

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3075

Alaska Court System  
 Fiscal Note Calculation for CSCB 237(JUD)  
 2/14/2006

Fiscal Note #4

<u>Personal Services:</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>
Superior Court Judge, Anchorage, (2 pos), 82A	365,200	365,200	365,200	365,200	365,200	365,200
Law Clerk, Anchorage, (2 pos), 13D	105,200	105,200	105,200	105,200	105,200	105,200
In-Court, Anchorage, (2 pos), 12A	107,200	107,200	107,200	107,200	107,200	107,200
Administrative Asst, Anchorage, (2 pos), 12A	107,200	107,200	107,200	107,200	107,200	107,200
Superior Court Judge, Palmer, (2 pos), 82A	365,200	365,200	365,200	365,200	365,200	365,200
Law Clerk, Palmer, (2 pos), 13D	108,200	108,200	108,200	108,200	108,200	108,200
In-Court, Palmer, (2 pos), 12A	109,800	109,800	109,800	109,800	109,800	109,800
Administrative Assistant, Palmer, (2 pos), 12A	109,800	109,800	109,800	109,800	109,800	109,800
Superior Court Judge, Kenai, 82A	182,600	182,600	182,600	182,600	182,600	182,600
Law Clerk, Kenai, 13D	55,700	55,700	55,700	55,700	55,700	55,700
In-Court, Kenai, 12A	56,400	56,400	56,400	56,400	56,400	56,400
Administrative Assistant, Kenai, 12A	56,400	56,400	56,400	56,400	56,400	56,400
Superior Court Judge, Fairbanks, 82A	184,100	184,100	184,100	184,100	184,100	184,100
Law Clerk, Fairbanks, 13D	59,100	59,100	59,100	59,100	59,100	59,100
In-Court, Fairbanks, 12A	59,500	59,500	59,500	59,500	59,500	59,500
Administrative Assistant, Fairbanks, 12A	59,500	59,500	59,500	59,500	59,500	59,500
<b>New Position Costs</b>	<b>2,091,100</b>	<b>2,091,100</b>	<b>2,091,100</b>	<b>2,091,100</b>	<b>2,091,100</b>	<b>2,091,100</b>
<b>Judicial Salary Increase (detail next page)</b>	<b>3,184,100</b>	<b>3,184,100</b>	<b>3,184,100</b>	<b>3,184,100</b>	<b>3,184,100</b>	<b>3,184,100</b>
<b>Subtotal Personal Services</b>	<b>5,275,200</b>	<b>5,275,200</b>	<b>5,275,200</b>	<b>5,275,200</b>	<b>5,275,200</b>	<b>5,275,200</b>
<b>Travel:</b>						
3rd District Circuit Travel (one week per month)	11,400	11,400	11,400	11,400	11,400	11,400
4th District Circuit Travel (one week per month)	11,400	11,400	11,400	11,400	11,400	11,400
<b>Subtotal Travel</b>	<b>22,800</b>	<b>22,800</b>	<b>22,800</b>	<b>22,800</b>	<b>22,800</b>	<b>22,800</b>
<b>Contractual:</b>						
Software Maintenance and Network Costs	21,600	21,600	21,600	21,600	21,600	21,600
Software Licensing	48,000					
Moving Costs Related to Expansion of Court Facilities	15,000					
Maintenance & Utilities Costs		75,000	75,000	75,000	75,000	75,000
<b>Subtotal Contractual Services</b>	<b>84,600</b>	<b>96,600</b>	<b>96,600</b>	<b>96,600</b>	<b>96,600</b>	<b>96,600</b>
<b>Supplies:</b>						
Operating Supplies @\$1,000/position	24,000	24,000	24,000	24,000	24,000	24,000
Furniture & Computers for New Positions	117,000					
Jury Room Furniture	26,500					
Courtroom Equipment	171,900					
<b>Subtotal Supplies</b>	<b>339,400</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>
<b>Subtotal Operating Expenditures</b>	<b>5,722,000</b>	<b>5,418,600</b>	<b>5,418,600</b>	<b>5,418,600</b>	<b>5,418,600</b>	<b>5,418,600</b>
<b>Capital Expenditures<sup>1</sup></b>						
Anchorage Remodel	270,600					
Kenai Remodel/Expansion	5,180,400					
Fairbanks Remodel/Expansion	290,300					
<b>Subtotal Capital Expenditures</b>	<b>5,741,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total All Expenditure Categories</b>	<b>11,463,300</b>	<b>5,418,600</b>	<b>5,418,600</b>	<b>5,418,600</b>	<b>5,418,600</b>	<b>5,418,600</b>

<sup>1</sup> Accommodating two additional superior court judges in Anchorage is most effectively accomplished by remodeling for three additional courtrooms and associated space in the Boney Courthouse. The Kenai courthouse is presently exceeding designed capacity. The design of the Kenai courthouse is similar to that of Palmer, which is presently undergoing renovation and will accommodate the new positions requested. Two new courtrooms and associated space for Kenai must be added, however. The Fairbanks funding will be used to complete chambers and staff offices on the fifth floor of the Habonwitz Courthouse; an available courtroom already exists on that floor.

**Alaska Court System**  
**Proposed Judicial Salary Increase**  
 Assumes Addition of Six Superior Court Judges

Description	Number of Justices or Judges	Budgeted FY07 Base Annual Salary	Proposed FY07 Annual Salary <sup>1</sup>	Total Budgeted FY07 Annual Salary & Benefits	Proposed FY07 Annual Salary & Benefits
Chief Justice	1	128,655	166,009	197,074	249,703
Justices	4	128,030	165,200	784,776	994,251
Administrative Director	1	125,986	163,200	194,358	248,026
Appellate Court Judges	3	120,956	156,080	558,632	707,141
Superior Court Judge	27	118,398	152,760	4,930,832	6,237,973
Superior Court Judge with 3.5% Geo-Diff on \$40K	6	118,398	152,760	1,104,339	1,394,814
Superior Court Judge with 10.5% Geo-Diff on \$40K	1	118,398	152,760	186,923	235,335
Superior Court Judge with 17.5% Geo-Diff on \$40K	6	118,398	152,760	1,138,732	1,429,207
District Court Judge	16	100,368	129,517	2,566,442	3,238,314
District Court Judge with 3.5% Geo-Diff on \$40K	3	100,368	129,517	485,640	611,616
District Court Judge with 10.5% Geo-Diff on \$40K	1	100,368	129,517	164,835	206,827
District Court Judge with 17.5% Geo-Diff on \$40K	1	100,368	129,517	167,790	209,782
				12,480,421	15,762,989

Proposed Salary Increase

3,282,568

Less Vacancy Rate of 3%

(98,500)

FY07 Funding Required for Proposed Salary Increase

**3,184,100**

<sup>1</sup>The salary increase for a supreme court justice is based on the salary of a federal district court judge. The salary increases of the remaining judicial positions are proportionally adjusted based on current salary structure.

# FISCAL NOTE

REPORTED OUT  
FEB 17 2006  
SENATE FINANCE COMMITTEE

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

Fiscal Note Number: 20  
Bill Version: CS SB237(JUD)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: OOG  
Title "An Act increasing the number of superior court judges designated for the third judicial...." RDU Elections  
Component Elections  
Sponsor Senate Rules Committee  
Requester Senate Finance Committee Component No. 21

**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				9.0		
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	9.0	0.0	0.0

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF				9.0		
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type—Do not abbreviate)						
<b>TOTAL</b>	0.0	0.0	0.0	9.0	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**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** *(Attach a separate page if necessary)*  
This bill adds six new superior court judges, five in the third judicial district and one in the fourth judicial district. If the judges are appointed in 2007, they would be subject to an initial retention election in 2010 (AS 15.35.060). This amount reflects the costs associated with printing the judicial candidate pages in the Official Election Pamphlet, as required by AS 15.58.

Prepared by: Whitney Brewster, Director Phone 465-2644  
Division: Division of Elections Date/Time 2/13/2006, 11:33am  
Approved by: Whitney Brewster, Director Date 2/13/2006  
Agency: Office of the Lt. Governor, Division of Elections

## FISCAL NOTE

STATE OF ALASKA  
 2006 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: CSSB237-LAW-TJDOA-2  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Law  
 Title "An Act increasing the number of superior court RDU Criminal Division  
judges designated for the third and fourth judicial districts..." Component Third Judicial District - Outside  
 Sponsor: Senate Rules by Request of the Governor Anchorage  
 Requester Senate Finance Component No. \_\_\_\_\_

**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	166.9	166.9	166.9	166.9	166.9	166.9
Travel	0.5	0.5	0.5	0.5	0.5	0.5
Contractual	14.8	14.8	14.8	14.8	14.8	14.8
Supplies	2.7	2.7	2.7	2.7	2.7	2.7
Equipment	13.9	0.9	0.9	0.9	0.9	0.9
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>198.8</b>	<b>185.8</b>	<b>185.8</b>	<b>185.8</b>	<b>185.8</b>	<b>185.8</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	198.8	185.8	185.8	185.8	185.8	185.8
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>198.8</b>	<b>185.8</b>	<b>185.8</b>	<b>185.8</b>	<b>185.8</b>	<b>185.8</b>

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**

Full-time	2	2	2	2	2	2
Part-time						
Temporary						

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

The bill increases the number of superior court judges designated for the third judicial district by adding two (2) in Anchorage, two (2) in Palmer and one (1) in Kenai and one (1) in Fairbanks. The Senate Judiciary Committee amended the Governor's proposed legislation to add a judge in Palmer and one in Fairbanks, increasing the number of judges the bill would add from four to six. The additional judge in Palmer will require an additional prosecutor and law office assistant in that location. The amount requested is in accordance with the FY 2007 timekeeping and billing rate for one additional attorney with associated support staff costs. Because Law does not typically add one law office assistant for each attorney, a slight increase to the personal services cost was added to the normal cost of new attorney to allow for full costs of a new law office assistant that will be needed.

Prepared by: Kathryn Daughheteo, Director Phone 465-3673  
 Division: Administrative Services Division Date/Time 2/15/06 9:21 AM  
 Approved by: Kathryn Daughheteo for David W. Marquez, Attorney General Date 2/15/2006  
 Agency: Department of Law

# FISCAL NOTE

REPORTED OUT  
**FEB 17 2006**  
 SENATE FINANCE COMMITTEE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: CSSB 237 (JUD)  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Corrections  
 Title: "An Act increasing the number of superior court judges designated for the third and fourth judicial districts. . ." RDU: Probation and Parole  
 Sponsor: Rules Committee Component: Statewide Probation and Parole  
 Requester: Governor Component No.: 2826

**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	208.2	418.8	418.8	418.8	418.8	418.8
Travel	18.0	36.0	36.0	36.0	36.0	36.0
Contractual	39.6	79.2	79.2	79.2	79.2	79.2
Supplies	27.9	35.1	14.4	14.4	14.4	14.4
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>293.7</b>	<b>569.1</b>	<b>548.4</b>	<b>548.4</b>	<b>548.4</b>	<b>548.4</b>

<b>CAPITAL EXPENDITURES</b>						
<b>CHANGE IN REVENUES ( )</b>						

**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	293.7	569.1	548.4	548.4	548.4	569.1
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>293.7</b>	<b>569.1</b>	<b>548.4</b>	<b>548.4</b>	<b>548.4</b>	<b>548.4</b>

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

**POSITIONS**

Full-time	3	6	6	6	6	6
Part-time						
Temporary						

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

The legislation adds six new superior court judges: two in Anchorage, two in Palmer, one in Kenai and one in Fairbanks. The fiscal impact to the department primarily will be in the Division of Probation & Parole, due to the increased workload surrounding felony pre-sentence investigations (PSI) and pre-sentence report (PSR) production for the superior court. The department estimates that the division will require one additional probation/parole officer for PSI/PSR production for each new superior court judge. The department anticipates hiring three new probation/parole officers in FY07 and three more in FY08 to fulfill the PSI/PSR demands of six additional superior court judges.

Prepared by: Sharleon Griffin, Director  
 Division: Administrative Services  
 Approved by: Portia C.K. Parker, Deputy Commissioner  
 Agency: Department of Corrections

Phone: (907) 465-3339  
 Date/Time: 2/15/06 9:53 AM  
 Date: 2/15/2006

**CS FOR SENATE BILL NO. 237(FIN)**

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

**TWENTY-FOURTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the compensation of justices and judges, and to increasing the  
2 number of superior court judges designated for the third and fourth judicial districts;  
3 and providing for an effective date."

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

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

7 INTENT. It is the intent of the legislature that the six additional superior court judges  
8 authorized for the third and fourth judicial districts by the amendment of AS 22.10.120 in sec.  
9 6 of this Act be assigned to criminal matters or be used by the Alaska Court System in a  
10 manner that will allow criminal matters to be more efficiently processed by the court, and be  
11 assigned as follows:

- 12 (1) Anchorage, two;
- 13 (2) Palmer, two;
- 14 (3) Kenai, one; and

1 (4) Fairbanks, one.

2 \* Sec. 2. AS 22.05.140(a) is amended to read:

3 (a) Except as provided in (d) of this section, the monthly base salary of the  
4 chief justice is \$13,808 [\$9,203] and for each other justice, the monthly base salary is  
5 \$13,767 [\$9,159].

6 \* Sec. 3. AS 22.05.140(d) is amended to read:

7 (d) Beginning July 1, 2006 [JANUARY 1, 1991], if the monthly basic salary  
8 for Step E, Range 28, of the salary schedule set out in AS 39.27.011 increases, the  
9 monthly base salary of the chief justice and the other justices shall increase by the  
10 same percentage. The increase takes effect when the salary increase under  
11 AS 39.27.011 takes effect and may be retroactive if consistent with the change in  
12 AS 39.27.011. The commissioner of administration shall, by regulation, establish the  
13 percentage at which the salary is increased and the increased salary amount.

14 \* Sec. 4. AS 22.07.090(a) is amended to read:

15 (a) Except as provided in (c) of this section, the monthly base salary of a judge  
16 of the court of appeals is \$13,007 [\$8,652]. The compensation of a judge may not be  
17 diminished during the term of office, unless by a general law applying to all salaried  
18 officers of the state.

19 \* Sec. 5. AS 22.07.090(c) is amended to read:

20 (c) Beginning July 1, 2006 [JANUARY 1, 1991], if the monthly basic salary  
21 for Step E, Range 28, of the salary schedule set out in AS 39.27.011 increases, the  
22 monthly base salary of the judges of the court of appeals shall increase by the same  
23 percentage. The increase takes effect when the salary increase under AS 39.27.011  
24 takes effect and may be retroactive if consistent with the change to AS 39.27.011. The  
25 commissioner of administration shall, by regulation, establish the percentage at which  
26 the salary is increased and the increased salary amount.

27 \* Sec. 6. AS 22.10.120 is amended to read:

28 Sec. 22.10.120. Number of judges. The superior court consists of 40 [34]  
29 judges, five of whom shall be judges in the first judicial district, three of whom shall  
30 be judges in the second judicial district, 24 [19] of whom shall be judges in the third  
31 judicial district, and eight [SEVEN] of whom shall be judges in the fourth judicial

1 district. At the time of submitting the names of nominees to the governor to fill a  
2 vacancy or the superior court bench, the judicial council shall also designate the  
3 district in which the appointee is to reside and serve.

