

11 **Sec. 08.04.660. Ownership of accountant's working papers.** Statements,
12 records, schedules, working papers, and memoranda made by a certified public
13 accountant or a [,] public accountant [, OR REGISTERED FOREIGN
14 ACCOUNTANT] incident to or in the course of professional service to a client, except
15 reports submitted to a client, are the property of the accountant, in the absence of an
16 express agreement between the accountant and the client to the contrary. A statement,
17 record, schedule, working paper, or memorandum may not be sold, transferred, or
18 bequeathed to a person other than a partner of the accountant without the consent of
19 the client or the client's personal representative or assignee.

20 * **Sec. 50.** AS 08.04.661 is amended to read:

21 **Sec. 08.04.661. Previous licensure.** A person holding a valid license as a
22 public accountant under former AS 08.04.270 or a person holding a valid permit under
23 former AS 08.04.390 on June 29, 1980, may continue to practice under the conditions
24 imposed by statute and regulation on that date but that person is otherwise subject to
25 this chapter. A license or permit effective under this section may be renewed under
26 conditions imposed by statute and regulation that were in effect on June 29, 1980,
27 except that any renewal fee required under this chapter applies.

28 * **Sec. 51.** AS 08.04.662(a) is amended to read:

29 (a) A license holder, a permit holder, a practice privilege holder
30 [LICENSEE], or a partner, an officer, a shareholder, a member, or an employee of a
31 license holder, a permit holder, a practice privilege holder [LICENSEF], may not

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1 reveal information communicated to the license holder, permit holder, or practice
2 privilege holder [LICENSEE] by a client about a matter concerning which the client
3 has employed the license holder, permit holder, or practice privilege holder
4 [LICENSEE] in a professional capacity. This section does not apply to

5 (1) information required to be disclosed by the standards of the public
6 accounting [ACCOUNTANCY] profession in reporting on the examination of
7 financial statements;

8 (2) the release of information the client has authorized the license
9 holder, permit holder, or practice privilege holder [LICENSEE] to reveal;

10 (3) information revealed as part of the discovery of evidence related to
11 a court or administrative proceeding or introduced in evidence in a court or
12 administrative proceeding;

13 (4) information revealed in ethical investigations conducted by private
14 professional organizations; or

15 (5) information revealed in the course of a quality review under
16 AS 08.04.426.

17 * Sec. 52. AS 08.04.680 is amended to read:

18 Sec. 08.04.680. Definitions. In this chapter, unless the context indicates
19 otherwise,

20 (1) "attest functions" means the functions identified as attest
21 functions by the board under AS 08.04.085;

22 (2) "board" means the Board of Public Accountancy;

23 (3) [(2)] "certificate" means a certificate granted under AS 08.04.100
24 [AS A CERTIFIED PUBLIC ACCOUNTANT];

25 (4) "legal entity" means an organization that can organize as a
26 legal person under the laws of this state;

27 (5) [(3)] "license" means a license issued under AS 08.04.105 or
28 08.04.195 [AS A PUBLIC ACCOUNTANT];

29 (6) [(4)] "limited liability company" means an organization organized
30 under AS 10.50 or a foreign limited liability company; in this paragraph, "foreign
31 limited liability company" has the meaning given in AS 10.50.990;

1 (7) [(5) "LIVE PERMIT" MEANS A PERMIT ISSUED UNDER
2 AS 08.04.390 - 08.04.425;

3 (6)] "member" means a person who has been admitted to membership
4 in a limited liability company;

5 (8) "partnership" means a general partnership, a limited
6 partnership, a limited liability partnership, or another form of partnership;

7 (9) "permit" means a permit issued under AS 08.04.240 or
8 08.04.420;

9 (10) "practice of public accounting" means the offering to perform
10 or the performance as a person holding a license, practice privilege, or permit
11 under this chapter of a service involving the use of accounting or auditing skills;
12 in this paragraph, "accounting or auditing skills" includes preparing financial
13 statements, issuing reports on financial statements, furnishing management
14 services, furnishing financial advisory services, providing consulting services,
15 preparing tax returns, advising on tax matters, or consulting on tax matters;

16 (11) "practice privilege" means a practice privilege authorized
17 under AS 08.04.420;

18 (12) "principal place of business" means the fixed location
19 designated by the partnership, corporation, limited liability company, or other
20 legal entity as the location from which the partnership, corporation, limited
21 liability company, or other legal entity directs, controls, and coordinates the
22 majority of the business activities of the partnership, corporation, limited liability
23 company, or other legal entity;

24 (13) [(7)] "quality review" means a study, appraisal, or review of one
25 or more aspects of the professional work of a person [OR FIRM] in the practice of
26 public accounting [ACCOUNTANCY], by a person [OR PERSONS] who holds a
27 certificate [HOLD CERTIFICATES] and who is [ARE] not affiliated with the person
28 [OR FIRM] being reviewed, conducted as prescribed under AS 08.04.426;

29 (14) [(8)] "report," when used with reference to financial statements,
30 means an opinion, report, or other form of language that states or implies assurance as
31 to the reliability of financial statements and that also includes or is accompanied by a

1 statement or implication that the person [OR FIRM] issuing it has special knowledge
2 or competency in accounting or auditing; a statement or implication of special
3 knowledge or competence may arise from use by the issuer of the report of names or
4 titles indicating that the issuer is a certified public accountant or auditor, or from the
5 language of the report itself; except as provided in this paragraph, "report" includes
6 any form of language that disclaims an opinion when the form of the language is
7 conventionally understood to imply a positive assurance as to the reliability of the
8 financial statements referred to or special competence on the part of the person [OR
9 FIRM] issuing the language; and "report" includes any other form of language that is
10 conventionally understood to imply such assurance or such special knowledge or
11 competence; "report" does not include

12 (A) a compilation of financial statement language that does not
13 express or imply assurance or special knowledge or competence; or

14 (B) the following disclaimer language when used by
15 nonlicensees in connection with financial statements:

16 (i) "I (we) have prepared the accompanying
17 (financial statements) of (name of entity) as of (time period) for the
18 (period) then ended. This presentation is limited to preparing, in
19 the form of financial statements, information that is the
20 representation of management (owners)."; or

21 (ii) "I (we) have not audited or reviewed the
22 accompanying financial statements and, accordingly, do not
23 express an opinion or any other form of assurance on them.";

24 (15) "state" means a state of the United States, the District of
25 Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, and
26 American Samoa.

27 * Sec. 53. AS 08.04.070(d), 08.04.070(e), 08.04.390, 08.04.400, and 08.04.460 are repealed.

28 * Sec. 54. The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 TRANSITIONAL PROVISIONS: REGULATIONS. The Board of Public
31 Accountancy created under AS 08.04.010 may proceed to adopt regulations necessary to

1 implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure
2 Act), but not before the effective date of secs. 1 - 53 of this Act.

3 * Sec. 55. The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 TRANSITIONAL PROVISIONS: EFFECT ON CURRENT PERMITTEES. (a) On
6 and after January 1, 2008, a person with a current permit issued under AS 08.04, as that
7 chapter existed before January 1, 2008, may continue to operate under the permit until the
8 permit expires normally under AS 08.04, as that chapter existed before January 1, 2008, and
9 then receive a renewal under AS 08.04, as that chapter exists on and after January 1, 2008.

10 (b) Until an individual who is eligible for the renewal of a license under (a) of this
11 section receives a license renewal under (a) of this section, the individual satisfies the license
12 requirement of AS 06.26.020(a)(9), as amended by sec. 1 of this Act, even though the
13 individual is holding a permit under AS 08.04 as that chapter existed before January 1, 2008,
14 and not the license required by AS 06.26.020(a)(9). In this section, "license" has the meaning
15 given in AS 08.04.680.

16 * Sec. 56. The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 TRANSITIONAL PROVISIONS: MEMBERSHIP OF BOARD. AS 08.04.020, as
19 amended by sec. 3 of this Act, does not apply to a member of the Board of Public
20 Accountancy who is a member of the Board of Public Accountancy on the effective date of
21 this section until the term of the board member expires normally under former AS 08.04.020,
22 as that section existed before January 1, 2008.

23 * Sec. 57. Section 54 of this Act takes effect immediately under AS 01.10.070(c).

24 * Sec. 58. Except as provided in sec. 57 of this Act, this Act takes effect January 1, 2008.

Sponsor Substitute for House Bill 274

Sectional Analysis for Work Draft Version 24-LS0176\C

Prepared by Representative Mike Hawker's Office

Updated February 9, 2006

Note: Throughout this document "conforming language" changes generally refer to adopting contemporary legislative drafting conventions or incorporating newly defined terms without making substantive changes in existing statutes.

