

126

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HB

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16

patients. Among numerous other rights, the Act provides that each patient has a right to have an individual treatment plan setting forth a program which will develop or restore his capabilities. (G.S. 122-45.1-7; 122-36; and 20-17.1.)

**Newborn Infants—Mandatory Insurance Coverage**—Enacted a statute to provide mandatory insurance coverage for newborn infants from "the moment of birth of such child" in all policies providing coverage of minor children.

The Act provides that "benefits in such insurance policies or plans shall be the same for congenital defects or anomalies as are provided for most sicknesses or illnesses suffered by minor children which are covered by said policies or plans." (G.S. 58-251.4.)

**Nurses—Expanded Scope of Practice**—Amended the Nurse Practice Act and the Medical Practice Act to allow nurses to perform certain medical acts.

A joint committee of the board of nursing and the board of medical examiners is to "develop rules and regulations to govern the performance of medical acts by registered nurses."

The board of medical examiners has the responsibility for securing compliance with the regulations. (G.S. 90-158(3); 90-162; 90-167.1, 90-170(2)c; 90-18, and 90-6.)

Also, the Hospital, Medical and Dental Service Corporation Acts, and the Insurance Act were amended to provide that reimbursement shall not be denied to "any agency, institution or physician providing a service for which payment or reimbursement is required to be made . . ." under a policy or contract because such services were provided through a registered nurse acting under the authority of the above legislation and appropriate regulations. (G.S. 58-259.2; 57-3.2.)

**Optometry**—Enacted a new statute governing the licensure and regulation of optometrists.

One provision states that a patient shall not be denied "the freedom to choose a duly licensed optometrist or duly licensed physician as the provider of care or services which are within the scope of practice of the profession of optometry . . ." through any action of any state, county or municipal agency or board. (Chapt. 800, Laws 1973; G.S. 9-117 to 90-124.)

**Rate Review**—Enacted a resolution authorizing and directing the Public Health Committee in the Senate and the House of Representatives to study the need for and means of review for regulation of hospitalization rates and charges. (H.J.R. 1244.)

**Rural Health**—Enacted a statute creating a Rural Community Health Assistance Division within the Department of Human Resources. (Chapt. 627, Laws 1973.)

**Workmen's Compensation**—Amended the law to provide for increased medical benefits, including rehabilitation services for injured employees. (Chapt. 520, Laws 1973.)

## NORTH DAKOTA

**Abortion**—Adopted a resolution requesting the Congress of the United States to propose an amendment to the U.S. Constitution for ratification by the states "which will guarantee the right of the unborn human to life throughout its intrauterine development subordinate only to saving the life of the mother, and will guarantee that no human life shall be denied protection of law or deprived of life on account of age, sickness, or condition of dependency."

The Resolution noted that "77% of those voting in the November 7, 1972 general election in North Dakota rejected abortion as an alternative to solving the problems of maternal and prenatal and natal health . . ." (S.C.R. 4069).

**Alcoholism**—Enacted a resolution recognizing that "alcoholism is the third largest health problem in North Dakota" and "expressing support and encouragement for

North  
Carolina

**Kidney Disease**—Enacted a statute providing for the establishment of a program relating to the prevention, care and treatment of chronic kidney disease, and creating a Division of Kidney Health Care within the State Department of Health.

Under the Act, kidney care services are to be provided "directly or through public or private resources". The repayment of certain treatment costs, as well as the expansion of educational programs concerning chronic kidney disease are, also, provided for in the Act. (Vernon's Ann. Civ. St. Art. 4477-20.)

**Medical Student Loans**—Enacted a statute creating the State Rural Medical Education Board.

Duties of the Board will include providing "loans, grants or scholarships to students desiring to study medicine and agreeing to practice in rural areas."

The Act provides that

if the applicant practices his profession in a rural area as defined by this Act the Board is authorized and shall credit one-fifth of the loan, grant or scholarship together with interest thereon to the applicant for each year of such practice as certified by the board.

At the end of the second full year of practice in a rural area as provided for herein, the applicant shall be privileged to pay off the balance of the loan, grant or scholarship as the case may be with accrued interest thereon, and upon such payment shall be relieved from further obligation under his contract. Should the applicant default under his contract at any time the full principal and accrued interest plus a penalty of 10% of the outstanding balance plus attorneys' fees as defined by said contract shall be due and owing to the state.

Applicants must enter into a contract agreeing to practice in a rural area before being granted a loan. The statutory provision is as follows

Each applicant before being granted a loan, grant or scholarship shall enter into a contract with the Board which shall be deemed a contract within the State of Texas, agreeing to the terms and conditions upon which the loan or scholarship shall be granted to him, which said contract shall include such terms and provisions as will carry out the full purpose and intent of this Act, and the form thereof shall be prepared and approved by the Attorney General of this State, and shall be signed by the Chairman of the Board, countersigned by the Secretary, and shall be signed by the applicant.

For purposes of entering into contracts under the Act, applicants under the age of 21 may do so with the same authority and validity as applicants 21 years of age or older.

The term "rural areas" means "a county of the state of Texas which according to the last preceding Federal Census had a population of less than 25,000." (Vernon's Ann. Civ. St. Art. 4498c.)

**Newborn Health Insurance Coverage**—Enacted a statute prohibiting the issuance or delivery of any accident and sickness insurance policy within the state "which provides for accident and sickness coverage of additional newborn children or maternity benefits" if such policy "contains any provisions excluding or limiting initial coverage of a new born infant for a period of time, or limitations or exclusions for congenital defects of a newborn child."

An insurer "may charge such additional premiums as are just and reasonable for the additional risk incurred by compliance with this Act." (Adds Subsec. D to Article 3.70-2, Vernon's Texas Insurance Code.)

**Pediatrics**—Enacted a statute authorizing the creation of a College of Podiatry within the University of Texas educational system. (Adds Subchapt. J to Chapt. 74, Education Code.)

**Workmen's Compensation**—Among numerous amendments to the Workmen's Compensation Law, one grants the employee "the sole right to select or choose the persons or facilities to furnish medical and chiropractic services, hospital services . . ." (Vernon's Ann. Civ. St. Art. 8306, Sec. 7.)

TEXAS

	Citation	Effective Date	Comments
Alabama			
Alaska			
Arizona	H. 2185	1974	Substantially the model bill
Arkansas			
California		1973	
Colorado			
Connecticut	H. 5040	1974	Model bill in substance
Delaware			
Florida	S. 76	1974	Model without notice paragraph
Georgia	H. 995	11-1-74	Model w/ well baby excluded.
Hawaii	H. 2915	6-12-74	Model bill
Idaho	S. 1316	7-1-74	Interpreted as the model bill
Illinois			
Indiana			
Iowa	S. 1290	1974	Model bill
Kansas	H. 1795	1974	Model bill
Kentucky			
Louisiana		7-2-73	
Maine			
Maryland	H. 498	1974	Model bill
Massachusetts			
Michigan			
Minnesota		1973	
Mississippi	S. 1829	1974	Deviates from model bill
Missouri	H. 1487	1974	Model bill
Montana		1973	
Nebraska			
Nevada			
New Hampshire			
New Jersey			
New Mexico			
New York			
North Carolina		1973	
North Dakota			
Ohio	S. 330	1-1-75	Substantially model bill
Oklahoma			
Oregon			
Pennsylvania			
Rhode Island			
South Carolina			
South Dakota	H. 1818	7-1-74	Model bill
Tennessee	H. 1386	7-1-74	Substantially model bill
Texas		1973	
Utah			
Vermont			
Virginia			
Washington	H. 1144	2-16-74	Model bill.
West Virginia			
Wisconsin			
Wyoming			

# Neonate Insurance Inclusion Now Required in 21 States

*World Medical Reports*

EVANSTON, Ill. — Legislation requiring all health insurance policies to include coverage for neonates from the moment of birth is now on the books in 21 states—14 more than at the beginning of the year—and the advocates of such legislation expect favorable action in a dozen other states in the next 12 months.

Leading the campaign to eliminate the exclusion of coverage for newborns are the American Academy of Pediatrics, its Committee on Third Party Payment Plans, and the AAP's state chapters.

Coverage of newborns from the time of birth is now required in the insurance laws of Arizona, California, Connecticut, Florida, Georgia, Hawaii, Idaho, Iowa, Kansas, Louisiana, Maryland, Minnesota, Mississippi, Missouri, Montana, North Carolina, South Carolina, South Dakota, Tennessee, Texas, and Washington.

In the states where exclusion of newborns from insurance coverage has not been prohibited, instances have been recorded by state chapters of the American Academy of Pediatrics in which parents have found themselves confronted with hospital bills of \$12,000, \$27,000 and even larger amounts. In Akron, Ohio, a \$50,000 hospital bill for a newborn's intensive care was reported.

## 14 Day Exclusions

Dr. Donald W. Schiff, of Littleton, Colo., chairman of the AAP's Committee on Third Party Payment Plans, told this newspaper that the period of exclusion in many insurance policies was the first 14 days of life.

A common practice of health insurance companies is to "extend the exclusion of the newborn until the child is discharged from the hospital" if the child needs above-average care during its first 14 days, said Dr. Schiff, of the University of Colorado Medical School and senior pediatrician at the Littleton Clinic, Denver.

"As an example, a newborn with difficulty on its first day who must be kept in intensive care for 30 days may be under the exclusion from coverage for the entire 30-day period," said Dr. Schiff, who is also the chairman of the Colorado chapter of the American Academy of Pediatrics.

The Committee on Third Party Payment Plans has drafted a model bill and circulated it to all state chapters of the AAP. This action was taken after a mass of information had been assembled about the financial calamities striking parents as the result of the exclusion of newborns from health insurance coverage.

The model bill is used by AAP members in the various states in their efforts to obtain remedial legislation.

The committee, in a letter sent to the state chapters, scored "the continued existence of exclusionary periods of coverage for newborn infants in a large number of health insurance plans."

"Failure of these plans to provide coverage for infants from the moment of birth is a valueless, discriminatory practice that results in the risk of needless potentially large financial burdens being placed on young parents," the letter said.

The model bill or state insurance legislation amended to conform with the model bill "is the way young couples can be helped in meeting this expensive situation



Dr. Schiff

through their health insurance," Dr. Schiff said.

"We think young parents should not be  
(Continued on page 72)

# Newborns Under the Law of 21 States

(Continued from page 2)

penalized for having a newborn with a major problem."

The AAP's model bill provides that the coverage of dependents in policies shall include coverage for infants from the moment of birth. The draft calls for treatment for injury, sickness, congenital defects, and birth abnormalities.

Of the 29 states that have not yet enacted legislation making the inclusion of newborn coverage mandatory, efforts to obtain such legislation were underway this year in 24, said Albert C. Stolper, an aide to the Committee on Third Party Payment Plans.

Insurance carriers in Texas, Louisiana, and Georgia provided estimates of the cost involved if newborn coverage from the moment of birth were to be added. The figures were as follows: Texas, 45-55 cents per month per family contract; Louisiana, 50 cents per month per family contract; and Georgia, 15-30 cents per month per family contract.

## AMA Backing

In California, Blue Cross discovered that the cost of adding coverage for newborns was so small that it was unnecessary to increase the premiums "for either individual policies or group policies," Mr. Stolper said.

The American Medical Association has given its backing to the efforts of the American Academy of Pediatrics. After listening to the testimony of AAP representatives, the AMA's House of Delegates, at its New York meeting in June, 1973, adopted a resolution that said the American Medical Association supported "the eradication from health insurance policies sold in various states of the 'first 14 days' and other exclusionary clauses affecting children."

Dr. Schiff said the Committee on Third Party Plans, in developing its model bill, worked closely with the Health Insurance Association of America.

"Our objective has been to obtain the cooperation of the insurance companies and to use the legislative process in the states to solve the problem of newborn exclusion from coverage in a constructive way," the committee chairman said.

"There can be no question that coverage for newborns is very important, but unless this kind of experience has touched one's own family, chances are that you won't be aware of the problem.