4 \* **Sec. 7.** AS 22.10.190(a) is amended to read:

5 (a) Except as provided in (d) of this section, the monthly base salary for each  
6 superior court judge is \$12,730 [\$8,469].

7 \* **Sec. 8.** AS 22.10.190(d) is amended to read:

8 (d) Beginning July 1, 2006 [JANUARY 1, 1991], if the monthly basic salary  
9 for Step E, Range 28, of the salary schedule set out in AS 39.27.011 increases, the  
10 monthly base salary of the judges of the superior court shall increase by the same  
11 percentage. The increase takes effect when the salary increase under AS 39.27.011  
12 takes effect and may be retroactive if consistent with the change to AS 39.27.011. The  
13 commissioner of administration shall, by regulation, establish the percentage at which  
14 the salary is increased and the increased salary amount.

15 \* **Sec. 9.** AS 22.15.220(a) is amended to read:

16 (a) Except as provided in (c) of this section, the monthly base salary for each  
17 district court judge is \$10,793 [\$7,179].

18 \* **Sec. 10.** AS 22.15.220(e) is amended to read:

19 (e) Beginning July 1, 2006 [JANUARY 1, 1991], if the monthly basic salary  
20 for Step E, Range 28, of the salary schedule set out in AS 39.27.011 increases, the  
21 monthly base salary of the judges of the district court shall increase by the same  
22 percentage. The increase takes effect when the salary increase under AS 39.27.011  
23 takes effect and may be retroactive if consistent with the change to AS 39.27.011. The  
24 commissioner of administration shall, by regulation, establish the percentage at which  
25 the salary is increased and the increased salary amount.

26 \* **Sec. 11.** The uncodified law of the State of Alaska enacted in sec. 9(b), ch. 53, SLA 2005,  
27 is amended to read:

28 (b) Justices of the supreme court and [,] judges of the court of appeals and the  
29 superior and district courts [, AND MAGISTRATES] are entitled to receive salary  
30 adjustments provided for in secs. 4 and 5, ch. 53, SLA 2005 [4 - 6 OF THIS ACT], in  
31 accordance with AS 22.05.140(d), AS 22.07.090(c), AS 22.10.190(d), and

1  
2  
3  
4

AS 22.15.220(e) [AS 22.15.220(b) AND (e)]. Magistrates are entitled to receive salary adjustments provided for in secs. 4 - 6, ch. 53, SLA 2005, in accordance with AS 22.15.220(b) and (e).

\* Sec. 12. This Act takes effect July 1, 2006.



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### FAX COVER SHEET

DATE: 2/17/06 TIME: 9:20 am

TO: LEGAL

NUMBER OF PAGES, INCLUDING COVER SHEET: 1

FROM: ROBIN PAUL  
SENATE FINANCE CMTE. ASST. SECRETARY  
PHONE: 465-2618  
FAX: 465-2187

NOTES: FINAL Please CS SB 237(FIN)  
of SB237 Version 24-GS2077\F  
(No Changes!!)

*Thank You!*  
*Robin*



ALASKA COURT SYSTEM  
State of Alaska  
Office of the Administrative Director

C. S. Christensen III  
Deputy Administrative Director

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Anchorage, Alaska 99501-2005  
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cchristensen@courts.state.ak.us

February 14, 2006

The Honorable Lyda Green  
Co-Chair, Senate Finance Committee  
State Capitol – Room 516  
Juneau, Alaska 99811

Dear Senator Green:

You requested additional information on Senate Bill 269, "An Act relating to the compensation of justices and judges; and providing for an effective date." This bill was introduced on February 6, 2006 by the Senate Rules Committee at the request of the Alaska Supreme Court. It is intended to address the substantial relative decline in salaries experienced by Alaska's judicial officers since 1987.

Historically, compensation for state superior court judges was set by the legislature at approximate parity with the salary of federal district court judges, because responsibilities and jurisdiction are closely analogous, and because these judges are all selected from the same applicant pool. However, state judges began falling behind their federal counterparts in 1987, and today federal salaries are more than 40% higher. Even a federal magistrate, with limited jurisdiction, is now paid almost 30% more than a superior court judge and over 20% more than a supreme court justice.

The relative decline of Alaska's judicial salaries is not limited to a comparison with their federal counterparts. Twenty years ago, Alaska's judges were among the best paid state judges in the country. According to the National Center for State Courts' Salary Report issued in April, 2005, Alaska's judicial salaries ranked next to last among the states when adjusted for cost of living:

- The salary of Alaska's supreme court justices ranked 47<sup>th</sup> of the 48 states for which cost-of-living information was available.
- The salary of Alaska's appellate court judges ranked 38<sup>th</sup> of the 39 states for which cost-of-living information was available.
- The salary of Alaska's superior court judges ranked 47<sup>th</sup> of the 48 states for which cost-of-living information was available.

The Honorable Lyda Green  
February 14, 2006  
Page 2

At the time of statehood, the commissioner of a department in the executive branch was paid between 11% and 37% less than a superior court judge, depending on department. Last session, commissioners were authorized to receive salaries up to Range 30M. The salary of a superior court judge is now a full 7% less than the salary of a commissioner.

The problem of declining relative salaries is made worse by the way that judicial salaries are fixed by statute. Most other state employees receive an annual salary increase averaging 3% at the end of each of their first five years of service in a particular job. This amounts to a salary increase averaging over 15%. Those state employees also receive a 3.75% increase at the end of years seven, nine, fourteen and eighteen. This provides a total salary increase over an 18-year career of more than 35%. In contrast, judges do not get longevity increases; the salary of a new judge is the same as the salary of a judge with 18 years of experience. Thus, judges are far more dependent than other state employees on cost-of-living adjustments enacted by the legislature. Since 1987, the inflation rate has been 77%. Judicial salaries, however, have increased only 50%.

The situation is even worse for judges in rural Alaska. Judges at most rural locations receive a substantially lower geographic salary adjustment than do other state employees. In Barrow, for example, union employees receive a 42% adjustment to account for the high cost of living, and non-union employees receive a 31.5% adjustment. The local judge, however, receives only a 17.5% adjustment. Moreover, other state employees have the geographic adjustment calculated on their entire salaries; the adjustment for a judge is only calculated on the first \$40,000. This limited geographic adjustment was first applied to judges at a time when the salary of a superior court judge was set at parity with the salary of a federal district judge; this salary was considered high enough to reduce the need for a full geographic adjustment. That situation no longer exists. As noted above, federal district court judges now receive a salary more than 40% higher than the salary of superior court judges.

Because other state employees receive longevity increases and larger geographic differentials, a superior court judge may not even be the highest paid government attorney in a community. Last year in Nome, for example, the district attorney was paid \$20,000 more than the superior court judge.

SB 269 proposes to partially reverse the relative decline of judicial compensation by achieving salary parity between the federal district court and the Alaska Supreme Court. Salaries of judges of the court of appeals, the superior court, and the district court would be proportionately adjusted based on current salary structure. While significant, it should be noted that such an increase would not restore salaries to their relative state when parity existed between the federal district court and the superior court, nor would it restore Alaska's judicial salaries to their historic position relative to other states. Salaries for Alaska's judges would rank approximately 20<sup>th</sup> among the states when adjusted for cost of living, according to information from the National Center for State Courts.

Current salary levels deter experienced, competent, private sector attorneys from seeking judicial appointments and have forced some experienced jurists to leave the bench. Experienced attorneys can earn disproportionately greater incomes by remaining in the

The Honorable Lyda Green  
February 14, 2006  
Page 3

private sector, rather than serving in the judiciary. We believe that the continued competence and balance of the state judiciary is endangered by current salary levels, and that this legislation is essential.

Please advise if you have any questions or comments.

Very truly yours,

A handwritten signature in black ink, appearing to read 'CSC', with a long horizontal flourish extending to the right.

C. S. Christensen III  
Deputy Administrative Director

**Salary Rankings for Highest Courts Nationwide**  
**Based on April, 2005 Salary Information - National Center for State Courts**

State	Highest Court	Rank	Cost-of-Living Adjusted Salary		
			Adjustment Factor	Adjusted Salary	Adjusted Rank
Alabama	152,027	10	0.93	163,470	5
Alaska	117,900	36	1.28	92,109	47
Arizona	126,525	26	1.02	124,044	29
Arkansas	128,669	21	0.89	144,572	8
California	182,071	1	1.40	130,051	20
Colorado	116,251	37	1.02	113,972	36
Connecticut	146,016	12	1.28	114,075	35
Delaware	179,670	2	1.03	174,437	1
District of Columbia	171,800	4	1.38	124,493	28
Florida	155,150	8	1.00	155,150	7
Georgia	153,086	9	0.93	164,609	4
Hawaii	115,547	38	1.62	71,325	48
Idaho	104,168	49	0.94	110,817	38
Illinois	173,261	3	1.00	173,261	2
Indiana	133,600	17	0.95	140,632	9
Iowa	128,000	22	0.95	134,737	15
Kansas	118,212	35	0.93	127,110	24
Kentucky	127,224	23	0.93	136,800	12
Louisiana	118,301	33	0.97	121,960	31
Maine	104,929	48	N/A	N/A	N/A
Maryland	132,352	19	1.21	109,382	39
Massachusetts	126,943	24	1.25	101,554	43
Michigan	164,610	6	1.01	162,980	6
Minnesota	135,567	16	1.00	135,567	14
Mississippi	112,530	43	0.93	121,000	33
Missouri	123,000	30	0.92	133,696	16
Montana	95,493	51	0.99	96,458	46
Nebraska	119,276	32	0.94	126,889	25
Nevada	140,000	14	1.07	130,841	18
New Hampshire	121,593	27	N/A	N/A	N/A
New Jersey	158,500	7	1.33	119,173	34
New Mexico	106,960	45	1.02	104,863	42
New York	151,200	11	1.22	123,934	30
North Carolina	118,219	34	0.97	121,875	32
North Dakota	99,122	50	0.93	106,583	41
Ohio	131,500	20	0.97	135,567	13
Oklahoma	113,531	41	0.90	126,146	26
Oregon	105,200	47	1.07	98,318	45
Pennsylvania	171,800	5	1.01	170,099	3
Rhode Island	132,816	18	1.28	N/A	N/A
South Carolina	123,095	29	0.96	128,224	21
South Dakota	105,765	46	0.95	111,332	37
Tennessee	126,528	25	0.90	140,587	10
Texas	113,000	42	0.90	125,556	27
Utah	115,250	39	0.90	128,056	22
Vermont	114,689	40	1.16	98,870	44
Virginia	142,416	13	1.03	138,268	11
Washington	137,276	15	1.03	133,278	17
West Virginia	121,000	31	0.93	130,108	19
Wisconsin	123,876	28	0.97	127,707	23
Wyoming	108,200	44	1.01	107,129	40
Average	130,328			127,326	
Median	126,525			127,000	
Maximum	182,071			174,437	
Minimum	95,493			71,325	

**Salary Rankings for Intermediate Appellate Courts Nationwide**  
**Based on April, 2005 Salary Information - National Center for State Courts**

State	Appellate Court	Rank	Cost-of-Living Adjusted Salary		
			Adjustment Factor	Adjusted Salary	Adjusted Rank
Alabama	151,027	6	0.93	162,395	3
Alaska	111,384	31	1.28	87,019	38
Arizona	123,900	17	1.02	121,471	21
Arkansas	124,652	15	0.89	140,058	7
California	170,694	1	1.40	121,924	20
Colorado	111,647	30	1.02	109,458	32
Connecticut	137,137	10	1.28	107,138	33
Delaware	N/A	N/A	1.03	N/A	N/A
District of Columbia	N/A	N/A	1.38	N/A	N/A
Florida	143,363	9	1.00	143,363	6
Georgia	152,139	4	0.93	163,590	1
Hawaii	110,618	32	1.62	68,283	39
Idaho	103,168	37	0.94	109,753	31
Illinois	163,070	2	1.00	163,070	2
Indiana	129,800	13	0.95	136,632	8
Iowa	123,120	18	0.95	129,600	12
Kansas	114,118	26	0.93	122,708	18
Kentucky	122,085	20	0.93	131,274	11
Louisiana	112,041	29	0.97	115,506	28
Maine	N/A	N/A	N/A	N/A	N/A
Maryland	124,552	16	1.21	102,936	34
Massachusetts	117,467	23	1.25	93,974	37
Michigan	151,441	5	1.01	149,942	5
Minnesota	127,740	14	1.00	127,740	13
Mississippi	105,050	36	0.93	112,957	29
Missouri	115,000	25	0.92	125,000	17
Montana	N/A	N/A	0.99	N/A	N/A
Nebraska	113,312	27	0.94	120,545	22
Nevada	N/A	N/A	1.07	N/A	N/A
New Hampshire	N/A	N/A	N/A	N/A	N/A
New Jersey	150,000	7	1.33	112,782	30
New Mexico	101,612	39	1.02	99,620	35
New York	144,000	8	1.22	118,033	26
North Carolina	113,293	28	0.97	116,797	27
North Dakota	N/A	N/A	0.93	N/A	N/A
Ohio	122,550	19	0.97	126,340	15
Oklahoma	108,336	34	0.90	120,373	24
Oregon	102,800	38	1.07	96,075	36
Pennsylvania	162,100	3	1.01	160,495	4
Rhode Island	N/A	N/A	1.28	N/A	N/A
South Carolina	120,017	22	0.96	125,018	16
South Dakota	N/A	N/A	0.95	N/A	N/A
Tennessee	120,636	21	0.90	134,040	9
Texas	107,350	35	0.90	119,278	25
Utah	110,000	33	0.90	122,222	19
Vermont	N/A	N/A	1.16	N/A	N/A
Virginia	135,295	11	1.03	131,354	10
Washington	130,678	12	1.03	126,872	14
West Virginia	N/A	N/A	0.93	N/A	N/A
Wisconsin	116,865	24	0.97	120,479	23
Wyoming	N/A	N/A	1.01	N/A	N/A
Average	125,745			122,977	
Median	122,085			121,924	
Maximum	170,694			163,590	
Minimum	101,612			68,283	

**Salary Rankings for General Trial Courts Nationwide**  
**Based on April, 2005 Salary Information - National Center for State Courts**

