

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 8672

1502 SHESS SB 274 - (SB 296 & SB 297) 1502

MSG 82-00007429 PRTY 1 02/10/82 16:24:01 ORIG: LA09 IN= 0014 OUT= 0112
FROM: JEAN, ANCH INFO TO: POM, JUNEAU INFO
TARGET: LJH2 SUBJ: POM PAGE 000

TO: SENATORS PARR, STIMSON, COLLETTA, FISCHER AND KELLY
REPRESENTATIVES BEIRNE, MARTIN, CATO, MALONE, AND SMITH

FROM: BARBARA PETRUFKA
P.O. BOX 4-1910
ANCHORAGE 99509 (H) 345-1773

I URGE YOUR SUPPORT FOR HR 326 AND SB-274.

MSG 82-00007989 PRTY 1 02/12/82 16:23:19 ORIG: LA00 IN= 0016 OUT= 0064
FROM: JEAN, ANCH INFO TO: POM, JUNEAU INFO
TARGET: LJH2 SUBJ: POM PAGE 0008

TO: SENATORS PARR, STIMSON, COLLETTA, FISCHER AND KELLY
REPRESENTATIVES BEIRNE, MARTIN, CATO, MALONE AND SMITH

FROM: REBECCA KURTZ
SRA BOX 1548-M
ANCHORAGE 99507 345-1928

THIS IS CONCERNING HB 327 AND SB 274. PLEASE SUPPORT THESE.

MSG 82-00009015 PRY 1 02/12/82 18:53:14 ORIG: LA00 IN= 0022 CUT= 0081
FROM: JEAN, ANCH INFO TO: POM, JUNEAU INFO
TARGET: LJH2 SUBJ: POM . PAGE 0003

TO: SENATORS PARR, STIMSON, FISCHER, COLLETTA & KELLY
REPRESENTATIVES BEIRNE, MARTIN, CATO, SMITH AND MALONE

FROM: CONNIE STEVENS
1065 W 20TH
ANCHORAGE 99503 (H) 276-5766

I AM FOR THE LICENSING OF NATUROPATHIC PHYSICIANS IN ALASKA
(HB 327, SB 274).

MSG 82-00008155 PRTY 1 02/15/82 17:30:19 ORIG: LA00 IN= 0013 OUT= 0061
FROM: JEAN, ANCH INFO TO: POM, JUNEAU INFO
TARGET: LJH2 SUBJ: POM PAGE 0001

TO: SENATORS COLLETTA, FISCHER, KELLY, PARR AND STIMSON
REPRESENTATIVES BEIRNE, CATO, MALONE, MARTIN AND SMITH

FROM: LOREN UHLENKOTT
1016 W 6TH, SUITE 415
ANCHORAGE (W) 276-5566

I SUPPORT PASSAGE OF SB 274 HB 327 WHICH IS THE LICENSING OF
NATUROPATHIC PHYSICIANS IN ALASKA.

MSG 82-00008155 PRTY 1 02/15/82 17:30:19 ORIG: LA00 IN= 0013 OUT= 0061
FROM: JEAN, ANCH INFO TO: POM, JUNEAU INFO
TARGET: LJH2 SUBJ: POM PAGE 0009

TO: SENATORS COLLETTA, FISCHER AND PARR
REPRESENTATIVES CATO AND SMITH

FROM: KAREN REDSTONE
1509 WEST 45TH, APT 3
ANCHORAGE 99503 (H) 274-5320

IT IS VERY IMPORTANT TO ME PERSONALLY AND TO MY FAMILY THAT
HB 327 AND SB 274 ARE PASSED. I HAVE BENEFITTED FROM THE
PREVENTATIVE CARE GIVEN TO ME BY MY NATUROPATH. IT IS IMPORTANT
THAT HE AND OTHERS ARE LICENSED SO THAT THIS CARE MAY CONTINUE.

MSG 82-00008155 PRTY 1 02/15/82 17:30:19 ORIG: LA00 IN= 0013 OUT= 0061
FROM: JEAN, ANCH INFO TO: POM, JUNEAU INFO
TARGET: LJH2 SUBJ: POM

PAGE 0003

TO: SENATORS COLLETTA, FISCHER, KELLY, PARR AND STIMSON
REPRESENTATIVES BEIRNE, CATO, MALONE, MARTIN AND SMITH

FROM: KAREN PALINSKI
7031 OAKWOOD DRIVE
ANCHORAGE 99507 (H) 349-6437

I SUPPORT HB 326 AND SB 274. I WOULD LIKE THEM PASSED.

MSG 82-00008155 PRTY 1 02/15/82 17:30:19 ORIG: LA00 IN= 0013 OUT= 0061
FROM: JEAN, ANCH INFO TO: POM, JUNEAU INFO
TARGET: LJH2 SUBJ: POM

PAGE 0006

TO: SENATORS COLLETTA, FISCHER, KELLY, PARR AND STIMSON

FROM: SHIRLEY HARMON
P.O. BOX 10-1242
ANCHORAGE 99511

(H) 345-0017

I STRONGLY SUPPORT PASSAGE OF SB-274, LICENSING NATUROPATHIC
PHYSICIANS, SO THAT ALL ALASKANS SEEKING PREVENTIVE MEDICINE
AND NATURAL HEALING CAN IDENTIFY QUALIFIED HEALTH CARE
PROFESSIONALS.

MSG 82-00007417 PRTY 1 02/10/82 16:09:16 ORIG: LA00 IN= 0013 OUT= 016
FROM: JEAN, ANCH INFO TO: POM, JUNEAU INFO
TARGET: LJH2 SUBJ: POM
----- PAGE 000

TO: SENATORS PARR, STIMSON, COLLETTA, FISCHER AND KELLY
REPRESENTATIVES BEIRNE, MARTIN, CATO, MALONE AND SMITH

FROM: BARBARA PETRUFKA
P.O. BOX 4-1910
ANCHORAGE 99509 (H) 345-1773

I URGE YOUR SUPPORT FOR HB 327 AND SB 274.

PURPOSE: This bill would add naturopaths to the list of professions like hairdressers and physical therapists who are statutorily regulated and licensed in the State of Alaska. Alaska law currently contains no provisions with regards to this group of health care providers.

Sec.1 Adds naturopathy to the scope of Title 8.

Sec.2 The Department of Commerce and Economic Development is authorized to license and regulate naturopaths. Eligibility for licensure includes a high school diploma, two years of undergraduate work and at least 90% completion of a four-year program of study at a school accredited by the National Association of Naturopathic Physicians. The courses to be included in the program of study are listed. The last requirement is successful completion of a test given by the department, which may be supplemented by oral examinations or other practical tests.

This section allows for equivalency standards for attainment of a license. Since these proposed regulations are similar to laws in other states, transference of licensure is not difficult to assess. Revocation is based on allegations of fraud or deceit; wilful violations of the provisions of the bill, or unprofessional conduct. The fees for examination and licensure are set out.

A naturopath under this statute may:

1. perform physical examinations, write prescriptions for authorized substances, admit patients to nursing homes and hospitals, and sign birth and death certificates.
2. use diagnostic systems.
3. treat persons by stimulation of normal functions.
4. perform minor surgery in superficial locations of the body, use local anesthetics and practice natural childbirth.

A naturopath is prohibited from performing major surgery, using narcotics, using radiation therapy, and using any drugs other than those provided for under this chapter.

Misconduct with regard to use of a naturopathic license or observance of the provisions of this chapter is punishable as a Class B misdemeanor. Practice of naturopathy without a license is a Class A misdemeanor.

This chapter includes definitions of department, naturopath and unprofessional conduct.

Sec.3 This section allows the Commissioner of Commerce and Economic Development to retroactively license all persons who qualify under this chapter and who apply no later than 6/30/82.

Sec.4 Effective date is 7/1/81/.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 327

Title An Act Relating to the licensing of Practitioners of Naturopathic Medicine

Requested by Martin

Date April 9, 1981

II. FISCAL DETAIL

Agency Affected Department of Commerce and Economic Development

Program Category Affected Public Protection

BRU, Program, or Subprogram(s) Affected Regulation and licensing of professions - Admin

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

| | FY 81 | FY 82 | FY 83 | FY 84 | FY 85 | FY 86 |
|--------------------------|----------|------------|------------|------------|------------|------------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | 1.1 | .5 | .6 | .7 | .8 |
| 300 CONTRACTUAL | | 1.5 | 1.1 | 1.2 | 1.3 | 1.4 |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | 0 | 2.6 | 1.6 | 1.8 | 2.0 | 2.2 |

FUNDING (Thousands of Dollars)

| | 0 | 2.6 | 1.6 | 1.8 | 2.0 | 2.2 |
|-----------------------------|---|-----|-----|-----|-----|-----|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify Fund Source) | | | | | | |

POSITIONS

| | 0 | 0 | 0 | 0 | 0 | 0 |
|-----------|---|---|---|---|---|---|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

TRAVEL (12% inflation factor projected)

Hold 3 Hearings; one day each;

one staff person; Anchorage,

Fairbanks and Juneau.

FY82 only

\$ 680.00

Hold 2 Exams in Anchorage. One

staff person. Ongoing.

398.00

1,078.00 Total

CONTRACTUAL (7% inflation factor projected)

Room rental for hearings and exams.

Transcription, printing, telephone,

postage. Additional room rental for FY 82 only

****PLEASE NOTE****

THE ORIGINAL FILE CONTAINS AN OVERSIZED DOCUMENT THAT IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA STATE ARCHIVES TO VIEW THE ORIGINAL.

NEWSPAPER CLIPPING

"TRADITIONAL HEALER DELLA KEATS"

TUNDRA TIMES

1/28/1981, P14

Insert the following:

Sec. 08.45.110. LICENSURE AS A NATUROPATHIC PHYSICIAN. To be

eligible for a license as a naturopathic physician, an applicant shall

(1) hold a high school diploma or the equivalent;

(2) have completed two years of postsecondary education at an accredited college of liberal arts or sciences;

(3) have attended at least 90 percent of the hours required for graduation and graduated from a ^{legally chartered} school or college of naturopathic medicine that has as a requirement for graduation successful completion of a course of resident instruction of at least nine months actual attendance in each of four years and successful completion of a course of instruction totaling 4,500 hours or more;

(4) the course of study shall include:

(A) anatomy (including histology and embryology) and physiology;

(B) microbiology, immunology and public health;

(C) pathology and diagnosis (including physical, clinical, x-ray, and symptomatology diagnosis);

(D) first aid and emergency medicine;

(E) obstetrics and gynecology;

(F) orthopedics;

(G) minor surgery;

(H) proctology;

(I) otolaryngology;

(J) physiotherapy and manipulative techniques;

(K) clinical nutrition;

(L) herbology;

(M) naturopathic theory, practice and therapeutics;

(N) clinical practice;

(O) jurisprudence;

(5) successfully complete an examination given by the department.

(6) not have a license to practice naturopathic medicine in another state, province or territory which is currently suspended or revoked for disciplinary reasons

(7) be a citizen of the USA or be lawfully admitted for permanent residence

(8) be of good moral character.

Change from Naturopathic
From Alaska statute
8.64.200

4
basis to
state. rather
than former
confusion

From AS 8.64.312
from Oregon Statute
685.018

Page 4 line 2

Insert:

(3) and demonstrates to the satisfaction of the department qualifications at least equal to those required of persons eligible for licencing under this chapter.

Sec. 08.45. 140. Continuing Education Requirements. (a) Practioners under this section shall pursue a high degree of competence in Naturopathic Medicine by completing continuing education requirements delineated by the department.

(b) Before a license may be renewed the licensee shall submit evidence to the department that continuing education requirements prescribed by regulations adopted by the department have been met.

(c) The department may exempt a naturopathic practitioner from the requirements of (b) of this section upon an application by the licensee giving evidence satisfactory to the department that said is unable to comply with the requirements because of extenuating circumstances; however, no person may be exempted from the requirements of this subsection more than once in any five year period.

Page 4 line 10

Insert:

From ORS
685.110

- (4) impersonates another physician.
- (5) practices under an assumed name.
- (6) is convicted of a crime involving moral turpitude.

Page 4 line 19

Delete:

admit patients to hospitals and nursing homes,

From Hospital
DHSS

Page 4 line 23

Insert:

mechanical (including acupuncture),

From Naturopaths

Page 5 line 10

Delete:

use narcotics;

From Naturo

Insert:

use controlled substances as defined in state law;

From Naturo

Page 5 line 12

Delete:

use drugs except ... maintenance of life.

Insert:

use drugs except antiseptics, local anesthetics, minerals and extracts, compounds or concentrates obtained from plants or animals.

From Nat

Page 4 line 28

Delete:

perform minor surgery, including the drawing of

Insert:

draw

Page 5 line 1

Delete:

surgical

Page 5

Delete:

lines 4 & 5

Page 5 line 9

Delete:

major

Insert:

surgery (except as provided in (4) (C) of this section);

From DHS
Assoc



staff

POSITION PAPER

House Bill No. 327

"An Act relating to the licensing of practitioners of naturopathic healing; and providing for an effective date."

The bill provides for the licensing of naturopaths and defines qualifications necessary for licensure.

Definition

Naturopathy is defined as a system of treatment which emphasizes assistance to nature and includes the use of natural substances and physical means. Methods of treatment commonly include corrective nutrition, use of vitamins, minerals, enzymes and botanical preparations, counseling, hypnotherapy, massage, manipulation and other physical methods. There is apparently some controversy among naturopaths regarding the use of surgical methods.

Educational Background of Naturopaths

The National College of Naturopathic Medicine, with campuses in Portland, Oregon and Wichita, Kansas, is the only residential institution in the U.S. offering a curriculum in naturopathy. The course duration is four years. Admissions requirements include high school graduation and two years of college or university (there has been discussion with regard to expansion to three years). There is also a correspondence school of naturopathy in California. Graduates of this program would not be eligible for licensure in Alaska under the requirements contemplated in H.B. 327.

Current Status of Naturopathy in Alaska

Alaska currently has no statute providing for the licensure of naturopathic physicians. The Attorney General has held that, to the extent that naturopathy constitutes the practice of medicine as defined in the Alaska Statutes, any person practicing naturopathy would be required to be licensed by the State Board of Medical Examiners.

Position of the Department of Health and Social Services

The scientific basis of naturopathy has been questioned by the medical community. In a 1968 study, the U. S. Department of Health, Education and Welfare stated that "naturopathic theory and practice are not based upon the body of basic knowledge related to health, disease and health care which has been widely accepted by the scientific community." This position has remained unaltered. The American Public Health Association has also expressed reservations.

Certain disease categories would not appear to be amenable to successful treatment through naturopathic methods. A few examples would include malignancies, diabetes in certain age groups or of certain degrees of severity, certain types of infectious diseases, etc. Protection of the public would

POSITION PAPER HB 327
Page 2

require that the public clearly understands the limitations of the naturopathic approach and that the practitioner be able to recognize those conditions in which his therapy would not be beneficial.

The Bill contains no reference to standards of practice to be expected.

The Department recommends against the passage of House Bill 327. If, however, the Legislature enacts the Bill, the Department would strongly recommend limiting the scope of practice by prohibiting surgery, use of x-ray, and obstetrical practice by naturopaths.