"It has been assumed, not only by members of the public but also by many pediatricians and other physicians, that coverage for newborns is always in effect. In over half of the states this is not so. What we are trying to do is to obtain the legislation that will take care of the many people who are not covered for newborns at the present time," Dr. Schiff said.

Testimony by John Coogan

MEMO TO FILE

HS-128

2-7-75

This bill would require that any insurance policy or indemnity type contract providing health coverages on an expense incurred basis, include coverage for newly born children. This particular bill is nearly identical with a model bill prepared by the American Academy of Pediatrics with the assistance of the Health Insurance Association of America. This bill was endorsed by the National Association of Insurance Commissioners. As of June, 1974, this bill was law in (17) states and pending in 10 more. Considering that the model was developed in November, 1973, its popularity and passage in this many states is remarkable.

3-10-75

HEARING BEFORE HOUSE HESS. - BILL PASSED OUT WITH UNKN. DO PASS.

3-18-75

HEARING BEFORE HOUSE COMMERCE -

*Thanks for your interest -  
This material also sent to Lowell Thomas Jr.  
99510 Dr. Fleckman*

January 17, 1974

The Honorable Helen Beirne  
Alaska State House of Representatives  
Juneau, Alaska 99801



Dear Dr. Beirne:

The Alaska Chapter of the American Academy of Pediatrics is very concerned about the frequent lack of health insurance coverage for newborn infants. Very exciting new advances in the care of prematures or ill newborns has resulted in a significant decrease in deaths and serious life long disability in these infants. This care obviously is very expensive.

Probably the majority of families in Alaska carry health insurance but many are not aware that this policy will not cover a newborn infant. This, we feel, is grossly unfair to these infants and can be financially crippling to their families (often young couples with marginal incomes).

The attached resume prepared at Providence hospital demonstrates that many of the significant insurance carriers in Alaska do not cover newborns except after a 14 day exclusary period. We particularly call your attention to the groups such as laborers, carpenters, and teamsters where the insurance is probably an employment benefit and the average employee would assume that their family is protected.

The Academy of Pediatrics has been active nationally in bringing this to the attention of legislators. In Alaska we are asking that you consider regulations that would require all health insurance policies to cover newborn infants without exclusion. Enclosed is a model law, drafted by Mr. Carroll Calloway, Assistant General Counsel for the Health Insurance Association of America. Similar legislation has been passed by 7 states and is being considered by 26 others.

I have discussed this problem with the insurance Commissioner in Alaska, Mr. O'Shea, and he is well informed about the problem and would be prepared to testify if called.

We are aware that similar legislation relating to mental health problems is being considered. We feel our concern about coverage for newborns should be addressed as a separate issue but will leave this to your judgment.

We can supply further information if necessary for any testimony in this matter.

Thank you for your consideration.

Sincerely yours,

J. Kenneth Fleshman, M.D.  
Chairman, Alaska Chapter  
American Academy of Pediatrics

Richard Peterson, M.D.  
Alternate Chairman

Attachments: 2

cc: Rodman Wilson, M.D., ASJA  
John O'Shea, Insurance Commissioner, State of Alaska

Same letter to Senator Lowell Thomas, Jr.

TO: Frederick McGinnis  
Commissioner

THRU: Donald K. Freedman, M.D., M.P.H.  
Director, Division of Public Health

DATE : September 27, 1974

FROM: David A. Spence, M.D., Chief  
Section of Family Health

SUBJECT: Proposed legislation for the  
1975 Legislature.

In the last legislative session, Senate Bill 359 was introduced on February 11, 1974, by Senator Lowell Thomas. This Bill would have required that newly-born children be included in group health and disability insurance. This Bill was tied to insurance for alcoholism and was still in committee at the close of the legislative session.

The need for this legislation is greater this year because advances in neonatal care, while preserving intellect and life itself for the premature, are more expensive. We request that this Bill be submitted in essentially the same form again in this next legislative session. Your submission of this legislation will indicate its importance to the legislators and the public as well.

DAS/lb

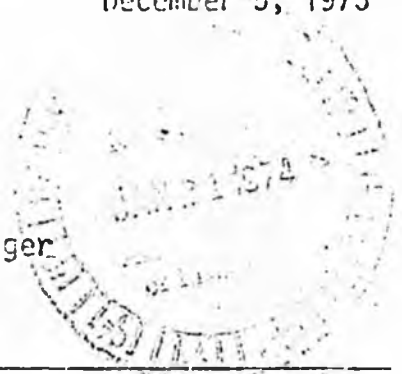
cc: Dr. Carolyn Brown, Legislative Committee, ASMA

MEMORANDUM

December 5, 1973

TO: GARY WANGSMO, Controller  
FROM: Bob Harvey, Business Office Manager  
SUBJECT: Coverage for infants

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Insurance companies generally offer an employer several ways of providing coverage for newborn babies under group health insurance plans.

They are:

- 1) Coverage from birth, limited: In this case, the infant is covered from birth but only for treatment of a disease, injury, congenital deformity or hereditary complications. Prematurity, per se, is not covered.
- 2) Coverage from birth, full: The infant is covered from birth including the cost of nursery, normal baby care, and special care for prematurity.
- 3) Coverage after a certain number of days--commonly 14 days: The infant is covered only after the first 8 or 14 days of life. This is further restricted, in some plans, to require that the infant be not only a certain number of days old but also free of confinement (not hospitalized) before the coverage will take effect.

The following is a partial list of companies and the coverage their plans provide for newborns:

AAA Auto Club of Washington	Birth full
Anchorage Cold Storage	Birth full
Anchorage Daily Times	Birth full
Alaska State Employees	Birth full
Alaska Bar Association	Birth full
Alaska Lumber and Pulp	Birth full

Alaska Medical Laboratories	Birth limited
Alaska Methodist University	Birth full
Alaska National Bank	Birth limited
Alaska Pacific Assurance	Birth limited
Alaska Painters	15 days
Alaskan Seafoods	Birth limited
Alaska State Housing Auth.	Birth full
Alexander and Alexander	15 days
Anchorage Borough School	Birth full
Army and Air Force Exchange	15 days
A. J. Johnson	Birth limited
Arthur Young and Co.	Birth limited
Automotive Parts and Equipment	Birth limited
B & C Auto Supply	Birth full
Bekins Moving and Storage	Birth limited
Carpenters	14 days (coverage from birth under major medical)
Carr's	Birth full
City of Anchorage	Birth full
Community Hospital	Birth full
Crawford & Co.	Birth limited
Culinary Employees	Birth limited
Fairbanks Municipal Utilities	Birth full
Fairbanks Plumbing and Pipefitting	Birth full
Fairbanks Publishing Co.	Birth full
Federal Employees	Birth full
First National Bank	Birth full
Anchorage Borough	Birth full
Hickel Investment	Birth full
Hotel and Restaurant Employees	Birth full
I. B. N.	Birth full
Ironworkers	Birth full
Kenai Peninsula Borough and Schools	Birth full
Laborers	14 days (from birth under major medical)
Matanuska Maid	Birth full
Meadowmoor Alaska Dairy	Birth limited
Merder, Schaible, Staley, & Delisio	Birth limited
N. B. of A.	Birth full
North Star Borough Schools	Birth full
O'Neill & Sons	Birth full
Operating Engineers	8 days
Petersburg Fisheries	Birth full
Plumbers	Birth full
Providenece Hospital	Birth full
Retail Food Clerks	Birth full
Sheet Metal Workers	Birth full
Teamsters	14 days and free of confinement
University of Alaska	Birth full

These different coverage options reflect efforts to reduce claim costs and premiums. Basically, an insurance company will sell whatever coverage a policyholder is willing to pay for but there is a trend toward making coverage from birth--full the standard benefit. Of course, "full" coverage does not necessarily mean 100% coverage since there may be deductibles, co-insurance and policy limits.

Following are some examples of NBSCN bills incurred at Providence over the past six months which reflect the variations in insurance benefits and coverage:

<u>Days Hospitalized</u>	<u>Amount</u>	<u>Insurance</u>	<u>Amt. Pd. by Ins.</u>
32	\$5,470.30	Teamsters	--0--
19	3,926.65	Teamsters	--0--
88	19,130.95	Champus	\$19,130.95
7	1,171.75	Blue Cross	937.40
10	1,563.63	Medicaid	1,563.63
2	166.00	Aetna thru Fed. Gov't.	22.50
4	644.00	Equitable thru Standard Oil	644.00
3	318.25	Fireman's Fund (Liability)	318.25
4	1,100.00	Champus	1,100.00
17	1,790.25	Equitable thru N. C.	1,708.00
46	8,934.90	Medicaid	8,934.00
15	2,859.10	Aetna	2,680.53
3	245.13	Medicaid	245.13
3	255.50	Medicaid	255.50
23	3,072.25	Teamsters	Written off to Charity
22	2,187.88	Aetna thru Fed. Gov't	1,750.30
2	195.75	Medicaid	192.75
55	10,527.00	Champus	10,447.00
3	531.25	Sears	425.00
11	2,478.50	A. R. S.	2,478.00
5	440.00	Medicaid	440.00
2	204.75	B. C. thru Cordova Hosp.	123.80
20	5,492.50	B. C. thru State	4,747.68
17	2,900.00	Westcoast Life thru Reeve Alcutian	--0--
1	39.50	B. C. thru Providence	39.50
4	700.75	<u>Double coverage:</u> Teamsters	--0--
		Hotel & Restaurant	--0--
12	2,604.25	B. C. of Louisiana	1,292.75
23	4,137.05	Blue Cross	3,911.30
6	1,113.50	B. C. thru State	850.40
4	657.75	Medicaid	657.75
	<u>TOTAL</u>		<u>\$64,895.12</u>

Difference to be paid by patient or absorbed by hospital:



Alaska State Legislature  
House

JUNEAU ALASKA

HESS COMMITTEE MEETING

3-10-75

Members Present:

Beirne                      Parr  
Davis                        Sullivan  
Hackney                    Swanson  
Osterback

Chairman Sullivan called the meeting to order at 3:15.

The first thing I would like to discuss is pertaining to the confirmation of Dr. Williamson. I would like to know your feelings of maybe getting together with him informally, perhaps in the evening on Wednesday, March 12, on a social basis at my house. Would that date be alright with all of you?

Beirne I would request we act on the Commissioner today?

Chairman Sullivan Personally, I have a few more questions to ask him before making my decision. I know that Mr. Hackney and Mr. Swanson feel the same way. I would not want to call another hearing for these few questions. Our hearings on his confirmation this weekend in Anchorage showed tremendous support for his confirmation.

Are there any other announcements?

HB 120

Beirne Gave a briefing of the bill. Its purpose is to include Optometrists under the Medicare Program Act. The Fiscal note indicates the cost of \$38,500 for 1975 year. Presently there are not enough ophthalmologists to care for all of the needs throughout the state and at the present time they are the only Doctors under the Medicare Act.

Hackney Where did they get the figure of 1150 people that would use this service in the position paper in front of us?

Beirne I am not sure of this. This bill will not change the Medicare Act in any way. I would request we ask Mr. Larry Sullivan from the Dept. of H&SS to testify on this question and perhaps we could take up HB 128 until he gets here.

HB 128 Ms. Sullivan gave briefing of her bill. Intended to make insurance available for newborns from the moment of birth. I am interested in it because of my own experience. Before my son was a week old we had thousands of dollars of medical bills and could not get coverage. This seems to me a very logical form of insurance. The bill does not say the state should pay for it only that it should be available to all residents of the state. The increase in the premium cost would only be 5 or 10 cents more.

Hackney I am in favor of this bill.

Don Cooke Div. of Insurance

This bill would require that any insurance policy would include care for the newborn infant. This bill was endorsed by the National Insurance Directors Assoc. and on June 1974 it was law in 17 states and pending in 10 more. We didn't prepare a fiscal note because there wasn't any. The impact on the general fund would be nothing also.

Hackney Insurance is presently provided on the basis of what?

Cooke From day one on Blue Cross for state employees.

Beirne I would presume this would be an option?