State	General Trial Courts	Rank	Cost-of-Living Adjusted Salary		
			Adjustment Factor	Adjusted Salary	Adjusted Rank
Alabama	111,973	28	0.93	120,401	17
Alaska	109,032	33	1.23	85,181	47
Arizona	120,750	15	1.02	118,382	19
Arkansas	120,632	16	0.89	135,542	5
California	149,160	4	1.40	106,543	33
Colorado	107,044	37	1.02	104,915	35
Connecticut	131,875	11	1.28	103,027	38
Delaware	163,850	1	1.03	159,078	1
District of Columbia	162,100	2	1.38	117,464	20
Florida	134,650	3	1.00	134,650	6
Georgia	121,938	14	0.93	131,116	7
Hawaii	106,922	38	1.62	66,001	48
Idaho	97,632	47	0.94	103,864	37
Illinois	149,638	3	1.00	149,638	2
Indiana	110,500	30	0.95	116,316	24
Iowa	117,040	20	0.95	123,200	13
Kansas	103,232	42	0.93	111,002	30
Kentucky	116,934	22	0.93	125,735	10
Louisiana	105,780	39	0.97	109,052	32
Maine	98,377	46	N/A	N/A	N/A
Maryland	120,352	17	1.21	99,464	40
Massachusetts	112,777	26	1.25	90,222	44
Michigan	139,919	7	1.01	138,534	4
Minnesota	119,913	18	1.00	119,913	18
Mississippi	104,170	41	0.93	112,011	29
Missouri	108,000	35	0.92	117,391	21
Montana	88,164	51	0.99	89,055	46
Nebraska	110,330	31	0.94	117,372	22
Nevada	130,000	12	1.07	121,495	15
New Hampshire	116,806	23	N/A	N/A	N/A
New Jersey	141,000	6	1.33	106,015	34
New Mexico	96,531	48	1.02	94,638	42
New York	136,700	8	1.22	112,049	28
North Carolina	107,136	36	0.97	110,449	31
North Dakota	90,671	50	0.93	97,496	41
Ohio	112,700	27	0.97	116,186	25
Oklahoma	102,529	44	0.90	113,921	26
Oregon	95,800	49	1.07	89,533	45
Pennsylvania	149,132	5	1.01	147,655	3
Rhode Island	119,579	19	1.28	N/A	N/A
South Carolina	116,940	21	0.96	121,813	14
South Dakota	98,787	45	0.95	103,986	36
Tennessee	115,428	25	0.90	128,253	9
Texas	111,700	29	0.90	124,111	12
Utah	104,700	40	0.90	116,333	23
Vermont	109,030	34	1.16	93,991	43
Virginia	132,211	10	1.03	128,360	8
Washington	124,411	13	1.03	120,787	16
West Virginia	116,000	24	0.93	124,731	11
Wisconsin	110,250	32	0.97	113,560	27
Wyoming	103,000	43	1.01	101,980	39
Average	117,328			114,428	
Median	112,777			116,251	
Maximum	163,850			159,078	
Minimum	88,164			66,001	

**Alaska Court System  
Judicial Salaries  
2/14/2006**

<b>Salary</b>	<b>Supreme Court</b>	<b>Court of Appeals</b>	<b>Superior Court</b>	<b>District Court</b>
FY06 Salary	\$ 125,520	\$ 118,584	\$ 116,076	\$ 98,400
SB 237 Proposed Salary	\$ 165,200	\$ 156,080	\$ 152,760	\$ 129,517

Federal District Judge Salary = \$165,200

Federal Magistrate Salary = \$151,984

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Edition: Final  
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## Number of cases overwhelms justice system in the Valley

EXPANSION: Police, court, prosecutors all overworked; some relief is developing.

**KYLE HOPKINS**  
Anchorage Daily News

### Staff

When the brimming courthouse filled with new cases about four times the rate of the rest of Alaska, the court system in the Matanuska-Susitna Borough began to spring leaks. Some minor crimes go unpunished and other misdemeanor cases are in danger of being dismissed if it takes police too long to finish paperwork, according to a supervisor at the local Office of Public Advocacy, police and Alaska State Troopers in Mat-Su, and the Palmer district attorney.

The crush of work for cops, lawyers and the court changed public policy this year. In October, the Wasilla City Council approved a new rule requiring shoplifters to pay up to \$300 fines because, police say, the state stopped prosecuting many of the theft suspects they arrest.

The fines are meant to deter thieves and work like a traffic ticket rather than turn into a full-blown criminal case, Wasilla Police Chief Don Savage said. Palmer Police Chief Russ Boatright hopes to do the same thing in his town.

Police and troopers say other minor misdemeanors like disorderly conduct also sometimes go unprosecuted.

With methamphetamine and murders to worry about, Palmer District Attorney Roman Kalytlak concedes that burdened prosecutors have shrugged off certain shoplifting crimes this year to make time for other cases. Still, he said, it's not a blanket policy and it's unfair to obsess over a few ignored thefts.

"It's sort of like someone talking about the lack of donuts in New Orleans after Katrina," he said.

Demand on courts is growing across the state, but the bustling Mat-Su easily sets the pace according to the Alaska Court System 2004 annual report.

Between 2003 and 2004, the number of new felony cases filed statewide grew by 10 percent. In comparison, the volume of felony cases filed at the Palmer courthouse rose by 38 percent, or nearly four times as fast, the report states.

Superior court and district court filings in Palmer also jumped by 9 percent and 11 percent, compared with 2 percent and 3 percent statewide.

The 2005 tally so far is about 3,500 cases, on par with 2004, said Teresa Shaw, Palmer's clerk of court. But what those numbers hide, Shaw said, is that while misdemeanor cases may or may not be on the rise, the rate of time-consuming felony filings likely continues to climb.

The congestion reaches every level of the justice system.

"Our calendar is horribly jammed," said Judge Eric Smith, one of two superior court judges at the courthouse.

The number of small-claims filings this year appears to have doubled, said Tammy Chandler, deputy clerk for the court's civil department. Each ticket issued is considered a separate traffic case. About 5,000 more of those cases were filed this year than last, she said.

Kalytlak expects more trial and grand jury activity in 2006, a trend that started in the second half of this year.

The 44-year-old district attorney talked about caseloads Thursday morning in his office along the Palmer-Wasilla Highway as he waited for a verdict on the trial of a Valley man accused of shooting a friend.

A former Michigan prosecutor, Kalytlak has worked in Palmer for eight years. He was appointed district attorney in 1999 by then-Gov. Tony Knowles.

Kalytlak served as lead prosecutor on the day's murder case.

Eight prosecutors work in the Palmer district attorney's office -- one spot is vacant and another job will be added in 2006.

The prosecutors have been asked to handle about 450 to 500 cases each this year, Kalytlak said.

At a recent public safety meeting in Palmer, the city police chief said it seems that defense attorneys outnumber prosecutors in the Mat-Su by about three to one. In reality, nine public defenders work in the Mat-Su; another four lawyers with the Office of Public Advocacy represent defendants when the public defender's office has a potential conflict of interest. That doesn't count private attorneys. A direct comparison between the number of defenders and prosecutors may be like apples and oranges because each job holds different duties and jurisdictions.

The defense lawyers, prosecutors, police and troopers are all busy in the Valley, which threatens to let misdemeanor suspects off the hook.

Some authorities take so long to file police reports that crimes are in danger of being dismissed by the district attorney, said Rachel Levitt, supervising attorney for the Office of Public Advocacy in Palmer.

In the past, defense lawyers and prosecutors had an informal agreement. The defense wouldn't push for a speedy indictment, which allowed time to reach a possible plea agreement before starting a lengthy court process, Levitt said.

But that deal disintegrated as police reports sometimes took months to arrive after an arrest. Without timely reports, she said, "the courts get further and further clogged with cases that can't move forward."

In the fall, Kalytiak said he e-mailed local law enforcement, asking them to file the reports within 30 days. The worst-case scenario for police was that if they didn't get the paperwork in on time, their case could be dismissed.

That deadline is a challenge for Alaska State Troopers patrolling the **Valley**, albeit one the agency is striving to meet, said Capt. Dennis Casanovas, commander of the Mat-Su detachment.

Each trooper has about 30 pending reports to write between racing to car crashes and other emergencies, Casanovas said. The backlog was 20 reports each just a few months ago.

"I am already working them about 24 hours of overtime every month," Casanovas said.

In October he offered his detachment another two days of overtime a month solely to catch up on police reports, he said. Almost his entire patrol staff accepted.

"How much more can I ask them to do?" Casanovas said.

The trooper captain had another question: what if everyone arrested, or whom authorities had enough evidence to arrest, actually filed through the **court system**? The court barely has room for the workload as it is.

The first phase of a new courthouse expansion is expected to begin early next year. The project will add two courtrooms and two judicial chambers, said Shaw, the clerk of court.

Kalytiak, the district attorney, said the expansion would help, but only for a while.

"It seems like it would meet the immediate needs," he said. "But it doesn't really look too far into the future."

Contact reporter Kyle Hopkins at [khopkins@adn.com](mailto:khopkins@adn.com) or call 352-6710.

Illustration:

Graphic 1: levitt\_122105.eps

STEPHEN NOWERS / Anchorage Daily News

Patrick Kelley listens to his attorney Rachel Levitt during a pretrial hearing in October at the Palmer Courthouse. A planned expansion may reduce the backlog of **Valley** cases, but officials say it doesn't address the future.



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Anchorage Daily News (AK)  
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### Valley justice system tries to keep up

EXPANSION: Police, court, prosecutors all overworked; some relief is developing.

Mat-Su Focus

**KYLE HOPKINS**  
Anchorage Daily News

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EDITOR'S NOTE: This story first appeared Wednesday in the Mat-Su section, which is distributed weekly in the Matanuska-Susitna Borough.

Illustration:

Photo 1: KenalMatSu\_Focus.1\_122505.jpg

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## Alaska Court System

webmaster@courts.state.ak.us

### State of the Judiciary

February 23, 2005

Chief Justice Alex Bryner

President Stevens, Speaker Harris, Senators, Representatives, and guests. Thank you for this opportunity to report on the state of Alaska's judiciary. Let me start with some introductions. Three members of the Supreme Court are here with me today. Justice Robert Eastaugh has served on our court since 1994. He was raised in Juneau, where his father and grandfather both practiced law and were leaders of the legal community. Justice Eastaugh heads the Supreme Court's Fairness and Access Committee, and serves on our Appellate Rules Committee. Justice Dana Fabe is here as well. Justice Fabe was appointed to the Supreme Court in 1996, becoming the first woman on Alaska's Supreme Court and, four years later, the first woman to serve as Chief Justice. She founded and continues to head the Alaska Supreme Court Outreach Commission; she also heads the Supreme Court's Civil Rules Committee and is a Board Member of the American Judicature Society. Before joining the Supreme Court, Justice Fabe served on the superior court in Anchorage since 1988. The third Supreme Court Justice with us today is Justice Walter Carpeneti, our member from Juneau. Before being appointed to the Supreme Court in 1998, Justice Carpeneti served on the superior court in Juneau from 1981. He heads the Supreme Court's Judicial Education Committee.

I'd also like to introduce the Court's Administrative Director, Stephanie Cole, and two members of our senior staff. Stephanie Cole has served in the Court System for 28 years and has been our Director since 1997. Deputy Director Chris Christensen is here today too; as is Administrative Attorney, Doug Wooliver. As many of you who have worked with Stephanie, Chris, and Doug

already know, they are talented, hard working, and dedicated members of the court system team, and we appreciate their unflagging efforts.

And I'd further like to extend greetings and regrets on behalf of Justice Warren Matthews, who is holding down the fort in Anchorage today. Justice Matthews has been a member of the Supreme Court for 27 years and has served two prior stints as Chief Justice; he is the court's longest serving current member.

Let me turn now to the issue at hand, the state of the Judiciary. This is my second chance to appear before you as Chief Justice; and my appearance marks the 33rd time that a chief justice has come before the Legislature to present this report. I'm happy to report again that the state of our judiciary is strong and sound. Alaska's trial judges rank among the best in the nation; we have an effective and efficient unified statewide system of judicial administration, an enlightened and comprehensive set of legal codes, a modern and vibrant state constitution, and a proven, uniquely effective system of judicial selection -- one that is nationally recognized as a model for nominating talented and independent judges on the basis of merit.

Much of the credit for our strong system belongs with Alaska's Legislature. As chief justice, I often see my counterparts in other states, and I know that they regard Alaska's tradition of cooperation and communication among its three branches of government as a rare strength. Our three branches of government have always reached beyond their individual interests and sought to cooperate for Alaska's common good. I want to thank the Legislature for your past help to Alaska's judiciary and urge your continued support.

Now let me give you a quick snapshot of the Alaska Court System today. The court system has offices in 44 locations throughout Alaska, ranging from our 353,000 square-foot headquarters in Anchorage to our 160 square-foot complex in Unalakleet. The constitution divides Alaska into four judicial districts; they are managed by four able and dedicated presiding superior court judges: Judge Larry Weeks has managed the first judicial district since 1992; Judge Michael Jeffery of Barrow has presided over the second judicial district since 1994; Judge Dan Hensley in Anchorage has overseen the third judicial district since 2002; and Judge Niesje Steinkruger in Fairbanks has served as presiding judge for the fourth judicial district since 2003. In addition to juggling their own judicial workloads, these judges manage caseload distribution, case calendaring and myriad day-to-day administrative concerns arising in their districts; they serve by annual appointment of the chief justice, and get no extra compensation for their efforts. I thank them all for their extraordinary dedication.

Statewide, our system encompasses about 750 employees; only about 62 of them are justices or judges; and about 39 more are magistrates. The vast majority are clerical and technical workers. In fact, 61% work at range 14 or below -- most of them in busy trial-court settings. These employees form the backbone of our system and deserve our recognition. They work hard for their pay, and the Legislature has recognized this by treating them equally to similarly classified executive branch employees. We thank you for this support and request that it continue.

Though our judicial system forms a separate, co-equal branch of Alaska's government, its size is tiny by comparison to Alaska's two other branches: our annual spending accounts for less than 1% of the state's total operating budget. Yet last year the court

system absorbed more than 150,000 new cases. Although these filings determine our workload, we have little control over how many new cases are filed. We are a reactive system: we must always be prepared to meet new demands, and have a constitutional duty to accept all properly filed cases. Last year we continued to see steady caseload growth. The superior court experienced a 2% statewide increase in filings, while the district court saw a 3% increase. But we had a 10% increase in felony filings, which include our most complex criminal cases. They are the most likely of all cases to proceed to trial, and they require quick handling. So this increase has had a disproportionately large impact on our operations.

The most striking and rapid growth by far has centered in the Mat-Su Valley. Last year alone, superior court filings in the Palmer court increased by 9% and district court filings by 22%. This continues a multi-year trend and makes Palmer the most overcrowded court in our system. Despite your generous past support, Palmer's rapidly growing caseload outpaces the court system's resources, as well as the resources of other related state agencies. Built in 1988 and enlarged in 1999, the Palmer courthouse has again run out of space to meet current demands; and it has little capacity to expand. Last year our Palmer court had days when there were more trials in progress than available courtrooms. So as a pilot project, Palmer is now holding court in the evenings and on weekends. The Mat-Su Valley will continue to grow rapidly. Our Palmer court will need to grow, too. And we need to start planning and building for that now. As a first step, we will be asking for your help this year in increasing Palmer staffing levels and funding additional space; and in the next legislative session we expect we will need authorization for a new superior court judge in Palmer.

This snapshot I've just given doesn't fully capture the dynamics of our courts. Although our courts adhere to the formal traditions of the adversary process, they are also responding to the changing needs of Alaska. As we encounter increasingly serious and widespread societal problems, our courts search for new and better ways to deliver justice. Many of our efforts have received your active and enthusiastic support.

For several years, legislators have joined in helping us establish therapeutic courts, which address the crippling problems of repeated criminal behavior associated with addictions, mental disabilities, and family disintegration. Therapeutic courts do not abandon the traditional values of our justice system, but use a team approach to reach beyond the limits of traditional justice. They require extensive resources and the ongoing cooperation of all of the court's institutional partners. Any weak link in this therapeutic chain can halt the court's efforts and leave its defendants stranded. Our therapeutic court judges have had to work hard to keep everybody on track. And they have had occasional setbacks. But there can be little doubt that their hard work has been worthwhile.