- Section 1:** Conforms language in existing statutes regarding exemptions to the Revised Alaska Trust Company Act.
- Section 2:** Updates terminology in the "purpose" section of the public accounting statutes replacing the word "accountancy" with "accounting" when referring to the public "accounting" profession.
- Section 3:** Conforms language in the section setting qualifications for members of the Board of Public Accountants.
- ❖ ***NEW CS:** removes "under AS 08.04.105." The definition of "license" includes this statutory reference.
- Section 4:** Conforms language in the section regarding removal of board members.
- Section 5:** Operates in conjunction with bill section 22 to allow a practice privilege to be granted to an applicant whose qualifications are "substantially equivalent" to standards established by the board. This section requires the board to determine if the qualifications of another state or an applicant are substantially equivalent to either the national standard or another standard established by the board.
- Section 6:** Requires the board to notify permit/license holders of proposed changes by mail, but eliminates requirement for the mail to be certified, return receipt. This is a cost containment initiative requested by the board.
- Section 7:** Requires the board to adopt specific regulations defining attest functions. Allows the board to use criteria established by a nationally recognized professional organization for accountants. This section operates in conjunction with bill sections 23 and 25 increasing supervision and regulation of licensees performing attest function.
- ❖ **Section 8:** ***NEW IN CS:** Clarifies that a certificate does not authorize a CPA to practice – a license is also required. *This is current practice but the disclaimer is printed on the certificate and does not appear in statute.*
- Section 9:** Replaces code section AS 08.04.390, which is repealed by section 49 of this bill. Specifies requirements for an individual to receive a license to engage in the practice of public accounting and adds requirements for renewal of a license.
- ❖ ***NEW CS:** removes "or a renewal granted under this section." This language was intended to include renewals for licenses under 08.04.195, but was confusing. The CS adds a new section 15 to take care of these renewals.

- Section 10:** Conforms language in the section regarding personal requirements.
- Section 11:** Requires CPA applicants to have a baccalaureate degree with an accounting concentration and two years experience. The alternate provision in current law allowing an applicant to have a baccalaureate degree in any subject and three years of experience is eliminated.
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- Section 13:** Conforms language in the section regarding prior applicants.
- Section 14:** 1) Makes conforming changes in the section regarding reciprocity with other jurisdictions.
- 2) Changes the reciprocity requirement for experience outside Alaska from five to four years. This change conforms Alaska statute to provisions of the "Uniform Accountancy Act" published by the American Institute of Certified Public Accountants.
- ❖ ***NEW CS:** replaces the term "qualifying territory" with "state." State is already defined in statute.
- ❖ **Section 15:** ***NEW IN CS:** Allows the board to renew licenses issued under AS 08.04.195. See description under Section 9.
- Section 16:** Conforms language in the section regarding an individual's use of the title "Certified Public Accountant."
- Section 17:** Conforms language in the section grandfathering certificates held on April 26, 1960.
- Section 18:** Adds "or other legal entity" to the section regarding registration of partnerships, limited liability companies, and corporations. This is a "catch-all" clause anticipating continued evolution and emergence of business organizational structures. Updates and conforms related language in this section.
- ❖ ***NEW CS:** Replaces the word "registers" with "applies" and removes "Registration." This more accurately describes what corporations will do – apply for a permit.
- Section 19:** New subsection replaces section AS 08.04.400, which is repealed by section 49 of this bill. Specifies how long a permit is valid and provides a renewal procedure. Allows a partnership that was registered on June 29, 1980 to qualify for a permit if each partner holds a license or permit to engage in public accounting. Adds registration requirements for an "other legal entity" recognized in bill section 16 consistent with existing requirements for partnerships, limited liability companies, and corporations.
- ❖ ***NEW CS:** Replaces the word "registers" with "applies." See description for Section 18.

- Section 20:** Conforms language in the section requiring all practice offices to be supervised by a licensed individual.
- ❖ *NEW CS: removes "under AS 08.04.105. and under 08.04.420. The definitions of "license" and "practice privilege" include this statutory reference.
- Section 21:** Prohibits use of the title "Certified Public Accountant" in connection with an accounting office unless the supervision requirement of AS 08.04.360 is satisfied. This is mostly conforming language.
- ❖ *NEW CS: replaces "a person" with "an organization." Conforms the language to the title of the section.
- Section 22:** Conforms language in the section allowing the board to waive office and supervision requirements for offices in communities with 2,000 or less residents if the accounting firm maintains another office in the state that meets the supervision requirements.
- Section 23:** Conforms language in the section allowing former licensees who are not practicing to inactivate and maintain their license in good standing by notifying the board and paying a fee.
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- Section 25:** New section requiring a licensee to meet competency requirements established by the board before performing attest functions.
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- Section 27:** Reenacts the section to make quality reviews and providing a statutory framework for the performance of those reviews. Also adopts conforming language.
- ❖ *NEW CS: Section is reworded to keep the quality reviews voluntary, instead of mandatory. The intent of this section was to clarify what must be in quality reviews for CPAs that perform attest functions. Current regulations require all CPAs who perform attest functions undergo a quality review, but exempts those that do not perform attest functions. The CS ensures that the exemption remains.
- Section 28:** Conforms language in the section regarding failure to obtain a permit.
- Section 30:** Conforming changes to the section regarding revocation of a license, practice privilege or permits. Adds authority to revoke if the permittee/licensee has committed an act in another state for which they would be disciplined if the act had been committed here.

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- ❖ **Section 48:** *NEW IN CS: Removes an obsolete provision in statute regarding board action to reflect current practice of investigation of violations.
- ❖ **Section 49:** *NEW IN CS: Removes an obsolete term in statute.
- Section 50:** Conforms language in the section regarding previous licensure.
- Section 51:** Conforming language in the section regarding prohibited disclosures.
 - ❖ *NEW IN CS: Section reworded to ensure that permit holders were included.
- Section 52:** Definitions section. Specifies that the definitions in this section do not apply if context dictates otherwise. Adds definitions for the following terms: attest function, legal entity, partnership, permit, practice of public accounting, practice privilege, and principal place of business. Amends the definition of "report" by adding disclaimer language endorsed in the Uniform Accounting Act to existing "safe harbor" language.
 - ❖ *NEW IN CS: New definition of "certificate." This clarifies that a certificate is what is granted under AS 08.04.100.
- Section 53:** Repeals sections of law regarding permits that are made obsolete by the bill. The sections are embodied in various sections of the bill.
 - ❖ *NEW IN CS: Additional repeals: AS 08.04.070 (d) and (e). These functions are currently done by the division staff.
- Section 54:** Allows the board to adopt regulations to implement the bill.
- Section 55:** Provides transitional provisions for current permittees.
 - ❖ *NEW IN CS: This section was reworded for clarity.
- Section 56:** Provides transitional provisions for current board members.
- Section 54:** Immediate effective date for section 54.
- Section 58:** Provides a January 1, 2008 effective date for the remaining sections.

Sponsor Substitute for House Bill 274
Sectional Analysis for CSSHB 247
Work Draft Version 24-LS0176\C

Prepared by Representative Mike Hawker's Office
Updated February 9, 2006

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Representative Mike Hawker

Alaska State Legislature



House Bill 274 Sponsor Statement

"An Act relating to the practice of accounting; and providing for an effective date."

HB 274 updates Alaska's statutory framework regulating the professional practice of accounting. This bill moves our statutes toward the standardized structure recommended in the model National Uniform Accountancy Act developed by the American Institute of Certified Public Accountants.

Adopting these changes will facilitate the practice of Alaska public accountants in other jurisdictions, ensure the qualifications of non-resident public accountants practicing in Alaska and aid the conduct of interstate commerce. These more contemporary statutes are important to keep Alaska competitive in today's dynamic international business environment and provide the greatest possible consumer protection for the public relying upon the work performed by Certified Public Accountants.

HB 274 increases the supervision and regulation of public accountants who provide auditing services; establishes a mechanism to grant temporary practice privileges to public accountants and public accounting firms licensed in other states; expands peer quality review requirements; and ensures that public accountants meet appropriate education and experience standards.

The Alaska Society of Certified Public Accountants supports House Bill 274.

Session:

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800 478-4950 toll free
907 465-4979 fax

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Member:

House Finance Committee
Legislative Budget
& Audit Committee

see District 32:

Eagle River
Anchorage
Rainbow
Indian
Bird
Girdwood
Portage
Whittier
Sunrise
Hope

Staff Contact: Juli Lucky 465-4949 or Paulyn Swanson 465-6820

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Kenai, Alaska 99611

716 W. 4th Avenue
Anchorage, Alaska 99501

State Capitol, Juneau, Alaska 99801-1182

MEMORANDUM

DATE: February 9, 2006
TO: House Finance Committee members
FROM: Representative Kevin Meyer *KM/SL*
RE: Blank committee substitute for HB 274

Attached to this memo is a brief explanation of the changes that have been incorporated into blank committee substitute for HB 274.

Comments were requested by the Department of Law. The changes are largely clarifying changes and clarification of requirements for the licensure of public accountants. A representative from the Department of Law will be available for questions.

Changes Incorporated into Blank Committee Substitute for HB 274
House Finance Committee
February 9, 2006

The following changes were incorporated into a blank committee substitute for HB 274. The changes were at the request of the Department of Law. A representative of the Department of Law or the sponsor will explain why the change was necessary. Most of the changes are for clarification and drafting purposes.

Section 3

Page 2, line 19

Following "license"

Delete "under AS 08.04.105"

Section 8

Page 3

Rewritten

Section 8 in the L&C version needed to be re-written because it treated the renewal of licenses by reciprocity differently. In the blank committee substitute, a new section was added, Section 15, that amends the current statute pertaining to reciprocity and licensing. Now AS 08.04.195 pertains to reciprocity, licensing, and renewal of license.

Section 11

Page 4

Removes "certificate" from AS 08.04.120(b) and replaces it with "license." A conforming amendment.