Recommended by:

E. S. Rabeau

E. S. Rabeau, M.D., Director
Division of Public Health

Date:

2-16-82

Approved by:

Helen D. Beirne

Helen D. Beirne, Commissioner
Department of Health and
Social Services

Date:

2-17-82

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. House Bill No. 327
 Title "An Act relating to the licensing of practitioners of naturopathic healing..."
 Requested by Commissioner's Office Date 2-16-82

II. FISCAL DETAIL
 Agency Affected Department of Health and Social Services
 Program Category Affected Health/Public Health
 BRU, Program, Or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

| | FY 82 | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | 0 | 0 | 0 | 0 | 0 | 0 |
| 200 TRAVEL | 0 | 0 | 0 | 0 | 0 | 0 |
| 300 CONTRACTUAL | 0 | 0 | 0 | 0 | 0 | 0 |
| 400 COMMODITIES | 0 | 0 | 0 | 0 | 0 | 0 |
| 500 EQUIPMENT | 0 | 0 | 0 | 0 | 0 | 0 |
| 600 LAND & STRUCTURES | 0 | 0 | 0 | 0 | 0 | 0 |
| 700 GRANTS, CLAIMS, ETC. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

FUNDING (Thousands of Dollars)

| | | | | | | |
|------------------------|---|---|---|---|---|---|
| GENERAL FUND | 0 | 0 | 0 | 0 | 0 | 0 |
| FEDERAL FUNDS | 0 | 0 | 0 | 0 | 0 | 0 |
| OTHER (Specify Source) | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |

POSITIONS

| | | | | | | |
|-----------|---|---|---|---|---|---|
| FULL TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| PART TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| TEMPORARY | 0 | 0 | 0 | 0 | 0 | 0 |

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

IV. DATE 2-16-82 PREPARED BY E. S. Rabeau, M.D.
 AGENCY Dept. of Health & Social Services
 Original: Legislative Finance PHONE 465-3090
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

JCC

WE PETITION YOU

AS OUR LEGISLATOR TO RECOGNIZE BY LAW, THE NATUROPATHIC PROFESSION. WE FEEL IT IS OUR CONSTITUTIONAL RIGHT TO BE ABLE TO MAKE OUR OWN CHOICE IN SELECTING THE TYPE OF DOCTOR AND THE TYPE OF TREATMENT FOR US OR OUR FAMILY. WE WOULD PREFER TO BE ABLE TO CHOOSE BECAUSE OF AVAILABILITY, FROM ALL OF THE DIFFERENT TYPES OF TREATMENT AND ESPECIALLY AT TIMES, THE NATURAL METHOD OR NATUROPATHIC SYSTEM. WE THE UNDERSIGNED HAVE USED OR WOULD LIKE TO USE NATUROPATHIC SERVICES. WOULD YOU ACT IN OUR BEHALF TO ASSURE US OF OUR CONTINUED FREEDOM OF CHOICE?

| NAME | ADDRESS | DATE |
|--------------------|---|--------------|
| Deborah Brooks | 4202 Hayes Anch. 99503 | 3/4/81 |
| Esther Dornbeck | 3234 Linden Dr. Anch. 99502 | 3-5-81 |
| Stephanie Howard | 301 Lummell. 99504 | 3-5-81 |
| Chris Halder | 2606 Humbolt | 3-5-81 |
| Kim Caldwell | P.O. Box 3298 Palmer AK 99645 | 3-5-81 |
| Kevin Marquis | 815 N. Park #2 Anchorage 99504 | 3-5-81 |
| Linda Biggers | Box 43 Hope, AK | 3-5-81 |
| Scarlett Dickmeyer | Box 545 FIRDWOOD AK | 3-5-81 |
| Karen Kallen | General Delivery AKiak, AK ⁹⁹⁵⁵² | 3/6/81 |
| Lee Olson | 3922 Apollo Dr Anchorage 99504 | 3-6-81 |
| Janice Dahl | 1931 Wickenham Dr. Anch. AK | 3/6/81 |
| Donna Rieck | Box 10102 Anchorage, Alaska ⁹⁹⁵⁰¹ | 3/6/81 |
| Pauline Wynn | 1751 Falcon Cir Anch AK | 99504 |
| Joan Kattenbach | Box 635 Eagle River AK | 99577 |
| Kathy Mann | 7401 Chad St Anchorage AK | 99501 |
| Deane Jolev | 510 Jule Circle Anchorage, AK | 99503 |
| Ann Thurgood | 3030 Montgomery Ave Anch AK | 99507 |
| Lorraine M. Jandig | 3404 Oregon Dr. Anch. AK | 99503 |
| Lorrie L. Whelan | 2949 E. 88th Anchorage 99507 | 3/6/81 |
| Donna Smith | 5701 S. 16th Ave Anch 99504 | 3-9-81 |
| Lynn Clarke | 1840 South Pine St Anch 99507 | 3-10-81 |
| Cathleen Horvath | 4998 Klondike AK | 99504 3/10 |
| Jerry S. Clark | 3800 Cordell Circle ⁹⁹⁵⁰⁴ Anchorage AK | 99502 3/9/81 |
| Paula Ploeg | 5670 Silverado Way Anchorage AK | |
| Althea L. Stevens | 500 40th Anchorage AK | 3/10/81 |

WE PETITION YOU

AS OUR LEGISLATOR TO RECOGNIZE BY LAW, THE NATUROPATHIC PROFESSION. WE FEEL IT IS OUR CONSTITUTIONAL RIGHT TO BE ABLE TO MAKE OUR OWN CHOICE IN SELECTING THE TYPE OF DOCTOR AND THE TYPE OF TREATMENT FOR US OR OUR FAMILY. WE WOULD PREFER TO BE ABLE TO CHOOSE BECAUSE OF AVAILABILITY, FROM ALL OF THE DIFFERENT TYPES OF TREATMENT AND ESPECIALLY AT TIMES, THE NATURAL METHOD OR NATUROPATHIC SYSTEM. WE THE UNDERSIGNED HAVE USED OR WOULD LIKE TO USE NATUROPATHIC SERVICES. WOULD YOU ACT IN OUR BEHALF TO ASSURE US OF OUR CONTINUED FREEDOM OF CHOICE?

| NAME | ADDRESS | DATE |
|--|--|-------------|
| Ann Buckling | 1035 W. 20 th Anchorage AK | 3/10/81 |
| Nancy Rojas | 2907 La Honda Dr. #6 Anch. AK 99503 | 3/10/81 |
| Janet Embury | 2910 W. 34 th Ave Anchorage 99503 | 3/10/81 |
| Pipp B. B. B. | ST RT B Bx 9250 Palmer AK | 3/10/81 |
| Margaret D. D. | 1570 Garden St Anchorage | 3/10/81 |
| Sharon D. D. | 5112 E 5 th Anchorage AK | 3/10/81 |
| Lawrence D. Meshkin | 241 N. Park Anch. AK 99504 | 3/10/81 |
| Susan Faulk, President of Better Alaska Bath Experiences | Box 4-381 Anchorage AK ^{3/10/81} | 3/10/81 |
| Peter Raynor | 5132 W. 72 nd Anchorage AK 99502 | 3/11/81 |
| Riviera L. L. | 1303 W 39 th Anch. AK 99507 | 3/11/81 |
| Margie Mathews | 6930 Aitona Ave Anch. AK 99502 | 3/11/81 |
| Don H. H. | 1221 44 th Anch. AK 99502 | 3/11/81 |
| Nancy Buchanan | P.O. Box 6091 Anchorage 99502 | 3-11-81 |
| Miss M. Wickell | 4500 GOLFFIELD Anch. AK 99503 | 3-12-81 |
| Juliana K. K. | 400 N. 11 th St. Anch. AK | 3/12/81 |
| Laura - Huntington | Box 3 Homer, AK 99605 | 3/12/81 |
| Laura - Huntington | Box 3 Homer AK 99605 | 3/12/81 |
| Beverly Kosburgh Lee | Box 326 Anchorage AK 99587 | 3/12/81 |
| H. Lee | Box 326 Anchorage AK 99587 | 3/12/81 |
| Ann Silment | SR 1504 Wasilla AK 99687 | 12 Mar 1981 |
| Kathleen Whitson | 4040 FALKER ST Anch. AK 99504 | 3/12/81 |
| David Crendall | " " " " | " " |
| LARRY C. NELSON | 1611 DIAMOND DR. ANCH. AK 99503 | 3/12/81 |
| Pauline Lites | SRA Box 478 Anch. AK 99577 | 3/12/81 |
| Don Cook | SR 1503 Eagle River, AK 99577 | 3/12/81 |

WE PETITION YOU

AS OUR LEGISLATOR TO RECOGNIZE BY LAW, THE NATUROPATHIC PROFESSION. WE FEEL IT IS OUR CONSTITUTIONAL RIGHT TO BE ABLE TO MAKE OUR OWN CHOICE IN SELECTING THE TYPE OF DOCTOR AND THE TYPE OF TREATMENT FOR US OR OUR FAMILY. WE WOULD PREFER TO BE ABLE TO CHOOSE BECAUSE OF AVAILABILITY, FROM ALL OF THE DIFFERENT TYPES OF TREATMENT AND ESPECIALLY AT TIMES, THE NATURAL METHOD OR NATUROPATHIC SYSTEM. WE THE UNDERSIGNED HAVE USED OR WOULD LIKE TO USE NATUROPATHIC SERVICES. WOULD YOU ACT IN OUR BEHALF TO ASSURE US OF OUR CONTINUED FREEDOM OF CHOICE?

| NAME | ADDRESS | DATE |
|---------------------|----------------------------------|----------------|
| William G. Merrill | 612 Channing St. | March 13, 1981 |
| Nadene Calderwood | 7900 Montgomery Ave | March 13, 1981 |
| Carol Lawrence | 1414 1/2 Central | 3/13/81 |
| Naomi Palmer | P.O. Box 4-294 Anch 99509 | 3/13/81 |
| Adrienne Bore | 4343 San Roberto #14, 99504 | 3/13/81 |
| Cristina D. Bennett | 730 W 19th Ave Apt 99503 | 3-13-81 |
| Carol Rhodes | 1061 E. 17th Ave Anch 99501 | 3-13-81 |
| Janice | 101 E. 17th Anchorage, Ak. 99501 | 3/13/81 |
| Dana Pace | SRA 191 Anchorage, AK 99502 | 3/13/81 |
| Lillian Borisyuk | 1909 W. HILLCREST TENCH., AK. | 3-13-81 |
| Concynia Elder | SRA Box 19 Anch 99507 | 3/16/81 |
| Marilyn Peterson | 721 W 85th Anch 99502 | 3/16/81 |
| Janet Strout | | |
| Linda Arnett | 1022 1/2 Street, Anch, 99501 | 3/16/81 |
| W. B. Sursky | 1417 W 710 Regis Blvd Anch 99503 | 3/16/81 |
| Carol V. Krasinsky | 3520 Wentworth 99504 | 3/17/81 |
| Susan J. Clark | 8800 Cordell Cir. Apt 4 | 3/17/81 |
| Constance M. Walker | 2103 W 45th, Anch 99503 | 3/17/81 |
| Billie A. Perkins | SR Box 206-211 W. 11th St | March 17, 1981 |
| Karen Gasper | 614 Jewell Lake Road | March |
| May Keele | 7500 DeSoto Rd, H530 | 3/18/81 |
| Kay Staci | 3701, BOREAVO 99503 | 3/18/81 |
| Art D. Orlov | 1201 Divard #1002 99502 | 3-18-81 |
| Shirley M. Harman | 1621 Demond Dr. Anch 99507 | 3-18-81 |

WE PETITION YOU

AS OUR LEGISLATOR TO RECOGNIZE BY LAW, THE NATUROPATHIC PROFESSION. WE FEEL IT IS OUR CONSTITUTIONAL RIGHT TO BE ABLE TO MAKE OUR OWN CHOICE IN SELECTING THE TYPE OF DOCTOR AND THE TYPE OF TREATMENT FOR US OR OUR FAMILY. WE WOULD PREFER TO BE ABLE TO CHOOSE BECAUSE OF AVAILABILITY, FROM ALL OF THE DIFFERENT TYPES OF TREATMENT AND ESPECIALLY AT TIMES, THE NATURAL METHOD OR NATUROPATHIC SYSTEM. WE THE UNDERSIGNED HAVE USED OR WOULD LIKE TO USE NATUROPATHIC SERVICES. WOULD YOU ACT IN OUR BEHALF TO ASSURE US OF OUR CONTINUED FREEDOM OF CHOICE?

| NAME | ADDRESS | DATE |
|---------------------|-------------------------------------|----------------|
| William G. Merrill | 6112 Chicago St. | March 13, 1981 |
| Nadine Caldwell | 7907 Montgomery Dr. | March 13, 1981 |
| Charles [unclear] | 1414 1/2 [unclear] | 3/13/81 |
| Dawn Palmer | P.O. Box 4-294 Anch 99509 | 3/13/81 |
| Adrienne Bove | 4343 San Roberto #14, 99504 | 3/13/81 |
| Cristina D. Bennett | 720 W 19th Ave Apt 99503 | 3-13-81 |
| Carol Rhodes | 1061 E. 17th Ave Anch 99501 | 3-13-81 |
| [unclear] | 101 E. 17th Anchorage, Alaska 99501 | 3/13/81 |
| Nana Pace | SRA 191 Anchorage AK 99502 | 3/13/81 |
| Allen Backuski | 1908 W. HILLCREST RANCH, AK. | 3-13-81 |
| [unclear] | SRA Box 19 Anch 99501 | 3/16/81 |
| [unclear] | 721 W 85th Anch 99502 | 3/16/81 |
| Janet Hunter | | |
| Chuck Arnett | 102811 Street, Anch, 99501 | 3/16/81 |
| W. B. Suszyski | 1417 W 710 Knight Blvd Anch 99503 | 3/16/81 |
| Frank V. Ramsey | 3520 Wentworth 99504 | 3/17/81 |
| Judson J. Clark | 8200 Cordell Cir. Apt 41 | 3/17/81 |
| Constance M. Walker | 2103 W 45th, Anch 99503 | 3/17/81 |
| Bill A. Perkins | SR Box 2102-111 Wadella AK | March 17, 1981 |
| Karen Gasper | 6141 Jewel Lake Road | March 17 |
| Mary Koshin | 7500 DeBuan Rd, H530 | 3/18/81 |
| Kay Stoli | 3041 [unclear] 99503 | 3/18/81 |
| Rich [unclear] | 1500 [unclear] #102 99502 | 3-18-81 |
| Shelley M. Hansen | 1621 Demand Dr. Anch 99507 | 3-18-81 |

WE PETITION YOU

AS OUR LEGISLATOR TO RECOGNIZE BY LAW, THE NATUROPATHIC PROFESSION. WE FEEL IT IS OUR CONSTITUTIONAL RIGHT TO BE ABLE TO MAKE OUR OWN CHOICE IN SELECTING THE TYPE OF DOCTOR AND THE TYPE OF TREATMENT FOR US OR OUR FAMILY. WE WOULD PREFER TO BE ABLE TO CHOOSE BECAUSE OF AVAILABILITY, FROM ALL OF THE DIFFERENT TYPES OF TREATMENT AND ESPECIALLY AT TIMES, THE NATURAL METHOD OR NATUROPATHIC SYSTEM. WE THE UNDERSIGNED HAVE USED OR WOULD LIKE TO USE NATUROPATHIC SERVICES. WOULD YOU ACT IN OUR BEHALF TO ASSURE US OF OUR CONTINUED FREEDOM OF CHOICE?

| NAME | ADDRESS | DATE |
|----------------------|---|---------|
| Mark Grindle | 1924 Stonegate Cr. | 3/24/81 |
| Diana Lay | 705172 Solomon Sp. 9 | 3/24/81 |
| Kara Rinn | 1509 St. 45 th Apt 4 | 3-24-81 |
| Tudah Blakemore | 801 Airport Hts # 375 | 3-24-81 |
| ERIC H. AKOLA | 1260 FRIENDLY LN. | 3/25/81 |
| Karen Butten | 40 Box 1582 | 3/25/81 |
| Suey Means | 234 East 15 th (Vic. Anch 99501) | 3/25/81 |
| Lythia Prandall | R30 W 26 th #5 Anch. AK 99503 | 3/26/81 |
| Brenda & Annelita | P.O. Box 1622 Palmer AK 99645 | 3/26/81 |
| ANDRE PEKARSKI | Rox 461 Greenwood 99587 | 3/26/81 |
| Ellie Stacey | 3/2 8766 Indian Ak 99540 | 3/26/81 |
| Dave Silt | Box 116 (Anchorage) 99587 | 3/26/81 |
| Keri (E. Allen) | P.O. Box 4-520 Anchorage AK 99507 | 3/27/81 |
| Harland Noble | 301 - S. Bragaw Anchorage AK 99504 | |
| Lythia Prandall | R30 W 26 th #5 Anch | 3/27/81 |
| Audrey Tamara | P.O. Box 6343 Anch. AK 99502 | 3-27-81 |
| Earle Fading | 2404 Oregon Anch AK 99503 | 3-27-81 |
| Smith Allen | 110 W 6 th Ave Anch AK 99501 | |
| Susan W. Brown | 7737 Henshawville Anch, AK 99502 | 3/30/81 |
| Michael W. Ostrowski | 130 East 8 th Anch AK 99501 | 3/30/81 |
| Michael Ostrowski | 130 E 8 th Anch AK 99501 | 3/30/81 |
| Kelly O. Thomas | 926 W 11 th Apt 10 Anch AK 99501 | 3/30/81 |
| Michelle Haley | 3601 W. ... Anch | 3/30/81 |
| Mrs. (Carol) Heimer | P.O. Box 251 Eagle River AK 99577 | 3/31/81 |
| Jane Colby | JRA Box 1740-C Anch AK 99507 | 3-31-81 |

Clinic of Natural Medicine

Patton D. Pettijohn, N.D.
Naturopathic Physician

4/1/81

Dear Senator Parr,

I am writing to inform you of the enclosed Senate bill ²⁷ and house bill 327. It provides licensure for practitioners of Naturopathic healing and a fair definition of Naturopathy. I hope you will understand that without licensing procedures for Naturopathic physicians it puts in question the rights of thousands of Alaskans to choose for themselves what type of health care service they use. Naturopathic physicians also have constitutional rights to practice their profession and livelihood as trained in Alaska.