When all agencies cooperate, the long term rewards of therapeutic courts are unrivaled. Our latest program evaluations demonstrate that therapeutic courts can and do work. Program graduates are becoming productive members of society, overcoming years of repeated criminal behavior. They are now supporting their families, holding down jobs, and contributing to our society. They are breaking down the revolving door of the conventional system.

We currently have eight therapeutic court programs operating or starting up; seven are in Anchorage, and the eighth is in Bethel.

Four more are in the planning stages. They will be in Palmer, Fairbanks, Ketchikan and Juneau. These programs would not be possible without the active participation and financial support of agencies and organizations like Partners for Progress, the Alaska Mental Health Trust Authority, the Alaska Department of Health and Social Services, the Alaska Highway Safety Office and the National Highway Traffic Safety Administration. All of these participants deserve recognition and thanks for their steadfast support of our therapeutic courts. Many legislators have also supported our therapeutic court, and likewise deserve our thanks. We owe special thanks to Representative Norm Rokeberg, who has worked tirelessly to support our alcohol courts, and to Senator Lyda Green, who has enthusiastically supported our mental health courts in both Anchorage and Palmer.

I also need to thank the many judges who volunteer so much of their own time and talents to these efforts. Two in particular deserve special recognition. Anchorage District Court Judge Stephanie Rhoades oversees the Anchorage Mental Health Court, which diverts chronic misdemeanor offenders with mental disabilities from jail into less costly and much more effective treatment programs. Judge Rhoades has long been recognized for her innovative efforts and her dedication to cultivating therapeutic justice principles throughout the Alaska Court System. Last year Judge Rhoades received a national award from the Foundation for the Improvement of Justice for her pioneering work with mental health courts in Alaska. This prize included a cash award of \$10,000, which Judge Rhoades generously donated to a fund for the emergency needs of her mental health court's participants.

Another pioneer in our therapeutic court efforts, Anchorage District Court Judge James Wanamaker, retired from the bench just last month, after almost 12 years of service. He's turning 70, and the Alaska Constitution requires judges to retire at that age. Jim Wanamaker was the first judge in Alaska to propose a therapeutic court program. He went on to establish and run the Anchorage Municipal Wellness Court, which has had unique success and serves as a model for new programs, both in Alaska and nationwide. Judge Wanamaker deserves our lasting recognition and thanks for his gifts to our therapeutic court program. His loss is a hard blow to our system, but I'm glad to report that he will continue helping the system as a member of the Supreme Court's Advisory Committee on Therapeutic Courts.

A different example of how new approaches can make a big difference is our Family Law Self-Help Center. Our traditional system assumes that people will have lawyers, so it's no surprise that traditional courtrooms abound with formal rules and technical requirements. But the assumption that most litigants have lawyers no longer holds true. As our society has grown and become more complex, more people have relied on our courts. At the same time, the costs of legal representation -- like medical costs and most other kinds of professional services -- have skyrocketed. So we now find a tremendous -- and constantly growing -- number of people coming to court without lawyers.

This tide of self-represented litigants imposes great costs on our system. Court clerks have to spend time away from their regular jobs to deal with incomplete or defective paperwork, try to answer technical questions, and explain court procedures. Many self-represented litigants come to trial unprepared and confused, causing their cases to be rescheduled or their trials to consume hours of unnecessary courtroom time. Meanwhile, parties with lawyers in larger and more complicated cases have to wait in the wings because there's not enough judge time available to hear their trials.

These problems loom especially large in family law cases. And that's where our Family Law Self-Help Center fits into the picture. Center Director Katherine Alteneder and her staff make it their job to guide self-represented litigants through the intricate web of the system. They are not legal advocates and do not give legal advice or involve themselves in the merits of these cases. The Center's staff focuses instead on providing the written forms and information parties will need to present their cases in a way that complies with procedural rules, so that their cases can be decided on the merits. Although the Center is located in Anchorage, its staff helps people statewide through an innovative combination of direct, telephonic, and Internet services. About 250 people receive direct services from the Center each month, and countless others obtain information and forms on line. The Center's work has proved especially valuable in rural areas, where lawyers are scarce and people often have no choice but to go it alone. Last year, the Self-Help Center received national acclaim for the excellence of its service and the number of people it helps statewide.

On another front, the court system is continuing to identify areas of dispute that can be resolved outside the courtroom. We support several small mediation projects, funded through federal grants or run by volunteers. The Child Custody and Mediation Project, for example, operates in many locations, helping families with child custody or visitation problems who cannot afford the services of private mediators. This project received 117 referrals last year; and 68% of the cases it mediated reached agreement on some or all issues. Similarly, the Child In Need of Aid Mediation and Family Group Conferencing Program offers mediation and family group conferencing throughout the state in Child-In-Need-of-Aid cases. Eighty-eight percent of the cases it handled resulted in agreement on some or all issues.

At a different level, but in a similar vein, the Alaska Supreme Court's appellate settlement program promotes early settlements in appeals. In June 2003 retired Superior Court Judge Elaine Andrews agreed to head our appellate settlement program. Together with retired federal Bankruptcy Judge Herb Ross, Judge Andrews screens new appeals for likely settlement prospects. In the first year of the program, they selected 49 cases for settlement efforts, and 25 of them settled -- a success rate of about 51%. These are cases that would ordinarily have required a lengthy and expensive briefing process and a formal written decision by all five of the Supreme Court's justices. We are very grateful to Judges Andrews and Ross.

The various projects I have just described point to many areas where efficient and effective alternatives exist to our traditional model of formal adjudication. We intend to keep moving in these directions whenever they can improve our system of justice.

Now I'd like to report on some work in progress and some future changes. First, we are continuing to deploy our new Courtview case management system, an ambitious, multi-year project that will integrate our court system's separate locations into a statewide information network. This system has been generously funded by the Legislature through two capital appropriations, in 2001 and 2002; we greatly appreciate your support. Our implementation of the project is being ably guided by Deputy Administrative Director Christine Johnson and Technology Director Debbie Cook. I'd like to thank them both for their efforts. So far, we have installed Courtview in Palmer, Anchorage and Fairbanks. When fully implemented, Courtview will serve as a statewide collection point and crossroads for justice information.

The coming year also promises to bring continuing changes to the membership of our judiciary. In recent years we have seen unprecedented changes. Four judges retired last year: Superior Court Judge John Reese in Anchorage; District Court Judge Francis Neville in Homer; District Court Judge Peter Froehlich in Juneau, and District Court Judge James Wanamaker of Anchorage. We were also saddened by the death last September of District Court Judge Samuel Adams of Anchorage. With these departures, our bench loses nearly 60 years of accumulated experience. And in Fairbanks, Superior Court Judge Richard Savell has announced that he is retiring later this Spring. At the same time, we have welcomed the many new judges appointed to our bench by Governor Murkowski: Craig Stowers to the Superior Court in Anchorage, John Wolfe to the District Court in Palmer, David Landry to the District Court in Kenai, Pat Hanley to the District Court in Anchorage, Dan Schally to the District Court in Valdez, and Keith Levy to the District Court in Juneau. Additionally, we are awaiting a new round of Council nominations for open seats in Homer, Fairbanks, and Anchorage.

The trend signaled by these changes deserves careful reflection. Over Alaska's first forty-three years after statehood, we filled an average of four judicial vacancies per year. Yet during the past three years, we have seen vacancies double to eight per year. In the nine months between August 2004 and March of this year, we will have nominated judges for nine vacancies -- a rate of one per month.

This growing number of judicial appointments had its most immediate impact on the Alaska Judicial Council, the body charged by our constitution with screening prospective judges and nominating the most qualified applicants for appointment by the Governor. The Council has six unpaid members, who volunteer the time they spend on their duties; they are headed by the Alaska Supreme Court's Chief Justice, who votes only to break a tie. In keeping with our Constitution, the Council operates independently of the court system and other branches of government, relying on a small budget and staff of its own. The sudden and unexpected growth of judicial openings has stretched the Council's financial resources, and individual Council members have also felt the strain. In the seven months ending this March, Council members will have spent fourteen full days interviewing judicial applicants in seven different locations.

Alaska's constitutionally prescribed system of nominating judges according to merit is recognized nationally as a model for judicial selection and enjoys wide support from the citizens of Alaska. The Judicial Council is committed to excellence and is doing a fine job. But the growing number of judicial openings means that the Council needs the Legislature's support more than ever. Because an experienced and independent judiciary is indispensable to Alaska, I urge you to recognize the importance of continuing to support the work of the Council.

The fast pace of judicial appointments highlights another changing feature of Alaska's judiciary: When Alaska first attained statehood, it was common for attorneys to be appointed to all levels of the bench at a very early age. Chief Justice Jay Rabinowitz was appointed to the Supreme Court at age 38, after having served on the superior court since he was 33; Chief Justice George Boney was also appointed to the Supreme Court at the age of 38. But Alaska is no longer a new state. The men and women applying to become judges are generally older and considerably more experienced as lawyers. So far, we have been fortunate in attracting judicial applicants from this select pool of proven and experienced lawyers. There can be no doubt

that Alaska's judicial system has traditionally been strong; this tradition continues to attract strong applicants. Yet we cannot bank on tradition alone for the future. If we want to draw tomorrow's judges from the leaders of our legal profession -- especially from those practicing in the private sector -- we cannot realistically offer them salaries that may soon rank among the last in the nation.

Historically, the salaries of our state superior court judges were set to approximate those of their federal counterparts, United States District Court judges. In fact, for a time our federal judges looked to Alaska's superior court as a benchmark. In 1982 Alaska's superior court salaries placed Alaska first in the nation. But federal salaries began a steady rise in the 1980s; so did judicial pay in most other states. Alaska now ranks near the bottom of the national average. When adjusted for cost of living, Alaska's judicial salaries place our state 49th. And today Federal District Court judges earn almost fifty percent more than our superior court judges. In fact no member of Alaska's judiciary earns nearly as much as federal magistrates -- the lowest positions among federal judicial officers.

This may not be a popular issue; but it needs to be raised before Alaska slips even further. My overriding concern is for the future of our institution. If we blind ourselves to the problem, we may ultimately deprive our state of a balanced bench -- one that includes judges drawn from the top sectors of legal practice, where many attorneys are undoubtedly eager to serve the public as judges, but few could afford the economic penalty of being appointed. Our government is built on respect for the law. But we can't expect the public to respect the law unless we treat our institutions of justice -- our judges -- as worthy of the public trust inherent in their duties. So I respectfully ask you to consider realigning Alaska's judicial salaries to keep pace with the norm prevailing in federal and state courts around the nation.

This brings me to the last points I'd like to cover in my report: our ongoing efforts to enhance community participation in Alaska's system of justice. For some time now, the court system has focused on the need to treat Alaska jurors more humanely. We expect to continue our efforts to improve the way we treat and recognize jurors. After all, citizens who respond for jury duty play a core role in our justice system -- and often at tremendous sacrifice: time away from a job, from family and normal routines, as well as many other serious inconveniences. In the past, our government sometimes took this service for granted. As a result, jury duty is now too often seen as an unwelcome demand. To restore vitality to our system, we need to acknowledge the importance of jury service and make sure that we recognize jurors for their valuable contributions. To this end, the court system is striving to lighten the burden of jury service by reducing the time that jurors are subject to being called, allowing greater scheduling flexibility, avoiding unnecessary delays, and addressing growing concerns relating to juror privacy and safety. I'd like to take this opportunity to recognize all Alaskans who have responded to a jury summons, and to thank each of you personally for your valuable contributions.

Another recent court system project illustrates further benefits to be gained by involving Alaska's communities in issues of justice. Last year the Alaska Court System conducted five regional forums called "Children in Alaska's Courts" in Barrow, Anchorage, Juneau, Fairbanks and Bethel. A Supreme Court Justice attended at each location. Aided by a grant from the State Justice Institute, these forums invited professional and public feedback to tell us what works and what doesn't in our efforts to

deal with the thousands of cases affecting Alaska's children that we hear every year in our courts. More than 300 concerned Alaskans participated in these forums. And I would like to thank Senator Gary Wilken, who personally took part in the Fairbanks forum. By holding these forums, we identified many new issues, heard many specific suggestions for improving our system in each community, and gained valuable ideas for reviewing and upgrading our statewide practices to ensure that our justice system meets the highest attainable standards.

In the final analysis our experience with the "Children in Alaska's Courts" forums captures my vision of the Alaska Court System in the future: a strong, fair, and accessible system that brings equal justice to all Alaskans, always stands ready to listen, and constantly strives to do better.

That completes my report. Thank you for your attention.


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Rev. 23 February 2005

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[webmaster@courts.state.ak.us](mailto:webmaster@courts.state.ak.us)

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# LEGAL SERVICES

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

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FAX (907) 465-2029  
Mail Stop 3101


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

## MEMORANDUM

February 9, 2006

**SUBJECT:** Need for title change CSSB 237(JUD)  
(Work Order No. 24-GS2077\G)

**TO:** Senator Ralph Seekins  
Chair of the Senate Judiciary Committee  
Attn: Brian Hove

**FROM:** Dennis C. Bailey   
Legislative Counsel

This memo accompanies the CSSB 237(JUD). Please note that the changes create a conflict between the title and the content of the bill. Because the committee deleted the intent provisions of the bill in the form as introduced, retaining reference in the bill title in the committee substitute to "additional superior court judges at Anchorage, Palmer, Kenai, and Fairbanks" is not consistent with the content of the committee substitute. The title should be amended to omit references to the designated cities.

If I may be of further assistance, please advise.

DCB:med  
06-110.med

Enclosure

COMMITTEE COPY

# ALASKA STATE SENATE



Session:  
State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-2327  
(907) 465-5241 Fax

Interim;  
119 N. Cushman, Suite 201  
Fairbanks, Alaska 99701  
(907) 456-8161  
Senator\_Ralph\_Seekins@legis.state.ak.us

## SENATE JUDICIARY COMMITTEE

Senator Ralph Seekins, Chairman

### Senate Bill 237 Letter of Intent

February 9, 2006

The legislature finds that the Alaska Court System has experienced a steady multi-year trend in the growth of the criminal caseload. Much of the growth in criminal caseload has occurred in Anchorage, Palmer, Kenai, and Fairbanks in part due to rapid increases in population in some areas. For example, the Matanuska-Susitna Borough had a 77 percent increase in population from 1990 to 2004 and a 39 percent increase in felony case filings for fiscal year 2004 alone. Overall, felony criminal case filings with the court have increased by approximately 20 percent from fiscal year 2002 to fiscal year 2004.

Felony criminal cases are typically the most complex and time intensive criminal cases that the Alaska Court System handles. Over the years, these cases have become even more complex and therefore time consuming due to changes in the nature of criminal cases and the use of scientific evidence in a greater number of cases. Additionally, increased participation by victims and other new court procedures have resulted in cases requiring more actual courtroom time prior to resolution. Felony criminal cases are becoming back-logged to a degree that undermines the criminal justice system.

Prosecutors, law enforcement and others who regularly appear before the Alaska Court System recognize that additional superior court judges are essential for the efficient handling of the felony caseload. The legislature finds that justice will be better served for victims, defendants and the general public if the court system has the resources necessary for efficient processing of these cases.