Cooke No, I read it as mandatory coverage. Meaning mandate that they have to offer it, Line 15-16.

Beirne I favor this bill and for no cost to the state it seems most worthwhile.

Hackney This bill would also give the tax payers a little break.

Parr I move we pass HB 128 out of committee with a 'do pass' recommendation.

Chairman Hearing no objection, so ordered.

Cooke I would also like to add that SB 141 is exactly the same bill.

HB 120

Mr. Larry Sullivan Dept. of H&SS

Beirne We have the position paper and the fiscal note. Would like to ask you how you arrived at the figure of 1150 people who would take advantage of these services?

Sullivan This is the approximate number of people that would require these services. It would involve a \$38,000 increase in our budget. We do not provide glasses. The only service they will receive is the refraction. Glasses are available on a very limited basis. Available to children under the Medicare Act for early treatment. Eye, Ear, and Teeth Care for Children up to the age of 21 is mandate under the Federal Program.

Parr How much of this bill is new? Just the Ophthalmologist?

Sullivan Yes, the original bill says 'physician services'.

Parr To what extent are private agencies making glasses available?

Sullivan There is a fair chance of people getting glasses. We refer them to their local Lions Club etc. That is limited however.

Beirne The BIA and USPHS also will buy glasses. Explained difference between ophthalmologist and optometrist.

Hackney How was it that you arrived at the 1150 figure?

ENGSTROM AND EVANS

ATTORNEYS AT LAW

202 NATIONAL BANK OF ALASKA BUILDING

TELEPHONE (907) 586-1445

JUNEAU, ALASKA 99801

ALLAN A. ENGSTROM  
GORDON E. EVANS

February 19, 1975

Ms. Susan Moss  
Health Education & Social Services  
Pouch V  
Juneau, Alaska 99811

Re: House Bill 128

Dear Ms. Moss:

In our recent telephone conversation, you indicated that the House Health, Education and Social Services Committee was interested in the approximate cost impact of House Bill 128, as it relates to coverage for new-born infants.

Although it is difficult to be precise, Blue Cross Washington Alaska, Inc., which already provides such coverage in all of its policies, estimates the effect on premium to be approximately one per cent. This is based on a competitive benefit level, in using birth as an effective date as opposed to starting coverage at age 30 days.

Let me try to be more precise by means of an example:

1. Assume that coverage A covers children at birth and coverage B covers children after 30 days.
2. Assume that all other aspects of coverage A and coverage B are identical with respect to benefits.
3. If the monthly family rate for coverage B was \$60.00, then the family rate for coverage A would be approximately 1% higher, or \$60.60.

Please let me know if you have any other questions.

Very truly yours,



ALLAN A. ENGSTROM  
Legislative Counsel for  
Blue Cross Washington Alaska, Inc.

AAE:rha

# MEMORANDUM

TO:  Frederick McGinnis  
Commissioner

THRU: Donald K. Freedman, M.D., M.P.H.  
Director, Division of Public Health

DATE : September 27, 1974

FROM: David A. Spence, M.D., Chief  
Section of Family Health

SUBJECT: Proposed legislation for the  
1975 Legislature.

In the last legislative session, Senate Bill 359 was introduced on February 11, 1974, by Senator Lowell Thomas. This Bill would have required that newly-born children be included in group health and disability insurance. This Bill was tied to insurance for alcoholism and was still in committee at the close of the legislative session.

The need for this legislation is greater this year because advances in neonatal care, while preserving intellect and life itself for the premature, are more expensive. We request that this Bill be submitted in essentially the same form again in this next legislative session. Your submission of this legislation will indicate its importance to the legislators and the public as well.

DAS/lb

cc: Dr. carolyn Brown, Legislative Committee, ASMA

## MODEL NEWBORN CHILDREN BILL

Prepared by the American Academy of Pediatrics  
with the assistance of  
The Health Insurance Association of America  
November 21, 1973

1. All individual and group health insurance policies providing coverage on an
2. expense incurred basis and individual and group service or indemnity type
3. contracts issued by a nonprofit corporation which provide coverage for a
4. family member of the insured or subscriber shall, as to such family
5. members' coverage, also provide that the health insurance benefits ap-
6. plicable for children shall be payable with respect to a newly born child of the
7. insured or subscriber from the moment of birth.
  
8. The coverage for newly born children shall consist of coverage of injury or
9. sickness including the necessary care and treatment of medically diagnosed
10. congenital defects and birth abnormalities.
  
11. If payment of a specific premium or subscription fee is required to provide
12. coverage for a child, the policy or contract may require that notification of
13. birth of a newly born child and payment of the required premium or fees
14. must be furnished to the insurer or nonprofit service or indemnity corporation
15. within 31 days after the date of birth in order to have the coverage continue
16. beyond such 31 day period.
  
17. The requirements of this act shall apply to all insurance policies and
18. subscriber contracts delivered or issued for delivery in this state more
19. than 120 days after the effective date of the act.

Newborn  
bill

4B128

PROBLEM:

Health insurance coverage in Alaska frequently does not provide for health care for newborn infants. Such insurance policies written in Alaska presently specifically exclude coverage for infants in the first thirty, sixty, or ninety days of life.

The newborn infant is vulnerable to many health problems. Prematurity and congenital defects often require medical care of an urgent and sophisticated nature.

The cost of this care is presently borne by a combination of families, health care providers (such as physicians and hospitals), governmental agencies (federal, state, and local), and insurance carriers.

By exclusion of newborn health care from their coverage, some insurance carriers are excluding this vulnerable newborn population from their coverage.

PROPOSAL:

The legislative committee of the Alaska State Medical Association and the Alaska Chapter of the American Academy of Pediatrics recommend that health care coverage for newborn infants be included in all health insurance policies written in Alaska.

MEMORANDUM

December 5, 1973

TO: GARY WANGSMO, Controller  
FROM: Bob Harvey, Business Office Manager  
SUBJECT: Coverage for infants

---

Insurance companies generally offer an employer several ways of providing coverage for newborn babies under group health insurance plans.

They are:

- 1) Coverage from birth, limited: In this case, the infant is covered from birth but only for treatment of a disease, injury, congenital deformity or hereditary complications. Prematurity, per se, is not covered.
- 2) Coverage from birth, full: The infant is covered from birth including the cost of nursery, normal baby care, and special care for prematurity.
- 3) Coverage after a certain number of days--commonly 14 days: The infant is covered only after the first 8 or 14 days of life. This is further restricted, in some plans, to require that the infant be not only a certain number of days old but also free of confinement (not hospitalized) before the coverage will take effect.

The following is a partial list of companies and the coverage their plans provide for newborns:

AAA Auto Club of Washington	Birth full
Anchorage Cold Storage	Birth full
Anchorage Daily Times	Birth full
Alaska State Employees	Birth full
Alaska Bar Association	Birth full
Alaska Lumber and Pulp	Birth full

These different coverage options reflect efforts to reduce claim costs and premiums. Basically, an insurance company will sell whatever coverage a policyholder is willing to pay for but there is a trend toward making coverage from birth--full the standard benefit. Of course, "full" coverage does not necessarily mean 100% coverage since there may be deductibles, co-insurance and policy limits.

Following are some examples of NBSCN bills incurred at Providence over the past six months which reflect the variations in insurance benefits and coverage:

<u>Days Hospitalized</u>	<u>Amount</u>	<u>Insurance</u>	<u>Amt. Pd. by Ins.</u>
32	\$5,470.30	Teamsters	--0--
19	3,926.65	Teamsters	--0--
88	19,130.95	Champus	\$19,130.95
7	1,171.75	Blue Cross	937.40
10	1,563.63	Medicaid	1,563.63
2	166.00	Aetna thru Fed. Gov't.	22.50
4	644.00	Equitable thru Standard Oil	644.00
3	318.25	Fireman's Fund (Liability)	318.25
4	1,100.00	Champus	1,100.00
17	1,790.25	Equitable thru N. C.	1,708.00
46	8,934.90	Medicaid	8,934.00
15	2,859.10	Aetna	2,680.43
3	245.13	Medicaid	245.13
3	255.50	Medicaid	255.50
23	3,072.25	Teamsters	Written off to Charity
22	2,187.88	Aetna thru Fed. Gov't	1,750.30
2	195.75	Medicaid	192.75
55	10,527.00	Champus	10,447.00
3	531.25	Sears	425.00
11	2,478.50	A. N. S.	2,478.00
5	440.00	Medicaid	440.00
2	204.75	B. C. thru Cordova Hosp.	123.80
20	5,492.50	B. C. thru State	4,747.68
17	2,900.00	Westcoast Life thru Reeve Aleutian	--0--
1	39.50	B. C. thru Providence	39.50
4	700.75	<u>Double coverage:</u> Teamsters	--0--
		Hotel & Restaurant	--0--
12	2,604.25	B. C. of Louisiana	1,292.75
23	4,137.05	Blue Cross	3,911.30
6	1,113.50	B. C. thru State	850.40
4	657.75	Medicaid	657.75
	<u>TOTAL</u>		<u>\$64,896.12</u>

Difference to be paid by patient or absorbed by hospital:

\$19,962.97

NEWBORN CHILDREN BILL

From a model prepared by the American Academy of Pediatrics  
with the assistance of  
The Health Insurance Association of America  
November 21, 1973

1. All individual and group health insurance policies providing coverage on an
2. expense incurred basis and individual and group service or indemnity type
3. contracts issued by a nonprofit corporation which provide coverage for a
4. family member of the insured or subscriber shall, as to such family
5. members' coverage, also provide that the health insurance benefits ap-
6. plicable for children shall be payable with respect to a newly born child of the
7. insured or subscriber from the moment of birth.
8. The coverage for newly born children shall include, but not be limited to,
9. coverage for congenital defects, birth abnormalities, or other complications
10. of birth, including prematurity or low birth weight.
11. If payment of a specific premium or subscription fee is required to provide
12. coverage for a child, the policy or contract may require that notification of
13. birth of a newly born child and payment of the required premium or fees
14. must be furnished to the insurer or nonprofit service or indemnity corporation
15. within 31 days after the date of birth in order to have the coverage continue
16. beyond such 31 day period.
17. The requirements of this act shall apply to all insurance policies and
18. subscriber contracts delivered or issued for delivery in this state more
19. than 120 days after the effective date of the act.

# HEALTH INSURANCE ASSOCIATION OF AMERICA

CHICAGO • NEW YORK • WASHINGTON

LESLIE P. HENRY, *President*

RESEARCH, STATISTICS, AND CONTROL DEPARTMENT

David Robbins, *Vice President and Controller*

New York Office

750 Third Avenue

New York, New York 10017

October 8, 1974

Mr. Vincent B. Jasso  
Deputy Superintendent  
State of New Mexico  
Department of Insurance  
Sante Fe, New Mexico 87501

Dear Mr. Jasso:

As I wrote you last week, we are in the process of developing estimated costs for the benefit provisions contained in the proposed New Mexico newborn infant coverage legislation. This data should be finalized in another few weeks.

In the interim, we learned from Mr. Young of the American Life Insurance Association that your Insurance Study Committee is scheduled to meet on October 10 and that you would be interested in the receipt of some preliminary results of our investigations. Our preliminary review of this matter indicates the following:

1. For those major medical contracts which now cover children from birth for sickness or injury and exclude only the first 7 days of hospital room and board charges while covering all other types of eligible expenses from birth, we estimate the additional cost of covering the first 7 days of nursery charges for sick infants to be about \$.80 yearly per employee for group coverage and about \$1.20 for individual coverage.
2. For a policy which provides no coverage at all for the first 14 days, we estimate the additional cost of the required coverage as approximately \$3.20 yearly per employee for group coverage and \$4.80 for individual coverage.

Mr. Vincent B. Jasso

October 8, 1974

Page 2

3. The exclusion of illegitimate children would make relatively little difference on the foregoing cost estimates.

Sincerely,

A handwritten signature in cursive script that reads "David Robbins". The signature is written in dark ink and is positioned above the typed name and title.