At this time there is no definition or licensing procedure for Naturopathic medicine in Alaska as there is in other states. The main problem stems from the fact that the practice of "medicine" as defined by Alaska Statute is so broad that Naturopaths may be challenged that they are practicing medicine without license to do so. We contend that we are not practicing "medicine" but Naturopathy and Alaska has no licensing procedures for us. I am however, licensed to practice Naturopathy in Oregon.

Clinic of Natural Medicine

Patton D. Pettijohn, N.D.

Naturopathic Physician

Another problem with the lack of licensure is that there is no regulating body to protect the public interests by making sure that those who practice as naturopathic physicians are qualified to do so.

By way of background, I am a life long resident of Anchorage, born here in 1951. The state, through the student loan program, financed my complete education both my bachelor degree in Human Biology and Doctor of Naturopathic medicine degree. Alaska is my home and I should have the right to practice my profession without the threat of being prosecuted.

Enclosed is information that will serve to inform you as to the exact nature of our education and qualifications as health care professionals. I will enclose naturopathic licensing laws from Oregon & Hawaii as well. Will you to contact me at any time or Senator Colletta's office for further information. I urge you to support Senate Bill 274.

Sincerely,

Patton Pettijohn N.D.

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K-STATE CAPITOL
JUNEAU, ALASKA 99811

March 29, 1979

Mike Colletta, Chairman
Rules Committee
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Re: The Practice of Naturopathy in Alaska

Dear Senator Colletta:

This letter is in response to your recent request for information regarding the practice of naturopathy in Alaska.

Although one statute, AS 08.02.010, makes passing reference to "naturopath", Alaska has no statute which regulates the practice of naturopathy. It was this lack of legislation which led the Idaho Association of Naturopathic Physicians, Inc., to file against some 30 states and several municipalities in order to compel the defendants to recognize naturopathy as a discipline distinct from the orthodox practice of medicine. While the suit involving Alaska has yet to be decided, a companion case, Idaho Association of Naturopathic Physicians, Inc. v. United States Food and Drug Administration, et al. 582 F.2d 849 (4th Cir. 1978), the United States Court of Appeals for the fourth circuit unanimously affirmed decisions of two United States district courts dismissing the county and state defendants from the actions filed by the Association. We have no reason to believe that the outcome of the suit involving Alaska will diverge from the fourth circuit decision.

Although the Medical Board has apparently taken the position that it is not responsible for the licensure of naturopaths, naturopathy may constitute the practice of medicine within the meaning of AS 08.64.380(2)(A) (C) or (D):

"Practice of medicine" or "practice of osteopathy" means

(A) maintaining an office or place of business for the purpose of treating the sick or injured

for pay or . . .

(C) the assumption or promulgation of a title which tends to show that the person is willing or qualified to diagnose or treat the sick or injured . . . or

(D) for a fee prescribing, directing or recommending for the use of a person, a drug or medicine for the treatment, cure or relief of a disease, infirmity, bodily injury or defect.

Given the Medical Board's posture with respect to naturopathy, it is highly unlikely that the State would undertake any action to prosecute or otherwise discipline an individual naturopath for the unlawful practice of medicine. In essence, then, naturopathy within the State of Alaska is an unlicensed activity.

It is my understanding from my conversation with your administrative assistant, Carlos Mercer, that you are currently contemplating legislation to regulate the practice of naturopathy in the State. In formulating this legislation, two fundamental issues arise: (1) does the practice of naturopathy constitute a practice which poses a risk to the health and safety of Alaskans such that it should be regulated? (2) in what manner can the State best control entrance into the occupation and support and enforce standards of practice among licensed practitioners?

I am available to meet with you at any time to discuss in further detail the background of the naturopathy suit and to assist you in the preparation of legislation to regulate naturopathy in Alaska.

Sincerely yours,

AVRUM M. GROSS
ATTORNEY GENERAL

By:


Bruce M. Botelho

Assistant Attorney General

BMB:vr

**OREGON LAW
Relating to Naturopathic Medicine**

The practice of naturopathic medicine was first recognized in Oregon law in 1927 and by the United States Congress in 1931.

Oregon Revised Statutes, Chapter 685 (revised 1977), 685.101 — 685.990, provides the licensing authority for Naturopathic Physicians in the state of Oregon:

Chapter 685

Naturopaths

GENERAL PROVISIONS

- 685.010 Definitions
- 685.020 Licensee required to practice naturopathy; title and abbreviations usable by licentiate
- 685.030 Application of chapter
- 685.040 Application of health laws
- 685.050 Execution of birth and death certificates

LICENSING

- 685.060 Minimum educational requirements for license
- 685.070 Application for examination; license fee
- 685.080 Examination of applicants; issuing license
- 685.085 Reciprocal license
- 685.090 Recording license with county clerk
- 685.100 Annual renewal of license
- 685.102 Continuing education course required; exemptions
- 685.104 Effect of failure to comply with ORS 685.102; reissuance of registration

- 685.106 Approval of continuing education programs
- 685.110 Denial or revocation of license by board
- 685.125 License denial or revocation procedure; promulgation and review of rules and orders.

STATE BOARD

- 685.160 Naturopathic Board of Examiners; appointment; confirmation
- 685.170 Officers of board
- 685.190 Compensation and expenses of board members; compensation of secretary
- 685.201 Disposition of receipts

ENFORCEMENT

- 685.210 Enforcement; employing attorney; jurisdiction

PENALTIES

- 685.990 Penalties

CROSS REFERENCES

- Administrative procedures and rules of state agencies, Ch. 183
- Health certificate, signature by physician licensed by Board of Medical Examiners only, 433.010
- Legislative review of need for agency, 182.615
- Military or naval service persons relieved from pay-

- ment of fees, 408.450
- Naturopaths exempt from jury duty, 10.040
- Physician-patient privileged communications, 44.040
- Professional corporations, Ch. 58

685.020

Professional designation of licensed naturopath, 676.110
Use of professional designation by unlicensed person prohibited, 676.120

685.050

Falsification of health certificate prohibited, 106.990

685.060

Waiver of educational requirement for admission to examination, 670.010

685.110

Denial, suspension or revocation of license prohibited solely because of criminal conviction, 670.280
Injunction against practicing after suspension or revocation of license, 676.220

685.160

Administrative agencies generally, Ch. 182
Assistant Director for Health as ex officio member of board, 184.835

685.190

Subsistence and mileage allowance for travel, 292.210 to 292.250

685.201

Expenditures without allotment prohibited in certain cases, 291.238

685.210

Attorney General to supervise all legal proceedings for state agencies, 180.220, 180.230

Note: Section 41, chapter 842, Oregon Laws 1977, is operative July 1, 1986, and provides:

Sec. 41. ORS 685.010, 685.020, 685.030, 685.040, 685.050, 685.060, 685.070, 685.080, 685.085, 685.090, 685.100, 685.102, 685.104, 685.106, 685.110, 685.125, 685.160, 685.170, 685.190, 685.201, 685.210 and 685.990 relating to naturopaths are repealed.

GENERAL PROVISIONS

685.010 Definitions. As used in this chapter.

(1) "Board" means the Naturopathic Board of Examiners.

(2) "Drugs" means all medicines and preparations and all substances, except non-poisonous plant substances, food and water, used or intended to be used for the diagnosis, cure, treatment, mitigation or prevention of diseases or abnormalities of man, which are recognized in the latest editions of the official United States Pharmacopoeia, official Homeopathic Pharmacopoeia, official National Formulary, or any supplement to any of them, or otherwise established as drugs.

(3) "Minor surgery" means the use of electrical or other methods for the surgical repair and care incident thereto of superficial lacerations and abrasions, benign superficial lesions, and the removal of foreign bodies located in the superficial structures; and the use of antiseptics and local anesthetics in connection therewith.

(4) "Naturopathy," which includes physiotherapy and minor surgery, is defined as a system of treating the human body by use of drugless methods, which has for its object the maintaining of the body in, or of restoring it to, a state of normal health.

[Amended by 1953 c. 557 §4]

685.020 License required to practice naturopathy; title and abbreviations usable by licentiates.

(1) No person shall practice, attempt to practice, or claim to practice naturopathy in this state without first complying with the provisions of this chapter.

(2) Licentiates under this chapter may use any or all of the following terms: "Doctor of Naturopathy" or its abbreviation, "N.D.," "Naturopath" or "Naturopathic Physician." However, none of these terms, or any combination of them, shall be so used as to convey the idea that the physician who uses them practices anything other than drugless therapy.

685.030 Application of chapter. Nothing in this chapter shall be construed to:

(1) Apply to any physician and surgeon, osteopath or chiropractor, or to any Christian Scientist or other person who by religious or

spiritual means endeavors to prevent or cure disease or suffering in accord with the tenets of any church.

(2) Authorize licentiates to practice optometry or administer chiropractic adjustments, or any system or method of treatment not authorized in this chapter, or to administer or write prescriptions for or dispense drugs, or do major surgery.

(3) Prevent one licensed under this chapter from the administration of the anesthetics or antiseptics authorized in subsection (3) of ORS 685.010 or the use of radiopaque substances administered by mouth or rectum necessary for Roentgen diagnostic purposes.

(4) Authorize the administration of any substance by the penetration of the skin or mucous membrane of the human body for a therapeutic purpose.

[Amended by 1953 c 557 §4]

685.040 Application of health laws. Licentiates under this chapter shall observe and are subject to all state, county and municipal laws and regulations relating to public health.

685.050 Execution of birth and death certificates. Licentiates under this chapter are authorized to sign birth and death certificates. Such certificates so signed shall be accepted as fulfilling all the requirements of the laws dealing with such certificates.

LICENSING

685.060 Minimum educational requirements for license. (1) The minimum educational requirements for license under the provisions of this chapter shall be:

(a) A high school education, as shown by diploma or certificate of graduation from a standard high school, or the equivalent of such an education, which shall be certified by a Superintendent of Public Instruction; and

(b) At least two years' satisfactory liberal arts and sciences study, or either, in a college or university accredited by either the Northwest Association of Secondary and Higher Schools or a like regional as-

sociation or in a college or university in Oregon approved for granting degrees by the Oregon State Board of Education as evidenced by certificate or transcript of credits from the college or university; and

(c) Graduation from a naturopathic school or college approved by the State Board of Naturopathic Examiners and which requires for graduation a period of actual attendance of four years of at least nine months each, and teaching adequate courses in all subjects necessary to the practice of naturopathy.

(2) The studies required of the applicant for a license to practice naturopathy in this state shall include anatomy, histology, embryology, physiology, chemistry, pathology, bacteriology, public health and hygiene, toxicology, obstetrics and gynecology diagnosis, theory, practice and philosophy of naturopathy, electrotherapy, hydrotherapy, physiotherapy, clinics, eye-ear-nose-throat, minor surgery, first aid, herbology, proctology, dietetics, jurisprudence, and such other naturopathic subjects as the board may require, except materia medica, pharmacology and major surgery, with a total of not less than 4,000 lecture or recitation hours.

[Amended by 1953 c 557 §4, 1969 c 381 §5]

685.070 Application for examination; license fee. Any person who wishes to practice naturopathy in this state shall make application to the board for an examination for a license to practice naturopathy. The application shall be filed with the board not less than 10 days before the date of the examination upon blanks provided by the board. All persons licensed under this chapter shall pay to the board a license fee of \$25, \$10 of which must accompany the application for examination. The balance shall be paid when the applicant has been granted a license. Under no condition will the application fee of \$10 be returned to the applicant. Affidavits of two reputable citizens of the state attesting the good moral character of the applicant shall be filed with the application for examination.

685.080 Examination of applicants; issuing license. (1) For the purpose of determining the qualifications of applicants for license under this

chapter, the board shall hold meetings and conduct examinations of applicants for licenses at such time and places and under such rules and regulations as a majority of the board may determine. The time and place of holding such an examination shall be published at least 30 days prior to the date of the examination.

(2) At the time and place the board has previously designated, the applicant shall appear before the board to be examined as to his fitness to practice naturopathy. The examination shall be in writing and embrace and be restricted to the subjects listed in ORS 685.060.

(3) If the applicant answers correctly 75 percent of the questions asked on each of the subjects of the examination, the board shall issue to such applicant a license to practice naturopathy. If however, an applicant fails to pass an examination, the applicant shall, without losing credits for subjects passed and without paying another fee, be permitted, within one year from date of failure to pass, to take another examination at the convenience of the board, but the applicant shall, not less than 10 days before the date of the examination, notify the board of his intention to take the examination.

685.085 Reciprocal license. A person licensed to practice naturopathy under the laws of another state who demonstrates to the satisfaction of the board that he possesses qualifications at least equal to those required of persons eligible for licensing under this chapter, may be issued a license to practice in this state without written examination upon payment of the license fee required under ORS 685.100.

[1973 c. 469 §2]

685.090 Recording license with county clerk. Before engaging in practice in any part of the state, the holder of a license under this chapter shall present such a license, or a certified copy, for record to the county clerk of the county in which the holder of the license resides. A county clerk is entitled to collect a fee of \$1 for recording the license or for making a certified copy of it. Annually, on January 1, county clerks shall, when requested by the board, furnish the board with a list of such licenses on record in their respective counties

685.100 Annual renewal of license. (1) On or before January 1 of each year, every person holding a license under this chapter shall apply to the board for a certificate of annual registration and at the time of applying shall pay to the board an annual registration fee not to exceed \$75, as determined by the board and approved by the Executive Department. A person holding a license under this chapter who is at least 70 years of age and retired from the practice of naturopathy shall apply to the board for a certificate of annual registration and at the time of applying shall pay to the board an annual registration fee not to exceed \$30, as determined by the board and approved by the Executive Department. The application shall be made upon a blank form furnished by the board, and shall contain such information as may be necessary to enable the board to identify the applicant for registration and the licensee to be what he claims to be in the application.

(2) Upon receipt of an application for annual registration, accompanied by the annual registration fee, the board shall issue to the applicant a certificate of annual registration. The certificate shall, at all times, be displayed in the office of the person to whom it was issued unless the person is retired from the practice of naturopathy and does not maintain an office.