Section 14

Page 5

"Jurisdiction" was changed to "states" and defined in the definition section, Section 52. In the context of this legislation, "state" is usually preceded by "another" or "other" to avoid confusion with Alaska.

Section 20

Page 10, line 22

Removes a statutory reference.

Section 21

Page 10

The section pertains to use of titles by organizations. In the L&C version, a reference to "person" was inserted, instead of "organization."

Section 27

Page 15

Quality Review

The Department of Law was concerned that the Board of Public Accountancy would not be able to exempt or have a lesser degree of quality review requirements for Certified Public Accountants that do not do attest functions. The board currently can do this in regulations. The section was changed to allow the board to adopt regulations that may

Changes Incorporated into Blank Committee Substitute for HB 274
House Finance Committee
February 9, 2006

provide for different review standards for different accountants. Quality reviews are still required by statute, however, flexibility is given to the board on regulating this standard.

Section 29

Page 16, line 18

Deletes "suspension" under this section. This section now only allows for revocation of permits of partnerships, limited liability companies, corporations, or other legal entities.

Section 45

Page 23

Statutory reference was removed.

Section 47

Page 24

Statutory reference was removed

Section 48

Page 25

New Section

Relates to penalties for violations of AS 08.04.500-08.04.610.

Section 49

Page 25

New Section

Amends AS 08.04.660 to clarify the ownership of work papers of a certified public accountant or a public accountant, but not a registered foreign accountant.

Section 52

Page 26

Added a definition for "state"

Section 55

Page 29

The transitional provisions were clarified. Provides that a person with a current permit on or after January 1, 2008, may operate under that current permit and the statutes governing it, until it expires. Then, when the permit is renewed, it will be under the new statutes in effect on or after January 1, 2008.

Until the individual receives a renewal notice, they are considered to be in compliance with the license requirements

Don Bremner
PO Box 20161
Juneau, Alaska 99802
Ph: 907-463-7124
E-mail: dbremner@gci.net

Feb 1, 2006

RE: Supportive Comment on SSHB 274

Dear Representative Anderson and members of the Committee;

My name is Don Bremner, I'm a Board of Director of the Yak-Tat Kwaan, Inc.(YKI) Native village corporation in Yakutat Alaska. YKI is formed under ANCSA of 1971 and State corporation laws.

I'm here to speak in favor of SSHB 274.

There are a couple of reasons that make clear the need for this Bill;

1. This Bill draws a clear line between qualified and unqualified accountants and accounting services.
2. This Bill addresses accountability and liability.

In my past experience as President of Yak-Tat Kwaan, Inc, and serving as an officer of other Profit-making and Non-Profit-making Native Corporations we encountered all levels of accounting services. I can say from experience, that when accounting services are bad, it is really bad for small companies that count on every dollar to succeed.

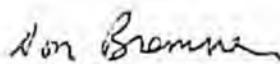
As Native Corporations we are exposed to every scheme and scam that folks can dream up, and they have cost us millions of dollars. I know of one Native corporation that was exposed to a Ponzi scheme that cost them over (7) million dollars.

These illegal investment schemes promised the Native Corporation investors impossibly high returns on their investments. These are scams in which money from later investors is used to pay earlier investors. The creators of the scheme get most of the profits while those who come later are left with nothing because there are eventually an insufficient number of new investors to pay the existing ones. These scams inevitably collapsed because they require exponential growth in the number of participants at each step, which is impossible. The Native Corporation was left holding an empty bag in the end, and out (7) million dollars.

During this time period there was not one negative flag raised by the Native Corporation accounting firm. In the end, the scheme was smoothly reported in the annual report as investment losses. Clearly there was no accountability and liability of the accountant's role.

This Bill sets the high standards of accountability that is needed by businesses in Alaska that manage very challenging businesses, even on a good day. In most cases we do not have the education to implement and monitor the fine detail of accounting, so, we operate on faith. Faith that the accountants who work on our behalf are who they say they are in terms of experience and qualifications. It speaks well of the accounting profession, that in this Bill they set high standards for themselves, and I encourage the Committee to support this Bill and move it forward for approval.

Sincerely,



Don Bremner

Cc/ House Labor & Commerce Committee Members



ALASKA SOCIETY OF CPAs
341 W. TUDOR #105
ANCHORAGE, AK 99503
(907) 562-4334
800-478-4334
FAX (907) 562-4025

January 12, 2006

Representative Mike Hawker
State Capitol
Room 502
Juneau, Alaska 99801-1182

Dear Representative Hawker,

Below is the Alaska Society of Certified Public Accountants board of Directors resolution that was unanimously approved on January 9, 2006 in support of House Bill No. 274.

Resolved: The Alaska Society of CPA's Board of Directors unanimously agrees to Support the following proposed statute changes: Amend AS 08.04.005-680 as encompassed in the Sponsor Substitute for House Bill No.274 as drafted December 2, 2005.

The board of Directors of the Alaska Society of Certified Public Accountants and all the members of the Alaska Society of Certified Public Accountants would like to thank you and your staff for your tireless efforts in moving House Bill No. 274 forward.

Sincerely,

Donovan W. Rulien, CPA, CVA
Chairman of the Legislative Committee



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the House Labor & Commerce
Committee Name
 Committee on SB 274 Dated 2/1/06
Bill / Subject

I am a CPA in Fairbanks and a recently appointed member of the State Board of Public Accountancy. I have been practicing as a CPA for over 10 years and its amendments.

I am in support of this Bill. Amending and adding to the State Statutes for uniformity to the Uniform Accountancy Act, will benefit both the profession and the State Board of Accountancy. ~~The profession will support this Act as it is a move towards reciprocity.~~

Reciprocity is one example of how this will be advantageous. The UAA is a move towards allowing CPAs to practice in multiple jurisdictions without having to conform to multiple laws and requirements. This Act will also give flexibility to the State Board of Accountancy to amend regulations as the national organizations want the UAA.

SIGNED: Diane Williamson
 Testifier
ASCPA
 Representing
Kobler Scmill & Hutchinson PC 430 16674
711 4th Ave Suite 303 Fairbanks AK 99701
 Address / Phone Number



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the HOUSE LABOR & COMMERCE
 Committee on SSHB 274 Committee Name:
Bill / Subject Dated 2/1/2006

I am a CPA who has practiced for over 20 years in Alaska. I am supporting this bill because (1) it updates the statutes to reflect the profession as it is now practiced nationally; (2) allows the Board to react to changes in the profession without introducing legislation (such as development of new forms of doing business like LLC's); (3) clarifies the rules for reciprocity for individuals licensed in other states to be allowed to practice as CPAs in the State of Alaska. I have no objection to the proposed amendment to the bill which retains the "safe harbor" language presently in the statute and treats the "safe harbor" language recommended under the Uniform Accounting Act as an alternative, not as a requirement.

SIGNED: Amy Casuel
 Testifier

Alaska Society of Certified Public Accountants KONIG, SCHMITZ & WILSON, PC
 Representing

P.O. Box 70607 Fairbanks AK 99707
 Address / Phone Number



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the HOUSE (A.R.P. & COMMERCE
 Committee on SB 274 Committee Name Dated 2/1/06
Bill / Subject

I am a CPA practicing in Fairbanks in a small local firm.

I support this bill because it allows the State Board more flexibility and allows them to make changes necessary to comply with national standards without requiring legislative action.

SIGNED:

[Signature]
 Testifier

CPA
 Representing

PO Box 20607, FAIRBANKS AK 99707 (907) 456 6676
 Address / Phone Number



Alaska State Legislature

Please enter into the record my testimony to the House L+C

Committee name

Committee on HB 274, dated 1-25-06

Bill/Subject

Honorable Members of the Committee:

I respectfully ask for your committee's support for this important bill. Many CPAs have volunteered hundreds of hours to bring the Alaska Statutes consistent with 43 other states. Passage of the bill allows for Alaska's conformity to the Uniform Accountancy Act.

Thank you,

D. Kennedy CPA
AK # 763

Signed: Dan F. Kennedy CPA
Testifier

Representing (Optional)

4701 E. Shoreline Circle
Address

376-1272
Phone number

HB

274

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
MAR 23 2006
 SENATE FINANCE COMMITTEE

DATE: 3/10/06

FURTHER:

DATE TURNED IN TO OFFICE: 23 March 2006

Finance Committee considered CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 274(FIN)

HB 274 PUBLIC ACCOUNTANTS

"An Act relating to the practice of accounting; 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

CS Senate Bill:
 Same Title
 New Title

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

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
OCCED	1/30/06			✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
COCHAIR: <i>Gary Walker</i>	✓			
COCHAIR: <i>John Green</i>	✓			

FISCAL NOTE

REPORTED OUT
MAR 23 2006
 SENATE FINANCE COMMITTEE

STATE OF ALASKA
 2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSSHB 274(L&C)
 (H) Publish Date: 2/3/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title: Public Accountants RDU: Corp. Bus & Prof Licensing (117)
 Component: Corp. Bus & Prof Licensing
 Sponsor: Hawker
 Requester: Labor & Commerce Component No.: 2360

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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)

FUND SOURCE	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1156 Receipt Supported Services						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

POSITIONS	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

SSHB 274 makes changes to AS 08.04 governing the licensure and practice of accountants in Alaska. New funds are not required to implement the provisions of this bill.