David Robbins  
Vice President and Controller

DR:pw

cc: Mr. Franklin H. Young - ALIA  
Mr. Carroll Callaway



# American Academy of Pediatrics

2/3/74

POSITION STATEMENT ON NEWBORN INFANT MEDICAL INSURANCE  
WASHINGTON STATE CHAPTER, AMERICAN ACADEMY OF PEDIATRICS (AAP)  
(WASHINGTON STATE SOCIETY OF PEDIATRICS).

Consensus Summary developed by:

Washington State Chapter, AAP, Fetus and Newborn Committee:

Donald Sutherland, M.D., Bellevue, Chairman  
William A. Hodson, M.D., Director Newborn Service, University of Washington  
Errol Aiden, M.D., Director Newborn Service, Madigan General Hospital, Tacoma  
David E. Woodrum, M.D., Dir. Newborn Service, Children's Orthopedic Hospital,  
Seattle.  
Robert Polley, M.D., Seattle.

David Sparling, M.D., Tacoma; State Chapter Chairman, 1974.

Michael Donlan, M.D., Spokane; State Chapter Alternate Chairman, 1974

Robert A. Tidwell, M.D., Seattle, Chairman Legislative Committee.

Robert Polley, M.D.; Seattle, Chairman 3rd Party (Medical Insurance) Committee.

Blackburn Joslin, M.D., Mercer Island, Past State Chairman.

Abraham Bergman, M.D., Director Outpatient Clinic, Children's Orthopedic Hospital,  
Seattle; President, National Foundation for Sudden Infant Death.

*THOMAS C. COCK CHAIRMAN DISTRICT VIII AAP.*

Topics:

- a. "Neonates" (newborn infants) do not become candidates for routine or well newborn infant care until age 48 hours at the earliest.
- b. Information:
  - (1) Disappearance of lung fluid and lung aeration (expansion), approximately 48 hours.
  - (2) Establish normal heart function with disappearance of murmurs and reverse blood flow through foramen ovale and ductus - 24 to 48 hours.
  - (3) Temperature (thermal) instability; inability to maintain adequate body temperature without external added heat source - 24 to 48 hours.
  - (4) Fluid balance, acid base balance, kidney function, urine production, etc., unstable until age 24-48 hours.

Adaptive processes of a more gradual but equally important nature involve the gastrointestinal tract - which for the first time must manifest patency from the mouth to the anus; the renal and genitourinary tract - must assume control of fluid and electrolyte balance, and solute excretion; metabolic and endocrine activities vital to nutritional homeostasis, growth and modifications of drugs or bodily breakdown products (e.g. bilirubin) necessary to facilitate excretion.

The newborn is at a further disadvantage in terms of his or her ability to adjust to a new environment. Heat losses may be extensive due to the inordinately high body surface to weight ratio that the small infant manifests, hence the ability to withstand environmental cold stress is severely compromised. Furthermore, inadequate or immature immunologic defense mechanisms impair the ability to ward off certain types of infection.

All of these transitions and/or adjustments occur or have as their major time of impact during the first 48 to 72 hours of life, and the vast majority of potentially anatomic, physiologic or biochemical deviations from normal may be recognized during this time period. With this in mind, it is the policy of this Committee as well as the recommendations of the Department of Pediatrics, Division of Neonatal Biology, University of Washington School of Medicine that optimum care for all newborn infants include a comprehensive physical examination, competent physician and nurse medical care and hospitalization during the first 48 hours of postnatal life.

R. P. Alley  
4/4/74.

FINAL DRAFT - 3/4/74

POSITION STATEMENT ON NEWBORN INFANT MEDICAL INSURANCE  
WASHINGTON STATE CHAPTER, AMERICAN ACADEMY OF PEDIATRICS (AAP)  
(WASHINGTON STATE SOCIETY OF PEDIATRICS).

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Michael Donlan, M.D., Spokane; State Chapter Alternate Chairman, 1974.

Robert A. Tidwell, M.D., Seattle, Chairman, Legislative Committee.

Robert Polley, M.D., Seattle; Chairman, 3rd Party (Medical Insurance) Committee.

Blackburn Joslin, M.D., Bellevue; Past State Chairman.

Al Skinner, M.D., Mercer Island; Past State Chairman.

Abraham Bergman, M.D., Director Outpatient Clinic, Children's Orthopedic  
Hospital, Seattle; President, National Foundation for Sudden Infant Death.

Thomas C. Cock, M.D., Chairman, District VIII, AAP.

During the first nine months of life the human dwells in a warm aquatic environment. He receives his total nutritional support from his mother and, with a few exceptions, his bodily functions (e.g. gas exchange, endocrinologic, excretory) are accomplished by the placenta. With birth, the above situation is drastically altered in a very short period of time. There is, in fact, no age during life when so many major adaptations necessary for intact survival occur in such a short-time span.

Immediate survival is accomplished by clearance of lung fluid, its replacement with air, and activation of surface active material lining the gas exchange surface of the lung. The result of these processes is an elevation of the oxygen tension in the arterial blood, an increase in pulmonary blood flow, and gradual closure of the fetal shunts (Foramen, Ovale and Ductus Arteriosus).

Alaska Medical Laboratories	Birth limited
Alaska Methodist University	Birth full
Alaska National Bank	Birth limited
Alaska Pacific Assurance	Birth limited
Alaska Painters	15 days
Alaskan Seafoods	Birth limited
Alaska State Housing Auth.	Birth full
Alexander and Alexander	15 days
Anchorage Borough School	Birth full
Army and Air Force Exchange	15 days
A. J. Johnson	Birth limited
Arthur Young and Co.	Birth limited
Automotive Parts and Equipment	Birth limited
B & C Auto Supply	Birth full
Bekins Moving and Storage	Birth limited
Carpenters	14 days (coverage from birth under major medical)
Carr's	Birth full
City of Anchorage	Birth full
Community Hospital	Birth full
Crawford & Co.	Birth limited
Culinary Employees	Birth limited
Fairbanks Municipal Utilities	Birth full
Fairbanks Plumbing and Pipefitting	Birth full
Fairbanks Publishing Co.	Birth full
Federal Employees	Birth full
First National Bank	Birth full
Anchorage Borough	Birth full
Hickel Investment	Birth full
Hotel and Restaurant Employees	Birth full
I. B. M.	Birth full
Ironworkers	Birth full
Kenai Peninsula Borough and Schools	Birth full
Laborers	14 days (from birth under major medical)
Matanuska Maid	Birth full
Meadowmoor Alaska Dairy	Birth limited
Merder, Schaible, Staley, & Delisio	Birth limited
N. B. of A.	Birth full
North Star Borough Schools	Birth full
O'Neill & Sons	Birth full
Operating Engineers	8 days
Petersburg Fisheries	Birth full
Plumbers	Birth full
Providence Hospital	Birth full
Retail Food Clerks	Birth full
Sheet Metal Workers	Birth full
Teamsters	14 days and free of confinement
University of Alaska	Birth full

H B

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HB 177

Tape #

Date

8

3/1

8

3/5

9

3/5

2/18/75

COMMITTEE REPORT

JUDICIARY

HOUSE

Mr. Speaker:

Date \_\_\_\_\_

The Committee on COMMERCE has had HB 177

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT

CS FOR \_\_\_\_\_ DO PASS

"and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>

Members NOT concurring in the Majority report:

<u>[Signature]</u>	recommends: <u>No rec</u>
<u>[Signature]</u>	recommends: <u>9/10 Rec</u>
<u>[Signature]</u>	recommends:
<u>[Signature]</u>	recommends:
<u>[Signature]</u>	recommends:

[Signature] Chairman

AMENDMENT

*Ardin / pass*

OFFERED IN THE HOUSE:

By: Commerce Committee

To: \_\_\_\_\_ HOUSE BILL No. 177

SENATE BILL No. \_\_\_\_\_

PAGE: 1

LINE: 10.11.13.16

Line 10

After the word "an" insert the word "aggregate".

Line 11

After the word "landlord" delete the word "may" and insert the word "shall".

Line 13

After the words "inventory of" delete the word "existing" and insert the words "the condition of existing facilities and furnishings and any".

Line 16

Section 2. AS 34.03.070(d) is amended to read:

(d) If the landlord fails to comply with (a) of this section, the tenant may recover twice the amount of the security deposit or prepaid rent paid, or \$100, whichever is more. If the landlord willfully fails to comply with (b) of this section, the tenant may recover an amount not to exceed twice the actual amount withheld.

March 3, 1975

Representative Bob Bradley, Chairman  
House Commerce Committee  
Alaska State Legislature  
Juneau, Alaska 99801

Subject: HB 177 - Security Deposits

Dear Representative Bradley:

As we discussed on Saturday, March 1, 1975, here are amendments to HB 177 as proposed by Commissioner-designate Notley and myself.

1. On line 10, after "an" insert "aggregate".

This is to clarify that prepaid rent and security deposit, added together, cannot exceed twice the monthly rent.

2. On line 11, change "may" to "shall".

This is to make certain the new language is mandatory. If any deposit or prepaid rent is to be charged by the landlord, the written inventory must be made and signed by both parties.

3. On line 13, after "inventory of" strike "existing" and insert "the condition of existing facilities and furnishings and any".

This is to clarify the bill's intent to require that landlord and tenant agree as to the condition of the premises when the tenant moves in.

March 3, 1975

4. Oneline 16, add a new section, as follows:

\*Sec. 2. AS 34.03.070(d) is amended to read:

(d) If the landlord fails to comply with (a) of this section, the tenant may recover twice the amount of the security deposit or prepaid rent paid or \$100, whichever is more. If the landlord willfully fails to comply with (b) of this section, the tenant may recover an amount not to exceed twice the actual amount withheld.

This is to provide a measure of damages for violation of (a) of this section. At present there is no penalty for violating this subsection.

Thank you for your consideration.

Sincerely,

DEC:mjb

cc: Representative McKinnon  
Commissioner Motley

Donald E. Clocksin  
Deputy Director

LAW OFFICES OF  
ALASKA LEGAL SERVICES CORPORATION  
315 FIFTH STREET, SUITE 8  
JUNEAU, ALASKA 99801  
TELEPHONE 586-~~7546~~ 6425

March 3, 1975

Representative Bob Bradley, Chairman  
House Commerce Committee  
Alaska State Legislature  
Juneau, Alaska 99801

Subject: HB 177 - Security Deposits

Dear Representative Bradley:

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March 3, 1975

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Thank you for your consideration.

DEC:mjb

cc: Representative McKinnon  
Commissioner Motley

Sincerely,



Donald E. Clocksin  
Deputy Director

LAW OFFICES OF  
ALASKA LEGAL SERVICES CORPORATION  
315 FIFTH STREET, SUITE 8  
JUNEAU, ALASKA 99801  
TELEPHONE 586-XXXX 6425

MEMORANDUM

To: Sen. Kerttula and Rep. Bradley, Chairmen, Commerce Committees

From: Don Clocksin

Subject: Confirmation hearings - Commissioner-designate of Commerce

Date: Feb. 16, 1975

Since the Commissioner-designate of Commerce will be in front of your committees for confirmation, you may wish to ask questions relating to the Commerce Department's responsibility in the area of rent control.

In 1974 the Eighth Legislature adopted the Emergency Residential Housing Rent Regulation and Control Act (AS 34.06; Chapter 128, SIA 1974; CSSB 520 am). The Act declared that a public emergency may exist when rental housing becomes so tight that rent gouging occurs, and it required that the Commissioner of Commerce adopt regulations under which the Governor could declare a housing emergency and impose rent controls. Unless extended, the Act expires July 1, 1975.

To this date no regulations have been adopted or even proposed. The old Commissioner conducted "informational" hearings in Fairbanks and Valdez, but he made no other attempt to comply with the legislative mandate. Meanwhile, there are several communities that presently have a housing emergency as defined in the Act that should have rent control as the Legislature intended.

I would hope that two lines of inquiry be presented to the Commissioner-designate. First, does he intend to adopt regulations to protect communities that are being victimized by artificially inflated rents; that is, what does he think about rent control as a temporary emergency solution for Alaska's overcrowding? Second, does he intend to comply with legislative mandates or does he, like his predecessor, intend to ignore those legislatively imposed duties which he doesn't care for?