(3) The failure, neglect or refusal of any person holding a license under this chapter, to pay the annual registration fee as required by subsection (1) of this section shall, after 30 days from January 1 of each year, automatically revoke his license. A revoked license shall not be restored except upon written application therefor and the payment of a restoration fee of \$25 for each year the license remains revoked, which is in addition to the annual registration fee for each year the registration fee remains unpaid. An applicant for the restoration of a license so revoked shall not be required to submit to any examination as to his qualification to practice under this chapter. However, the board may deny the restoration of any license for which the required registration fees have not been paid during the years for which they are due if it finds that grounds for refusal to grant or for revocation of the license exist under ORS 685.110.

(4) On or before December 1 of each year the secretary of the board shall notify each person holding a license under this chapter that the annual registration application and fee are due on or before January 1 following.

[Amended by 1967 c.44 §2, 1969 c.26 §2, 1969 c.381 §6, 1973 c.182 §5]

685.102 Continuing education course required; exemptions. (1) Except as provided in subsection (2) of this section, each person holding a license under this chapter shall submit at the time he submits the annual registration fee, evidence satisfactory to the board of his successful completion of an approved program of continuing education in naturopathy, completed in the calendar year preceding the date on which the evidence is submitted.

(2) The board may exempt any person holding a license under this chapter from the requirements of subsection (1) of this section upon an application by him showing evidence satisfactory to the board that he is unable to comply with the requirements because of physical or mental condition or because of other unusual or extenuating circumstances. However, no person shall be exempted from the requirements of subsection (1) of this section more than once in any five-year period.

(3) Notwithstanding subsection (2) of this section, a person holding a license under this chapter may be exempted from the requirements of subsection (1) of this section upon an application by him showing evidence satisfactory to the board that he is or will be in the next calendar year at least 70 years of age and is retired or will retire in the next calendar year from the practice of naturopathy.

(4) A person who is exempted from the requirements of subsection (1) of this section shall not practice naturopathy. A violation of this subsection is grounds for suspension or revocation of the license of the person granted the exemption by the board.

[1969 c.381 §2, 1973 c.824 §(7)]

685.104 Effect of failure to comply with ORS 685.102; reissuance of registration. (1) The board shall refuse to issue the certificate of annual

registration to any person holding a license under this chapter who fails to submit with his annual registration fee proof required under ORS 685.102, unless it has exempted the person from the requirements of subsection (1) of ORS 685.102. The board shall return the annual registration fee to the person.

(2) After January 1 of any year, the board may issue a certificate of annual registration to any holder of a license under this chapter who had been refused such certificate under subsection (1) of this section upon submission of the evidence required under subsection fees for each year the registration fee remains unpaid and a restoration fee of \$25 for each year the license remains revoked.

(3) If the person completes an approved program after January 1 to meet the requirement of ORS 685.102 for the year beginning January 1, such completion does not meet the requirements of ORS 685.102 for the subsequent year.

[1969 c.381 §3, 1973 c.182 §6]

685.106 Approval of continuing education programs. (1) The board may offer a program of continuing education in naturopathy to meet the requirements of ORS 685.102. The board may also approve a program to be presented by persons reasonably qualified to do so.

(2) Any person seeking approval of a program of continuing education in naturopathy, to be offered to assist persons holding licenses under this chapter to comply with the requirements of subsection (1) of ORS 685.102, shall submit to the board, at such time as the board may require, copies of courses of study to be offered and proof of such other qualifications as the board may require. Approval granted to any program of continuing education shall be reviewed periodically and approval may be withdrawn from any program that fails to meet the requirements of the board.

(3) Any program of continuing education in naturopathy offered or approved under this section shall consist of at least 20 hours of study covering new, review, experimental, research and specialty subjects in the field of naturopathy.

[1969 c.381 §4]

685.110 Denial or revocation of license by board. The board may refuse to grant or may suspend or revoke a license to practice naturopathy in this state for any of the following reasons:

(1) The use of fraud or deception in securing a license.

(2) The impersonation of another physician.

(3) Practicing naturopathy under an assumed name.

(4) The procuring, aiding or abetting in procuring an abortion; provided, that for the purpose of this subsection an abortion means the removal from the womb of a woman the product of conception at any time prior to delivery of the child; provided further, that nothing in this chapter shall be construed to authorize any licentiate under this chapter to perform an abortion.

(5) The conviction of a crime involving moral turpitude.

(6) Any other reason that renders the applicant or licentiate unfit to perform the duties of a naturopathic physician.

[Amended by 1953 c 555 §2; 1971 c 734 §132]

685.120 [Repealed by 1971 c 734 §21]

685.125 License denial or revocation procedure; promulgation and review of rules and orders. (1) Where the board proposes to refuse to issue or renew a license, or proposes to revoke or suspend a license, opportunity for hearing shall be accorded as provided in ORS 183.310 to 183.500.

(2) Promulgation of rules, conduct of hearings, issuance of orders and judicial review of rules and orders shall be as provided in ORS 183.310 to 183.500.

[Amended by 1971 c 734 §134]

STATE BOARD

685.160 Naturopathic Board of Examiners; appointment; confirmation. (1) There hereby is created the Naturopathic Board of Examiners in the Health Division. The board shall consist of three members appointed by the Governor for terms of three years commencing July 1, and until their successors are appointed and qualified. A majority of

the members of the board constitutes a quorum. The Governor shall fill all vacancies in the membership of the board. All appointments of members of the board by the Governor are subject to confirmation by the Senate in the manner provided in ORS 171.560 and 171.570. No person shall be appointed to membership on the board, who is not a citizen of the State of Oregon, or who has not been in continuous practice of naturopathy in this state for five years immediately prior to the date of appointment, or who is interested financially in any medical or drugless school or college, or who is connected, directly or indirectly, with the dispensing, prescribing or sale of pharmaceutical drugs.

(2) The board shall carry into effect the provisions of this chapter and is authorized to issue licenses to practice naturopathy in this state. The possession of a common seal by the board hereby is authorized.

[Amended by 1971 c 650 §14; 1973 c 792 §40]

685.170 Officers of board. Annually the board shall elect one of its members president and one of its members secretary, who severally shall have power during their terms of office to summon witnesses, administer oaths and to take testimony and affidavits, certifying thereto, under their hand and the seal of the board. The secretary of the board shall keep a record of all actions of the board, including a detailed roster of applicants for license. The board in lieu of electing one of its members as secretary, may employ or appoint a person to act as secretary to the board who shall perform such duties and functions as may be prescribed by the board.

[Amended by 1973 c 829 §68]

685.180 [Repealed by 1973 c 829 §71]

685.190 Compensation and expenses of board members; compensation of secretary. (1) A member is entitled to compensation and expenses as provided in ORS 292.495.

(2) The board may fix the compensation of the secretary subject to ORS 240.245. Such compensation shall not prohibit the secretary from receiving reimbursement for actual and necessary travel and other expenses incurred in the performance of his official duties.

[Amended by 1967 c 44 §3; 1969 c 314 §86]

685.200 [Amended by 1967 c 637 § 32, repealed by 1973 c 427 § 28 (685 201 enacted in lieu of 685 200)]

685.201 Disposition of receipts. All moneys received by the Health Division under this chapter shall be paid into the General Fund in the State Treasury and placed to the credit of the Health Division account and such moneys hereby are appropriated continuously and shall be used only for the administration and enforcement of this chapter.

[1973 c 427 § 29, (enacted in lieu of 685 200)]

ENFORCEMENT

685.210 Enforcement; employing attorney; jurisdiction. (1) The district attorneys of the state shall

prosecute all persons charged with violation of any of the provisions of this chapter. However, the board shall have power to retain its own attorney to prosecute or assist in prosecuting any person so charged and to pay such attorney such sums as may be just for such services from the Naturopathic Fund.

(2) Justice courts, municipal courts and circuit courts have concurrent jurisdiction for the prosecution of offenses under this chapter.

PENALTIES

685.990 Penalties. Violation of any provision of this chapter is punishable, upon conviction, by a fine of not less than \$50 nor more than \$500.

Original sponsor: Colletta by request

BY THE HEALTH, EDUCATION, AND
SOCIAL SERVICES COMMITTEE

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 274 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

*registration
certification*

6 For an Act entitled: "An Act relating to the licensing of practitioners of
7 naturopathic healing; and providing for an effective
8 date."

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

10 * Section 1. AS 08.01.010 is amended by adding a new paragraph to read:
11 (24) practice of naturopathy or naturopathic medicine
12 (AS 08.45).

13 * Sec. 2. AS 08 is amended by adding a new chapter to read:

14 CHAPTER 45. NATUROPATHS AND NATUROPATHIC PHYSICIANS.

15 ARTICLE 1. REGULATION OF NATUROPATHY.

16 Sec. 08.45.010. DUTIES AND POWERS. The Department of Commerce
17 and Economic Development shall

18 (1) evaluate the qualifications of applicants for licenses
19 under this chapter;

20 (2) conduct hearings and keep records necessary to carry out
21 the purposes of this chapter;

22 (3) license naturopathic physicians in accordance with
23 AS 08.45.100 - 08.45.160; and

24 (4) provide for temporary permits for persons who are appar-
25 ently qualified to engage in naturopathic medicine to engage in the
26 practice of naturopathic medicine until certification of the results of
27 the next examination given under AS 08.45.120.

28 ARTICLE 2. LICENSING OF NATUROPATHIC PHYSICIANS.

29 Sec. 08.45.100. LICENSING REQUIREMENT. A person may not engage

1 in the practice of naturopathy or naturopathic medicine unless he first
2 obtains a license as provided in this chapter.

3 Sec. 08.45.110. LICENSURE AS A NATUROPATHIC PHYSICIAN. To be
4 eligible for a license as a naturopathic physician, an applicant shall

5 (1) hold a high school diploma or the equivalent;

6 (2) have completed two years of postsecondary education at an
7 accredited college of liberal arts or sciences;

8 (3) have attended at least 90 percent of the hours required
9 for graduation and graduated from a legally chartered school or college
10 of naturopathic medicine that has as a requirement for graduation suc-
11 cessful completion of a course of resident instruction of at least nine
12 months actual attendance in each of four years and successful completion
13 of a course of instruction totaling 4,500 hours or more; the course of
14 instruction shall include:

- 15 (A) anatomy and physiology;
- 16 (B) histology and embryology;
- 17 (C) microbiology;
- 18 (D) pathology;
- 19 (E) immunology;
- 20 (F) public health;
- 21 (G) toxicology;
- 22 (H) physical, clinical, x-ray and symptomatology diag-
- 23 nosis;
- 24 (I) first aid and emergency medicine;
- 25 (J) obstetrics and gynecology;
- 26 (K) orthopedics;
- 27 (L) minor surgery;
- 28 (M) proctology;
- 29 (N) otolaryngology;

- (O) physiotherapy;
- (P) manipulative techniques;
- (Q) dietetics and clinical nutrition;
- (R) herbology;
- (S) naturopathic theory and practice;
- (T) naturopathic therapeutics;
- (U) clinical practice; and
- (V) jurisprudence;

(4) successfully complete an examination given by the department;

(5) not have a license to practice naturopathic medicine in another state, province, or territory, which is suspended or revoked for disciplinary reasons;

(6) be a United States citizen or lawfully admitted to permanent residence in this country; and

(7) be of good moral character.

Sec. 08.45.120. EXAMINATION. (a) An examination for licensing as a naturopathic physician shall be held at a time and place and shall be conducted as determined by the department. The examination shall be limited to the subjects listed in AS 08.45.110(3), each of which shall constitute a separate examination section. The examination shall be objective and in writing, but may be supplemented by oral examinations, and by demonstrations or other practical tests as the department may require.

(b) To pass the examination an applicant shall receive an overall average of 75 percent and may not receive less than 70 percent in more than two sections.

Sec. 08.45.130. ENDORSEMENT. The department may license a person as a naturopathic physician if the person is currently licensed as a

1 naturopathic physician in another state or in a province of Canada and

2 (1) that state or province maintains professional licensing
3 standards equivalent to those in this chapter;

4 (2) that state or province extends the same licensing privi-
5 lege to those holding a license in this state; and

6 (3) the person demonstrates to the satisfaction of the depart³
7 ment qualifications at least equal to those required of persons licensed
8 under this chapter.

9 Sec. 08.45.140. DENIAL, SUSPENSION OR REVOCATION OF LICENSE. The
10 department may deny, suspend, or revoke the license of a person or
11 applicant who

12 (1) has obtained or attempted to obtain a license under this
13 chapter by fraud or deceit;

14 (2) wilfully violates a provision of this chapter or a regula-
15 tion adopted under this chapter;

16 (3) engages in unprofessional conduct;

17 (4) impersonates another physician;

18 (5) practices under an assumed name; or

19 (6) is convicted of a crime involving moral turpitude.

20 Sec. 08.45.150. FEES. The following fees are imposed under this
21 chapter:

22 (1) application for examination \$ 25

23 (2) application for reexamination 10

24 (3) license issuance or biennial renewal 100

25 (4) issuance of temporary permit 25

26 Sec. 08.45.160. NATURE OF NATUROPATHIC PRACTICE. A naturopathic
27 physician in the course of the practice of naturopathic medicine

28 (1) may perform physical examinations, write prescriptions
29 for substances authorized in this chapter, ~~admit patients to hospitals~~

1 ~~and nursing homes,~~ and sign birth and death certificates;

2 (2) may use all systems of diagnosis, including x-ray;

3 (3) may treat patients by physiological, nutritional, psycho-
4 logical, mechanical, electrical, manual, hydrotherapeutic, phytothera-
5 peutic, mineral and organic substances and agencies, including acupunc-
6 ture, that are effective in stimulating normal function of tissues and
7 organs sensitized by disease;

8 (4) may

9 (A) draw blood for laboratory purposes, and use electri-
10 cal or other methods for the repair and care of superficial lacera-
11 tions and abrasions, benign superficial lesions, and the removal of
12 foreign bodies located in superficial structures;

13 (B) practice natural childbirth in obstetrics, including
14 related minor surgical procedures;

15 (5) may not

16 (A) perform surgery except as provided under (4)(B) of
17 this section;

18 (B) use controlled substances as defined in AS 11.81.900
19 (b)(6) including cannabis;

20 (C) use radiation therapy; and

21 (D) use drugs except antiseptics, local anesthetics
22 minerals and their extracts, and compounds or concentrates obtained
23 from plants or animals.

24 Sec. 08.45.170. CONTINUING EDUCATION. (a) The department may
25 prescribe by regulation continuing education requirements for persons
26 licensed under this chapter.

27 (b) Before a license issued under this chapter may be renewed, the
28 licensee shall submit to the department evidence of completion of con-
29 tinuing education requirements.

1 (c) The department may exempt a licensee from the continuing
2 education requirement under (b) of this section upon an application of
3 the licensee setting out extenuating circumstances. A licensee may not
4 receive more than one exemption under this subsection in a five-year
5 period.

6 ARTICLE 3. GENERAL PROVISIONS.

7 Sec. 08.45.200. VIOLATIONS. (a) It is unlawful for a person to

8 (1) fraudulently obtain or furnish a license, renewal, or
9 record required by this chapter;

10 (2) wilfully violate a provision of this chapter or a regula-
11 tion adopted under this chapter.

12 (b) A person who violates this section is guilty of a class B
13 misdemeanor.

14 Sec. 08.45.210. PRACTICING WITHOUT A LICENSE. A person who prac-
15 tices naturopathy or naturopathic medicine without first obtaining a
16 license is guilty of a class A misdemeanor.

17 Sec. 08.45.220. DEFINITIONS. In this chapter

18 (1) "department" means the Department of Commerce and Economic
19 Development;

20 (2) "naturopathy" and "naturopathic medicine" means the
21 treatment of the human body through the use of natural agencies, forces,
22 processes, and products, with emphasis on the response of the individual
23 to the disease rather than its treatment in isolation;

24 (3) "unprofessional conduct" means

25 (A) the habitual overuse of alcoholic beverages or
26 cannabis or the unlawful use of controlled substances as defined in
27 AS 11.81.900(b)(6); or

28 (B) conviction of an offense that is immoral or wrong in
29 itself as a crime of moral turpitude, including murder, sexual

1 assault, robbery, kidnapping, incest, arson, burglary, theft, and
2 forgery.