Therefore, it is the intent of the legislature that the additional superior court judges authorized by this bill be assigned to criminal matters, or be utilized by the court system in a manner that will allow criminal matters to be more efficiently processed by the court.

COMMITTEE COPY

**Alaska Court System  
FY 2007 Cost for Four Additional Superior Court Judges**

	<u>Anchorage</u>	<u>Anchorage</u>	<u>Palmer</u>	<u>Kenai</u>	<u>Total</u>
Superior Court Judge, 82A	182,600	182,600	182,600	182,600	730,400
Law Clerk, 131D	52,600	52,600	54,100	55,700	215,000
In-Court, 12A	53,600	53,600	54,900	56,400	218,500
Administrative Assistant, 12A	53,600	53,600	54,900	56,400	218,500
<b>Total Salary &amp; Benefits</b>	<b>342,400</b>	<b>342,400</b>	<b>346,500</b>	<b>351,100</b>	<b>1,382,400</b>
Circuit Travel (one week per month)	11,400				11,400
Judicial and staff supplies, software maintenance and network fees	7,600	7,600	7,600	7,600	30,400
<u>One-time costs</u> for judicial chambers and staff furniture; jury room furniture; and courtroom furniture, recording equipment and software	62,500 <sup>1</sup>	62,500 <sup>1</sup>	51,500	73,500	250,000
<u>One-time costs</u> for expansion, remodel and moving to acquire courtroom and office space	135,300 <sup>1</sup>	135,300 <sup>1</sup>		5,073,000 <sup>2</sup>	5,343,600
<b>FY07 Total Cost for Additional Superior Court Judges</b>	<b>559,200</b>	<b>547,800</b>	<b>405,600</b>	<b>5,505,200</b>	<b>7,017,800</b>
Subsequent years' (post-construction) maintenance and operation of new space	7,500	7,500		60,000	75,000
<b>Maintenance Level Funding</b> (less one-time costs, plus subsequent years' maintenance and operation of new space)	<b>388,900</b>	<b>357,500</b>	<b>354,100</b>	<b>418,700</b>	<b>1,499,200</b>

<sup>1</sup>Accommodating two additional superior court judges in Anchorage is most effectively accomplished by remodeling for three additional courtrooms and associated space in the Boney Courthouse. The total cost of the renovation is allocated between the two positions.

<sup>2</sup>The Kenai Courthouse currently exceeds designed capacity, and two new courtrooms and associated space must be added. This courthouse was built to the same design as the Palmer Courthouse, which is currently undergoing an identical addition. Costs are based on the costs associated with the Palmer project.

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

January 13, 2006

The Honorable Ben Stevens  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that would add a total of four Superior Court judge positions to the third judicial district in the state court system.

As Alaska's population grows, the demand on the court system from both civil and criminal cases increases. The population growth does not occur uniformly throughout the state. The Matanuska-Susitna Borough had a 77 percent increase in population from 1990 to 2004 and a 39 percent increase in felony case filings for fiscal year 2004. The Palmer court is perhaps the most overcrowded court in the system.

The impact on the court system of felony criminal cases is very burdensome. Criminal cases, particularly violent felony criminal cases, are often the most complex and time-sensitive types of cases handled by the court system. They are also the most likely type of case to proceed to a time-consuming trial. Time is of the essence to both the victims of crimes waiting for justice to be served and the accused seeking resolution to the criminal charges.

The additional Superior Court judge positions provided for under this bill are essential to the efficient operation of the court system.

I urge your prompt and favorable action on this measure.

Sincerely yours,

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

Frank H. Murkowski  
Governor

COMMITTEE COPY

**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 1/13/06

FURTHER: Finance

Date of 5-Day Notice: 1/24/06  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2/9/06

Judiciary Committee considered SENATE BILL NO. 237

**SB 237 ADDITIONAL JUDGES FOR THIRD DISTRICT**

"An Act increasing the number of superior court judges designated for the third judicial district, to provide additional superior court judges at Anchorage, Palmer, and Kenai; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 237 (JUD)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by Judiciary 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#
CRT	1/18/06	✓			2
CRT	2/9/06	✓			3

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		DO PASS	DO NOT PASS	NO REC	AMEND
French		X			
Guess		X			
Huggins		X			
CHAIR:		✓			

French  
Guess  
Huggins  
  
Seelkins

**SB**

**243**

**SFIN**

**FILE**

SB 243

was referred to the  
Senate Finance  
Committee

Hearing(s) were held

The bill did not move  
from Committee

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

TREASURY DIVISION

FRANK H. MURKOWSKI, GOVERNOR

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JUNEAU, ALASKA 99811-0405  
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March 6, 2006

Senator Lyda Green  
Co-Chair, Senate Finance Committee  
State Capitol, Room 516  
Juneau, AK 99801

Dear Senator Green:

I am responding to the Senate Finance Committee's request of March 3 for an analysis of the historical cost of issuing bonds through the Northern Tobacco Securitization Corporation (NTSC) to fund the purchase of portions of the Master Settlement Agreement from the State of Alaska, to provide some additional information on the currently proposed sale, and general information on the State's general fund supported debt. To accomplish this request there are three attachments to this letter.

Attachment one provides summary of the NTSC's bond issues and two possible structures for the proposed bond issue, a summary of the bonds that remain outstanding, and a summary of the projects funded with proceeds of the bond issues. The sheet provides a sources and uses summary of the 2000 and 2001 bond issues. Bond proceeds have been used to provide \$202,942,839 to the State, fund a \$22.2 million reserve, pay \$5.6 million in costs of issuance and operating expenses, \$9.4 million in capitalized interest expense, and \$2.7 million in original issue discount. The primary matter to be obtained from this sheet is that costs of issuance have averaged just over 2% of the bond issue for these transactions, the bonds are being repaid with special redemptions as anticipated, and all of the original transfers have been spent with a residual balance of investment earnings awaiting final disposition.

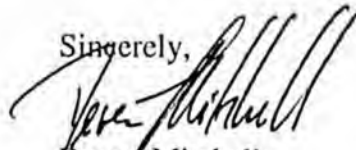
The second attachment provides an analysis of the future revenue stream that would be sold in exchange for value today. The numbers incorporated into this sheet involve assumptions regarding inflation and tobacco consumption over the next 34 years that may become inaccurate as time progresses. A discount rate of 4.6% results in the cash flows' present value from year 2017 to 2040 equaling the maximum possible value that can be derived from sale of the MSA at this time.

The final attachment tracks the evolution of the general fund supported obligations over the past five years. While the State's lease program has remained between \$145 and \$160 million over this time, increases have been realized in the State's general obligation bond program and the school debt reimbursement program. In late 2003 \$461 million of

general obligation bonds were issued, and the school debt reimbursement program has increased from \$464 million of debt the state funds in FY 2001 to \$803 million by FY 2005. The cumulative effect of the changes has been an increase from \$624 million in general fund supported obligations in 2002 to \$1,387 million currently.

If you have any questions please call me at (907) 465-3750.

Sincerely,

A handwritten signature in black ink, appearing to read "Deven Mitchell". The signature is written in a cursive style with a large, sweeping initial "D".

Deven Mitchell  
State Debt Manager

# NORTHERN TOBACCO SECURITIZATION CORPORATION BONDS (3-3-2006)

	NTSC 2000	NTSC 2001	Existing Cumulative	Projected NTSC 2006 refunding	Projected NTSC 2006 no refunding
<b>Sources:</b>					
Bond Principal Amount	116,050,000	126,790,000	242,840,000	426,318,044	196,222,250
<b>Uses of Proceeds:</b>					
Payment to State refunding escrow Reserve Account	93,000,000	109,942,839	202,942,839	181,080,866	191,975,056
Operating Expense Deposit	11,324,015	10,845,650	22,169,665	229,842,164	0
Capitalized Interest Deposit	400,000	25,000	425,000	6,226,071	0
Costs of Issuance	7,602,640	1,775,817	9,378,457	50,000	50,000
Net Original Issue Discount	2,845,579	2,348,998	5,194,577	0	0
Total Uses of Proceeds	877,766	1,851,696	2,729,462	9,118,943	4,197,194
	116,050,000	126,790,000	242,840,000	426,318,044	196,222,250

Issue Date	10/26/2000	8/15/2001
Bond Yield	6.326%	5.513%
Final Maturity	2031	2029
Current Ratings	BBB/Baa2/BBB	BBB/Baa3/BBB

Scheduled Redemptions		(1,520,000)	(1,520,000)
Special Redemptions	(13,705,000)	(13,725,000)	(27,430,000)
Bonds Outstanding	102,345,000	111,545,000	213,890,000

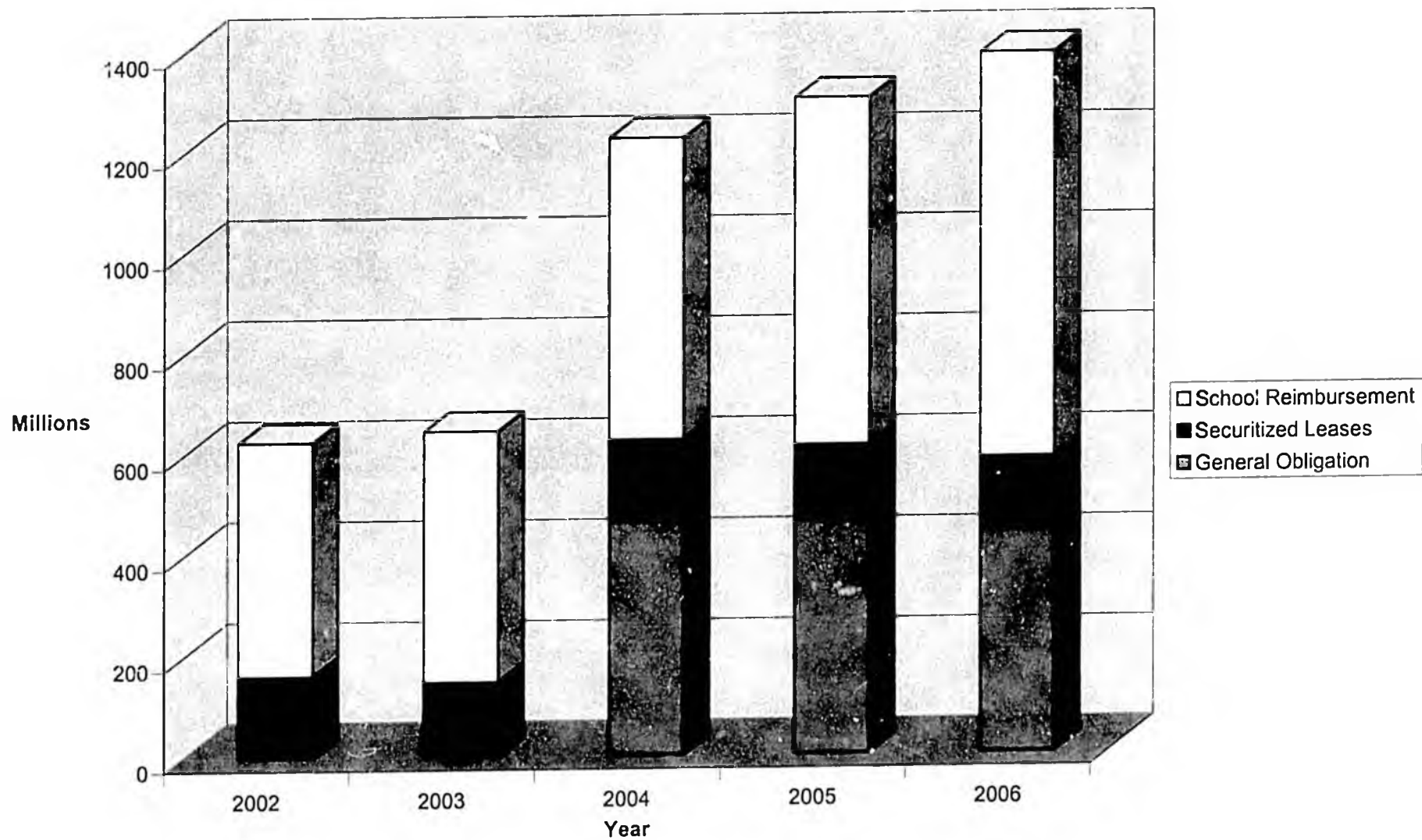
Capital Projects Appropriated Disbursements from Proceeds	93,000,000	109,942,839	202,942,839
Proceeds Remaining	(87,805,301)	(103,300,001)	(191,105,302)
	5,194,699	6,642,838	11,837,537

<u>Investment Earnings on NTSC Bonds:</u>	
Capital Projects Appropriated Disbursements from Earnings	15,131,471
Earnings Remaining	(8,712,094)
	6,419,378

MSA Payment	<u>Annual Payments from MSA</u>	<u>Present Value of Certain MSA receipts in 2006</u>	Discount rate 4.60%
2017 10	29,450,416.00	17,957,377.15	
2018 11	21,991,903.00	12,819,839.76	
2019 12	21,808,934.00	12,154,092.56	
2020 13	21,629,205.00	11,523,833.46	
2021 14	21,452,712.00	10,927,150.75	
2022 15	21,279,458.00	10,362,239.11	
2023 16	21,109,443.00	9,827,388.77	
2024 17	20,942,671.00	9,320,983.70	
2025 18	20,779,145.00	8,841,494.22	
2026 19	20,618,871.00	8,387,474.08	
2027 20	20,461,853.00	7,957,553.83	
2028 21	20,308,101.00	7,550,439.90	
2029 22	20,157,621.00	7,164,906.56	
2030 23	20,010,425.00	6,799,796.00	
2031 24	19,866,524.00	6,454,012.07	
2032 25	19,725,929.00	6,126,517.35	
2033 26	19,588,656.00	5,816,331.58	
2034 27	19,454,718.00	5,522,526.05	
2035 28	19,324,132.00	5,244,222.92	
2036 29	19,196,917.00	4,980,591.82	
2037 30	19,073,092.00	4,730,846.79	
2038 31	18,952,679.00	4,494,244.57	
2039 32	18,835,698.00	4,270,081.15	
2040 33	18,722,176.00	4,057,691.73	Expected final maturity
2041 34		0.00	
2042 35		0.00	
2043 36		0.00	
2044 37		0.00	
2045 38			
Totals	<u>Nominal 494,741,279.00</u>	<u>PV 193,291,635.88</u>	

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March 29, 2006

# Big Tobacco Gets Favorable Ruling

## Declining Market Share May Let Cigarette Makers Cut Payments to the States

By VANESSA O'CONNELL  
March 29, 2006; Page B3

An independent arbitrator ruled that the nation's big cigarette makers lost market share as a result of their 1998 legal settlement with 46 states.

The ruling increases the likelihood that Marlboro maker Philip Morris USA and its rivals will be able to cut \$1.2 billion from the payment they owe the states next month, and possibly see similar reductions in future years.