I also hope your committees will look into the necessity for extending and revising the Emergency Residential Housing Regulation and Control Act. I have attached a copy.

*Don Clocksin*



## LAWS OF ALASKA

1974

Source

CSSB 520 am

Chapter No.

128

## AN ACT

Relating to the establishment of rent regulation and control in emergency situations; and providing for an effective date.

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

\* Section 1. AS 34 is amended by adding a new chapter to read:

## CHAPTER 06. EMERGENCY RESIDENTIAL RENT REGULATION AND CONTROL.

Sec. 34.06.010. LEGISLATIVE FINDINGS, PURPOSE. The legislature finds and declares that

(1) a serious public emergency may exist in housing in Alaska when, because of sudden economic development and uneven population growth, there develops an acute shortage of dwellings in all or parts of Alaska;

(2) abnormal economic conditions affecting the availability of residential rental housing may produce serious threats to the public health, safety and general welfare and, to prevent these perils, standby preventative regulations that may be invoked in the event of an emergency should be promulgated.

Sec. 34.06.020. DECLARATION OF HOUSING EMERGENCY. (a) In accordance with regulations promulgated under sec. 30 of this chapter, when the governor finds that emergency conditions exist with regard to residential rental housing, after public hearings in the area, or areas, affected, he may by written proclamation declare that a state of housing emergency exists. A housing emergency exists when the rate of vacancies in residential rental housing is so low that there is a substantial impairment of free choice in residential rental housing or when the average vacancies in residential

housing rentals falls below three per cent in the area, or areas, affected and remains below three per cent for a period of at least 90 days. The proclamation shall state the nature of the housing emergency, designate the area, or areas, affected and be published generally through the state in the manner provided by law. When the state of emergency no longer exists, the governor shall issue a written proclamation stating this fact and publish it generally throughout the state in the manner provided by law.

(b) On issuing a proclamation of a housing emergency, the governor may invoke the provisions of this chapter to regulate and control residential rents and evictions in some parts or all of the state.

Sec. 34.06.030. SCOPE OF EMERGENCY HOUSING REGULATIONS. Subject to the Administrative Procedure Act (AS 44.62), the commissioner of commerce, who is charged with the administration of this chapter, shall promulgate regulations concerning the control of residential rents, including but not limited to provision for the establishment and adjustment of maximum rents, the classification of residential housing accommodations and the regulation of evictions.

Sec. 34.06.040. APPLICATION OF ADMINISTRATIVE PROCEDURE ACT. (a) Administrative and adjudicatory proceedings conducted under this chapter shall be conducted under the Administrative Procedure Act (AS 44.62).

(b) A final determination or order issued, or a regulation promulgated, under this chapter is subject to judicial review under the Administrative Procedure Act (AS 44.62).

Sec. 34.06.050. DEFINITIONS. In this chapter

- (1) "commissioner" means the commissioner of commerce;
- (2) "department" means the Department of Commerce;
- (3) "residential housing accommodation" means a single or multiple unit private dwelling, including mobile homes, or a structure on the land that may be leased for any term of one week or longer, or other condition of tenancy, that is used for dwelling purposes.

Sec. 34.06.060. SHORT TITLE. This chapter may be cited as the Emergency Residential Housing Rent Regulation and Control Act.

\* Sec. 2. AS 44.62.330 is amended by adding a new paragraph to read:

(37) Department of Commerce, under the Emergency Residential Rent Regulation and Control Act (AS 34.06).

\* Sec. 3. This Act expires July 1, 1975.

\* Sec. 4. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.

LAW OFFICES OF  
ALASKA LEGAL SERVICES CORPORATION  
315 FIFTH STREET, SUITE 8  
JUNEAU, ALASKA 99801  
TELEPHONE 586-~~915~~6425  
March 21, 1975

MEMORANDUM

TO : Rep. Joe McKinnon

FROM : Don Clocksin *DK*

SUBJECT: Floor Debate - CSHB 177, Rent Deposits

-----

Since this bill may soon appear on the House floor, you may want to use this memo.

I. Background.

The Landlord-Tenant Act of 1973 was passed one year ago. Since it was adopted, several problems have arisen. According to news stories, the greatest single landlord-tenant complaint heard in the Consumer Protection Division of the Attorney-General's Office was about security deposits. Disputes over the amount of damage caused by a tenant and the remedies available have been common. Confusion has arisen about how to calculate the maximum charges that can be imposed by a landlord when a tenant moves in.

II. Present Law.

Under present law, a landlord can charge a deposit or prepaid rent in an amount not to exceed two months' rent. That means if the monthly rent is \$200, the maximum that can be charged is \$600:

\$ 200	- first months' rent
200	- last months' rent
200	- security deposit
<u>        </u>	
\$ 600	

III. What the Bill Would Do.

1. The bill would add "aggregate" to clarify that deposit and prepaid rent, added together, cannot exceed two times the rent.

MEMORANDUM

TO: Rep. Joe McKinnon

-2-

March 21, 1975

2. The bill would require that the landlord and tenant take an inventory of existing conditions so that there will be fewer misunderstandings as to the condition of the premises when the tenant moves in. Many landlords do this now, according to testimony from Ben Marsh of the Anchorage Landlord and Property Managers Association. This will reduce the misunderstandings between landlord and tenant and eliminate needless litigation and hard feelings.

3. The bill would clarify the enforcement section. Through inadvertence or whatever, when the Act was passed last year there was no enforcement provision provided for a violation of sub (a). This bill would provide that if a landlord charges more than allowed, the tenant can recover twice the amount of the excess. (e.g. if landlord in example above charges \$700, tenant can recover \$200.) That is similar to remedy adopted last year for a violation of sub (b).

DEC:btg

cc: Rep. Bradley ✓

XXX 6425

March 3, 1975

Representative Bob Bradley, Chairman  
House Commerce Committee  
Alaska State Legislature  
Juneau, Alaska 99801

Subject: HB 177 - Security Deposits

Dear Representative Bradley:

As we discussed on Saturday, March 1, 1975, here are amendments to HB 177 as proposed by Commissioner-designate Motley and myself.

1. On line 10, after "an" insert "aggregate".

This is to clarify that prepaid rent and security deposit, added together, cannot exceed twice the monthly rent.

2. On line 11, change "may" to "shall".

This is to make certain the new language is mandatory. If any deposit or prepaid rent is to be charged by the landlord, the written inventory must be made and signed by both parties.

3. On line 13, after "inventory of" strike "existing" and insert "the condition of existing facilities and furnishings and any".

This is to clarify the bill's intent to require that landlord and tenant agree as to the condition of the premises when the tenant moves in.

March 3, 1975

4. Oneline 16, add a new section, as follows:

\*Sec. 2. AS 34.03.070(d) is amended to read:

(d) If the landlord fails to comply with (a) of this section, the tenant may recover twice the amount of the security deposit or prepaid rent paid or \$100, whichever is more. If the landlord willfully fails to comply with (b) of this section, the tenant may recover an amount not to exceed twice the actual amount withheld.

This is to provide a measure of damages for violation of (a) of this section. At present there is no penalty for violating this subsection.

Thank you for your consideration.

Sincerely,

DEC:mjb

cc: Representative McKinnon  
Commissioner Motley

Donald E. Clocksin  
Deputy Director

HB

1911/1912

HB 191, 192

Tape no.

Date

12

3/12

"An Act relating to changes in transportation tariffs."

# COMMITTEE REPORT

2/21/75

HOUSE

JUDICIARY

Mr. Speaker:

Date 11/11/75

The Committee on Commerce has had HB 191

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT

CS FOR \_\_\_\_\_ DO PASS

"and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

[Signature] Chairman

COMMITTEE REPORT

2/21/75

HOUSE

JUDICIARY

Mr. Speaker:

Date Mar 11 1975

The Committee on Commerce has had HB 192

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Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

[Signature] Chairman

March 4, 1975

Alaska Transportation Commission  
MacKay Building  
Anchorage, Alaska

Dear Commissioners,

The House Commerce Committee will be holding hearings on House Bill 191, transportation tariff change, on Wednesday March 12 at 8 a.m. Please contact us if you need more information.

Sincerely,

Bob Bradley

BB/mr

March 4, 1975

Alaska Public Utilities Commission  
MacKay Building  
Anchorage, Alaska 99501

Dear Commissioners,

The House Commerce Committee will be holding hearings on the following bills, HB 192 and HB 243 on public utility rates and tariffs will be heard on Wednesday, March 12, and HB 19 on telephone utilities will be held on Thursday March 13. Testimony will be heard at these times. Hearings are in Room 203 of the Assembly Building at 8 a.m.

Sincerely,

Bob Bradley

BS/mr

POSITION PAPER  
REGARDING HB 191  
(AN ACT RELATING TO CHANGES IN TRANSPORTATION TARIFFS)

SUBMITTED BY  
ALASKA CARRIERS ASSOCIATION, INC.  
3443 Minnesota Drive  
Anchorage, Alaska 99503

William L. Fritsch  
General Manager

Prepared March 11, 1975

COMES NOW, Alaska Carriers Association, Inc. by William L. Fritsch, its General Manager, for and on behalf of the regulated for-hire common motor carriers under the jurisdiction of the Alaska Transportation Commission pursuant to Title 42, Alaska Statutes and does hereby submit its opposition to the changes proposed in AS 42.10.290(a) and AS 42.15.191(a) in the subject HB 191 for reasons hereinafter set forth.

Presently the affected provisions of Title 42 prescribe a 30 day notice to the Commission and to the public of changes in motor freight tariffs. The proposal to extend this 30 day notice period to 45 days is unnecessary and burdensome in that it duplicates and further extends an already rigorous and exhaustive procedure of public notice of proposed tariff changes.

Generally, it takes 10-12 weeks to effect a change in the agency motor freight tariffs issued by Alaska Carriers Association, Inc. from the time of inception. The procedure followed in implementing changes in our agency tariffs are outlined in this Association's Agreement with the Interstate Commerce Commission under Section 5(a) of the Interstate Commerce Act which includes this Association's Articles of Incorporation and By-Laws. A copy of this agreement is attached hereto and by reference made a part hereof. Briefly, the procedure followed to implement changes in our motor freight tariffs is as follows:

1. Shippers as well as carriers may initiate changes in our motor freight tariffs. Proposals for tariff changes must be submitted in writing.
2. Upon receipt of written proposals for tariff changes, this Association publishes a monthly "Rate Docket" which is available to the general public on an annual subscription basis.
3. The monthly Rate Docket publication outlines the proposals received since the preceding monthly docket and announces a meeting of the Association's Standing Rate Committee. Notice of the meeting is given on at least ten days' notice excluding the day of mailing of the docket, Saturdays, Sundays and holidays.
4. At its scheduled meeting the Standing Rate Committee receives testimony, evidence and arguments for and/or against proposals from proponents and opponents including shippers as well as competing carriers.
5. The Standing Rate Committee approves or disapproves the proposal(s) or may modify the proposal to insure its reasonableness.
6. Following the meeting of the Standing Rate Committee, the minutes of the meeting are published in the form of a "Disposition of the Rate Docket" and are mailed to docket subscribers allowing ten working days for:
  - 1)-competing carriers to concur or withdraw from participation in the approved publication; and
  - 2)-any interested parties to appeal the Standing Rate Committee's decision to our higher General Rate Committee.