Prepared by: Jennifer Strickler, Chief Phone: (907) 465-2144
 Division: Corporations and Licensing Date/Time: 1/30/06 11:57 AM
 Approved by: William C. Noll, Commissioner Date: 1/30/2006
 Agency: Commerce, Community and Economic Development

Sponsor Substitute for House Bill 274

Version: CSSSHB 274(FIN)

Prepared by Representative Mike Hawker's Office

Updated February 13, 2006

Note: Throughout this document "conforming language" changes generally refer to adopting contemporary legislative drafting conventions or incorporating newly defined terms without making substantive changes in existing statutes.

- Section 1:** Conforms language in existing statutes regarding exemptions to the Revised Alaska Trust Company Act.
- Section 2:** Updates terminology in the "purpose" section of the public accounting statutes replacing the word "accountancy" with "accounting" when referring to the public "accounting" profession.
- Section 3:** Conforms language in the section setting qualifications for members of the Board of Public Accountants.
- Section 4:** Conforms language in the section regarding removal of board members.
- Section 5:** Operates in conjunction with bill section 22 to allow a practice privilege to be granted to an applicant whose qualifications are "substantially equivalent" to standards established by the board. This section requires the board to determine if the qualifications of another state or an applicant are substantially equivalent to either the national standard or another standard established by the board.
- Section 6:** Requires the board to notify permit/license holders of proposed changes by mail, but eliminates requirement for the mail to be certified, return receipt. This is a cost containment initiative requested by the board.
- Section 7:** Requires the board to adopt specific regulations defining attest functions. Allows the board to use criteria established by a nationally recognized professional organization for accountants. This section operates in conjunction with bill sections 23 and 25 increasing supervision and regulation of licensees performing attest function.
- Section 8:** Clarifies that a certificate does not authorize a CPA to practice – a license is also required. This is current practice but the disclaimer is printed on the certificate and does not appear in statute.
- Section 9:** Replaces code section AS 08.04.390, which is repealed by section 49 of this bill. Specifies requirements for an individual to receive a license to engage in the practice of public accounting and requirements for renewal of a license.
- Section 10:** Conforms language in the section regarding personal requirements.
- Section 11:** Requires CPA applicants to have a baccalaureate degree with an accounting concentration and two years experience. The alternate provision in current law allowing an applicant to have a baccalaureate degree in any subject and three years of experience is eliminated.

- Section 12:** Conforms language in the section regarding examinations.
- Section 13:** Conforms language in the section regarding prior applicants.
- Section 14:** 1) Makes conforming changes in the section regarding reciprocity with other jurisdictions.
- 2) Changes the reciprocity requirement for experience outside Alaska from five to four years. This change conforms Alaska statute to provisions of the "Uniform Accountancy Act" published by the American Institute of Certified Public Accountants.
- Section 15:** Specifies requirements for renewal of a license granted through reciprocity.
- Section 16:** Conforms language in the section regarding an individual's use of the title "Certified Public Accountant."
- Section 17:** Conforms language in the section grandfathering certificates held on April 26, 1960.
- Section 18:** Adds "or other legal entity" to the section regarding registration of partnerships, limited liability companies, and corporations. This is a "catch-all" clause anticipating continued evolution and emergence of business organizational structures. Updates and conforms related language in this section.
- Section 19:** New subsection replaces section AS 08.04.400, which is repealed by section 49 of this bill. Specifies how long a permit is valid and provides a renewal procedure. Allows a partnership that was registered on June 29, 1980 to qualify for a permit if each partner holds a license or permit to engage in public accounting. Adds registration requirements for an "other legal entity" recognized in bill section 16 consistent with existing requirements for partnerships, limited liability companies, and corporations.
- Section 20:** Conforms language in the section requiring all practice offices to be supervised by a licensed individual.
- Section 21:** Prohibits use of the title "Certified Public Accountant" in connection with an accounting office unless the supervision requirement of AS 08.04.360 is satisfied. This is mostly conforming language.
- Section 22:** Conforms language in the section allowing the board to waive office and supervision requirements for offices in communities with 2,000 or less residents if the accounting firm maintains another office in the state that meets the supervision requirements.
- Section 23:** Conforms language in the section allowing former licensees who are not practicing to inactivate and maintain their license in good standing by notifying the board and paying a fee.

- Section 24:** Repeals and reenacts the section providing specific criteria under which individuals and firms whose principal place of business is in another state may be permitted to practice in Alaska.
- Section 25:** New section requiring a licensee to meet competency requirements established by the board before performing attest functions.
- Section 26:** Conforms language in the section regarding continuing education.
- Section 27:** Repeals and reenacts language regarding quality reviews to more accurately reflect current practice. Also adopts conforming language.
- Section 28:** Conforms language in the section regarding failure to obtain a permit.
- Section 29:** Conforming changes to the section regarding revocation of a license, practice privilege or permits. Adds authority to revoke if the permittee/licensee has committed an act in another state for which they would be disciplined if the act had been committed here.
- Section 30:** Conforms language in the section regarding revocation or suspension of permits.
- Section 31:** Conforms language in the section regarding grounds for revocation or suspension of permits.
- Section 32:** Conforms language in the section regarding reinstatement.
- Section 33:** Conforms language in the section regarding fees.
- Section 34:** Conforms language in the section regarding individuals posing as certified public accountants.
- Section 35:** Conforms language in the section regarding issuance of reports.
- Section 36:** Conforms language in the section regarding companies posing as certified public accountants.
- Section 37:** Conforms language in the section regarding individuals posing as public accountants.
- Section 38:** Conforms language in the section regarding companies posing as public accountants.
- Section 39:** Conforms language in the section regarding use of deceptive titles or abbreviations.
- Section 40:** Conforms language in the section regarding individuals assuming titles of public accounts.
- Section 41:** Conforms language in the section regarding partnerships posing as accountants or auditors.
- Section 42:** Conforms language in the section regarding the use of title with corporate name.

- Section 43:** Conforms language in the section regarding the use of title with limited liability company name.
- Section 44:** New section to conform prohibition for use of title to the name of other entity. Required by inclusion of "other entity" in bill section 18.
- Section 45:** Conforms language in the section regarding disclosure of lack of a permit.
- Section 46:** Conforms language in the section regarding deceptive use of title by a partnership, limited liability company, corporation or other entity.
- Section 47:** Conforms language in the section regarding exceptions to the statute.
- Section 48:** Removes an obsolete provision in statute regarding board action to reflect the current practice of investigating violations.
- Section 49:** Removes an obsolete term in the section regarding ownership of working papers.
- Section 50:** Conforms language in the section regarding previous licensure.
- Section 51:** Conforming language in the section regarding prohibited disclosures.
- Section 52:** Definitions section. Specifies that the definitions in this section do not apply if context dictates otherwise. Adds definitions for the following terms: attest function, legal entity, partnership, permit, practice of public accounting, practice privilege, and principal place of business. Amends the definition of "certificate" by adding a statutory reference; amends the definition of "report" by adding disclaimer language endorsed in the Uniform Accounting Act to existing "safe harbor" language.
- Section 53:** Repeals sections of law that are obsolete. The sections are embodied in various sections of the bill.
- Section 54:** Allows the board to adopt regulations to implement the bill.
- Section 55:** Provides transitional provisions for current permittees.
- Section 56:** Provides transitional provisions for current board members.
- Section 57:** Immediate effective date for section 54.
- Section 58:** Provides a January 1, 2008 effective date for the remaining sections.



ALASKA SOCIETY OF CPAs
341 W TUDOR #105
ANCHORAGE, AK 99503
(907) 562-4334
HQ - 478-4334
FAX (907) 562-4025

January 12, 2006

Representative Mike Hawker
State Capitol
Room 502
Juneau, Alaska 99801-1182

Dear Representative Hawker,

Below is the Alaska Society of Certified Public Accountants board of Directors resolution that was unanimously approved on January 9, 2006 in support of House Bill No. 274.

Resolved: The Alaska Society of CPA's Board of Directors unanimously agrees to Support the following proposed statute changes: Amend AS 08.04.005-680 as encompassed in the Sponsor Substitute for House Bill No.274 as drafted December 2, 2005.

The board of Directors of the Alaska Society of Certified Public Accountants and all the members of the Alaska Society of Certified Public Accountants would like to thank you and your staff for your tireless efforts in moving House Bill No. 274 forward.

Sincerely,

Donovan W. Rulien, CPA, CVA
Chairman of the Legislative Committee



Frank H. Murkowski, Governor

Division of Corporations, Business and Professional Licensing
PO Box 110806
Juneau, AK 99811-0806
Telephone: (907) 465-2534
Fax: (907) 465-2974
Website: www.commerce.state.ak.us/occl

January 26, 2006

Representative Mike Hawker
State Capital
Room 502
Juneau, Alaska 99801-1182

Dear Representative Hawker,

Following is the Alaska Board of Public Accountancy's resolution that was unanimously approved on January 26, 2006 in support of House Bill 274.

Be it resolved: The Alaska Board of Public Accountancy unanimously supports the Sponsor Substitute for House Bill 274 in the legislature of the State of Alaska.

The Alaska Board would like to thank you and your staff for all your time and effort in moving House Bill 274 forward.

Sincerely,

A handwritten signature in dark ink, appearing to read "Max Mertz".