### BIG CASE



1. In Court 2 Big Tobacco defends itself against allegations that it deceived smokers in ads for low-tar cigarettes

The payment issue stems from a settlement reached eight years ago requiring Altria Group Inc.'s Philip Morris Reynolds American Inc.'s RJR and Loews Corp.'s Lorillard to reimburse the states annually for the costs of caring for sick smokers. Each year's payment is calculated based on the previous year's cigarette-sales volume. So far, cigarette makers have paid the states \$41.6 billion; another \$6.5 billion

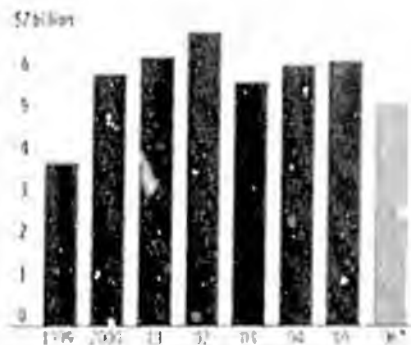
is due April 17

The latest ruling could usher in a new era of confrontation between major cigarette makers, which lately have benefited from a string of courtroom victories, and the states, which have grown increasingly dependent on annual tobacco-company payments to cover budget shortfalls.

The companies say the settlement allows them to cut their payments if their market share drops below certain thresholds. The companies say they hit that threshold in 2003: Their collective market share dropped to 92% from 99.6% in 1997 -- the year before the settlement -- amid gains by makers of bargain-priced generic cigarettes that have sprung up since 1998.

### Cash Infusions

Total settlement payments received by states from tobacco companies



\* Projected payments based on settlement terms.

The states, however, claim the big cigarette makers lost share not because of the legal settlement, but because of outside price increases.

Economist Daniel McFadden of the University of California at Berkeley, an independent analyst who served as an arbitrator in the dispute, affirmed his earlier ruling in favor of the companies. He found that the burdens of the settlement itself were a "significant factor" in causing the market-share losses.

No. 2 cigarette maker Reynolds, which sells Winston and Salem cigarettes, stands to gain the biggest sum -- roughly \$567 million -- because it suffered the steepest loss in market share. The No. 1 maker, Philip Morris, of Richmond, Va., would be entitled to about \$386 million, according to estimates by the settlement's designated auditor.

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A loss of revenue is sure to hurt cash-strapped states that are counting on the tobacco billions to help fund health-care programs or pay other expenses.

The National Association of Attorneys General said yesterday that the states are negotiating with the tobacco companies to get the full payment and expect those negotiations to be successful. The states warn that, if necessary, they will sue the companies to get the full payment.

The dispute is likely to be closely followed by the bond markets. Many states and other municipalities have floated special bonds secured by the flow of future settlement payments by cigarette makers.

Write to Vanessa O'Connell at [vanessa.oconnell@wsj.com](mailto:vanessa.oconnell@wsj.com)<sup>3</sup>

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MARKET NEWS

**Tobacco Firms Weigh \$1.1B Payment Cut**

Mediator: MSA Caused Market Share Loss

by Elizabeth Albanese

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Posted 03/29/06

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DALLAS - Tobacco companies on Tuesday began mulling their options regarding a ruling handed down by a mediator stating that tobacco companies have the right to lower by as much as \$1.1 billion a planned payment of \$6.5 billion to states on April 17.

If in fact tobacco companies do reduce their annual payments to states under the terms of the 1998 Master Settlement Agreement, issuers with outstanding municipal bonds backed by securitized tobacco payments could be hard-pressed to repay "turbo" bonds this year. In fact, analysts said that several issuers would likely be forced to tap reserves to meet interest and principal payments due in 2006.

The Boston-based Brattle Group ruled early yesterday morning that the MSA was a "significant factor" in market share loss suffered by tobacco companies in 2003, and as such, tobacco companies could invoke the so-called NPM adjustment in the agreement that allow for a reduced payment this year. The adjustment allows companies to reduce their payments by as much as three times the amount of market share they've lost to NPMs, or non-participating manufacturers - those companies that did not sign on to the MSA.

The issue now will be determined on a state-by-state basis, in which states will work to prove that they have "diligently enforced" laws required under the terms of the MSA. If they are found to have done so, they would receive their MSA payment in full. Those that have not met the terms of the agreement, however, could lose their entire MSA payment this year.

Attorneys general have said that if necessary, they would file lawsuits against the tobacco companies to force full MSA payments this year. Some states have also asked state courts for declarations stating that they have been diligent in enforcing model statutes mandated by the MSA.

Those statutes require tobacco companies that did not sign the MSA to make payments into escrow accounts that would ostensibly be tapped if they lost lawsuits filed by sick smokers.

A statement released by Iowa Attorney General Tom Miller and Idaho Attorney General Lawrence Wasden, co-chairs of the Tobacco Committee of the National Association of Attorneys General, indicated that the organization would continue to work to convince tobacco companies to make a full payment on April 17.

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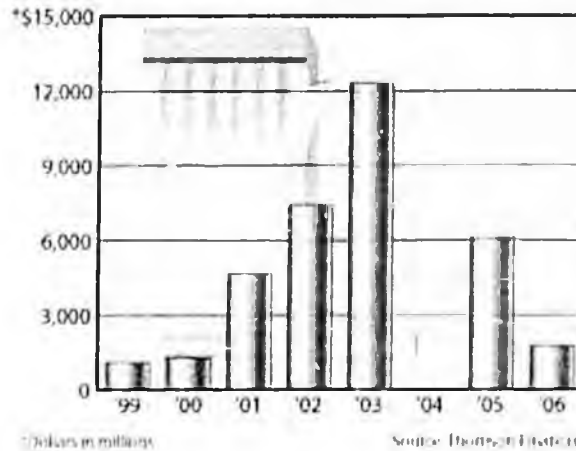
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The association represents the 46 states and other governmental entities that signed the agreement, which is designed to compensate them for the cost of caring for indigent sick smokers. The overall settlement requires participating tobacco manufacturers to pay states \$206 billion over a period of no fewer than 25 years.

### All Tobacco Bond Sales



"The settling states believe that every state will be found to have diligently enforced its model statute in 2003 and thus that no NPM Adjustment should be applied," the release stated. "The settling states are engaged in discussions with the major manufacturers to ensure that the participating manufacturers make full payment of the amounts due on April 17, and we expect those negotiations to be successful."

Tobacco companies, however, are still considering how they'll apply the NPM adjustment awarded to them in the Brattle Group's ruling.

"The bottom line is that this final ruling confirms the preliminary determination reached by the Brattle Group that the disadvantages of the Master Settlement Agreement were a significant factor in our market share loss," said David Howard, a spokesman for R.J. Reynolds Tobacco Co. "We obviously have seen the AGs' statement, heard what they are saying. But the ruling very clearly states that the NPM adjustment shall apply. We are currently evaluating our options — I am not sure how MSA payments will be affected."

Along with Reynolds, Philip Morris USA and Lorillard Tobacco Co. also requested an NPM adjustment for 2003, as did 11 small tobacco companies.

With the ruling in hand, companies have the option of making full payments or making payments into an escrow fund that would be refunded to the companies or disbursed to states after the state-by-state determinations have been concluded. Alternatively, the companies could simply withhold payments during the course of the state-by-state investigation. However, if they choose that course and are later ordered to pay states, they would also have to pay interest costs.

"Certainly the MSA spells out that we are able to seek NPM adjustments for each year of market share lost," Howard said. "This ruling applies only to 2003. If we chose to do so, the MSA would allow us to seek an analysis of 2004 and the years moving forward — if we so choose to do that."

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Because tobacco companies have not yet announced whether they will make their full April 17 payments or withhold money, it remains unclear how tobacco bonds would be affected.

Tobacco bonds continued to trade at yields in the low to mid-5% range yesterday — no change at all from where the bonds have traded in recent months.

"In terms of the market, there's been no sell-off, or really any reaction at all," said Kurt van Kuller, senior director and manager of municipal credit research at Merrill Lynch & Co. "Perhaps the reason the market is sort of brushing it off is that there is the perception that even if payments are reduced, the hit could be only temporary."

He said that it could be "an uphill battle" to prove that states have not diligently enforced escrow statutes.

Mike Marz, a vice chairman of First Southwest Co., said that he believes it's too soon to worry about the sector.

"This is all still in discussion," he said. "I don't know if the market is ready to make this an across-the-board problem — it's really something that will be handled on a state-by-state basis."

Nonetheless, analysts are considering the possibility that some states could lose all or part of their MSA payments this year.

"Tobacco companies have a stick — no one knows at this point how powerful that stick is," said Jerry Solomon, a senior managing director at Bear, Stearns & Co. "The best case scenario for tobacco bonds is that this would be determined a non-event. Naturally, if states are able to prove that they have diligently enforced the model statutes, this does become a non-event."

According to a report Solomon released March 24, a number of tobacco bond issuers would not be able to make their projected 2006 turbo payments, and reserves would have to be tapped to meet 2006 interest and required principal payments for two issues — the 2002 issue by Rhode Island's Tobacco Settlement Financing Corp. and the 2005 issue by the California County Tobacco Securitization Agency on behalf of the Sonoma County Securitization Corp.

Turbo bond issues offer accelerated payments if funds are available from surplus revenues.

According to Dick Larkin, a municipal analyst with J.B. Hanauer & Co., "The trigger of the NPM adjustment for 2003 also raises questions about whether the tobacco companies can claim the adjustment for 2004 and 2005 as well, since there is little indication that the companies that signed the settlement have recovered any significant amounts of market shares from the NPM companies."

Larkin said that his research indicates that if NPM adjustments for this year stick, officials with the Rhode Island securitization corporation would have to draw \$2.2 million from reserves to meet debt service obligations this year, and officials with the Puerto Rico Children's Trust Fund would have to draw \$200,000 from reserves to meet debt service requirements.

"Even if it was paid late, don't overlook the potential of a lump sum paid later being used to catch up payments," von Kuller said. "These deals could then largely recover, with just a moderate loss of interest."

Larkin said that for him, the biggest headache in dealing with tobacco issues is the lack of disclosure by either attorneys general or tobacco

companies regarding what he terms "material events" related to the MSA. Although many members of the media and the markets have laid hands on the Brattle Group's report, neither the Brattle Group nor attorneys general would make the ruling easily available to the public.

Hans Bader, a lawyer with the Competitive Enterprise Institute, calls the MSA "the product of a backroom deal between wealthy trial lawyers, big tobacco and politicians," aimed primarily at preserving market share for large tobacco companies.

"The Brattle Group, too, operated without public scrutiny, as befits the backroom deal under which it was proceeding," he said. "The refusal to make the Brattle Group's ruling public is disturbing... Such rulings should be made available to the public, not just lawyers and politicians in backrooms."

Bader's organization has filed a lawsuit, which is still pending in federal district court in Louisiana, that alleges that the 1998 MSA between states and major tobacco companies is illegal because it violates a clause in the Constitution that prohibits states from entering into compacts without the consent of Congress.

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MARKET NEWS

**Philip Morris Makes Full '06 MSA Payment**

R.J. Reynolds Holds Back

by Elizabeth Albanese

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DALLAS – In a move that bodes well for tobacco bonds, Philip Morris USA on Friday made its full 2006 payment to states – \$3.4 billion – under the terms of the 1998 Master Settlement Agreement.

However, officials from R.J. Reynolds Tobacco Co. and Lorillard Tobacco Co.

say that they have not yet decided whether or not they would adjust their 2006 payments per a March 28 arbitration decision handed down by the Boston-based Brattle Group. Companies that have signed on to the MSA have until April 17 to make their 2006 payments.

Serving as mediator between the tobacco companies and the 46 states and other government agencies that signed the MSA, the Brattle Group ruled that tobacco companies could reduce their expected 2006 payment – a total of \$6.5 billion – by as much as \$1.2 billion because of market share encroachment in 2003 by companies that did not sign the agreement.

The participating manufacturers lost 6.2% of their market share to so-called non-participating manufacturers, or NPMs, based on 1997 numbers. Under the terms of the MSA, the companies can appeal to reduce their payments at any time after such a market share loss; if they are successful in their bid, they can reduce their payment for the following year by three times that percentage – in this case, 18.6%.

The full payment by Philip Morris, which because of its market share is responsible for the largest portion of annual MSA payments, means that tobacco bond issuers will likely have enough revenue to meet debt service obligations this year, and that at least some bonds with turbo structures will be repaid.

"On Friday, Philip Morris made its 2006 Master Settlement Agreement payment of \$3.4 billion as computed by PricewaterhouseCoopers," said Philip Morris spokesman Michael Neese. "With regard to the NPM adjustment, we continue to pursue discussions with the attorneys general to come to a mutually agreeable resolution."

Leading up to the March 28 decision and following it, analysts predicted if all three companies opted to take the NPM adjustment, several tobacco bond issuers would be forced to delve into reserves to meet debt service payments. Furthermore, the analysts predicted, many issuers would not be able to repay any turbo bonds in 2006.

R.J. Reynolds on Friday paid part of its 2006 MSA payment.

"On Friday, we made a partial payment toward our 2006 Master



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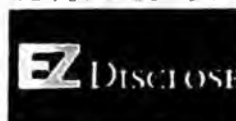
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Settlement Agreement payment," said R.J. Reynolds spokesman David Howard. "Each year, we make a partial MSA payment prior to April 1, with the remaining payment coming after April 1. We do that purely for business reasons - paying the payment this way helps the company to realize certain tax benefits."

He declined to say how much the company paid on Friday, and said that no decision has been reached regarding the NPM adjustment.

"The company has not determined yet how it will approach the NPM adjustment," said Howard. "That will be determined at some point before we make the remainder of our 2006 payment, which is due April 17."

Before the Brattle Group decision, the company was expected to make payments of roughly \$2 billion this year; if R.J. Reynolds officials opt to take the entire NPM adjustment, the payment could be reduced as much as \$560 million, say analysts.

Prior to the NPM adjustment, Lorillard was expected to make an approximately \$650 million MSA payment to states this year. Company officials did not comment about their payment.

Despite the possibility of lower payments by some tobacco companies this year, there has been no change in the tobacco bond sector. Tobacco bonds have continued to trade with yields in the low 5% range since the March 28 decision.

Furthermore, ratings analysts have said that the news of the NPM adjustment decision would not have any immediate impact on ratings.

Writing about R.J. Reynolds and Lorillard in a research report released yesterday, Standard & Poor's analysts stated that, "It is also possible that the [attorneys general] and the [participating manufacturers] will settle these disputes, as they have done previously. If so, Standard & Poor's would evaluate the terms of the agreement to determine whether there were any rating implications at that time."

The NPM adjustment issue now will be determined on a state-by-state basis, in which states will work to prove that they have "diligently enforced" laws required under the terms of the MSA. If they are found to have done so, they would receive their MSA payment in full. Those that have not met the terms of the agreement, however, could lose their entire MSA payment this year.

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### **Has this been done before?**

Alaska has issued tobacco bonds twice previously. The 2000 Alaska Legislature, through HB281, authorized a \$116 million bond sale, which funded \$93 million in public school construction projects. The 22nd Alaska Legislature, through HB 234, authorized a \$135 million sale to fund \$110 million in public school, University of Alaska, and water and harbor projects.

### **Why now?**

Due to a number of legal and economic factors, anticipated tobacco MSA payments are attracting more investors. This provides the State with an opportunity that was not available during the last several years.

The strong current market allows for a refinancing of existing tobacco bonds and at the same time, a further leveraging of the MSA. The proposed transaction will extend the sale of MSA receipts by between 15 and 20 years. This is similar to refinancing your home and at the same time extracting equity to build an addition.

### **How much will be generated from the sale?**

Revenue realized will depend upon market conditions, such as interest rates, at the time of sale. Under current market conditions, Alaska could realize up to \$180 million in revenue.