7. Should a decision of the Standing Rate Committee be appealed to the General Rate Committee, notice of a General Rate Committee meeting is published and distributed to docket subscribers announcing the meeting of the General Rate Committee on not less than ten working days' notice.
8. At its meeting, the General Rate Committee also allows the submission of testimony, evidence and arguments for or against proposals referred or appealed to it. The General Rate Committee then renders its decision approving or disapproving the proposal or modifying the proposal to insure its reasonableness.
9. Following the meeting of the General Rate Committee the minutes of its meeting are published in the form of a "Disposition Notice" again allowing at least ten working days for competing carriers to submit their concurrence or withdrawal from participation in the publication as approved for publication by the General Rate Committee.
10. Following the ten working day waiting period, actual tariff publication is made and transmitted to the Interstate Commerce Commission and/or Alaska Transportation Commission for filing on 30 days statutory notice to the Commission and to the public. Allowing for publication and mailing time this 30 day notice will normally consume 35-40 days as the formal publication must be physically received by the Commissions 30 full days prior to their scheduled effective date.
11. During the 30 day statutory notice period copies of the tariff publication are mailed to tariff subscribers and the official file copies are open for public inspection at the respective Commission offices. Interested parties may petition the Commissions for suspension and investigation of tariff changes thought to be unreasonable.

In addition to the extensive procedure outlined herein above the following points should also be observed:

1. Alaska Carriers Association, Inc., as tariff publishing agent for the motor freight carriers of Alaska, does in fact receive numerous proposals from shippers and shippers do in fact actively participate in our docketing procedure. While it is true that small or occasional shippers may lack the time and expertise to participate in these tariff publication procedures they have the benefit of larger shipper participation and resulting protection.
2. For the same reasons that small or occasional shippers may not participate in the above reference procedures they lack the ability to employ counsel to actively participate in a formal suspension and investigation proceeding before the Alaska Transportation Commission and/or the Interstate Commerce Commission.
3. The Alaska Transportation Commission already has the authority to give public notice of proposed tariff changes and has done so from time to time. Additional delay in affecting tariff changes would unnecessarily delay rate reductions as well as needed increases.

4. Yet another restriction is now being placed on tariff publishing agents by the Interstate Commerce Commission requiring that tariff revisions and supplements be mailed to all tariff subscribers simultaneous with their formal filing with the regulatory agency.
5. Under the procedures outlined above, all competing carriers enjoy the free and unrestrained right to independent action regarding all tariff matters.
6. Alaska Carriers Association, Inc. supports the budgetary request of Alaska Transportation Commission to include a rate analyst on the Commission staff. A rate analyst on the Commission's staff would be extremely helpful to insure reasonable and equitable transportation rates and charges.

THEREFORE, for reasons outlined above, Alaska Carriers Association, Inc. respectfully submits that existing tariff publication procedures provide more than ample opportunity for interested shippers, shipper organizations, and the general public to be made aware of proposed tariff changes, including reductions as well as increases, and therefore the amendments to AS 42 proposed in the subject HB 191 are unnecessary and burdensome for both carrier and shipper alike.

Respectfully submitted,

ALASKA CARRIERS ASSOCIATION, INC.

By   
William L. Fritsch, General Manager

cc: Alaska Transportation Commission  
Alaska Bar Association  
ACA Board of Directors

LAW OFFICES OF  
ALASKA LEGAL SERVICES CORPORATION  
315 FIFTH STREET, SUITE 8  
JUNEAU, ALASKA 99801  
TELEPHONE 586-~~XXX~~ 6425

*File*

MEMORANDUM

To: Rep. Terry Gardiner

From: Don Clocksin *DC*

Subject: Floor Debate - HB 192, Public Utility Notices

Date: March 20, 1975

Since your bill, HB 192, is in Rules, you may want to refer to this summary when it appears on the House calendar,

I. Background.

This bill originated from the Bush Justice Conference in June, 1974, in Minto, Alaska. There, Alaskans living in rural areas gathered to discuss the delivery of state services to the bush and to recommend changes. One problem identified was the lack of notice and input rural residents had on decisions made by administrative agencies that affected their lives. The Administrative Law Committee of the Alaska Bar Association, made up of lawyers representing utilities and consumers developed the legislation.

II. Present Law.

Under present procedures of the Alaska Public Utility Commission, if a utility requests a rate change or other revision of its tariff from the APUC, the Commission files it, notifies the public, and, if no objections are received within 30 days, the change goes into effect automatically. The present law requires 30 days' notice to the public from the date the proposed revision is filed. Since delays occur between filing with the APUC and actual publication, substantially less than 30 days' actual notice is available to comment. Testimony indicated in 1973 that only 17.3 days actual notice to the public was given, on the average.

III. What the Bill Will Do.

The bill would require at least 30 days' actual notice to the public, and gives the APUC 15 days from the date the proposed change is filed with them to issue the public notice.

The net result is to increase by 15 days the period of time before

a revision can take effect and to assure more time for public comment. The bill will not alter the right of the APUC to adopt changes quicker than that in emergencies.

IV. Support.

The bill is supported by the Bush Justice Monitoring Committee, Alaska Legal Services Corporation, the Alaska Bar Association, and is approved by Commissioner Zerbetz of the APUC. There is no known opposition.

cc: Rep. Bob Bradley ✓

**TERRY GARDINER**

STATE REPRESENTATIVE

POUCH V  
JUNEAU  
99811

BOX 1092  
KETCHIKAN  
99901

# Alaska State Legislature

March 3, 1975

*File  
out #191  
192*

TO: Bob Bradley  
FROM: Terry Gardiner *T.G.*  
SUBJECT: HB 191 and 192

HB 191 and 192 have been referred to your committee, and then they go to Judiciary. I introduced these bills at the request of the State Bar Association and Alaska Legal Services. Enclosed is a whole pile of back up material including a letter that you once wrote supporting such legislation when you were Director of SEACAP. I have talked to Gordon Zerbetz, the Commissioner of APUC, which would be affected by this legislation and he thinks that it is a great idea. I don't think that there will be any opposition to these bills, so speed them on their way if you can.

191+192

SOUTHEASTERN ALASKA  
COMMUNITY  
ACTION PROGRAM



May 22, 1973

Mr. Gordon J. Zerbetz, Commissioner  
Alaska Public Utilities Commission  
110 MacKay Building  
Anchorage, Alaska 99501

RECEIVED APUC

Dear Mr. Zerbetz:

24 MAY 73 14: 07 The Southeastern Alaska Community Action Program works with the villages in Southeastern Alaska. Through this close working relationship we are able to better understand the needs of these rural people than are many agencies. The Public Utilities Commission decisions are such that they have widespread effect on the people and villages of Southeastern. For this reason SEACAP has taken interest in the upcoming PUC public hearing. SEACAP is concerned about the type of notices the utility companies now utilized to inform their subscribers of rate changes. The predominate method is to publish written notices in the legal column of the newspaper that services the affected area. This method has several obvious shortcomings for the village people. Many people living in the village do not receive newspapers. Many older people are not able to read or read with great difficulty. Few people take the time to read the legal columns even if they are receiving a newspaper. As not to criticize without suggestions for improvement SEACAP does have several recommendations. The notice of rate changes should be continued in the newspapers. In addition, notices should be posted in public buildings (i.e. post office, city hall) and on community bulletin boards. Individual notices should also be sent to subscribers with their regular utility bill, at least 30 days before the rate change is to become effective. Announcements on the radio should also be used to spread this type of information. To insure all the people understand, the announcement should be read in English and the dialect native to the affected area. The adoption of these recommendations would bring better service to the public.

Very truly yours

Robert E. Bradley  
Executive Director/SEACAP

Telephone (907) 452-1746

*Doyon, Limited*

~~XXXXXXXXXXXX~~

527 Third Avenue

~~XXXXXXXXXXXX~~

*Fairbanks, Alaska 99701*

May 29, 1973

Mr. Jack Stearn  
Executive Director  
Alaska Public Utilities Commission  
1100 MacKay Building  
338 Denali Street  
Anchorage, Alaska 99501

Dear Mr. Stearn,

It has been brought to our attention that you are soliciting comments on Title 3 to implement AS 42.05 as it relates to notice that utility companies must provide to their customers whenever these companies set or change their rates.

RECEIVED APR 30 11: 51 MAY 73 11: 30  
Doyon, Limited is a native Regional Corporation with a very deep interest in utilities within the 42 villages in our region. We have been aware for some time that the notice for public hearings on rate changes and service has been totally inadequate.

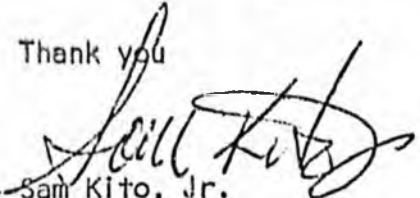
I would like to thank the Commission for sincerely looking into this problem and doing something about it.

We believe that future public notice should be given by radio as well as newspapers. Newspaper notice is generally in the legal section and receives very little scrutiny. Radio notices would be just an additional way to make sure that as many people as possible know about the hearings. Additionally we feel that native languages should be used where the language is used more than English.

One final method of notification we believe should be used is to require the utility to give written notice to individual customers along with utility bills.

Please enter this letter into the official transcript of hearing.

Thank you

  
Sam Kito, Jr.

Executive Vice President

HRB

2008

ALASKA  
STATE LEGISLATURE

3/25/75

MEMORANDUM

Bob

- Hope you can get HB208  
(Corporate Income Tax reform) out
- I think it's a badly needed bill!

Hugh

# COMMITTEE REPORT

2226/75

HOUSE

FINANCE

Mr. Speaker:

Date \_\_\_\_\_

The Committee on Commerce has had HB 208

under consideration. A Majority of the members of the Committee

( ) recommends it DO PASS

( ) recommends it DO NOT PASS

( ) recommends it DO PASS WITH ATTACHED AMENDMENT(S)

() recommends it BE REPLACED WITH CS FOR HB 208 (same title) AND THAT

CS FOR HB 208 DO PASS

( ) "and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

( ) reports it back WITHOUT RECOMMENDATION

( ) "other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

[Signature] Chairman

HOUSE BILL 208  
 POTENTIAL REVENUE EFFECTS  
 (\$000 Omitted)

Provision	<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>
Elimination of Foreign Tax Credit	917	1,001	1,433	1,825	1,889
Limitation on Investment Credit	2,403	2,187	6,552	4,286	4,408
Elimination of Percentage Depletion	<u>3,000</u>	<u>3,437</u>	<u>15,038</u>	<u>17,072</u>	<u>18,352</u>
Total Potential Revenue Effect	<u>6,320</u>	<u>6,625</u>	<u>23,023</u>	<u>23,183</u>	<u>24,649</u>

Note: Effect of Domestic International Sales Corporations not included since data are not available as to the number or extent of activity of potential DISC's. Theoretically, all exports from the State could qualify for this tax shelter.

# STATE OF ALASKA

JAY S. HAMMOND, Governor

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER / POUCH 5 — JUNEAU 99801

March 17, 1975

The Honorable Bob Bradley, Chairman  
House Commerce Committee  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Mr. Bradley:

re House Bill No. 208

House Bill No. 208, an Act relating to the Alaska net income tax deductions and credits, was introduced on February 26, 1975 and was referred to the House Commerce and Finance Committees.

For the consideration of the Commerce Committee, I am enclosing a copy of a memorandum dated March 10, 1975 from Frederick P. Boetsch, Deputy Commissioner of the Department of Revenue, concerning tax loopholes or potential tax loopholes that are presently on our statutes that would be eliminated by the proposed legislation.

If you, or any members of your Committee, have any questions on the material submitted, kindly advise the writer by telephone at 465-2397 and I will contact Mr. Boetsch for further material or testimony.

Very truly yours,



R. D. Stevenson  
Special Assistant

RDS:rl

cc The Honorable Hugh Malone  
Chairman  
House Finance Committee

Frederick P. Boetsch  
Deputy Commissioner  
Department of Revenue

# MEMORANDUM

TO:

R. D. Stevenson  
Special Assistant  
Department of Revenue

DATE : March 10, 1975

FROM:

Frederick P. Boetsch  
Deputy Commissioner for Taxation  
Department of Revenue

SUBJECT: HB 208

I have reviewed HB 208 which eliminates Foreign Tax credits from reference in the Alaska Net Income Tax Act, limits the application of Investment Credit to \$100,000 of equipment purchased and placed in use each year, deletes the tax shelter provided for Domestic International Sales Corporations, and eliminates percentage depletion as a deduction for income tax purposes.