3 * Sec. 3. LICENSING OF PRACTITIONERS OF NATUROPATHY OR NATUROPATHIC
4 MEDICINE WITHOUT EXAMINATION. The commissioner of commerce and economic
5 development shall license all persons who, on the effective date of this Act,
6 meet the qualifications of AS 08.45.110(1) - (7) and who apply for licensure
7 under AS 08.45 not later than June 30, 1983.

8 * Sec. 4. This Act takes effect July 1, 1982.

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THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill No. 274

Title "An Act relating to the licensing of practitioners of naturopathic healing..."

Requested by Commissioner's Office Date 2/16/82

II. FISCAL DETAIL

Agency Affected Department of Health and Social Services

Program Category Affected Health/Public Health

BRU, Program, Or Subprogram(s) Affected _____

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

| | FY 82 | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | 0 | 0 | 0 | 0 | 0 | 0 |
| 200 TRAVEL | 0 | 0 | 0 | 0 | 0 | 0 |
| 300 CONTRACTUAL | 0 | 0 | 0 | 0 | 0 | 0 |
| 400 COMMODITIES | 0 | 0 | 0 | 0 | 0 | 0 |
| 500 EQUIPMENT | 0 | 0 | 0 | 0 | 0 | 0 |
| 600 LAND & STRUCTURES | 0 | 0 | 0 | 0 | 0 | 0 |
| 700 GRANTS, CLAIMS, ETC. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

FUNDING (Thousands of Dollars)

| | FY 82 | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 |
|------------------------|-------|-------|-------|-------|-------|-------|
| GENERAL FUND | 0 | 0 | 0 | 0 | 0 | 0 |
| FEDERAL FUNDS | 0 | 0 | 0 | 0 | 0 | 0 |
| OTHER (Specify Source) | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |
| | | | | | | |

POSITIONS

| | FY 82 | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 |
|-----------|-------|-------|-------|-------|-------|-------|
| FULL TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| PART TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| TEMPORARY | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

IV. DATE 2/16/82

PREPARED BY E. S. Rabeau, M.D.

AGENCY Dept. of Health and Social Services

Original: Legislative Finance

PHONE 465-3090

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

CC
j

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 274

Title An Act Relating to the licensing of Practitioners of Naturopathic Medicine

Requested by Martin Date April 9, 1981

II. FISCAL DETAIL

Agency Affected Department of Commerce and Economic Development

Program Category Affected Public Protection

BRU, Program, or Subprogram(s) Affected Regulation and licensing of professions - Admin

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

| | FY 81 | FY 82 | FY 83 | FY 84 | FY 85 | FY 86 |
|--------------------------|----------|------------|------------|------------|------------|------------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | 1.1 | .5 | .6 | .7 | .8 |
| 300 CONTRACTUAL | | 1.5 | 1.1 | 1.2 | 1.3 | 1.4 |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | 0 | 2.6 | 1.6 | 1.8 | 2.0 | 2.2 |

FUNDING (Thousands of Dollars)

| | FY 81 | FY 82 | FY 83 | FY 84 | FY 85 | FY 86 |
|-----------------------------|-------|-------|-------|-------|-------|-------|
| GENERAL FUND | 0 | 2.6 | 1.6 | 1.8 | 2.0 | 2.2 |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify Fund Source) | | | | | | |

POSITIONS

| | FY 81 | FY 82 | FY 83 | FY 84 | FY 85 | FY 86 |
|-----------|-------|-------|-------|-------|-------|-------|
| FULL TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

TRAVEL (12% inflation factor projected)

Hold 3 Hearings; one day each;

one staff person; Anchorage,

Fairbanks and Juneau.

FY82 only

\$ 680.00

Hold 2 Exams in Anchorage. One

staff person. Ongoing.

398.00

1,078.00 Total

CONTRACTUAL (7% inflation factor projected)

Room rental for hearings and exams.

Transcription, printing, telephone,

printing. (Additional room rental for fy 82 only)

1,500.00

IV. DATE 4/9/81

PREPARED BY Nicholas Coti, Management Analyst

AGENCY Division of Occupational Licensing

PHONE 465-7535

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

Bill 2
pls see me -
C

Introduced: 3/12/81
Referred: Health, Education &
Social Services

1 IN THE SENATE

BY COLLETTA BY REQUEST

2 SENATE BILL NO. 274

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the licensing of practitioners of
7 naturopathic healing; and providing for an effective
8 date."

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

10 * Section 1. AS 08.01.010 is amended by adding a new paragraph to read:

11 (24) practice of naturopathy or naturopathic medicine

12 (AS 08.45).

13 * Sec. 2. AS 08 is amended by adding a new chapter to read:

14 CHAPTER 45. NATUROPATHS AND NATUROPATHIC PHYSICIANS.

15 ARTICLE 1. REGULATION OF NATUROPATHY.

16 Sec. 08.45.010. DUTIES AND POWERS. The Department of Commerce
17 and Economic Development shall

18 (1) evaluate the qualifications of applicants for licenses
19 under this chapter;

20 (2) conduct hearings and keep records necessary to carry out
21 the purposes of this chapter;

22 (3) license naturopathic physicians in accordance with
23 AS 08.45.100 - 08.45.160; and

24 (4) provide for temporary permits for persons who are appar-
25 ently qualified to engage in naturopathic medicine to engage in the
26 practice of naturopathic medicine until certification of the results of
27 the next examination given under AS 08.45.120.

28 ARTICLE 2. LICENSING OF NATUROPATHIC PHYSICIANS.

29 Sec. 08.45.100. LICENSING REQUIREMENT. A person may not engage

1 in the practice of naturopathy or naturopathic medicine unless he first
2 obtains a license as provided in this chapter.

3 Sec. 08.45.110. LICENSURE AS A NATUROPATHIC PHYSICIAN. To be
4 eligible for a license as a naturopathic physician, an applicant shall

5 (1) hold a high school diploma or the equivalent;

6 (2) have completed two years of postsecondary education at
7 an accredited college of liberal arts or sciences;

8 (3) ~~have attended at least 90 percent of the hours required~~
9 ~~for graduation and graduated from a legally chartered school or college~~
10 ~~of naturopathic medicine accredited by the National Association of~~
11 ~~Naturopathic Physicians that has as a requirement for graduation suc-~~
12 ~~cessful completion of a course of resident instruction of at least nine~~
13 ~~months actual attendance in each of four years and successful completion~~
14 ~~of a course of study totaling 4,500 hours or more; the course of~~
15 ~~instruction shall include:~~

16 ✓(A) anatomy and physiology; SEC. I

17 ✓(B) histology and embryology; SEC I

18 (C) microbiology; SEC II

19 (D) pathology; SEC III

20 (E) immunology SEC II

21 (F) public health; ~~SEC II~~ hygiene

22 (G) toxicology;

23 (H) physical, clinical, x-ray and symptomatology diag- SEC III

24 nosis;

25 (I) first aid and emergency medicine; SEC III

26 (J) obstetrics and gynecology; SEC IV

27 (K) orthopedics; SEC VI

28 (L) minor surgery; SEC V

29 (M) proctology; SEC V

Hydrotherapy
electrotherapy
Diagnosis
Chemistry
Bacteriology

- 1 (N) otolaryngology; SEC VI
2 (O) physiotherapy; SEC VI
3 (P) manipulative techniques; ~~SEC VII~~ SEC VI
4 (Q) dietetics ^{OR} and clinical nutrition; SEC VII
5 (R) herbology; BOTANICAL MEDICINE SEC VII
6 (S) naturopathic theory and practice; SEC VII
7 (T) naturopathic therapeutics; SEC VII
8 (U) clinical practice; and SEC VII
9 (V) jurisprudence; VIII

10 (4) successfully complete an examination given by the depart-
11 ment.

12 Sec. 08.45.120. EXAMINATION. (a) An examination for licensing
13 as a naturopathic physician shall be held at a time and place and shall
14 be conducted as determined by the department. The examination shall be
15 limited to the subjects listed in AS 08.45.110(3), each of which shall
16 constitute a separate examination ~~section~~ ^{SECTION}. The examination shall be
17 objective and in writing, but may be supplemented by oral examinations,
18 and by demonstrations or other practical tests as the department may
19 require.

20 (b) To pass the examination an applicant shall receive an overall
21 average of 75 percent and may not receive less than 70 percent in more
22 than two sections.

23 Sec. 08.45.130. ENDORSEMENT. The department may license a person
24 as a naturopathic physician if the person is currently licensed as a
25 naturopathic physician in another state or in a province of Canada and
26 that state or province

27 (1) maintains professional licensing standards equivalent to
28 those in this chapter; and

29 (2) extends the same licensing privilege to those holding a

Annual Review? - Re license

and for ~~the~~ ^{the} satisfaction of the ~~department~~ ^{department} that he possesses qualifications at ~~least~~ ^{least} to those required of persons eligible ~~for licensing under this chapter~~ ^{for licensing under this chapter}.
license in this state.

2 Sec. 08.45.140. DENIAL, SUSPENSION OR REVOCATION OF LICENSE. The
3 department may deny, suspend, or revoke the license of a person or
4 applicant who

- 5 (1) has obtained or attempted to obtain a license under this
- 6 chapter by fraud or deceit;
- 7 (2) wilfully violates a provision of this chapter or a
- 8 regulation adopted under this chapter; or
- 9 (3) engages in unprofessional conduct.

10 Sec. 08.45.150. FEES. The following fees are imposed under this
11 chapter:

- 12 (1) application for examination \$ 25
- 13 (2) application for reexamination 10
- 14 (3) license issuance or biennial renewal 100
- 15 (4) issuance of temporary permit 25

16 Sec. 08.45.160. NATURE OF NATUROPATHIC PRACTICE. A naturopathic
17 physician

- 18 (1) may perform physical examinations, write prescriptions
- 19 for substances authorized in this chapter, ~~admit patients to hospitals~~ ^{STATE}
- 20 ~~and nursing homes,~~ ^{Funded health care facilities} and sign birth and death certificates;
- 21 (2) may use all systems of diagnosis, including x-ray;
- 22 (3) may treat patients by physiological, nutritional,
- 23 ~~psychological,~~ ^(including acupuncture) mechanical, electrical, manual, hydrotherapeutic,
- 24 ~~phytotherapeutic,~~ mineral and organic substances and agencies which are
- 25 effective in stimulating normal function of tissues and organs sensi-
- 26 tized by disease;
- 27 (4) may
- 28 (A) perform minor surgery, including the drawing of
- 29 blood for laboratory purposes, and use electrical or other methods

1 for the surgical repair and care of superficial lacerations and
2 abrasions, benign superficial lesions, and the removal of foreign
3 bodies located in superficial structures;

4 (B) use local anesthetic for surgical repair or care;
5 and

6 (C) practice natural childbirth in obstetrics, including
7 related minor surgical procedures;

8 (5) may not

9 (A) perform major surgery;

10 (B) ~~use narcotics~~; ^{Controlled SUBSTANCES AS DEFINED}
^{IN STATE LAW}

11 (C) use radiation therapy; and

12 (D) use drugs except those assimilable substances
13 containing elements or compounds of ^{PLANT OR ANIMAL ORIGIN}
~~body tissues~~ that are
14 physiologically compatible to body processes for maintenance of
15 life.

16 ARTICLE 3. GENERAL PROVISIONS.

17 Sec. 08.45.200. VIOLATIONS. (a) It is unlawful for a person to

18 (1) fraudulently obtain or furnish a license, renewal or
19 record required by this chapter;

20 (2) wilfully violate a provision of this chapter or a regula-
21 tion adopted under this chapter.

22 (b) A person who violates this section is guilty of a class B
23 misdemeanor.

24 Sec. 08.45.210. PRACTICING WITHOUT A LICENSE. A person who prac-
25 tices naturopathy or naturopathic medicine without first obtaining a
26 license is guilty of a class A misdemeanor.

27 Sec. 08.45.220. DEFINITIONS. In this chapter

28 (1) "department" means the Department of Commerce and
29 Economic Development;

1 (2) "naturopathy" and "naturopathic medicine" means the
2 treatment of the human body through the use of natural agencies,
3 forces, processes, and products, with emphasis on the response of the
4 individual to the disease rather than its treatment in isolation.

5 (3) "unprofessional conduct" means

6 (A) the habitual overuse of alcoholic beverages or
7 depressant, hallucinogenic or stimulant drugs, as defined in
8 AS 17.12.150(3), or addiction to the use of narcotic drugs as
9 defined in AS 17.10.230(13); or

10 (B) conviction of an offense which is immoral or wrong
11 in itself as a crime of moral turpitude, including murder, sexual
12 assault, robbery, kidnapping, incest, arson, burglary, theft, and
13 forgery.

14 * Sec. 3. LICENSING OF PRACTITIONERS OF NATUROPATHY OR NATUROPATHIC
15 MEDICINE WITHOUT EXAMINATION. The commissioner of commerce and economic
16 development shall license all persons who, on the effective date of this
17 Act, ^{are ALASKA RESIDENTS,} meet the qualifications of AS 08.45.110(1) - ⁽³⁾~~(4)~~ and who apply for
18 licensure under AS 08.45 not later than June 30, 1982. 1983

19 * Sec. 4. This Act takes effect July 1, 1981. 1982

Naturopathic laws
other states

1919- Bell
draft

4-27-81 Chenoweth will look
in file & call back
Locky

210 217
2/16/82

Anch - Ellen Wickett -
- good experience being treated by N.P.

Sitka - Janet Allen - RN
- supports licensing

" Lanier Newman -
- has to travel south for testing

Anch Patton Pettijohn -
- in 1979 Med Bd said no auth license, if acted
would be guilty of practicing w/o license

Al Ruskling -
- Sp Forces medic Viet-Nam, now nurse, midwife

Ketchikan Alice Dobson -
- grandmother raised 13 children w/ NP, did well

Sitka Sherill Easterwood -
has to go to Seattle for treatment

Joan Felmont -
- exam by MD for 25 lb gain in year. Saw
Pettijohn, now 15 lbs lighter, feel well.

Ketchikan - Carol Burns
favors

Homer -

Mary Lou Kelsey -

- are NP's overstepping bounds in handling pregnancies & childbirth
- childbirth natural functions - expertise is recognizing problems early -

Soldotna -

Bovee

- certified herbologist
- NP have areas of knowledge MD's don't have

Anch -

David Brewsdson -

- turned off by MD's - baby birth eye drops (silver nitrate vs erythromycin)

Soldotna

Martha Anderson -

- knows people going outside to see NP
- widespread interest in alternative approaches to health care in Kenai
- NP's better prepared for wellness promotion

Sitka

Mary Clayton-Pearce - RN

- knows Pettyjohn, OK
- uses herbs herself

Anch

Karen Redstone -

- turned off by MD's, who only treat symptoms
- nutrition is difference between NP's + MD's

Sitka - Janet Allen - nurse practitioner
- NP curriculum extensive
- blinders

Aach Mark Tillotson -
- self-doctor, on reading, advice from friends -
- this can be dangerous because partial info

Fbks Carol Davis - Fbks Chiropractic Clinic
who makes up exam?

Soldotna - Ramon Bovee -
ditto Davis

Seward Judith ~~Kane~~ Gravig?
- traditional medicine lags in some areas.

Aach Vicki Solberg -
- Pettyjohn OK -
- like freedom of choice
- " prevention

Fbks Dr Henry Stairs -

Fbks - Wayne Ballen - ???