### **What will the proceeds fund?**

Governor Murkowski proposes using the first \$89.2 million in capital construction projects for the University of Alaska. The largest single project proposed is \$55 million for Phase III of the Integrated Science Facility at UAA. Revenue in excess of \$89.2 million would be used to help finance the construction of a new Department of Corrections facility in the Matanuska-Susitna Borough.

### **What happens when the bonds are paid?**

The State will retain the residual value of the MSA payments. The proposed refinancing bond issue would have an expected life of between 25 and 30 years and once paid off any annual settlement payments will flow directly to the State.

Presentation to:

## The State of Alaska



### TOBACCO SETTLEMENT REVENUE SECURITIZATION UPDATE

April 12, 2006

## Table of Contents

1. Tobacco Securitization Market Overview
2. Preliminary Financing Results
3. NPM Adjustment, Consumption, and Litigation Risk

Appendix: Completed Tobacco Securitizations

# 1 TOBACCO SECURITIZATION MARKET OVERVIEW

# Completed Tobacco Securitizations

71 completed issues totaling over \$34 billion in par amount since 1999

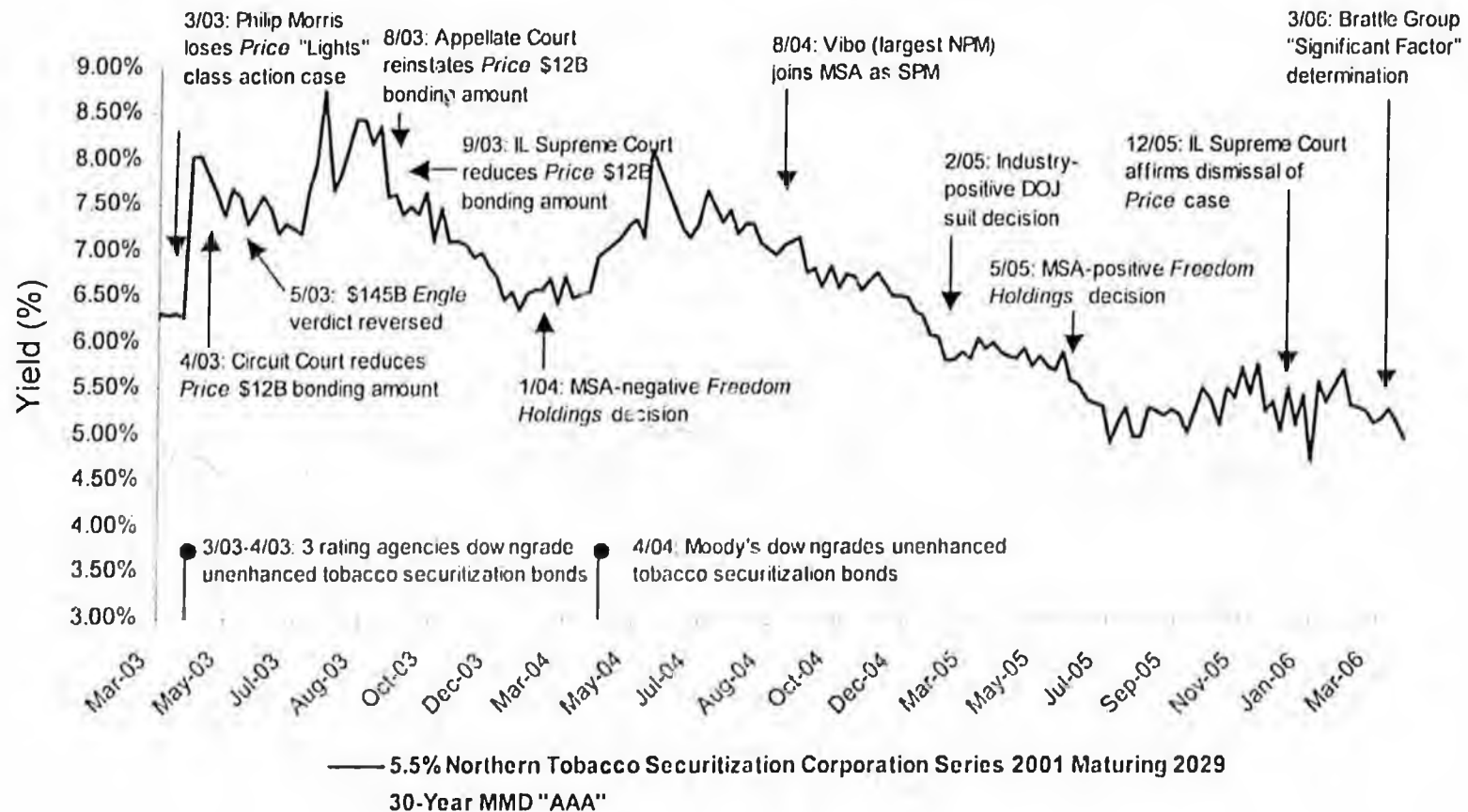


- 1 California allocated 50% of its TSRs to the State, the counties and certain cities receive the remaining 50%
- 2 State is not a party to the MSA
- 3 New York allocated 48.824% of its Initial and Annual Payments to the counties of the State of New York and the City of New York. State receives the remaining 51.176% and 100% of Strategic Payments
- 4 Alabama has pledged an annual \$13.16mm TSRs out of total annual projected TSRs of \$82.143mm (projections for 2003-2020)
- 5 Arkansas has pledged the first \$5mm of its annual TSR receipts, projected to be \$63.74mm from 2003-2020
- 6 45% of TSRs allotted towards 2000 Bonds and other water development needs



# Secondary Market Trading (2003-2006)

## Secondary Market Trading



Yields calculated as volume-weighted weekly averages based on MSRB daily trading data.

## 2005 Tobacco Market Overview

- In 2005, the market for tobacco securitization bonds continued to be shaped by three primary factors:
  - Large cash positions of high-yield / tobacco investors
  - Market supply of various types of high-yield bonds
  - Investor perception of tobacco industry creditworthiness, litigation risk, and consumption risk
- In early 2005 (after a year with no tobacco securitization issuance), large cash positions of tobacco investors (specifically, municipal high yield funds) and an improving litigation environment provided a favorable backdrop for new tobacco securitization issuance
- At the end of 2005, we witnessed a softening secondary market, with decreased tobacco trading volume occurring
  - Less hype over potential tobacco refundings
  - Investors somewhat more credit cautious given the developments in the *Grand River* case

Thirteen tobacco securitizations were completed in 2005 for a total of \$6.1 billion in par amount.

- \$4.5 billion refunding
- \$1.6 billion new money

## 2006 Tobacco Market Outlook

- New tobacco securitization issuance has continued in 2006, and there is a building forward calendar
- Cash positions in high yield funds remain robust, and we believe demand continues to exceed new supply. This was witnessed in the successful sale of \$1.75 billion of tobacco securitization bonds during the week of January 30 alone, and an additional \$530 million brought to market year-to-date
- Institutions who have approved the tobacco credit continue to be buyers, and favorable yields and market outlook continue to attract some new investors
- Despite recent developments regarding the Brattle Group's determination in the NPM Adjustment process, investors appear relatively comfortable in the current market environment, and market volatility has been minimal
- Tobacco market conditions and investor demand remain favorable

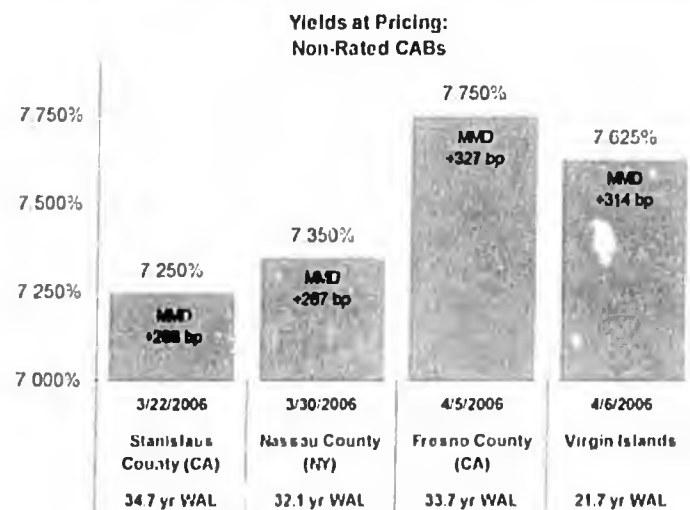
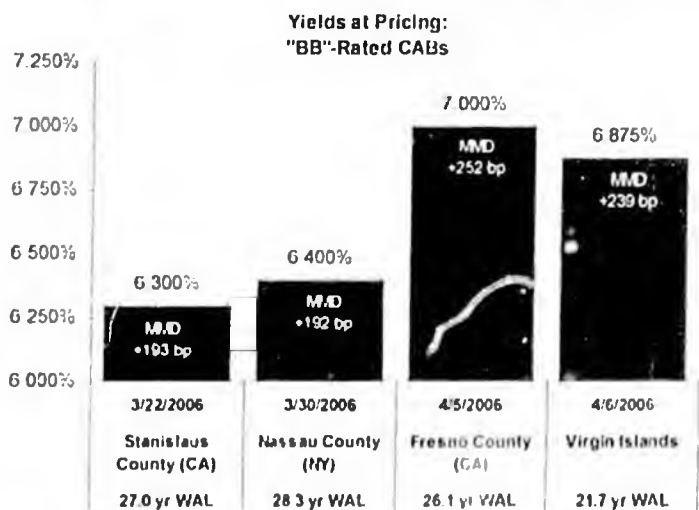
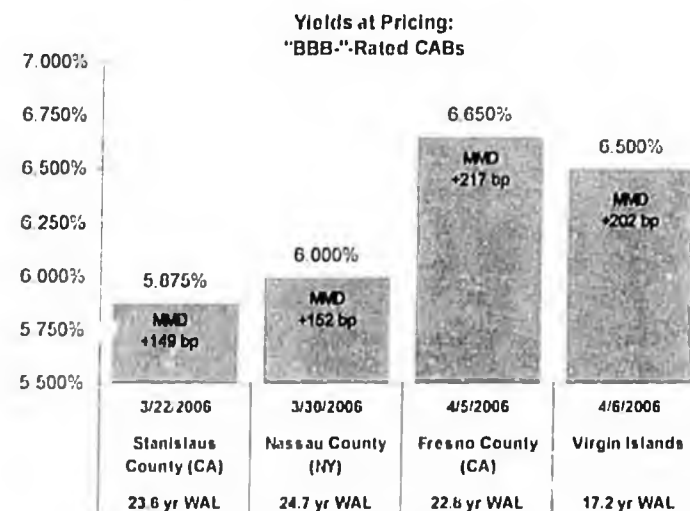
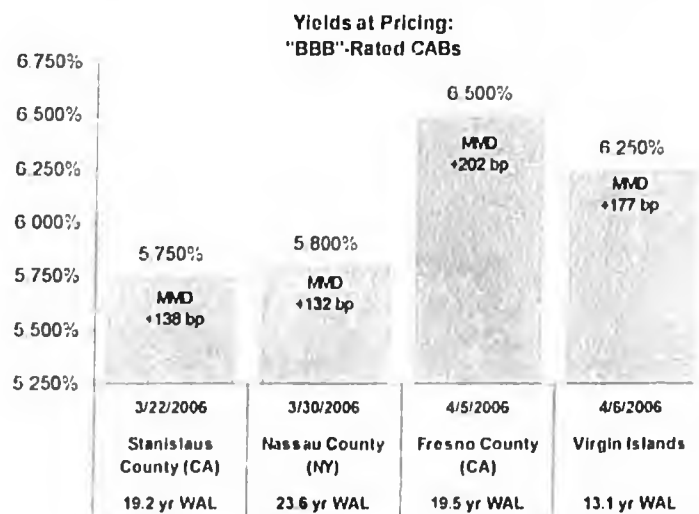
Over \$2.2 billion of unenhanced tobacco securitization bonds have been issued year-to-date.

- \$1.6 billion refunding
- \$600 million new money

Currently, litigation and NPM (Non-Participating Manufacturer) Adjustment risk are the most significant credit concerns in the tobacco securitization bond market.



# Recent Pricing Results (March 22 – April 6, 2006)



## Recent Market Activity

<MENU> to return to headlines.

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Search  GO Options Related Info .Fri Apr 6 2006 11:24:17  
Fitch Withdraws Presale on Calif County TSA Sub 06 Bnds (Fresno) Page 1/2  
FITCH WITHDRAWS PRESALE ON CALIFORNIA COUNTY TSA SUB 2006 BONDS  
(FRESNO COUNTY)

Fitch Ratings-New York-06 April 2006: Fitch Ratings has withdrawn its presale report on The California County Tobacco Securitization Agency, Series 2006 (Fresno County Tobacco Funding Corporation) until a final bond structure has been determined. Upon receipt of a final bond structure, Fitch will then reissue its presale report to reflect Fitch's ratings on such new structure.

Contact: Jeffrey T. Prackup +1-212-908-0839, Michael Dean +1-212-908-0556, Lena Katsnelson +1-212-908-0876, (Asset-Backed Securities), New York.

Media Relations: Christine Pollal, New York, Tel: +1-212-908-0526.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site,

'[www.fitchratings.com](http://www.fitchratings.com)', Published ratings, criteria and

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## 2006 Tobacco Securitizations

### COMPLETED FINANCINGS

Issuer	Size (\$mm)	Structure	Sale Date
Monroe County (NY)	\$14.6	Subordinated CABs	January
Alameda County (CA)	69.5	Subordinated CABs	February
Los Angeles County (CA)	319.8	Convertible CABs; Subordinated CABs	February
New York City	1,353.5	Current Interest Bonds	February
Stanislaus County (CA)	42.2	Subordinated CABs	March
Nassau County (NY)	431.0	Current Interest Bonds (Taxable); Convertible CABs; Subordinated CABs	March
Fresno County (CA)	39.0	Subordinated CABs	April
Virgin Islands	7.3	Subordinated CABs	April

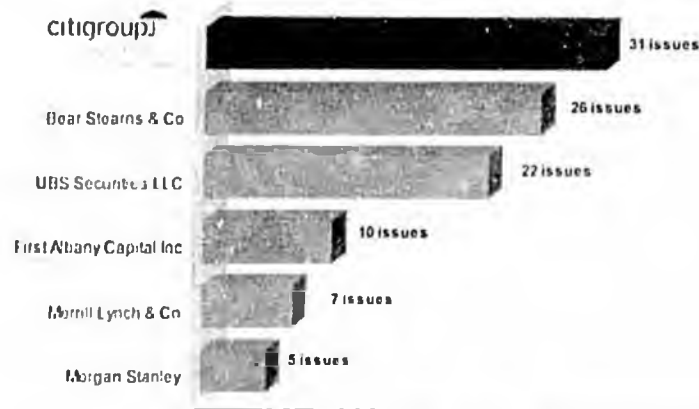
### FORWARD CALENDAR \*

Issuer	Size (\$mm)	Structure	Sale Date
California Statewide Financing Authority (California Counties pool)	\$77	Subordinated CABs	April
City of San Diego (CA)	100	Current Interest Bonds (taxable)	May
Michigan	400	TBD (taxable)	May
District of Columbia	TBD	TBD	June
County of San Diego (CA)	400	TBD	TBD

\* All information preliminary, subject to change.