The Foreign Tax Credit is allowed by the Federal Government to offset duplicate taxation on the same income. This is due to the fact that the Federal Government taxes world-wide income of domestic corporations. However, when applied to the state income tax return, the credit amounts to a double reduction of state taxes. Any corporation which reports to us on a world-wide basis apportions its income to Alaska using the three factor formula (Sales, Property, and Payroll). This means that Alaska gets a share of the income related to the corporation's activities in the state. Alaska is not taxing the income earned in a foreign country - only the income earned in Alaska. Therefore, the credit is not appropriate since it bears no relation to the income taxed by Alaska. We have issued an administrative ruling to this effect but believe that a clear expression of this policy in the statutes is necessary to avoid confusion and possible litigation.

The investment credit is a tool used by the Federal Government to stimulate the purchase of equipment during a period of economic slack. It is doubtful that such stimulation is needed in our state which is currently experiencing a boom. It is apparent that the state will lose a large number of tax dollars if the credit is continued for state tax purposes.

The attached schedule indicates that we could lose almost \$20 million between now and 1980. Almost 3/4 of these benefits would go to large international firms doing business in our own state. Although this would be a loss to the Treasury and, therefore, to Alaskans, it would not increase investment by these corporations in our state. In short, we would be giving away \$15 million dollars. On the other hand, the bill provides that the small businessman would continue to receive the benefits of the credit.

Our projections are based on a normal growth rate consistent with our most recent projections of corporate tax collections exclusive of the pipeline and other effects; the investment credit directly related to equipment used in the construction of the pipeline and the line and related facilities themselves; and Alaska's share of other oil companies on a world-wide basis, but of which Alaska would receive an apportionable share. The normal investment credit rate of 16.8263% was derived from

statistics provide 1 by the Internal Revenue Service and represents an average investment credit in relation to the net taxes paid.

The next provision seeks to disallow the filing of a return as a Domestic International Sales Corporation under Internal Revenue Code Section 991 for the purposes of meeting the Alaska Net Income Tax Act requirement. This is a provision that was enacted by Congress in 1971 to stimulate exports. Basically, it allows companies who have export sales to form a subsidiary corporation for the purpose of handling the exports. This subsidiary corporation is not subject to direct corporate taxation. Instead, 50% of the profits are taxed directly to the parent corporation and the other 50% are deferred until such time as actually distributed to the parent corporation or until such time as the parent disposes of its stock in the DISC or the election to be treated as a DISC is revoked. The idea that Congress had in mind was that this would allow us to export goods on a more competitive basis and help the national balance of payments situation.

We do not think that such an incentive is either necessary nor desirable in Alaska. There is a great deal of interest in exporting all our natural resources to foreign countries at the present time and a tax break does not seem to be necessary in order to continue or spur on the export industries. It could mean, however, that Alaska resources could be exported through the vehicle of a DISC without any income tax being paid on such exports. The DISC itself as indicated would be non-taxable. Although the parent corporation would be deemed to have received a dividend equal to 50% of the income during the tax year it is possible that the parent might be a corporation not doing business in Alaska and therefore could not be taxed on the deemed distribution. Although it is possible we could assert jurisdiction on the basis of the combination provisions of the Multistate Tax Compact we could wind up in court on the issue. Since this provision in the Internal Revenue Code does not have any advantage for Alaska and does not seem to be in the best public interest of Alaskans, we think that the easiest, simplest and most straight forward way to solve this problem would be to eliminate the possibility by deleting that Internal Revenue Code provision from our statutes.

I am unable to predict the effects on Treasury since we do not have any historical background on these corporations.

The percentage depletion allowed by the Internal Revenue Code is also eliminated. While there is great controversy raging in Congress on whether this allowance should continue for oil and gas (a bill to eliminate it recently passed the House), there really is no such question in Alaska. Industry is eager to develop our resources and continue exploration here. What we are doing, in effect, by continuing to allow percentage depletion on Alaska Income Tax returns is helping to subsidize exploration in other parts of the world. The revenue losses are substantial as is indicated by the attached schedule.

This Bill, then would eliminate many of the tax loopholes or potential loopholes which are presently on our statutes. These loopholes represent poor tax policy from Alaska's viewpoint and cause a considerable drain on the State Treasury. This drain will grow much larger unless we plug it now.

HOUSE BILL 208  
 POTENTIAL REVENUE EFFECTS  
 (\$000 Omitted)

Provision	<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>
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Note: Effect of Domestic International Sales Corporations not included since data are not available as to the number or extent of activity of potential DISC's. Theoretically, all exports from the State could qualify for this tax shelter.

STATE  
of ALASKA

## MEMORANDUM

File

TO:   
R. D. Stevenson  
Special Assistant  
Department of Revenue

DATE : March 10, 1975

FROM: Frederick P. Boetsch *F.P.B.*  
Deputy Commissioner for Taxation  
Department of Revenue

SUBJECT: HB 208

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HOUSE BILL 208  
 POTENTIAL REVENUE EFFECTS  
 (\$000 Omitted)

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Total Potential Revenue Effect	<u>6,320</u>	<u>6,625</u>	<u>23,023</u>	<u>23,183</u>	<u>24,649</u>

Note: Effect of Domestic International Sales Corporations not included since data are not available as to the number or extent of activity of potential DISC's. Theoretically, all exports from the State could qualify for this tax shelter.



Twenty years ago, the first pulp mill was established in Alaska. Ketchikan was chosen for the site, and the attendant construction of the mill, and the start of logging brought new work opportunities to an area where the fisheries, and other employment, were on the decline. As an adjunct to pulp manufacturing, additional sawmill capacity was later added by mill expansion, construction of new plants, and by adding second and even third shifts as export markets were developed. Much of the money invested in this sawmill expansion was brought about by the Domestic International Sales Corporations, and by the Investment Tax Credit, which provided one means of aid to recover the rather substantial investments (\$8,000,000) required in the expansion program.

As you have no doubt read in the press, the Ketchikan Pulp Company is now engaged in a struggle for its life. The Environmental Protection Act regulations, laid down by the Federal government, and estimated to be thirty-four million dollars, appear too costly to ever be paid off. It is hoped some way can be found to induce Congress to recognize that the strict EPA law need not apply, in equal degree, to all receiving waters found throughout the United States and here in Alaska. This, however, may take some time to accomplish, if, indeed, it can be done at all.

The export of pulp to foreign markets from the Ketchikan pulp mill constitutes a major portion of the DISC tax credits for the company. It is the sawmills who benefit most from the exemptions, thus it is hoped that they can be continued, and some means can be found to continue operation of the sawmills, even if the pulp mill has to cease production. With a highly competitive market for lumber products, the sawmills need all the help they can get. The Domestic International Sales Corporations are a means to assist the sawmills in meeting the fierce competition of the world markets, and therefore we feel should be retained, at least until the economic situation in Southeastern Alaska shows some signs of improvement, and those sawmills can get back into full production again. Currently, DISC is actually needed more than ever in our area to keep an industry going that is providing some employment and some tax revenue, where further financial burdens could result in both the employment and the tax revenue disappearing completely at a time when these revenues are of considerable importance to the State of Alaska.

For the long term pull, we feel that DISC should be thoroughly examined before repeal would take place. It does not mean that no taxes will accrue to the State. It is a means, on the other hand, to continue some tax revenue, both through the corporate and the personal income taxes paid, the latter through the employment in the sawmills, the logging industry and in longshoring. With oil revenues being somewhere in the future, it would appear that the State should do all possible to see that the present tax sources continue to be available.

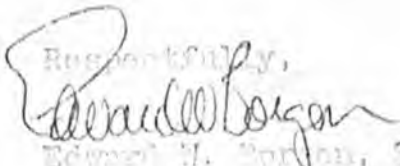
On their investment credit matter, we again urge consideration of the impact of repeal. Ketchikan Pulp Company is faced with a considerable expenditure for anti-pollution equipment if it can continue operation. This exemption provides a means to recover a small part of those costs, as none of the money expended will in any way result in increasing the output of a lower cost product, generally one source of recovering installation costs. On the contrary, the cost of the equipment to meet EPA regulations will have to either be passed on to the consumer, an irreversibility in the present market, or somehow absorbed. Here both DISC and the Investment Credit can play an important part in the company's future.

For your further information and consideration, we are attaching a sheet showing the comparison of employment at the cost of sawmill production in early 1974, this before the market for lumber products almost collapsed. The present employment figures, which we hope can be maintained until the market improves, will give some idea of the impact we are attempting to indicate.

People from the staff of the company, who are familiar with the more technical aspects of this subject will be on hand to answer questions or attempt to clarify points that may not be clear.

Thank you very much for the time you have spent in consideration of our problem.

cc Thomas Flanagan, Pres.  
Martin Pihl, V. P.  
Ketchikan Pulp Company  
  
Committee Members,  
House Commerce

Respectfully,  
  
Edward H. Gordon, Sr.  
Legislative Advisor

EMPLOYMENT AND INVESTMENT DATA - DISC AND INVESTMENT TAX CREDIT

<u>Sawmills</u>	<u>1974 Peak</u>	<u>Number of shifts</u>	<u>1975 workers</u>	<u>Number of shifts</u>	<u>Capital in expansion</u>
Ketchikan Spruce Kills-Ketchikan	140	2	80	1	\$300,000 Modernization
Annette Hemlock Ketchikan	120	2	120	2	\$250,000 Expansion
Alaska Timber Co. Klawock	100	2	0	0	\$2,500,000 New sawmill
Cant Hill-Mend Cove (Ketchikan)	80	3	50	2	\$5,000,000 New sawmill
<u>Sawmill totals</u>	<u>440</u>	<u>7</u>	<u>250</u>	<u>5</u>	<u>\$8,000,000</u>

Longshore  
Employment

(1) Ketchikan	50	40
Ketchikan	40	40
(2) Klawock	40	0
Longshore total	<u>130</u>	<u>80</u>

Longshore  
Sawmills

Various names	<u>440</u>	<u>250</u>
Total present in mills & related	1010	500

Reduction of 420 jobs  
due to depressed markets

- (1) Some Ketchikan longshoremen have been able to find work in Seattle on a temporary basis. These men rotate each month in this work opportunity.
- (2) The Klawock longshore crew is made up of men from Klawock, Craig and Hydaburg.



March 14, 1975

To: Edmund W. Bluth  
From: Thomas E. Edwards

Arguments Against HB 208

I suggest the following letter be referred to the appropriate Alaska Committee hearing on HB 208:

Gentlemen:

Union Oil Company is opposed to the modifications of the federal tax structure for purposes of Alaska net income taxation as proposed by House Bill 208.

In adopting the federal tax structure as a base for Alaska net income taxation, Alaska has codified a well integrated system designed not only for the collection of revenue but also a system designed to provide incentives for capital formation which encourage continued economic development. A further objective of the federal tax system is to correct competitive imbalances created by differences in international taxation. HB 208 would eliminate the major substantive provisions in these areas. Below is a discussion of the various credits and deductions HB 208 seeks to eliminate and a discussion of the probable economic ramifications of such action.

Job Development Investment Credit

HB 208 reduces to the point of extinction the job development investment credit allowed under IRC 50. The job development credit encourages a type of capital formation which relates directly to economic progress, to cost reduction, to the utilization of new methods, to the creation of employment, and to the advancement of product quality.

At a time when the Nation is suffering from what economic commentators have characterized as the worst recession since the Great Depression, this provision of HB 208 would be a step backwards. Indeed, there is currently a bipartisan effort before the United States Congress to raise the job development

taxation and ad valorem taxation. The net result of eliminating percentage depletion would be an overall diminution of the Alaskan tax base.

Another implication of reduced exploration activity is the loss of employment associated with petroleum exploration. In a period of high unemployment this is a particularly germane concern.

#### Foreign Tax Credits, DISC Deferral

The foreign tax credit makes it possible to avoid double taxation of the same income--once by the foreign government and again by the U.S. and states which have adopted the federal tax system. Since all other industrialized nations avoid double taxation, abandonment of this policy would make American companies non-competitive.