- Anch Pat Jasper -
- alternatives
- MD never asked her about diet, lifestyle
- Fbks - Gloria Deroscher - used to be RN
- has ~~to~~ learned to respect NP, alternatives
- Anch Ruby Pettyjohn -
- has had to go outside for NP
- Fbks Ruth Jacobs -
- herbologist
- many people disillusioned w/ MD
- Anch Leroy Fredericks -
- MD's didn't help him, Pettyjohn did
(hypoglycemia)
- Fbks Jerry Lou McCarthy -
- 30 years studying in holistic health
- Anch Euid Johnson -
- choice, wants it for herself, need licensing
- Anch Alice Stacy -
- Anch Bernie Emma Huff -
- eye trouble, no help from MD's, vitamins helped

✓
Auch Dennis Stacy -
- 2 home births, OK
- alternative

Fbks Sheila Baker - over 20 yrs

Auch Pettyjohn -
- exam

~~See~~ Auch Leroy Tillotson -

Fbks Jacqueline Grantfield -

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF—STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

MEMORANDUM

DATE: January 22, 1981

TO: Honorable Al Adams
House of Representatives
Alaska State Legislature

FROM: Milt Barker, Fiscal Analyst
Legislative Finance Division

Defease State G.O. Bonded Debt

The Department of Revenue estimates the total cost to defease all state G.O. bonds in FY 82 at \$905 million. This is made up of three items:

| | |
|--|----------------------|
| Defease \$720 million of outstanding G.O. bonds | \$570 million |
| Cash out all authorized but unissued bonds | 463 million |
| Delete FY 82 debt service | <u>(128 million)</u> |
| | <u>\$905 million</u> |

The \$570 million would be paid over to bond trustees to purchase securities whose term and value at maturity matched the \$720 million in bond maturities to be paid by the state. The AG does not believe authorizing legislation for this is necessary. However, there is no mention of such action in AS 37.15, the state bonding act, so it might be a good idea to have authorizing legislation.

The \$463 million in cash would be to fund the capital projects that would have been funded with bond proceeds. The state's bond counsel says there would be trouble with the IRS if we defeased outstanding bonds and then subsequently issued new bonds within a few years time.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

M E M O R A N D U M

DATE: June 23, 1980

TO: Honorable Russ Meekins, Chairman
House Finance Committee

FROM: Milt Barker, Fiscal Analyst
Legislative Finance Division

SUBJ: Refunding G.O. Debt

In the attached letter of April 7, 1980 from Bache Halsey, it is claimed that refunding the outstanding general obligation indebtedness of the state will result in savings in debt service on a present value basis. This does not appear to be the case.

If the refunding debt is issued at 8.5% as in the Bache projection, then the average rate of earnings on general or permanent fund investments should be around 11.5%.¹

If the debt service schedules for outstanding debt² and refunding debt are discounted at 11.5%, which more properly represents the alternative earnings rate on funds that would be used for debt service, i.e. their opportunity cost, the existing schedule of debt service has the lowest present value, i.e. least cost to the state.

-
1. See attached Table 1 and yield chart which indicate that the average interest differential over the past five years between municipal and corporate Aa bonds has been 3.05%.
 2. Bache's total for existing debt service of \$831 million appears to be total debt service for fiscal years 1981 through 2000 exclusive of the debt service on the 1979 Bond Series B. See attached schedule from the "official statement" for the 1979 sale.

Only if the discount rate is reduced to 10%, representing arbitrage earnings of only 1.5% between state G.O. debt and other market instruments, does the present value cost of the refunding debt service roughly equal the present value cost of existing debt service.

| | <u>Present value of Debt Service (\$ millions)</u> | |
|-----------------|--|----------------|
| | <u>@ 10%</u> | <u>@ 11.5%</u> |
| Existing | 444.3 | 412.2 |
| Refunding | | |
| 5 year maturity | 443.9 | 427.4 |
| 8 year maturity | 449.7 | 426.2 |

The point here is that as long as the state can earn arbitrage because of the lower tax-exempt rates on its bonds, the state profits by having more debt outstanding over a longer period of time. Shortening the state's debt structure is not of financial benefit.

If an improvement in the state's bond rating is desired by committing funds to pay off the bonds, the Nuveen approach described in the attached Memo of February 6, 1980 is a better alternative in that there is no shortening of the state's debt structure and thus no reduction in the arbitrage earnings that will accrue to the state.

attachments

MB:bf

Bache

Bache Halsey Stuart Shields Incorporated
Bache Plaza, 100 Gold Street
New York, N.Y. 10038 (212-791-3688)

Samuel L. Piana
First Vice President

April 7, 1980

Mr. Peter A. Bushre
Deputy Commissioner of Revenue
State of Alaska
Department of Revenue
State Office Building
Juneau, Alaska

Re: Alaska Debt Reorganization

Dear Mr. Bushre:

Preparatory to making a detailed presentation to the State Bonding Commission relative to the above subject, we thought we should give you a summary of the two variations on the refunding program and some selected data on each.

For calculation purposes, we have chosen an 8 1/2% rate and one bond issue dated June 1, 1980, with principal retirements beginning June 1, 1981, and a final maturity of June 1, 1988. The other issue will be dated the same but have its final maturity on June 1, 1985.

Total debt service on the outstanding bonds is \$263,523,203 and accrued debt service at June 1, 1980, will be \$32,338,362 (will have been paid) leaving a net of \$831,184,841 to be provided for by the escrowed proceeds of the refunding bonds plus the earnings of the escrowed funds.

The two refunding issues will comprise the following debt service schedules:

Mr. Peter A. Bushre
 Page 2
 April 7, 1980

Issue "A" - 8 1/2%

| <u>Date</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|-------------|-------------------|------------------|---------------------------|
| 6.1981 | \$ 43,910,000 | \$ 40,424,300 | \$ 84,334,300 |
| 6.1982 | 47,645,000 | 36,691,950 | 84,336,950 |
| 6.1983 | 51,690,000 | 32,642,125 | 84,332,125 |
| 6.1984 | 56,085,000 | 28,248,475 | 84,333,475 |
| 6.1985 | 60,855,000 | 23,481,250 | 84,336,250 |
| 6.1986 | 66,025,000 | 18,308,575 | 84,333,575 |
| 6.1987 | 71,640,000 | 12,696,450 | 84,336,450 |
| 6.1988 | <u>77,730,000</u> | <u>6,607,050</u> | <u>84,337,050</u> |
| Totals | \$475,580,000 | \$199,100,175 | \$674,680,175 |

Gross Savings

| | |
|------------------------------|--------------------|
| Net Outstanding Debt Service | \$831,184,841 |
| Refunding Bonds Debt Service | <u>674,680,175</u> |
| Gross Savings | \$156,504,666 |

Present Value Savings

| | |
|---|---------------------|
| Net Outstanding Debt Service Present Value @ 8.5% | \$4°8,608,900 |
| Refunding Debt Service Present Value @ 8.5% | <u>-475,580,000</u> |
| Present Value of Difference | \$ 13,028,900 |

Mr. Peter A. Bushre
 Page 3
 April 7, 1980

Issue "B" - 8 1/2%

| <u>Date</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|-------------|--------------------|------------------|---------------------------|
| 6.1981 | \$ 77,895,000 | \$ 39,233,875 | \$117,128,875 |
| 6.1982 | 84,520,000 | 32,612,800 | 117,132,800 |
| 6.1983 | 91,705,000 | 25,428,600 | 117,133,600 |
| 6.1984 | 99,500,000 | 17,633,675 | 117,133,675 |
| 6.1985 | <u>107,955,000</u> | <u>9,176,175</u> | <u>117,131,175</u> |
| Totals | \$461,575,000 | \$124,085,125 | \$585,660,125 |

Gross Savings

| | |
|------------------------------|--------------------|
| Net Outstanding Debt Service | \$931,184,841 |
| Refunding Bonds Debt Service | <u>585,660,125</u> |
| Gross Savings | \$245,524,716 |

Present Value Savings

| | |
|---|---------------------|
| Net Outstanding Debt Service Present Value @ 8.5% | \$488,608,900 |
| Refunding Debt Service Present Value @ 8.5% | <u>-461,575,000</u> |
| Present Value of Difference | \$ 27,033,900 |

The "A" issue plan drains an extra \$167,894,416 over an eight-year period from the general funds of the State; this being over and above the existing debt service. In other words an additional average of \$21,000,000 per year is committed to debt service.

The "B" issue plan drains an extra \$266,017,994 over a five-year period from the State's general funds compared to outstanding debt service, or an average of in excess of \$53,000,000 annually. Obviously, this latter plan is more "dramatic" and also produces an extra \$14,000,000 in present value savings.

Mr. Peter A. Bushre

Page 4

April 7, 1980

The merits of both plans can be discussed in detail at a formal presentation. At that presentation to the State Bond Committee, in a form as suggested by Anselm Staack, the escrow investment income will be demonstrated to provide the necessary funds to fully extinguish the State's outstanding debt.

We look forward to hearing from you as to when we might return to Juneau for a formal presentation. At that time, we will be accompanied by representatives of Haynes & Miller, special counsel on the debt reorganization.

Sincerely,



SLP:lh

cc: Mr. Anselm Staack, Department of Revenue
Rep. Hugh Malone, House of Representatives
Mr. Jim Rhode, Rep. Malone's Aide
Rep. Russ Meekins, House of Representatives
Mr. Mike Doogan, Rep. Meekins' Aide

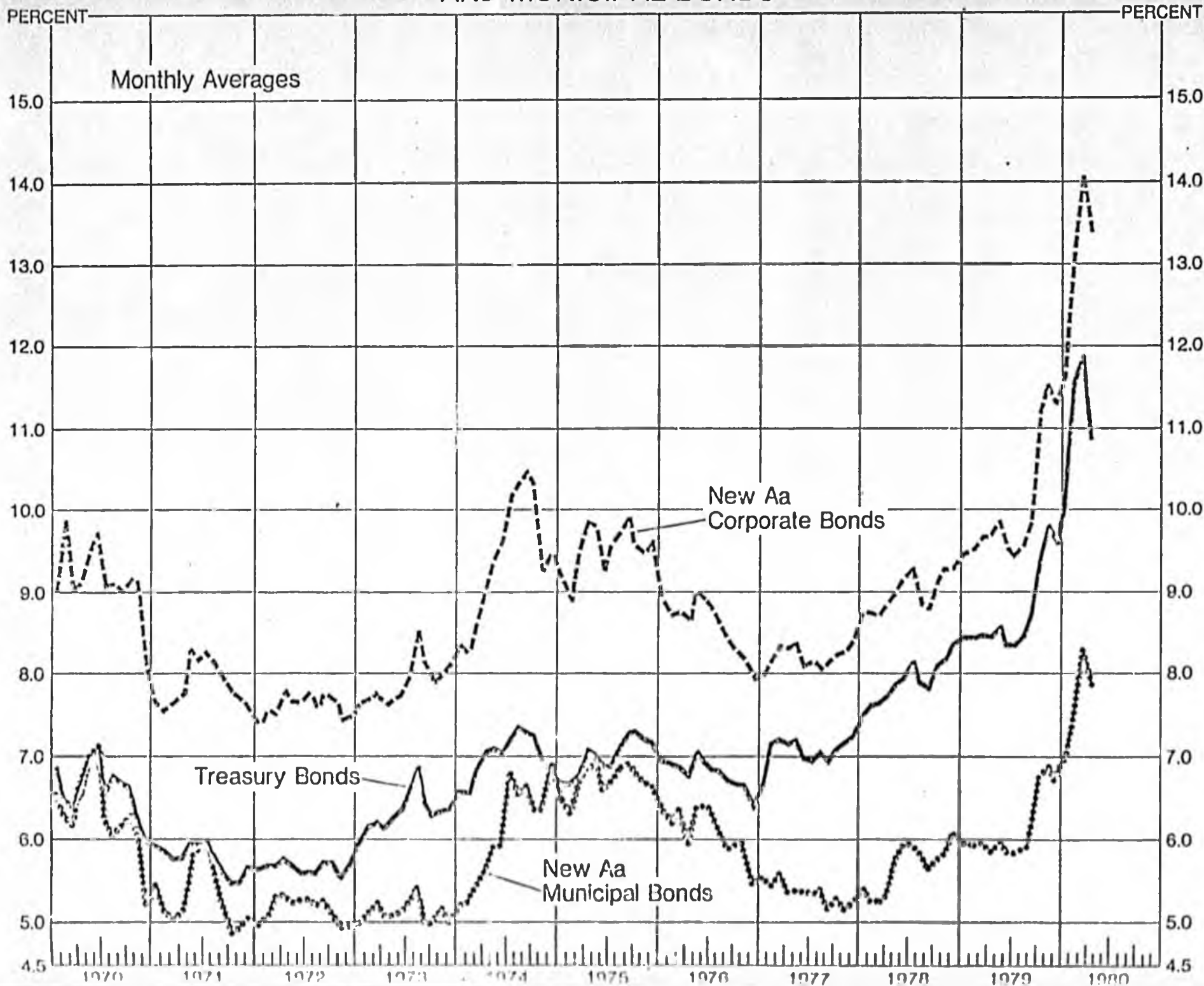
TABLE 1

INTEREST RATES ON BONDS
OF TWENTY YEAR OR GREATER MATURITIES

| <u>YEAR</u> | Aa <u>CORPORATE</u> | Aa <u>MUNICIPALS</u> | <u>DIFFERENCE</u> |
|-------------|------------------------|-------------------------|-------------------|
| 1979 | 9.77 | 6.00 | 3.77 |
| 1978 | 8.98 | 5.65 | 3.33 |
| 1977 | 8.20 | 5.34 | 2.86 |
| 1976 | 8.59 | 6.09 | 2.50 |
| 1975 | 9.51 | 6.70 | <u>2.81</u> |
| | | Five-year Average | 3.05 |

Source: November 1979 Treasury Bulletin

AVERAGE YIELDS OF LONG-TERM TREASURY, CORPORATE, AND MUNICIPAL BONDS



DEBT SERVICE REQUIREMENTS

The annual debt service requirements on all outstanding State of Alaska general obligation bonds are shown below, together with the estimated annual debt service requirements on the State of Alaska 1979 Bonds, Series B, assuming interest at 6%.

| Fiscal Year Ending June 30 | Debt Service on Outstanding Bonds | | | 1979 Bonds Series B | | | Estimated Debt Service Total |
|-------------------------------------|-----------------------------------|----------------------|----------------------|---------------------|---------------------|---------------------|------------------------------------|
| | Principal | Interest | Total | Principal | Interest | Total | |
| 1979 | \$ 25,710,000 | \$ 33,177,202 | \$ 58,887,202 | \$ — | \$ — | \$ — | \$ 58,887,202 |
| 1980 | 38,780,000 | 33,825,273 | 72,605,273 | 6,000,000 | 3,600,000 | 9,600,000 | 82,205,273 |
| 1981 | 37,045,000 | 31,604,607 | 68,649,607 | 6,000,000 | 3,240,000 | 9,240,000 | 77,889,607 |
| 1982 | 40,265,000 | 29,432,781 | 69,697,781 | 6,000,000 | 2,880,000 | 8,880,000 | 78,577,781 |
| 1983 | 40,500,000 | 27,147,922 | 67,647,922 | 6,000,000 | 2,520,000 | 8,520,000 | 76,167,922 |
| 1984 | 40,945,000 | 24,894,165 | 65,839,165 | 6,000,000 | 2,160,000 | 8,160,000 | 73,999,165 |
| 1985 | 40,830,000 | 22,624,860 | 63,454,860 | 6,000,000 | 1,800,000 | 7,800,000 | 71,254,860 |
| 1986 | 42,235,000 | 20,340,763 | 62,575,763 | 6,000,000 | 1,440,000 | 7,440,000 | 70,015,763 |
| 1987 | 41,350,000 | 18,071,221 | 59,421,221 | 6,000,000 | 1,080,000 | 7,080,000 | 66,501,221 |
| 1988 | 41,665,000 | 15,815,505 | 57,480,505 | 6,000,000 | 720,000 | 6,720,000 | 64,200,505 |
| 1989 | 36,717,000 | 13,509,721 | 50,226,721 | 6,000,000 | 360,000 | 6,360,000 | 56,586,721 |
| 1990 | 28,550,000 | 11,581,590 | 40,131,590 | -0- | -0- | -0- | 40,131,590 |
| 1991 | 28,889,000 | 9,958,430 | 38,947,430 | -0- | -0- | -0- | 38,947,430 |
| 1992 | 29,649,000 | 8,303,425 | 38,152,425 | -0- | -0- | -0- | 38,152,425 |
| 1993 | 25,063,000 | 6,656,987 | 31,719,987 | -0- | -0- | -0- | 31,719,987 |
| 1994 | 20,598,000 | 5,219,975 | 25,817,975 | -0- | -0- | -0- | 25,817,975 |
| 1995 | 19,096,000 | 3,987,625 | 23,083,625 | -0- | -0- | -0- | 23,083,625 |
| 1996 | 18,510,000 | 2,864,412 | 21,474,412 | -0- | -0- | -0- | 21,474,412 |
| 1997 | 14,865,000 | 1,800,419 | 16,665,419 | -0- | -0- | -0- | 16,665,419 |
| 1998 | 13,380,000 | 1,008,194 | 14,388,194 | -0- | -0- | -0- | 14,388,194 |
| 1999 | 8,640,000 | 368,931 | 9,008,931 | -0- | -0- | -0- | 9,008,931 |
| 2000 | 2,531,000 | 69,081 | 2,600,081 | -0- | -0- | -0- | 2,600,081 |
| Total | <u>\$636,213,000</u> | <u>\$322,263,069</u> | <u>\$958,476,069</u> | <u>\$60,000,000</u> | <u>\$19,800,000</u> | <u>\$79,800,000</u> | <u>\$1,038,276,069</u> |

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF—STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

MEMORANDUM

TO: Hon. Leo Schaeffer
House Finance Committee

DATE: February 6, 1980

FROM: Milt Barker ^{MB}
Fiscal Analyst

SUBJ: Paying off State Bonds

Outstanding state general obligation bonds of \$670,503,000 could be paid off with an appropriation of \$546 million according to item 2 of the attached letter from John Nuveen & Co., the state's financial advisor.