Max Mertz, CPA
Chairperson
Alaska Board of Public Accountancy

SENATE COMMITTEE REPORT

DATE: 2/23/06

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 3/10/06

Labor & Commerce Committee considered CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 274(FIN)

HB 274 PUBLIC ACCOUNTANTS

"An Act relating to the practice of accounting; 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

CS Senate Bill:
 Same Title
 New Title

SCS 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#
DCEd	1/30/06			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:

Davis
Ellis
Seekins
3. Steens

Bunde

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Betty Davis</i>	X			
<i>De Steens</i>	X			
<i>Halley Velkams</i>	✓			
<i>Ben Steens</i>	/			
CHAIR: <i>Bunde</i>	✓			

HB

275

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 18, 2005

FURTHER REFERRALS:

Date of Committee Action: 4/26/05

The FINANCE Committee considered:

HB 275

HOUSE BILL NO. 275

TRANSPORTATION PROJECT BONDS

"An Act authorizing financing for certain public transportation projects; giving notice of and approving the entry into, and the issuance of revenue obligations that provide participation in, lease-financing agreements for those transportation projects; and providing for an effective date."

Recommends it be replaced with HCS or CS for HB 275 FIN)
 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
 ENV
 DOT
 UA

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

<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
	Hawker			*	
	Weyh			x	
	Kelly Weyh	x		x	
	FOSTER	x			
Chair:	Meyer	x			
Chair:	Chinnitt			x	

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CS HB275
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Transportation Projects RDU: Revenue Programs & Services
Component: Treasury Management
Sponsor: House Finance Committee
Requester: House Finance Committee Component No. 121

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel	10.0					
Contractual	2,533.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		19,242.0	19,242.0	19,242.0	19,242.0	19,242.0
TOTAL OPERATING	2,543.0	19,242.0	19,242.0	19,242.0	19,242.0	19,242.0

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

1002 Federal Receipts		17,317.8	17,317.8	17,317.8	17,317.8	17,317.8
1003 GF Match		1,924.2	1,924.2	1,924.2	1,924.2	1,924.2
1004 GF	10.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Certificates sale proceeds	2,533.0					
TOTAL	2,543.0	19,242.0	19,242.0	19,242.0	19,242.0	19,242.0

Estimate of any current year (FY2005) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: Deven Mitchell Phone: 465-3409
Division: Treasury Division Date/Time: 4/28/05 9:51 AM
Approved by: Tom Boutin Deputy Commissioner Date: 4/28/2005
Agency: Revenue

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CS HB275

ANALYSIS CONTINUATION

This bill authorizes sale of \$195.8 million in lease-financing agreements to finance \$193.3 million in state transportation projects described in the bill. This fiscal note and analysis contemplates 16-year level debt service and a 5.9% interest rate/true interest cost, a 90% federal participation in payment of debt service, and credit ratings in the A range. Contractual costs in FY 2006 include underwriting, financial advisor, bond counsel, bond ratings, and other costs associated with issuing the bonds.

This fiscal note does not attempt to quantify the possibility of any negative state credit rating action that might result from the issuance of these obligations. The Department of Revenue believes that this GARVEE bond structure would bring heightened credit concerns in light of other related and unrelated concurrent credit matters. Credit rating agency concerns specific to GARVEE bonds have been discussed with legislative staffers. A credit rating change in state general fund credit ratings would increase interest rates on general fund debt by at least 20 basis points and would impact all public debt issued in the state. Solely for purposes of illustration; a 20 basis point increase in interest costs for state, state agency and municipal debt issued in Alaska each year would add approximately \$15 million to annual debt service. While hypothetical at this point in time, such an increase, should it occur would be cumulative so that the \$15 million annual cost would double in the second year, triple in the third year, etc. Outstanding fixed rate debt held by bondholders changes in market value with a credit rating change but interest rates paid do not change; the exception is most variable rate debt of course where the purchaser has the right (usually weekly or monthly) to put the bond back to the issuer, and the issuer must find a new buyer through its remarketing agent.

The debt structure contemplated for HB275 is awkward and untried. The legal theory is that absent other security such as pledged highway fuel receipts, the bond trustee would accept a claim on state-owned rights of way that could be perfected in the event of default or nonappropriation. However, the rights of way tendered to the financing could not be the main project rights of way. At this time the rights of way that are contemplated by state bond committee staff are those that are adjacent to the projects. Whether that security feature could actually work or has been used elsewhere is unknown.

The time period required to determine the available and sufficient rights of way for security purposes, structuring the leases for those sites that can be leased, establishing lien positions to the satisfaction of the trustee - perhaps including environmental surveys and settling title issues - is unknown. However, structuring the financing could take place concurrent with most of these processes. Absent significant roadblocks in the new and untried financing structure, it may be safe to say that debt could be issued in time for the 2006 construction season.

adopted
4-26-05

24-LS0902\G
Utermohle
4/26/05

CS FOR HOUSE BILL NO. 275(FIN)

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION**

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): HOUSE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing financing for certain public transportation projects; giving notice
2 of and approving the entry into, and the issuance of revenue obligations that provide
3 participation in, lease-financing agreements for those transportation projects; and
4 providing for an effective date."

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

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

8 **TRANSPORTATION PROJECT ALLOCATION.** The Department of Transportation
9 and Public Facilities shall allocate the net proceeds derived from the sale of revenue
10 obligations authorized in sec. 4 of this Act for construction or acquisition of the following
11 state transportation projects among those projects as follows, subject to reallocation among
12 the projects under AS 37.07.080(e):

13	PROJECT	ALLOCATION
14	(1) Anchorage: Glenn Highway congestion	\$ 37,500,000

1	(2) Anchorage: Tudor-Bragaw intersection improvements	9,000,000
2	(3) Copper River Highway rehabilitation	5,000,000
3	(4) Dalton Highway Washington Creek Bridge	7,500,000
4	(5) Fairbanks: Gaffney Road upgrade	6,250,000
5	(6) Fairbanks: Shaw Creek Bridge on Richardson Highway	3,500,000
6	(7) Fairbanks: Cartwright Road extension	3,650,000
7	(8) Kenai Peninsula Borough: Kalifornsky Beach Road	19,000,000
8	rehabilitation	
9	(9) Matanuska-Susitna Borough: Multi-modal alternate	2,000,000
10	Parks Highway and Alaska Railroad corridors	
11	(10) Matanuska-Susitna Borough: Palmer-Wasilla Highway	6,000,000
12	expansion	
13	(11) Richardson Highway passing lane additions	7,500,000
14	mileposts 265 - 341	
15	(12) Prince of Wales: Hollis to Klawock pavement	10,000,000
16	(13) Sitka: Rocky Gutierrez Airport access	3,500,000
17	improvements	
18	(14) Port of Anchorage: Terminal Road relocation	10,000,000
19	and expansion, Ocean Dock Road and Terminal	
20	Road intersection upgrade	
21	(15) Fairbanks: Homestead Road/NPHS Boulevard	3,800,000
22	extension	
23	(16) Parks Highway: Rex railroad grade separated	7,300,000
24	crossing	
25	(17) Kodiak: Otmeloi Way rehabilitation	3,300,000
26	(18) Nome: city streets, phase 2	5,000,000
27	(19) Glenn Highway: Eklutna River Bridge #1230 load	10,000,000
28	capacity increase	
29	(20) Tok Cutoff Highway: Gakona River Bridge #646	5,500,000
30	replacement	
31	(21) Parks Highway: passing and intersection lanes	15,000,000

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(22) Richardson Highway: MP 2 - 3 combination

3,000,000

(23) vehicle turn lanes to Valdez container terminal
glacier highway road extension

\$10,000 million

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

DELEGATION OF AUTHORITY FOR LEASE-FINANCING AGREEMENTS. The

Department of Transportation and Public Facilities is delegated the Department of Administration's authority under AS 36.30.085 to enter into lease-financing agreements in connection with the issuance of revenue obligations to finance the state transportation projects described in sec. 1 of this Act.

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

LEASE-FINANCING PAYMENTS. (a) The lease payments owed under lease-

financing agreements executed under sec. 2 of this Act are subject to annual appropriation by the legislature.

(b) The legislature intends that federal money in the form of apportionments from the Federal Highway Administration for federal highway grants will provide enough revenue to the general fund to make substantially all of the lease payments; however, if that revenue source is insufficient, the payments may be made from any other valid revenue source, subject to appropriation.

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

NOTICE OF THE ENTRY INTO AND FINANCING OF REVENUE

OBLIGATIONS. (a) Subject to annual appropriation, the Department of Transportation and Public Facilities is authorized to enter into lease-financing agreements for the issuance of revenue obligations for the state transportation projects described in sec. 1 of this Act.

(b) The state bond committee is authorized to provide for the issuance of revenue obligations in one or more series in the aggregate principal amount of \$185,200,000 for the costs of construction of the projects described in sec. 1 of this Act. The principal amount includes the estimated cost of \$183,300,000 for constructing, acquiring, and equipping the projects described in sec. 1 of this Act; and an amount for the cost of issuing the revenue obligations of \$1,900,000. The estimated annual amount of rental obligations under the lease-

1 financing agreements is \$16,100,000. The estimated total lease payments for the full term of
2 the lease-financing agreements is \$257,600,000.