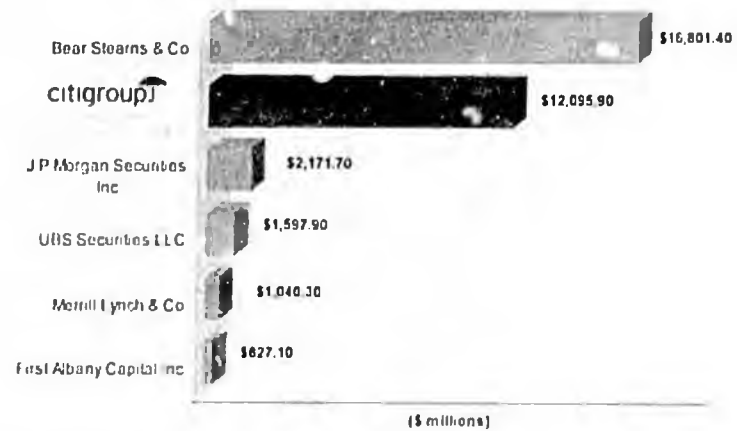
# Leading Tobacco Securitization Senior Managers

TOP SENIOR MANAGERS OF TOBACCO SECURITIZATIONS (BY NUMBER OF DEALS)



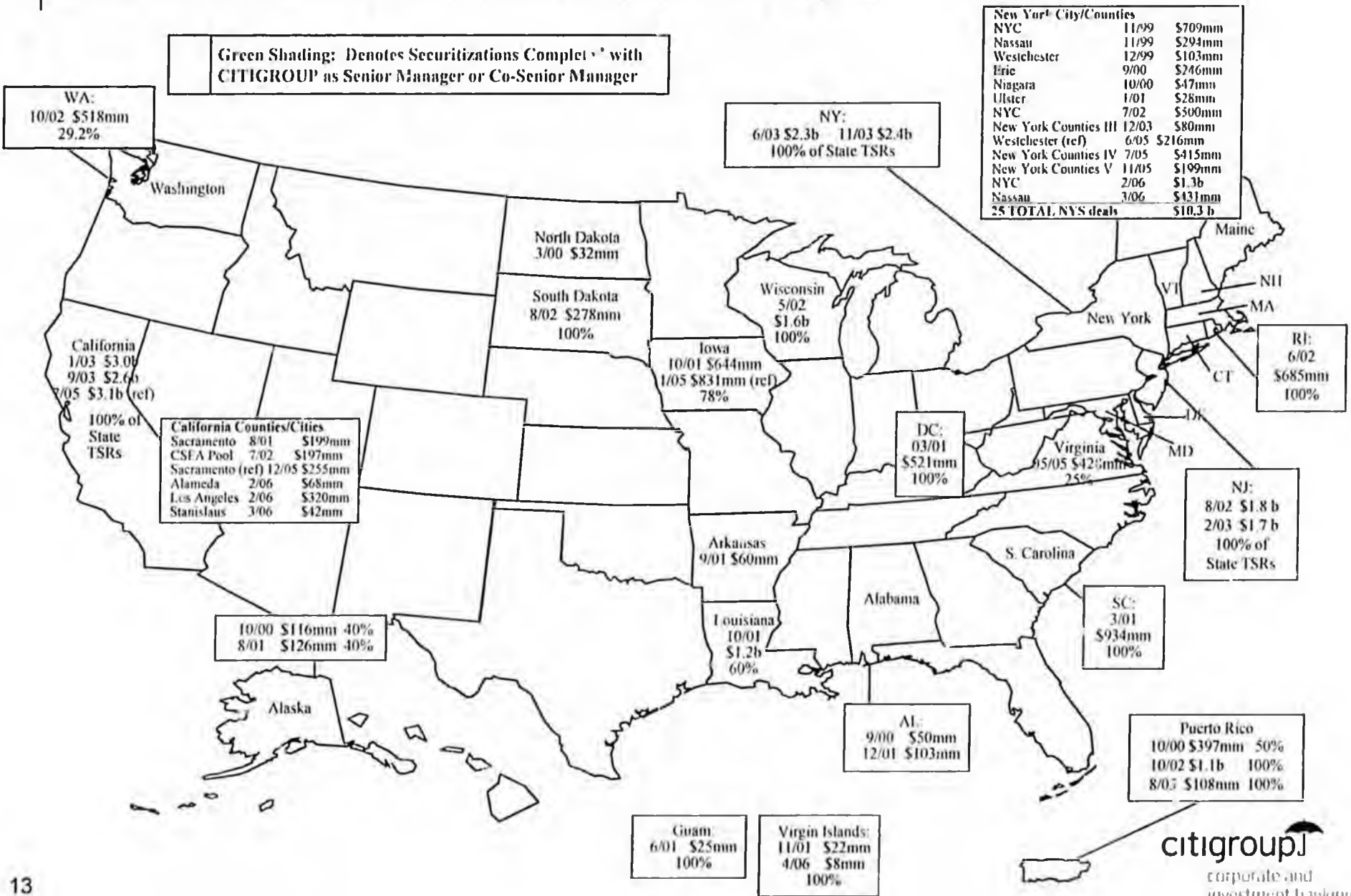
Source: Securities Data Company. Full credit to book runner. For CDO, multiple subseries within one transaction may be accounted for individually.

TOP SENIOR MANAGERS OF TOBACCO SECURITIZATIONS (BY VOLUME)



Source: Securities Data Company. Full credit to book runner.

# Citigroup's Tobacco Securitization Experience



## 2 PRELIMINARY FINANCING RESULTS

## Preliminary Financing Results

- Scenarios 1 and 3 on the following page assume a **full refunding** of State's Series 2000 and Series 2001 Tobacco Settlement Asset-Backed Bonds, respectively
  - Scenario 1 allows State to achieve **\$114.5 million** in upfront new money net proceeds
  - Scenario 3 allows State to achieve **\$106.5 million** in upfront new money net proceeds
- Scenarios 2 and 4 assume the Series 2000 and 2001 Bonds remain outstanding. The Series 2006 Bonds are **structured on a subordinate basis** to the Series 2000 and 2001 Bonds, respectively. In the respective scenarios, no revenues will be available for debt service on the Series 2006 Bonds until the currently outstanding bonds are fully repaid
  - Scenario 2 allows State to achieve **\$90 million** in upfront net proceeds
  - Scenario 4 allows State to achieve **\$87.8 million** in upfront net proceeds
- Though the bonds in each scenario have a stated maturity of 2060, with their turbo amortization structure they are projected to be fully repaid by 2041 in Scenarios 1 and 3, and 2040 in Scenarios 2 and 4
  - Shortening the final planned amortization date of the refunding scenarios to that of the Series 2000 and 2001 Bonds (2015) allows the State to achieve approximately \$20 million from a refunding of the Series 2000 Bonds, and approximately \$12 million from a refunding of the Series 2001 Bonds

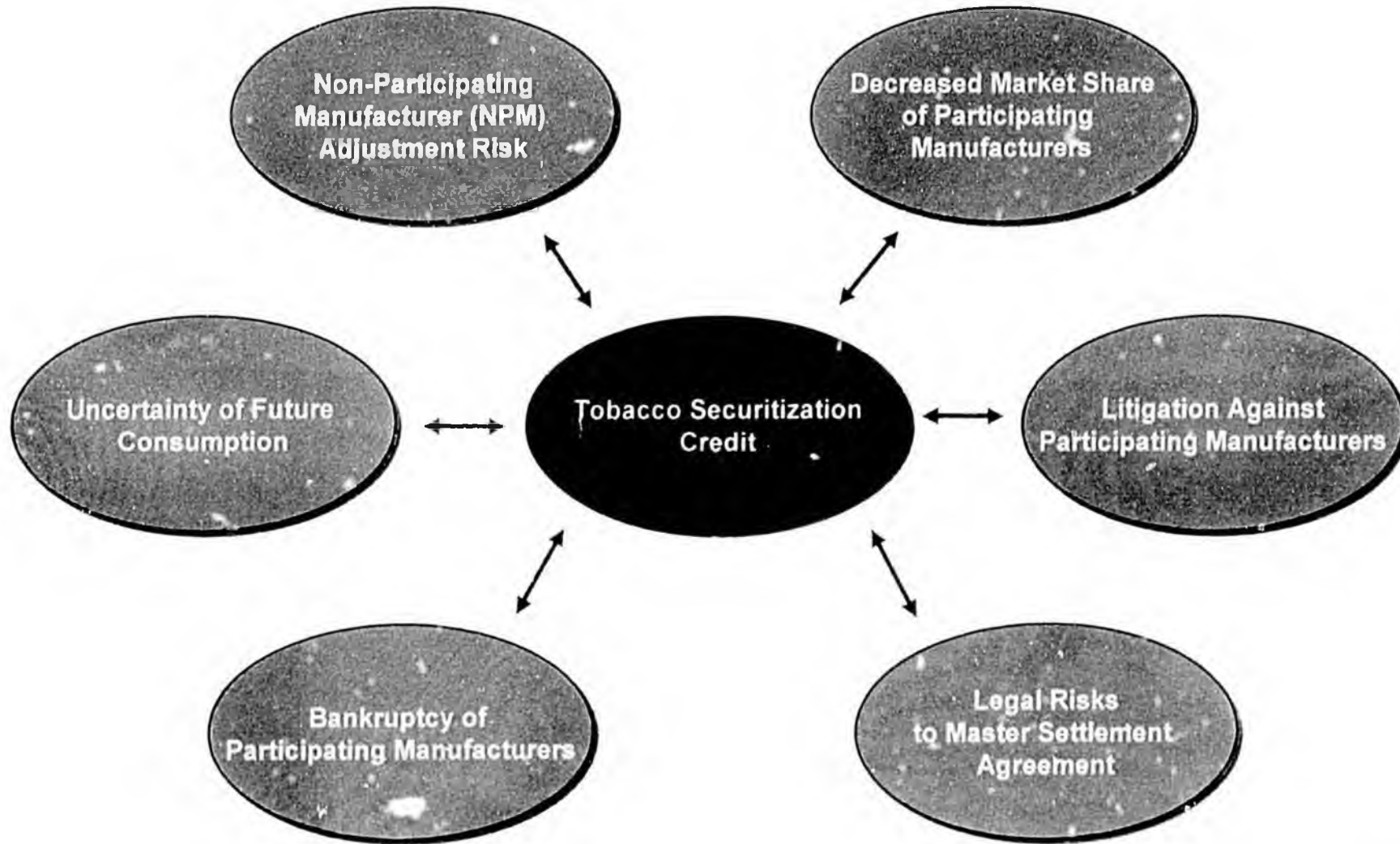
## Preliminary Financing Results

State of Alaska Tobacco Settlement Asset-Backed Bonds, Series 2006 Scenario Summary as of 4/10/2006				
	Scenario 1	Scenario 2	Scenario 3	Scenario 4
	New Money and Refunding of Series 2000 Bonds	New Money Only; CABs Subordinate to Series 2000	New Money and Refunding of Series 2001 Bonds	New Money Only; CABs Subordinate to Series 2001
Delivery Date	6/1/2006	6/1/2006	6/1/2006	6/1/2006
% of TSRs Pledged	40.00%	40.00%	40.00%	40.00%
Initial Par	\$216,444,280	\$91,998,375	\$216,444,280	\$89,796,761
(OID)/Premium	(4,564,382)	-	(4,564,382)	-
Gross Proceeds	\$211,879,898	\$91,998,375	\$211,879,898	\$89,796,761
COI and Underwriter's Discount	(2,800,831)	(1,974,348)	(2,800,831)	(1,959,173)
Debt Service Reserve	(14,064,968)	-	(14,064,968)	-
Capitalized Interest	(3,850,047)	-	(3,850,047)	-
Escrow Cost net of Debt Service Fund	(87,938,929)	-	(95,475,410)	-
Operating Expenses	(50,000)	-	(50,000)	-
Release from Series 2000 and 2001 DSR	11,324,015	-	10,845,650	-
Net Proceeds to the State	\$114,499,139	\$90,024,027	\$106,484,293	\$87,837,588
Final Maturity	6/1/2060	6/1/2060	6/1/2060	6/1/2060
Final Planned Amortization	6/1/2041	6/1/2040	6/1/2041	6/1/2040
Cost of Capital	5.983%	6.808%	5.983%	6.806%
Yield on Final Maturity	8.000%	8.000%	8.000%	8.000%

Preliminary, subject to change

### 3 NPM ADJUSTMENT, CONSUMPTION, AND LITIGATION RISK

# Tobacco Securitization Credit Risks



## NPM Adjustment: Overview

- The **Non-Participating Manufacturer ("NPM") Adjustment**, measured by domestic sales of cigarettes by NPMs, operates to reduce the payments of the Participating Manufacturers ("PMs") under the Master Settlement Agreement ("MSA") in the event that the PMs incur losses in market share to NPMs during a calendar year as a result of the MSA
- Three conditions must be met in order to trigger an NPM Adjustment for one or more Settling States:
  - (1) the aggregate market share of the PMs in any year must fall more than 2% below the aggregate market share held by those same PMs in 1997 (a condition that has existed for every year since 2000)
  - (2) a nationally recognized firm of economic consultants must determine that the disadvantages experienced as a result of the provisions of the MSA were a **significant factor** contributing to the market share loss for the year in question, and
  - (3) the Settling States in question must be proven to not have diligently enforced their Model Statutes
- The NPM Adjustment is applied to the subsequent year's Annual Payment and Strategic Contribution Payment and the decrease in total funds available as a result of the NPM Adjustment is then allocated on a Pro Rata basis among those Settling States that have been found:
  - (i) to have not diligently enforced their Model Statutes, or
  - (ii) to have enacted a Model Statute or Qualifying Statute that is declared invalid or unenforceable by a court of competent jurisdiction
- The MSA provides that the amount of an NPM Adjustment applied to any Settling State in any given year cannot exceed the amount of Annual and Strategic Contribution Payments to be received by such Settling State in such year

The market for tobacco securitization bonds may be affected in upcoming months by recent developments relating to the "NPM Adjustment".

## NPM Adjustment: Historical Actions by OPMs and SPMs

- In June 2003, the OPMs and the Settling States settled all NPM Adjustment claims for the years 1999 through 2002, subject (under limited circumstances) to the reinstatement of an OPM's right to an NPM Adjustment for the years 2001 and 2002
  
- In connection with the above, the OPMs and the Settling States agreed prospectively that OPMs claiming an NPM Adjustment for any year after 2002 will not make a Disputed Payments Account deposit or withholding unless and until the selected economic consultants determine that the disadvantages of the MSA were a significant factor contributing to the market share loss giving rise to the alleged NPM Adjustment
  
- The SPMs did not agree to await such a determination — if any SPM alleges, in any given year, that:
  - (1) the aggregate market share of the PMs in such year fell more than 2% below its aggregate market in 1997,
  - :- (2) disadvantages experienced as a result of the provisions of the MSA were significant factors contributing to such market share loss and
  - (3) one or more of the Settling States did not diligently enforce the Qualifying Statute,
  
- — then such SPM may claim the NPM Adjustment for such year and either make an appropriate deposit into the Disputed Payments Account or withhold payment