The prefunding approach suggested by Nuveen would not cost the state any lost interest as would paying off the bonds immediately. In other words, the state hangs on to its cash, invests it at taxable rates, say 10%, while continuing to pay off bonds at only 6% or so, thus earning a net of 4% interest which it would not earn if the bonds were simply paid off.

Yet, the prefunding approach does assure bondholders of being paid off. This has two effects. One, existing bonds would immediately get improved ratings; the state would not benefit on this account but the bondholders would as there would be an immediate increase in the value of their bonds should they wish to sell them. Sterling Gallagher of Nuveen & Co. has suggested the state try to capture some of the increase in bond prices that would occur by making the prefunding contingent on bondholders turning in their existing bonds in exchange for new bonds with a lesser coupon or interest rate. We could split the difference of the price increase with them.

The second effect of prefunding would be to improve the ratings for any future bonds the state issues. Here, the state would get the full benefit of the effect. However, as the attached tables indicate the maximum reduction in the interest rates would normally be no more than thirty basis points or .3%. This is based on the state going from its present A1 or A+ rating to Aaa. On \$100 million of bonds with an average 5 year maturity, this would thus save the state at most \$1,980,000 in interest costs over the life of the bonds.

Sterling Gallagher has also suggested that prefunding only the later maturities of the bonds could have the same effect on the interest cost to the state of future bond issues. In other words, the state's revenues on Prudhoe Bay production in the near-term would provide maximum security for bonds while prefunding

Hon. Leo Schaeffer
February 6, 1980
Page Two

would serve the same function after Prudhoe begins to decline. Mr. Gallagher estimates only \$100 million in prefunding would be required to prefund the tail end of outstanding state GOB's.

If you wish to seriously consider an appropriation for prefunding, we should request a legal opinion from state bond counsel as to whether such prefunding would cause any IRS arbitrage problems. In other words, the guarantee fund established by prefunding could result in the IRS finding that the prefunded bonds are arbitrage bonds and taking away the federal income tax exemption allowed on interest received by the bondholders. This would have no direct cost to the state, but the bondholders would undoubtedly prefer that prefunding not be done in that case.

In the attached letter from Orrick, Herrington, the state's bond counsel, a preliminary judgment is made that "establishment of the fund (prefunding account) probably could not affect the tax status of interest on bonds issued before the fund is established".

MB:kw

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
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Hon. Leo Schaeffer
February 6, 1980
Page Two

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In the attached letter from Orrick, Herrington, the state's bond counsel, a preliminary judgment is made that "establishment of the fund (prefunding account) probably could not affect the tax status of interest on bonds issued before the fund is established".

MB:kw

January 21, 1980

Milt Barker
Fiscal Analyst
Alaska State Legislature
Budget and Audit Committee
Finance Division
Pouch WF - State Capitol
Juneau, Alaska 99811

Dear Milt:

This letter responds to the questions posed in your letter of January 2 regarding policies affecting management of the State's debt.

1. Should the State bond or pay cash for future capital improvements?

In today's tax-exempt market, Alaska can borrow funds at interest rates ranging from 6.20% to 7.1% depending on maturities. Currently, the State can invest surplus revenues in a variety of high quality money market instruments at yields of 10 to 13% or more. So long as Alaska continues to pursue a policy of prudent growth in its outstanding indebtedness, it can and should continue to benefit from the favorable interest rate differential that exists between the rate at which it borrows and the rate at which it can invest. The credit standing of the State is not so much affected by the means chosen to finance capital improvements as it would be by the magnitude of capital improvement programs in relation to the State's long-term sources of revenue.

2. Could retirement of all or part of Alaska's outstanding indebtedness improve its credit rating?

Alaska's outstanding general obligation debt of approximately \$670-million could be prefunded by the creation of a special investment account, the principal and interest of which would be used exclusively to meet interest and principal payments on the debt. A deposit of \$546-million to be invested in appropriate U.S. Government Securities at today's market yields would generate sufficient cash to meet principal and interest on the \$670-million outstanding general obligation debt. This deposit is \$124-million less than the cost of simply paying off the debt. Whether the State prefunds the debt or

simply retains a portion of the surplus in high quality, liquid investments the financial result is the same, but the transaction will have a favorable impact on the State's rating. But should the debt remain outstanding and the surplus in the general fund be dissipated then the financial condition of the State will be less favorable than it would have been had the debt been prefunded. In short, prefunding is a means of committing the State to a conservative financial policy and accomplishes this objective without sacrificing the arbitrage presently available to it.

The ultimate impact on the State's credit ratings will depend upon what steps are subsequently taken to control the renewed growth of State debt. Zero debt is impressive, but the rating services will want to know how long the State will remain in this condition and what future debt issuance is planned.

3. Is there a more efficient way to improve on credit ratings than paying off existing debts such as municipal bond insurance, the G.C. debt guarantee fund (mentioned in our letter of October 15th) or some other means?

Municipal bond insurance is generally not available for general obligation issues particularly, of the size that one might expect would be required for Alaska's general obligation debt. A guarantee fund is an attractive idea but, if the State creates a contractual right to the guarantee fund in favor of the bondholders the plan will violate IRS rules and regulations. Without a contractual right to the guarantee, the guarantee is significantly less valuable to the bondholder.

4. Are there any advantages to be gained by the State's prepaying or funding municipal general obligation debt?

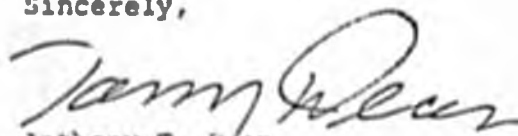
The State, through state aid to education, currently pays approximately 80% of the debt service on locally issued school obligations. School debt, in turn, accounts for the largest single component of local general obligation debt. In addition, the locally issued school debt must pay higher rates on the tax-exempt market because the issuers carry a lower rating and are less well known than the State of Alaska itself. Advance refunding these obligations or prefunding them from State surplus would generate benefits similar to

Milt Barker
January 21, 1980
Page Three

those to be derived from a prefunding of the State's general obligation debt. In addition, the credit standing and debt capacity of local governments in Alaska would be substantially improved. During my visit to Juneau this week, we will assemble the data necessary to provide a preliminary estimate of the cost and potential financial advantage to be derived from a prefunding of the outstanding school debt.

I look forward to an opportunity to meet with you later this week.

Sincerely,



Anthony T. Dean
Assistant Vice President

ATD:lw

TABLE 3

DIFFERENCES BETWEEN ANNUAL AVERAGES OF YIELDS ON 20-YEAR,
GENERAL OBLIGATION BONDS, BY RATING
(Basis Points)

| Year | Differential Between Grades | | |
|------|-----------------------------|-------------|---------------|
| | Aa minus Aaa | A minus Aaa | Baa minus Aaa |
| 1945 | 25 | 58 | 79 |
| 1950 | 19 | 54 | 75 |
| 1955 | 14 | 47 | 96 |
| 1956 | 21 | 50 | 99 |
| 1957 | 22 | 65 | 105 |
| 1958 | 22 | 59 | 92 |
| 1959 | 14 | 50 | 81 |
| 1960 | 16 | 51 | 82 |
| 1961 | 14 | 34 | 61 |
| 1962 | 11 | 25 | 52 |
| 1963 | 8 | 20 | 43 |
| 1964 | 7 | 19 | 42 |
| 1965 | 7 | 19 | 40 |
| 1966 | 9 | 25 | 49 |
| 1967 | 10 | 26 | 55 |
| 1968 | 10 | 31 | 63 |
| 1969 | 13 | 37 | 52 |
| 1970 | 26 | 47 | 63 |
| 1971 | 28 | 53 | 67 |
| 1972 | 15 | 34 | 52 |

Source: Moody's Series: Annual average of monthly differences.

TABLE 4

INTEREST COST DIFFERENTIALS AMONG RATING CLASSES
(Basis Points)

| Differential Between Grades | Study (Period) | | |
|--------------------------------|----------------------------------|----------------------------------|--------------------------------------|
| | Phelps ^a (1957-58) | Kessel ^b (1959-67) | Peterson ^c (1964-1971) |
| Aaa-Aa | 21 | 15 | 13 |
| Aa-A | 33 | 21 | 19 |
| A-Baa | 33 | 25 | 30 |
| Baa-Ba | — | — | 35 |
| Sum: | | | |
| Aaa-Baa | 87 | 61 | 62 |

^aCharles DeMoss Phelps, "The Impact of Tightening Credit on Municipal Capital Expenditures in the United States," *Yale Economic Essays*, Vol. 1 (Fall 1961), p. 130. In Phelps's equation, interest cost differentials between rating classes vary in proportion to the Federal Government's long-term bond rate. The figures above were calculated upon the assumption that the long-term bond rate was 3 percent.

^bRichard A. Kessel, "A Study of the Effects of Competition in the Tax-Exempt Bond Market," *Journal of Political Economy* (Sept. 1971). Instead of using the net interest cost of the issue as the dependent variable in his equation, Kessel used the difference between the twenty-year treasury yield and "bond's Yield of 100, Standard & Poor's ratings were used instead of Moody's. Kessel's data sample included more than 9,000 bond issues that appeared between 1959 and 1967, with virtually complete coverage of competitively offered issues that were larger than \$1,000,000.

^cJohn E. Peterson, "A Note on the Determinants of Municipal Bond Net Interest Costs" (unpublished), 1972. See summary of study at end of this chapter.

OFRICK, HERRINGTON, ROWLEY & SUTCLIFFE
COUNSELORS AND ATTORNEYS AT LAW

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600 MONTGOMERY STREET

SAN FRANCISCO, CALIFORNIA 94111

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ERIC SUTCLIFFE
WALTER C. OLSON
WILLIAM C. HERRINGTON
HONEY E. ROBERTS
JAMES H. BENNETT
RICHARD WALKER
JAMES F. CRAFTS, JR.
JAMES S. HAYNES
RICHARD C. BALLADIN
RICHARD J. LUCAS
CARLO S. FOWLER
RONALD A. SLICHTER
PAUL A. WEBBER
JAMES R. HARRISON
WILLIAM C. HERRINGTON, JR.
WILLIAM L. HERRINGTON
THOMAS R. SHEARER, JR.
CAMERON W. WOLFE, JR.
RALPH C. PALAZO

M. PETER LILJEVAND
WILLIAM E. DONOVAN
ROBERT J. GLOUSTON
W. REECE BADER
PAUL J. BAE
MARTELLEN S. CATTANI
WILLIAM L. BALET
E. THOMAS UNTERMAN
EDWARD S. ROGIN
JACK E. FERGOSON
ALVIN W. FARROW
JACK B. OWENS
WILLIAM F. ALDENMAN
RICHARD E. V. HARRIS
G. SID EDWARDS
RAYMOND S. ELLIS
STEVEN A. BRICE
JOHN F. SEEGAL

October 30, 1979

Mr. J. H. Hogan
Director
Legislative Finance Division
State of Alaska
Pouch WF, State Capitol
Juneau, Alaska 99811

Dear Mr. Hogan:

In response to the questions in your letter
of October 15:

1. This question will need considerably more
elaboration before I can answer it with any reasonable
assurance. I am not sure whether the suggested fund is
to be used to guaranty debt service on general obligation
bonds of the State or debt service on general obligation
bonds of local governments in the State. I do not know
the source of the moneys to be put into the fund, but
I assume that those moneys will not come from any proceeds
of bonds. On that basis, I do not think that a proper
interpretation of the Internal Revenue Code would result
in any arbitrage yield restrictions on the fund, because
the applicable Code provision relates to the use of the
proceeds of bonds.

However, the Internal Revenue Service has
stretched and distorted the term "proceeds" in the Treasury
Regulations and rulings thereunder. The result appears to
be that, if the State deposits moneys from any source into
a fund to be used to pay the debt service on general obli-
gation bonds of the State or on general obligation bonds of
local governments, or which fund is pledged as security for
any such debt service, the Internal Revenue Service would
consider the fund to be "proceeds" subject to arbitrage
yield restrictions. This is indicated by Rev. Rul. 78-302
and Rev. Rul. 78-348, a copy of which is enclosed.

Even on this basis, the establishment of the fund
probably could not affect the tax status of interest on bonds
issued before the fund is established or before it was expected

Mr. J. H. Hogan
State of Alaska
October 30, 1979
Page Two

to be established. Moreover, if the amount in the fund considered allocable to bonds hereafter issued, together with any other amounts chargeable under arbitrage rules to the "minor portion" of the proceeds of those bonds which is not subject to arbitrage limitations, do not aggregate more than 15% of the face amount of those bonds, the investment of the fund should not be subject to arbitrage yield restrictions.

The foregoing is all subject to further qualifications and complexities, but I think there is no point in pursuing them here. If you can give me a complete description of the workings of the proposed fund, I will try to give you a more definitive answer as to the federal income tax results. If there is any special need or desire for such a fund, I might suggest requesting a ruling from the Internal Revenue Service as to their treatment of the specific facts, and possibly an appeal from that ruling to the Tax Court in the quite possible event that we consider the ruling to be contrary to the law.

In any event, I am somewhat mystified as to the purpose of or need for the proposed fund, particularly if it is to relate to general obligation bonds of the State.

2. The issuance of bonds by the State in the presence of a "massive general fund surplus" should not result in taxability of the interest on the bonds, and it surely would not. This conclusion appears to be supported by Rev. Rul. 78-302 (enclosed). However, your phrasing of the question in terms of "a possible arbitrage problem with the IRS" prompts me to note that the IRS has gone so far in its pursuit of "arbitrage" that I would not be entirely surprised at anything that organization might contend.

In connection with all of the foregoing, I urge you and others in the State government to support the bill sponsored by the Municipal Finance Officers Association and about to be introduced in Congress to cure problems like these and to prevent further excesses.

Sincerely yours,

C. Richard Walker

Enclosure

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
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MEMORANDUM

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TO: Honorable Terry Gardiner, Speaker
Alaska State House of Representatives

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SUBJ: Bonding Policy

This Memo is in response to a number of questions you posed regarding bonding and capital projects, some of which were addressed by Jay Hogan in his November 14, 1979 Memo to you (attached). The remaining questions and my comments follow.