3 (c) The state bond committee may contract for credit enhancement, underwriting,
4 credit ratings, bond counsel, financial advisor, printing, and trustee services that the
5 committee considers necessary in financing the projects described in sec. 1 of this Act.

6 (d) In this section,

7 (1) "costs of construction" includes credit enhancement and underwriting
8 expenses, rating agency fees, bond counsel fees, financial advisor fees, printing fees, trustee
9 fees, and interest earnings used for lease payments;

10 (2) "revenue obligation" means a certificate of participation in the right to
11 receive a payment under a lease-financing agreement made to finance the costs of
12 construction or acquisition of a state transportation project.

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

15 NOTICE AND APPROVAL OF AGREEMENTS. Section 4 of this Act constitutes
16 the notice and approval of lease-financing agreements to finance the transportation projects
17 described in sec. 1 of this Act that is required by AS 36.30.085.

18 * Sec. 6. This Act takes effect July 1, 2005.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CS HB275
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Transportation Projects RDU Revenue Programs & Services
Component Treasury Management
Sponsor House Finance Committee
Requester House Finance Committee Component No. 121

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel	10.0					
Contractual	2,533.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		19,242.0	19,242.0	19,242.0	19,242.0	19,242.0
TOTAL OPERATING	2,543.0	19,242.0	19,242.0	19,242.0	19,242.0	19,242.0

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

1002 Federal Receipts		17,317.8	17,317.8	17,317.8	17,317.8	17,317.8
1003 GF Match		1,924.2	1,924.2	1,924.2	1,924.2	1,924.2
1004 GF	10.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Certificates sale proceeds	2,533.0					
TOTAL	2,543.0	19,242.0	19,242.0	19,242.0	19,242.0	19,242.0

Estimate of any current year (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

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

This bill authorizes sale of \$195.8 million in lease-financing agreements to finance \$193.3 million in state transportation projects described in the bill. This fiscal note and analysis contemplates 16-year level debt service and a 5.9% interest rate/true interest cost, a 90% federal participation in payment of debt service, and credit ratings in the A range. Using a current interest rates of 4.14% annual debt service would be reduced by \$2.3 million to \$16.86 million. Contractual costs include underwriting, financial advisor, bond counsel, bond ratings, and other costs associated with issuing the bonds. This fiscal note does not attempt to quantify the possibility of any negative state credit rating action that might result from the issuance of these obligations.

Prepared by: Deven Mitchell
Division: Treasury Division
Approved by: Tom Boutin, Deputy Commissioner
Agency: Revenue

Phone 465-3409
Date/Time 4/28/05 5:03 PM
Date 4/28/2005

Garvee Project List			
Anchorage: Glenn Highway Congestion	\$	37,500,000.00	
Anchorage: Tudor-Bragaw Intersection Improvements	\$	9,000,000.00	
Copper River Highway Rehabilitation	\$	5,000,000.00	
Dalton Highway: Washington Creek Bridge	\$	7,500,000.00	
Fairbanks: Shaw Creek Bridge on the Richardson Highway	\$	3,500,000.00	
Kenai Peninsula Borough: Kalifornsky Beach Road Rehabilitation	\$	19,000,000.00	
Mat-Su Borough: Multi-Model Alternate Parks Highway and Alaska Railroad Corridors	\$	2,000,000.00	
Mat-Su Borough: Palmer-Wasilla Highway Expansion	\$	6,000,000.00	
Richardson Highway: Passing Lanes Additions Milepost 265 - 341	\$	7,500,000.00	
Prince of Wales: Hollis to Klawock Pavement	\$	10,000,000.00	
Sitka: Rocky Guitierrez Airport Access Improvements	\$	3,500,000.00	
Port of Anchorage: Terminal Road Relocation and Expansion, Ocean Dock Road and Terminal Road Intersection Upgrade	\$	10,000,000.00	
Fairbanks: Gaffney Road Upgrade	\$	6,250,000.00	
Fairbanks: Cartright Road Extension	\$	3,650,000.00	
Fairbanks: Homstead Road/NPHS Boulevard Extention	\$	3,800,000.00	
Parks Highway: Rex Railroad Grade Seperated Crossing	\$	7,300,000.00	
Kodiak: Otmeloi Way Rehabilitation	\$	3,300,000.00	
Nome: City Streets, Phase 2	\$	5,000,000.00	
Glenn Highway: Eklutna River Bridge #1230 Load Capacity Increase	\$	10,000,000.00	
Tok Cutoff Highway: Gakona River Bridge #646 Replacement	\$	5,500,000.00	
Parks Highway: Passing and Intersection Lanes	\$	15,000,000.00	
Richardson Highway: MP 2-3 Long Combination Vehicle Turn Lanes to Valdez Container Termin	\$	3,000,000.00	
Total	\$	183,300,000.00	

ATTACHMENT
4/20/05

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 275
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Transportation Projects RDU Revenue Programs & Services
Component Treasury Management
Sponsor House Finance Committee
Requester House Finance Committee Component No. 121

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel	10.0					
Contractual	1,616.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		11,472.8	11,473.5	11,474.2	11,474.4	11,473.4
TOTAL OPERATING	1,626.0	11,472.8	11,473.5	11,474.2	11,474.4	11,473.4

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

FUND SOURCE	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
1002 Federal Receipts		10,325.5	10,326.2	10,326.8	10,327.0	10,326.1
1003 GF Match		1,147.3	1,147.4	1,147.4	1,147.4	1,147.3
1004 GF	10.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Certificates sale proceeds	1,616.0					
TOTAL	1,626.0	11,472.8	11,473.5	11,474.2	11,474.4	11,473.4

Estimate of any current year (FY2005) cost: 00
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
This bill authorizes sale of \$116.62 million into lease-financing agreements to finance \$115 million in state transportation projects described in the bill. This fiscal note and analysis contemplates 15-year level debt service and a 5.4% interest rate/true interest cost, a 90% federal participation in payment of debt service, and credit ratings in the double A range. The financing could take place 60 to 90 days after the bill became effective. Contractual costs in FY 2006 include underwriting, financial advisor, bond counsel, bond ratings, and other costs associated with issuing the bonds. Using a current interest rate of 4.08%, annual debt service is reduced by approximately \$1 million annually.

This fiscal note does not attempt to quantify the possibility of any negative state credit rating action that might result from the issuance of these obligations.

Prepared by: Deven Mitchell Phone 465-3750
Division: Treasury Division Date/Time 4/20/05 5:38 PM
Approved by: Jerry Burnett, Special Assistant to the Commissioner Date 4/20/2005
Agency: Department of Revenue

ALASKA STATE LEGISLATURE HOUSE FINANCE COMMITTEE

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(907) 465-3779

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716 W. 4th Avenue
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State Capitol, Juneau, Alaska 99801-1182

SPONSOR STATEMENT

House Bill 275, 'Transportation Project Bonds'

House Bill 275 proposes to fund \$115 million of highway projects around the state using Grant Anticipation Revenue Vehicles, or 'Garvee' bonds.

Since 1998, 18 states have leveraged their federal highway money by using Garvee bonds. Those transactions accounted for more than \$12 billion in par value. As a result, the Garvee approach is now an accepted method of financing needed transportation infrastructure projects.

To be eligible for inclusion in a Garvee bond package, projects must qualify for federal highway aid, and appear on the Statewide Transportation Improvement Program or 'S.T.I.P.' All of the project listed in HB 275 qualify for federal highway aid.

Future federal highway funds will be used to repay the bonds.

The interest earnings on the bonds will be used to pay for the federal highway match, saving the state approximately \$15 million in general fund match.

Thank you for hearing this legislation today, and I urge your positive support of HB 275.

Subject: Bumps in Road on Reauthorization
From: "Schust, Sunny" <SunnyS@aaashto.org>
Date: Fri, 22 Apr 2005 16:23:24 -0400
To: Board of Directors <BOD@aaashto.org>
CC: Reauthorization Steering Committee <Reauth@aaashto.org>, Division Heads <DivHeads@aaashto.org>

Legislative Update

Reauthorization Action May Be Slowed in Senate

It appears that consideration of the reauthorization of federal highway and transit programs may be delayed in the Senate next week, following objections from Republican senators on the motion needed to bring the bill to the floor.

Reportedly at least two senators, Senator Kay Bailey Hutchison (R-TX) and Jon Kyle (R-AZ), and possibly others, have raised objections to the unanimous consent request by Senate Majority Leader Bill Frist to bring up H.R. 3 on Monday. As a result, Frist has filed a "cloture" motion that could put the matter to a vote on Tuesday, if needed, with 60 votes needed to approve taking up the bill.

Debate on the cloture motion and the motion to proceed to consideration of the bill will begin when the senate convenes at 2 p.m. Monday. However a vote on cloture would not take place until 2:45 on Tuesday. Assuming the cloture motion is approved, another unanimous consent agreement is necessary to dispense with 30 hours of debate on the motion to proceed. If opponents of the bill insist, that could further delay action until sometime Wednesday afternoon.

During this time, the Senate may turn to general debate on the bill, but not consider any amendments.

Action on the bill may also be delayed if a conference agreement is reached by House and Senate negotiators on the FY 2006 budget resolution. Senate leaders have indicated that they would set aside any business at that point to turn to the consideration of the conference report.