As a result, U.S. companies would be precluded from selling American goods abroad. This would lead to industrial unemployment in the United States and severely damage our balance of payments position.

The DISC deferral of income tax is a measure which corrects for imbalances in international taxation. The European industrial community exempts from the Value Added Tax industrial products which are exported. DISC deferral is the corresponding U.S. tax incentive for exportation. This program was designed to discourage U.S. industry from establishing factories in foreign countries in order to remain competitive. Expatriation of U.S. industry accelerates balance of payment deficits and local unemployment.

These tax policies have in large measure been responsible for the continued success of American enterprise in the world marketplace. To the extent that states eliminate these provisions from state net income taxation, the effectiveness of these tax policies is mitigated.

#### Conclusion

HB 208 by disallowing certain deductions and credits would disrupt the national scheme for the promotion of economic well-being by a process of "picking and choosing" among tax benefits to be conferred. This process has serious implications for the economic health of Alaska.

HB 208

Tape #	Date
9	3/10
13	3/14
14	3/14
18	3/25
19	3/25
20	3/26
20	3/27
21	3/25
21	4/2

HAROLD D. STRANDBERG, P. E.  
CONSULTING ENGINEER  
700 GOLD STREET  
JUNEAU, ALASKA 99801

PHONE (907) 586-1433

March 17, 1975

Rep. Bob Bradley  
Chairman, Commerce Committee  
Pouch V  
Juneau, Alaska 99811

Dear Bob:

Thank you for your letter of March 10, 1975, informing me of the hearing scheduled for March 21st regarding HB 208.

I regret I will be unable to be there to give testimony, as I will be out of town on business at that time.

Very truly yours,  
Harold D. Strandberg  
Harold D. Strandberg,  
Consulting Engineer

HDS/srm

*File with affected legislation*

Juneau address:

Edward W. Borgen, Sr.  
Prospector Hotel - #310

Producers of DISSOLVING PULP

## KETCHIKAN PULP COMPANY

██████████

KETCHIKAN, ALASKA 99901

U.S.A.

March 13, 1975

EDWARD W. BORGEN, Sr.  
Legislative Representative

The Honorable Bob Bradley  
Chairman, House Commerce Committee  
State House of Representatives  
Capitol Building  
Juneau, Alaska

Re: HB 208

Dear Representative Bradley:

The above bill, relating to Alaska net income tax deductions and credits, was sent to Ketchikan Pulp Company on March 1st. The accounting department there is in the process of making an analysis of the bill to determine the impact repeal might have on the company.

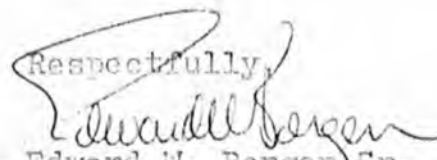
We will not be able to introduce testimony at the hearing scheduled for 8:00 A.M. Friday, and ask that you grant an additional seven (7) days before the next hearing on this legislation. During this period of time a determination can be made whether or not it will be necessary to have a witness appear, or to present written testimony.

Thank you for your consideration of this request.

cc Thomas Flanagan, Pres.  
Ketchikan Pulp Co.

Hon. Oral Freeman  
Committee Member  
House Commerce

Respectfully,

  
Edward W. Borgen Sr.  
Legislative Advisor

AREA 907 272-2519

WILLIAM W. HOPKINS

MANAGER  
ALASKA OIL AND GAS ASSOCIATION  
309 G STREET, SUITE 201

ANCHORAGE  
ALASKA  
99501

## **PETROLEUM TAXATION AND ENERGY INDEPENDENCE**

*Are Percentage Depletion and the Foreign Tax  
Credit Obsolete?*

*An Analysis of the U.S. Senate Debate on  
Petroleum Taxation During Consideration of Debt  
Ceiling Legislation (H. R. 14832), June 17-26, 1974*

**American Petroleum Institute**

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**American Petroleum Institute**

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## SUMMARY

**Introduction.** During the recent Senate debate on tax amendments to the debt ceiling bill (H. R. 14832), it was agreed that the national interest requires increased domestic output of oil and gas. Yet several Senators proposed elimination of percentage depletion. Can the country have both the increased supplies it needs and a heavier tax burden on the petroleum industry?

**I. RECENT INDUSTRY PROFITABILITY.** Has the petroleum industry become inordinately profitable? Profit improvement began in 1973; and in the first nine months of 1974, profits of 27 American companies were up 66 percent, giving a rate of return of 21 percent on net worth. In the absence of inventory profits, the return would have been about 18 percent. If the Energy Tax Act, H. R. 17488, had been in effect, the 18 percent return would have been less than 14 percent, apart from the Windfall Profits Tax. The Chase Manhattan Bank has estimated that "The rate of return on invested capital will need to range between 15 and 20 percent." Costs are increasing rapidly, and foreign production profits are threatened by a variety of host government actions.

In a period of severe inflation, generally accepted financial accounting practices overstate real profits. Moreover, the extractive industries generally experience increasing real costs as they tap progressively more difficult geological prospects. Thus, the true profits of the petroleum industry are further distorted.

One "representative study" estimated the capital requirements for the domestic petroleum industry between now and 1985 at \$36 billion per year apart from further inflation—four times the expenditure rate of the past five years and far more than current profits.

**H. RECENT INDUSTRY TAX BURDEN.** Some oil industry critics state that the 1972 Federal income taxes paid by oil companies averaged only about 6 percent of their net incomes. This falsely compares worldwide income with United States income taxes, rather than comparing worldwide income with worldwide income taxes. On the latter basis, the worldwide effective income tax rate for all of the companies was about 50 percent. To raise the 6 percent ratio to 48 percent would require a United States tax increase which would wipe out the companies' worldwide profits.

Looking only at United States income taxes, the base should be United States income. On this basis, the effective United States income tax rate for 1972 was about 25 percent. The analysis should include *all* taxes paid. *Excluding* sales or excise taxes on products, the total petroleum industry tax burden is 6 percent of gross revenue; the average for other businesses is 5 percent.

**III. FOREIGN OPERATIONS OF AMERICAN COMPANIES ARE CORRECTLY TAXED.** There would most likely be no revenue gain from reducing or eliminating the foreign tax credit provisions for American oil companies operating abroad because taxing on top of the foreign rate would render American firms non-competitive and drive them out of foreign business. This would leave the international oil business in the hands of foreign-owned companies, many of which are owned in whole or in part by foreign governments.

Proposals to eliminate the foreign tax credit for oil companies are grounded in several misconceptions:

(1) Profits on foreign operations are not excessive. Recent foreign profit margins are not sufficient to meet capital requirements.

(2) The oil industry does not use the foreign tax credit to excess. It uses the most foreign tax credits because it has the most foreign income of any American industry; and its foreign earnings are a higher percentage of its total earnings.

(3) The foreign tax credit is not a preferential investment incentive. The foreign tax credit mechanism only assures that American companies will not have to pay double taxes when they invest abroad.

(4) United States oil companies are not investing abroad at the expense of domestic investment. A domestic energy project which is unattractive will not be undertaken until it becomes attractive *on its own terms*.

Adverse changes in the taxation of foreign-source income of American petroleum companies would have no positive impact on the United States economy.

In fact, foreign petroleum investment by American companies is in the national interest. Some imports probably will be either desirable, or necessary, for a good many years. Furthermore, rapid and significant diversification of world sources of foreign oil supplies is crucial to the health of the world economy. Any improvement in the economic outlook in Europe and Japan will help the United States.

During the debate, it was alleged that 20 years ago, Saudi Arabia was induced to disguise its oil royalties as income taxes. No royalty has ever been converted to an income tax. Saudi Arabia added an income tax in 1950 and also kept its royalty. A royalty was paid prior to 1950 and has been paid continuously since that date.

**IV. BACKGROUND TO THE JUNE 1974 SENATE DEBATE ON PERCENTAGE DEPLETION.** For about six decades, the Internal Revenue Code has provided that an allowance for depletion of the value of oil, gas, and other natural deposits may be deducted from revenues when computing taxable in-

come. The allowance is now computed as 22 percent of gross income, limited to 50 percent of net income. Under various proposals made in Congress in 1974, the allowance is to be retroactively eliminated, phased out, or decreased. Under the Energy tax bill (H. R. 14462), oil prices which exceed the December 1, 1973 ceiling prices would be taxed at rates up to 85 percent of the excess.

**V. PERCENTAGE DEPLETION HAS BEEN AN EFFICIENT AND EFFECTIVE INCENTIVE.** One recurring theme during the debate was that percentage depletion has been ineffective as an incentive.

*Does Percentage Depletion Cost More Than It Is Worth?* Careful economic studies have indicated that percentage depletion is very effective relative to its cost. The 1968 CONSAD study cited by some Senators to show that depletion is ineffective has been aptly described by an independent team of university economists as "a dry hole."

*Does Percentage Depletion Encourage Production, Not Exploration?* A higher price stimulates exploration, discovery, development, and production by rewarding the successful explorer. Percentage depletion also does all of this because the amount of percentage depletion received is a function of price—22 percent of price. If the price of crude oil goes down, some prospects which were formerly profitable become uneconomic. Likewise, repeal of percentage depletion would eliminate prospects which might otherwise have met minimum profit criteria. Either lower price or lower percentage depletion means a lower level of exploration.

*Does Percentage Depletion Favor Low-Cost Oil?* In a high-cost operation (and in secondary recovery), the depletion allowance can sharply increase the producer's anticipated profits and render certain projects viable which would otherwise fail to meet minimum acceptable profit criteria. If the limitation to 50 percent of net income were removed or relaxed, the allowance would be even more useful in high-cost operations.

*Does Percentage Depletion Cause Over-Drilling?* When there is a shortage, obtaining oil sooner is desirable so long as the producing rates do not damage the reservoir. This does not happen because the maximum efficient rate of production for each well is normally determined by regulatory agencies based on the physical characteristics of the reservoir.

*Is Percentage Depletion Wasted on Landowners?* The royalty owners' share of the total amount of percentage depletion taken annually cannot be very great—about 10 percent. Moreover, royalty owners elect to share in the risks of exploration by contributing the pre-ex-

ploration capital value of their mineral rights to the exploratory process. Hence, they are entitled to share in the success—if any—of the operation.

It was also contended that percentage depletion is dissipated to landowners in the form of lease bonus payments. However, loss of percentage depletion on existing properties could not be shifted to the landowner because the lease acquisition cost is long since paid and the royalty is fixed. In an increasing cost industry, economic theory would say that "bonuses" on new properties would be no more than required to compensate the landowner for entry onto his land. Bonuses would only be expected to be significant on "bargain" oil prospects that have been kept off the market by government action. On any such remaining low-cost lands, shifting the loss of percentage depletion to the landowner would merely transfer funds within the government, *provided that* oil or gas is found. While bonus is collected before exploratory drilling, the higher tax would only materialize later in the event of success.

*Is Percentage Depletion Inferior to a Cash Subsidy?* A cash subsidy to all exploration rewards both success and failure. There may be a place for supplemental new incentives which are tied to effort, but percentage depletion is a proved mechanism which rewards only the productive venture.

*Does Percentage Depletion Discourage Alternative Energy Sources?* Percentage depletion applies to the full value of conventional crude but to only part of the value of the synthetic crude. The easy way to solve this problem is to compute percentage depletion for shale at that point in the process where it becomes a synthetic crude oil comparable to conventional crude. Moreover, elimination of percentage depletion on conventional oil and gas would not make synthetics more attractive. It would make domestic sources, *in total*, less attractive relative to imports.

*Has Percentage Depletion Promoted Energy Independence?* If depletion were an effective exploration incentive, why did exploration and the number of independent operators decline so sharply after 1956? Without percentage depletion and import restrictions, the domestic industry would have suffered substantially more than it did under government price and profit controls, which have depressed domestic exploratory drilling, encouraged imports, and dampened investment.

The value of depletion as an incentive was also questioned in view of the current decline in production. Rome wasn't built in a day. The industry is clearly responding quickly to the prospect of improved after-tax profits.