Still another potential delay could occur if Majority Leader Frist decides to proceed with several controversial judicial nominations, and attempts to alter the Senate rules to prohibit filibusters on nominations. That is the so-called "nuclear option" threat that Democrats have vowed they will answer by shutting down all legislative action in Senate by procedural delays.

Unless the Senate is able to conclude its debate on the reauthorization and vote on final passage, action on the bill would carry over at least until the second week of May, since the Senate is in recess May 2-6.

HB 275 Comments Before House Finance

Alaska Department of Transportation
and Public Facilities

April 22, 2005

2002 v. 2005

What's different in Highway Program?

- | | |
|--|---|
| <ul style="list-style-type: none">• 2002<ul style="list-style-type: none">- 15-year pattern of growth in funds- Trust fund surplus adding bonus money to each state DOT- No expectation of reauthorization difficulty- Stable fuel prices encourage gas usage thus revenue stable | <ul style="list-style-type: none">• 2005<ul style="list-style-type: none">- First multi-year decline in FHWA funds- First time FHWA funds taken back in 50 years- Deductive earmarks appear- Longest reauthorization delay- High fuel prices, emerging technology cast doubt on gas tax as long-term revenue source |
|--|---|

No Program Growth to Address Overall Needs

- Reallocates federal funding among projects and moves spending forward in time.
- Does not materially address huge imbalance between needs and funds
 - State transportation needs in excess of \$10 Billion
 - Typical project must wait 20+ years for funds
- Only additional funds can grow the program to further address the most critical needs

GARVEE Repayments

- Debt secured by future federal-aid highway funds
- Approximately \$13-15 M per year over 10 years for every \$100 M of debt
- if HB 275 approved, two GARVEE bond issuances must be paid over several more years

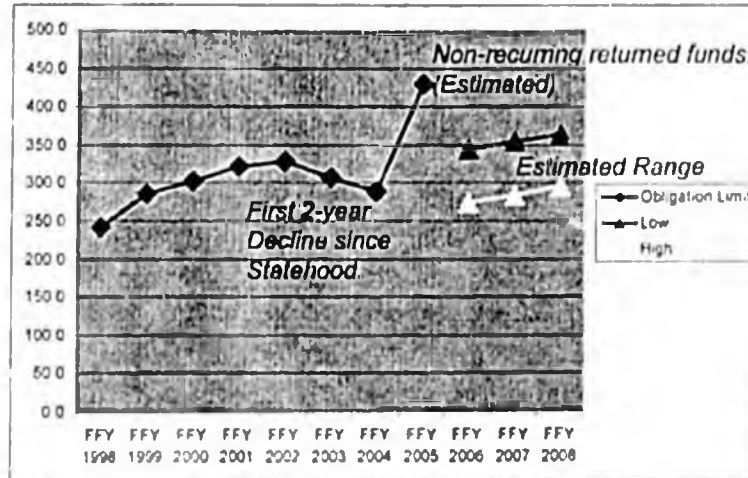
Federal Highway Funds How Secure?

- Good news: Long established program, highly reliable since statehood.
- Bad news: In past 2 years many disturbing signs:
 - Lack of reauthorization (19 mo. and counting)
 - Trust fund balance near zero (recessions occurring frequently)
 - Gas tax may fail to collect adequate revenue
 - Oregon and California findings

GARVEE & New Highway Bill

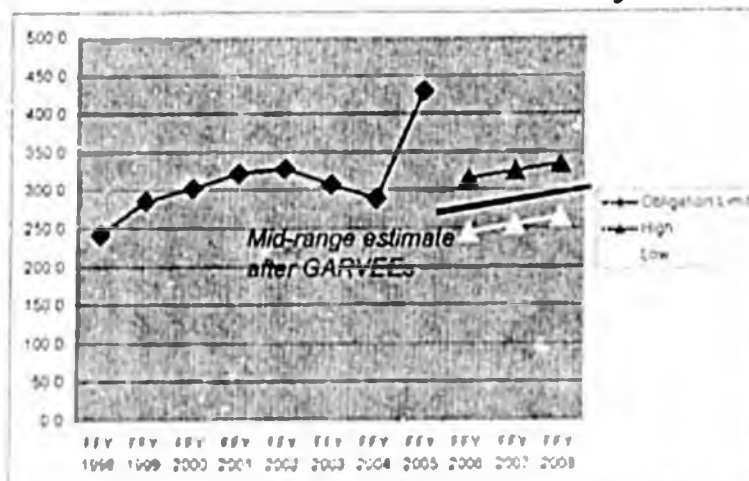
- Reauthorization contains unknowns that may impact GARVEE repayment:
 - Size of new program to Alaska unclear:
 - deduction for major earmarks seems likely
 - new program set-asides (planning, freight, storm water)
 - donor-donee debate unsettled
 - formula changes could reduce funds to state
 - Funds eligible for GARVEE repayment may drop to mid-1990 levels
 - 2002 GARVEE issued when federal program was at peak

Chart of FHWA Core Funds



Excludes: Shaktak, earmarks and bond funds.

Estimate Accounting for 2002 & 2005 GARVEE Bond Payments



Assumptions: Based on previous slide loss 2002 & estimated 2005 GARVEE bond payments.

GARVEE & New Highway Bill

- Prospect of future federal funds take-backs if gas tax revenue falters
 - High fuel prices = high-mileage vehicles
 - New vehicle technology (hybrids, fuel cells)
- New highway bill has retained "negative RABA" language
 - Requires adjustment to states if trust fund balance falls
 - This provision partially created sharp downturn in funds in 2004
 - FHWA trust fund balance has gone from +\$23 B to -\$1 B in 6 years

Federal Funds = Maximum Rules

- Federal funds are limiting
 - Complex, costly rules govern each project
 - Very sequential process (no shortcuts)
 - Some provisions greatly limit choices
- Virtually every other state has mix of state and federal funds
 - Match funding to best achieve goals
 - Often use non-federal funds on local projects

Impact of New GARVEE

- Results in 6-8% reduction in project funds to all major programs based on reauthorization estimates
 - Funds for existing STIP projects reduced
 - Funds for AMATS and FMATS reduced
- Coupled with unfavorable reauthorization and/or new rescissions, the adverse effect could compound

Summary of Comments

- DOT&PF seeks to grow rather than redistribute funds over time
- Some level of non-federal funds hastens key projects and achieves goals not possible with federal funds (e.g., Bragaw-Abbott extension)
- Uncertainty in future federal highway program suggests caution on committing future federal funds to additional GARVEE bonds repayment.

Introduction to GARVEEs

- Significant opportunity for accelerating the State's capital construction program through the earlier receipt of financing supported by future federal highway reimbursement

- Generate project cost savings since borrowing costs are ordinarily less than annual inflationary increases in construction

- Reduce borrowing costs for the the State since GANs secured by future Federal Highway Administration (FHWA) funds may be rated higher than the State's existing credit revenue bond rating

- Ability to avoid establishing additional liens on other revenue sources

- Earlier use of federal FHWA funds otherwise utilized less beneficially in later years

Project Candidates and Key Requirements

- Candidate projects and programs for GARVEE financing have the following characteristics:
 - Large enough projects to merit borrowing rather than pay-as-you-go grant funding
 - e.g. Projects where the costs of delay outweigh the costs of financing
 - Projects that may not have access to a revenue stream such as local taxes or tolls and other forms of repayment (such as state appropriations) are not feasible
 - The projects must also appear on the STIP
- Projects financed with the proceeds of a GARVEE debt instrument are administered in the same manner and are subject to the same requirements as other Title 23 projects

GARVEE BONDS

Benefits from Garvee Bonds

Acceleration of Projects:

The ability to accelerate major projects to deal with significant infrastructure problems is very compelling to the Department of Transportation, Municipalities, and contractors. By the nature of our current funding, large, high cost projects are phased over a period of time to minimize their impact on the overall highway program. Unless phased, one large project, such as the Glenn Highway expansion in Anchorage could well dominate the highway program in a given year. That means that funds would not be available to deal with projects in other parts of the State. Phasing also has the disadvantage of prolonging the period of construction trauma inflicted on the public from issues that are associated with highway construction.

The use of Garvee Bonds allows the State to deal with major projects in a manner that will not significantly impact the overall statewide highway program. An additional benefit is that by dealing with an entire project rather than phasing the project the construction disruptions to the public can be minimized.

Timing of projects:

In a perfect world, government programs would never overheat or cool the economy. If all the projects contemplated under the current proposal were to be issued in a single year as an addition to the normal construction program, the construction market would be strained to deal with the work. In essence we would be trying to complete almost one and one half seasons of work in one year. The design community does not have the manpower to increase their efforts to that level and the State does not have project engineers to manage the work.

The State should also consider the impact potential "mega-projects" such as a gas pipeline or ANWR, will have on the economy and program the release of the bonds to minimize the consequences of the inevitable contraction in the economy that traditionally follows the completion of a major project.

Construction Cost Savings:

By building sooner, rather than later, the impact of inflation can be reduced and projects can be delivered at a lower overall cost. Consequently Alaska could get more projects completed with the projected funding from the federal highway fund. This benefit is mitigated somewhat by the fact that the bonds require an interest payment that will increase the cost to the program. So long as the interest costs of the bond issue are less than the rate of inflation, the program benefits from the issuance of bonds.

Benefits from Interest Earnings:

In the most basic sense, bonds require an interest premium for the privilege of borrowing money under the terms and conditions outlined in the bond indenture agreement. During the early years of the program it is expected that the State will invest the unused portion of the bonds and earn

interest at a rate in excess of that required on the bonds. That difference represents a savings that can be used for various purposes such as payments required on the bonds themselves or State match for the federal highway appropriation. At some point, all the bonds will be issued and the State will incur a higher cost due to the interest portion of the bonds. Any benefit from this interest arbitrage will be received shortly after the bonds are issued. Once the bond funds are invested in projects rather than financial assets, the benefit disappears.

Potential Problems with Garvee Bonds

Selection of Projects:

The theoretical benefits of Garvee Bonds are undermined when the program becomes just another means of funding desired projects. A \$400,000 project in Anchorage hardly seems to demand a creative means of project acceleration. The State should establish a process that meets strict criteria for selection rather than one that seems to curry favor from local residents.

Also absent from the discussion is how projects are to advance in the STIP to replace the projects funded by the bond proposal. The STIP process was developed to minimize the political influence that can occur in project selection. That same process does not seem to have been applied to the selection of projects for inclusion on the Garvee Bond list. Until the selection process is better explained and understood the end result must be questioned.

Over-heating the economy:

Can the construction community handle an additional \$145 million in work phased in over three to four years? Yes. Can the State and the design community design this additional work in that time frame? The answer to this is less clear. The State presently has a problem in getting the work to bid to comply with the current construction season. A job bidding in August and September is less valuable to the industry than one that bids in March or April. From the construction industry this bidding history impacts two construction seasons. For the State, the work is released in one fiscal year.

Over time however this problem corrects itself as the fall release of jobs becomes the base from which the future years work is programmed. But delays in projects being released is symptomatic of a problem that will only be exacerbated by a significant increase in the project load.

Impact on future construction volume:

Under the current scenario described by the State, Alaska would see construction volume increase during the first few years following the bond issue and then lag the "non-Garvee" trend for the remainder of the time bonds are outstanding. Perhaps the appropriate question is not "Will the Garvee bonds overheat the economy?" but "What will happen to the industry after the projects funded by the bond issue are completed?"

Implicit in the assumptions surrounding the issuance of Garvee bonds is that the State of Alaska will continue to be a net benefactor from the federal highway trust fund allocation formula at the same level as currently experienced through all future federal highway reauthorizations. This assumption may well be true, but reason suggests that as Alaska's senior leadership retires,

Alaska's share of the highway funds will be reduced. Should that happen, Alaska's receipts from the program will plummet and the State of Alaska and the highway construction industry in Alaska would be severely impacted.

One of the arguments for the bonds is that future inflation can be avoided by early construction. If however the construction industry must purchase new equipment to meet the peaks imposed by the increased volume accompanying Garvee bonds, it seems reasonable to expect that they will attempt to amortize the cost of the increased equipment over the expected life of the increased volume. The cost of the Garvee projects under such a scenario may actually be higher than expected and the proposed inflation savings non-existent.

Highway construction is a capital-intensive business. Self-inflicted modifications to construction volume can seriously impact the economic viability of the construction industry particularly as the volume of work contracts to normal sustainable levels. Bidding then becomes defensive as the firms attempt to generate cash flow and the entire industry suffers until the excess capacity can be relieved. In the end some firms may well go out of business, not because of economic decisions they make, but because of economic distortions to the economy by those that did not consider the ramifications of their decisions.

A Proposed Approach to GARVEE Bonds

Bond payments limited to 5% of federal highway program:

More is frequently not better. New Mexico issued approximately \$1 billion in Garvee bonds to do a number of major projects. The bonds supposedly are being paid back over a number of years at a rate of almost \$100 million per year. New Mexico's highway program is approximately \$242 million dollars before the reduction for the Garvee bonds and other senior sub-ordinate lien bonds. After the reduction, the program is reduced to approximately \$164 million. More than one third of their highway program funds are being used to payback the bonds. This reduction has seriously impacted the economic viability of their highway construction industry.

The problem is further magnified when the highway funding for 2003 is considered. In President Bush's 2003 budget proposal, New Mexico's estimated highway appropriation was \$199 million. After the reduction for the bond payments, the State had less than \$125 million for their highway program. This reduction in the highway allocation was unique, but could easily occur again.

It can be argued that the problems in New Mexico are unique, and perhaps they are. Other states are also gaining valuable experience in this area. Colorado, Kansas, West Virginia, and others have experiences that should be analyzed and understood. Where appropriate, these experiences should be avoided or replicated. More importantly, Alaska should seriously look at its own experience with Garvee bonds and the impact the annual payments had on the highway program in 2004. Fortunately the Legislature greatly reduced the amount of Garvee Bonds requested Governor Knowles but in 2004, Alaska experienced a contraction in highway funding and the bond repayments had a significant impact on the highway program that year.

Given the problems experienced in some states, AGC would propose that any allocation of the federal highway funds for repayment of bonds should not exceed five percent of the projected,

sustainable highway funds. General obligation bonds should fund major projects that will require a higher repayment level.

Project Selection:

Projects selected for funding under a Garvee Bond approach should be determined by the application of a rigorous set of criteria. No project should be selected that has not successfully undergone the process imposed in the STIP. But inclusion on the STIP should not be sufficient in and of itself. The project should be of sufficient size that the State would normally phase the construction to minimize the impact on any one year's project list. The rationale for inclusion on the list should be compelling. Removals of significant safety hazards, environmental issues, or economic benefits from project acceleration are all reasons that a project might be included on a Garvee Bond list. This approach could potentially be a valuable tool for the State, but the goals should be clearly defined and the problems carefully evaluated.

Summary

It is extremely difficult for a trade organization representing contractors to argue against additional work for their industry. But when that work comes at the expense of future work and when future-funding levels might decline due to external factors beyond Alaska's control, then it becomes an issue of finding the best means of stabilizing the industry. The problems experienced in other states suggest that the use of Garvee bonds should be approached cautiously. Wild swings in construction volume will permanently damage the highway industry in Alaska. The Associated General Contractors of Alaska cannot support any method or alternative that will cause long-term harm to the industry. As currently proposed the issue is not good for the industry and most likely not good for the State.

AGC is not ready however to totally discard the concept. The association is willing to work with the State, Legislators, and other interested parties to develop a program that will not impose all the inherent risks that exist in the current proposal.

HB

275

SFIN

FILE

HB 275

was referred to the
Senate Finance
Committee

No hearing was held
on this bill

Mindy Rowland

From: Emily Ferry [emily@aktransportation.org]
Sent: Thursday, May 05, 2005 11:29 AM
To: Mindy Rowland
Subject: For Senate Finance Committee Packet
Attachments: GARVEE.doc; GARVEE%20BONDS%2003-11-2005 1 .pdf

Mindy,

Thank you for including these two attachments in the committee packet for today's hearing on HB 275.

- Emily

Emily Ferry, Coordinator
Alaska Transportation Priorities Project
419 6th St., #200 Juneau, AK 99801
P(907) 209-0082, F(907) 463-3312

5/5/2005

GARVEE Bonds Deserve Careful Review

GARVEE (Grant Anticipated Revenue Vehicle) bonds pledge against future federal transportation grants to construct projects today. HB 275 would expend \$193.3 million to construct a range of construction projects – some controversial and others universally supported. In previous years the legislature has viewed GARVEE bonds with a critical eye, and for good reason: the bonds depend on speculative future federal transportation receipts and reduce flexibility for future transportation planning.

Steady work for Alaskans, not boom and bust

The Associated General Contractors (AGC) of Alaska have consistently advocated for steady work for Alaska's contractors, which requires a steady cash flow, not the boom and bust cycle that can result from the use of GARVEE bonds.

In a March, 2005 position paper AGC writes that "It is extremely difficult for a trade organization representing contractors to argue against additional work for their industry. But when the work comes at the expense of future work and when future-funding levels might decline due to external factors beyond Alaska's control, then it becomes an issue for finding the best means of stabilizing the industry."

Better planning now, not debt for the future

With Congressman Don Young completing his last year as Chairman of the Transportation Committee, Alaska will likely see a spike in federal transportation dollars in the next few years followed by a future decline. It makes little sense to prepare for a famine by cooking up an even bigger feast.

The state has already issued \$102.8 million in GARVEE bonds in 2003 to be paid back in 10 years for construction and repairs on 8 roads and bridges. If the state continues on a pattern of taking from the future, there will be little left when we need the money is most.

Careful analysis, not political expediency

According to the Brookings Institution, "Project savings through accelerated planning and construction should remain the primary consideration for using GARVEEs rather than political expedience."¹ GARVEE bonds can achieve savings through reduced mobilization, staging, and inflation costs for projects which would traditionally take multiple years to complete.

It is unclear what the benefit is for rushing a mean of \$6.25 Million for 21 different projects. Indeed, this list appears to rise out of political expediency rather than careful analysis of projects in which GARVEE bonds could save money for the state.

"What our industry is concerned about is the fluctuations the peaks and the valleys... Are we going to have a big party and then a hangover later?" Association of General Contractors Executive Director Dick Cattanach in the *Juneau Empire*, March 11, 2002.

¹ Puentes, Robert, David Warren "Today's Roads with Tomorrow's Dollars: Using GARVEE Bonds to Finance Transportation Projects." The Brookings Institution Series on Transportation Reform.