1. WHAT ARE THE PRO'S AND CON'S OF PAYING CASH OR BONDING FOR CAPITAL IMPROVEMENTS?

Pragmatism and Equity

Most state and municipal governments most of the time do not have the luxury of this choice; borrowing is often the only pragmatic and equitable way of funding capital improvements.

Most governments which would attempt to fund major capital spending for the first time by cash would be compelled to raise taxes, always a decidedly unpopular move, or perhaps reduce operating expenditures. Certainly the question presumes that if Alaska were to pay cash it would do so from the large surpluses it is enjoying, rather than a tax increase or budget reductions. So, unless a decision is made to pay over the entire surplus to all Alaskans, the option of cash for capital projects would be viable.

Taxing
for
Cash

Conceivably, a government could pay cash by taking a rather small additional tax bite each year and accumulating it until sufficient funds were available. However, this means postponing the project until the cash is in hand, whereas borrowing permits immediate enjoyment of the project's benefits.

Accumu-
lating
Cash
Project
Delay

This attraction of borrowing is not merely a desire for early realization of project benefits but may involve pragmatic considerations as well; certain types of projects such as schools may be needed now but not necessarily twenty years from now. Fortunately for Alaska, paying cash need not mean delay.

It is not unknown for governments to accumulate cash for projects. Where project cost is relatively small paying cash will not result in a large tax bite or undue delay as, for example, when Juneau financed its swimming pool and ski area from sales tax surcharges. Or cash can be an option if politically acceptable ways of generating relatively large cash flows can be found, as Texas has in using royalty proceeds for university construction.

Of course, Texas' method involves a non-tax source of funds. It could be argued that even without its large surplus, Alaska is obligated to pay cash for a sizable amount of projects because of a situation similar to Texas'. That is, AS 37.05.-157 creates a "reserve for capital outlay" account in the general fund while AS 37.05.158 creates a "reserve for energy facilities development" account which are to receive respective allocations of 25% and 5% of mineral bonuses, rentals and royalties. This would be respectively \$268.4 million and \$53.6 million for FY 81 at a minimum based on current oil prices, and could arguably be increased since no funding of capital projects has been designated as coming from these two accounts since their inception on October 15, 1978.

Equity considerations normally favor bonding, the more so that bond payments are scheduled over the life of the project so that those who enjoy its benefits are the ones to pay for the project. If a government were to pay cash for a capital improvement program that varied significantly in amount from year to year, those arriving just after major improvements were made would be getting a free ride, while those leaving just after would be paying for something for nothing.

As well as for transiency, there is an intergenerational equity problem, since older persons may pay for but not live to enjoy the benefits of a cash-funded capital improvement, while many younger persons not yet paying taxes will nevertheless be around to enjoy the benefits.

To the extent capital budgets were constant in real terms, there would be no equity problems. Also, the equity considerations for transients would tend to be ameliorated if other governments were funding capital improvement programs with cash.

statutory
mandate

equity

Oil
Revenues
& Equity

This normal equity picture is somewhat different from Alaska's situation. Since so much of the state's wealth comes from oil revenues, very little of any cash paid for present capital projects would come from the ordinary taxpayer's pocket. In the future, when the oil revenue is gone and in the absence of windfall revenues on the same scale from some other source, projects funded by bonding might very well be paid out of taxpayers pockets.

Of course, this is not inconsistent with the idea that the users pay; it's just that the early users get off relatively easy. This is appealing to many Alaskans who because of high transiency feel no particular allegiance to the state's future constituents, and also wish to reward the "pioneers" who have been here a long time. On the other hand, those who expect themselves or their children to be here for the duration, which probably includes most natives, may have more concern for the possible tax burdens on the citizenry in the future. It may be though that with ever-brightening revenue projections, the day of significant tax burdens on the Alaskan citizenry is receding far enough into the future to be of uncertain probability or minimal concern.

Balancing all these equity considerations, as well as the other points considered so far might lead to funding a significant portion of capital projects with cash as well as bonding for the remainder so that future users do pay for something.

However, the state's method of bonding is more equivalent to the cash proposition in regards to equity considerations; most debt service for current projects will be funded by oil revenues, not taxpayers. This is because the maturities on most recent debt issues of the state have been scheduled before the late 1980's when Prudhoe production is expected to decline (this is reflected in the attached debt service schedule from the "1979 Annual Financial Report"). Early maturities have been scheduled in an effort to improve the state's bond ratings; the financial community will see a more or less assured revenue stream from Prudhoe sufficient to fund debt service.

Bonding with early maturities both secures better bond ratings and helps balance out equity between current and future Alaskans. Of course, cash for projects would enhance bond ratings all the more. Thus, cash or bonding with early maturities for the major portion of capital projects would seem equally desirable from the standpoint of pragmatism and equity.

Bond
Maturity

Arbitrage

Turning to financial considerations though, bonding is to be preferred to paying cash because of interest arbitrage. That is, instead of paying cash, the state could invest its surplus at taxable market rates of interest and use these invested funds and earnings to pay off bonds issued at lower rates of tax-exempt interest, and pocket the difference in interest rates.

Table 1 shows that the average spread in interest rates between Aa rated long-term corporate and municipal bonds averaged 2.5% to 3.77% during the last five years, with a recent differential of 4.46% for October 1979. Chart 1 traces these rates back to 1969.

As Table 2 shows, rates for ten year maturities which typify Alaskan issues are about .5% lower than the twenty year maturities.¹

Also, Alaskan bonds are rated A1 by Moody's and A+ by Standard and Poor's, thus selling at about .1% higher than the Aa bonds. All told, this means a spread in rates between 3% and 5% between Alaskan bonds and the market. The attached December 31, 1979 letter from John Nuveen & Co., the state's financial advisor, corroborates this information.

A 3% minimum spread or 4% average spread would mean the state could earn respectively \$19.2 million or \$26.4 million in interest arbitrage over the life of \$100 million in bonds issued with a five year average maturity. Presumably, active portfolio management can improve arbitrage earnings beyond the average spread.

The amount of arbitrage could also be increased by issuing bonds with longer maturities. A longer payback means we hang onto our cash longer and pocket the difference in earnings longer; it means greater outstanding bonded indebtedness in total.

¹This lesser rate for shorter maturities is partially a reduction in risk premium, since a lender's funds are not exposed as long, as well as a reduction in the liquidity premium that is largely due to the greater presence of banks in the short-term municipals market. Banks have to balance short-term liabilities (checking and passbook savings) with short-term assets.

As mentioned previously, there is normally an interest penalty of .5% for twenty year maturities in comparison with ten year maturities. In Alaska's case, the penalty would be even greater because our credit is really based on the somewhat shorter period of prolific Prudhoe production. Assuming that the amount of indebtedness projected to be outstanding in the post-Prudhoe period is not so large as to make a bond unmarketable, the potential arbitrage on a \$100 million issue with an average life of ten years would be \$28.8 million or \$43.2 million respectively for spreads of only 2% minimum or 3% on average. Certainly, there has to be room for some lengthening of Alaska maturities, either in new issues or in refinancing of old ones, based on the doubling of world oil prices in the last six months and the decontrol of Prudhoe oil which began January 1980 -- if there is also restraint in spending decisions in relation to the revenues that will be available, sufficiently so to impress the bond market.

Effects on Spending

In fact, the postulated arbitrage gains may be completely hypothetical depending on the effects bonding has on spending and investment decisions of the state.

It may be argued that the bonding method assures greater political consensus, if not restraint, on the projects to be undertaken since referendums are required. Some feel that capital spending is greater under the bonding process than through appropriations because of the need to regionally balance bond proposals to assure voter approval. In the last three general elections, four out of thirty bond propositions have failed, counting the new capital bond issue.

A possible greater inducement to increased spending through the bonding process is the amount of cash that is freed up. Instead of being invested and earning arbitrage it may be appropriated as well, for operating budgets if not capital -- if not in the current session, then the next. On the other hand, cash for capital projects has as one of its main attractions the attribute of being a brake on the operating budget, if not the capital budget. In the case of capital, cash for projects would preserve unused debt capacity that could be "banked" for use in future sessions. Also, an unannounced policy of cash for projects may seem to be an implied endorsement of spending all the cash on capital projects.

The choice of the method of financing may not be the most critical factor affecting the level of expenditures. Financing choices cannot substitute for policy determinations as to what the expenditure level should be nor for a good capital and

operating budgeting process to inform such policy decisions. Certainly some particular expenditures will have benefits outweighing any arbitrage earnings.

Other Opportunity Costs of Cash for Projects

ayments
o
ndividuals
To the extent cash left on the table from bonding for capital projects is used for cash payments to individuals or investment in other than the money and bond markets, the arbitrage argument may still be valid.

Certainly, if an individual receives a cash payment, he can invest it at the higher taxable market rates and thus earn the arbitrage on his own account. Of course, he may spend it instead; though presumably he is judging his present consumption to have greater utility than possible future consumption augmented even at market rates of interest.

Where this alternative really falls short in relation to state arbitrage with payment of the earnings to individuals is the federal tax bite that would be taken out of principal if it is given to individuals. Instead, the money could be loaned to individuals at the tax-exempt cost to the state and in that way retain the arbitrage argument's validity; this, of course, removes the possibility of expenditure of the principal by individuals.

development
projects
The arbitrage argument can certainly be enhanced if the state or individuals with state loans can make investments which yield even greater returns than the money and bond markets. If these are development projects in Alaska, there may be other benefits besides a higher rate of return. The state's fiscal position may be benefited, its bond ratings possibly improved, etc., from the expanded tax base if immigration is not pronounced or state budgets do not swell as a result. Incomes and employment will increase, hopefully for the long-run if the project is economically viable. Of course, there is always a danger that the state will be providing consumption disguised as investment.

Bonding During Periods of High Interest Rates

One final consideration as to whether to bond or pay cash would be the possibility of avoiding bonding during periods of high interest rates. Referring to Chart 1 again, one can see that municipal bonds' interest rates have varied from 5% to 7% during the 1970's. Thus, paying cash would save at most 2% based on recent experience, while foregoing the opportunity to earn 3% to 4% in arbitrage. Moreover, careful timing of actual bond sales by the administration may help

keep interest costs down. Lags in the political process would make it difficult to attempt to take advantage of swings in interest rates from the legislative end of things anyway.

Revenue Bonds

The discussion heretofore of cash vs. bonding as a financing method for capital projects is for the most part applicable to general obligation and revenue bonds. However, paying cash or using general obligation bonds where a revenue bond can be used results in a shifting of the costs of benefits for a particular group from that group to the general populace and is usually judged to be unacceptable.

If the equity considerations are not overriding, general obligation bonds are certainly cheaper than revenue bonds; recent sales have had a .7% to 1.5% advantage over revenue bonds. Of course, significant increases in indebtedness on account of this would eventually have adverse effects on interest costs on all new GOB's. Regardless of equity considerations, revenue bonds would still offer arbitrage opportunities whether the cash alternative has state funds or user income as its source. Any shift away from revenue bonding might necessitate review of the policy for user charges and accrued surpluses.

2. WHAT ARE THE PRO'S AND CON'S OF PAYING OFF OUR PRESENT DEBT SERVICE?

- Equity Given the short maturity structure of our present debt, the equity situation would not be much changed by paying it off since either way it appears that it will be oil revenues, not individual taxpayer dollars, that will be used to pay it off.
- Arbitrage By not paying it off, the state can in theory continue to earn arbitrage. However, this depends on to what alternative use the potential bond redemption funds are put as discussed under question 1; if they are spent on budget items there is no arbitrage.
- Effect on Bond Ratings As discussed in the John Nuveen & Co. letter and also the attached April 3, 1978 White Weld letter, Alaska compares unfavorably against the traditional yardsticks used to rate bonds, i.e. debt per capita, debt as a percent of personal income, etc. Paying off our debt would dramatically improve our statistics, including the one deemed most relevant in our case, debt service as a percent of general fund revenues.

However, this action would do nothing to overcome the lack of diversification in the economy and the almost complete dependence of state revenues on a single source, Prudhoe Bay. Besides, there is no assurance that in following years bond authorizations might not be sought which would put indebtedness back at traditional levels. Thus, paying off existing indebtedness might lessen interest costs on future issues and possibly improve the state's bond ratings if the redemption is seen as part of a long-range policy of fiscal restraint and convincingly documented in long-range capital budget plans.

However, as indicated in Tables 3 and 4, the maximum reduction in interest costs should the state be upgraded to the highest rating (Aaa) would normally be no more than thirty basis points or .3%. This would be one-tenth the amount that could be earned, 3%, in arbitrage if the funds were invested instead of used to pay off the bonds. Thus, paying off \$680 million in outstanding debt would require the issuance of \$6.8 billion in new debt for interest savings to make up the lost arbitrage. Undoubtedly, our interest differential would be erased long before that level of indebtedness was reached. Although some improvement could also be expected in rates and ratings for other Alaska municipals which track somewhat with the state, this method of paying off indebtedness would still not be an attractive investment, but would be a method of budgetary restraint.

An alternative that would possibly be a good investment though not absorb as much funds is to pay off the tail end of the state's debt service, i.e. the longer maturity bonds. Sterling Gallagher of Nuveen & Co. estimates that possibly \$100 million so spent would have almost the same impact as paying off all indebtedness.

3. WHAT ARE THE PRO'S AND CON'S OF PAYING OFF PRESENT MUNICIPAL DEBT?

Considering the state as a whole, the arguments here are the same as for question 2. The potential arbitrage from retaining indebtedness is almost as great since the Municipal Bond Bank Authority carries an A rating, only slightly below the state's. Of course, looking at it solely from the municipalities point of view, payoff is desirable since the cash comes from the state, not the municipality. This would be an expenditure from the state's point of view, whereas paying off its own liabilities does not change its net worth.

Interest
Costs

The improvement in interest costs should be about the same magnitude as that for the state, thus putting the amount of new debt required to realize savings in interests costs equivalent to the foregone arbitrage at odds with the idea of reduced levels of indebtedness to secure better interest rates. Again though, paying off the tail end maturities might be a good investment.

Equity

Any such program to payoff municipal debt would not benefit individuals in unorganized areas or municipalities with no debt. If the proposal is a blanket payoff of 100% of outstanding debt, some municipalities will benefit more than others, even on a per capita basis. "Alaska Taxable 1979" indicates that municipal debt per capita varies from \$120 to \$26,751. Payoff of equal amounts on a per capital basis would be more equitable than payoff of all or a percentage of total indebtedness.

Municipal
Spending

There would be no assurance that municipalities would pass on the savings in debt service to taxpayers rather than increasing other budget expenditures. Direct payments or credits to taxpayers might be superior in this regard. If a municipal debt redemption program is to be considered, it might also be appropriate to consider ceilings on municipal indebtedness.

4. AT WHAT LEVEL SHOULD WE BOND FOR CAPITAL IMPROVEMENTS? BY WHAT LOGIC?

Recommended
Levels

The John Nuveen & Co. letter suggests \$175 to \$225 million per year, which would be \$350 to \$450 million in authorizations this session. The Governor reputedly will insist on no more than \$300 million in authorizations this session because of concerns that the rising level of debt service will leave little room for increases in other operating items within his long-range budget growth ceilings. The possibility of stretching out maturities based on improved revenue projections might permit the Governor to increase debt and debt service and still meet his budget growth objectives. Authorizations in the 1978 session totaled \$275 million exclusive of the \$966 million new capital bond issue.

Standards

According to the White Weld memo, debt service could be as high as 16% of general fund revenue before the state would experience significant interest penalties. In the judgment of John E. Petersen, Director of the Government Finance Research Center of the Municipal Finance Officers Association (MFOA), as quoted in his book, The Rating Game, "a ratio of ten percent is felt to be the separation between better and lesser creditworthiness, fifteen percent warrants concern, and it should never exceed twenty to twenty-five percent."

Potential Levels Ten percent of the \$3,052.2 million estimated as FY 80 unrestricted revenue in the Department of Revenue's "Revenue Sources" would be \$300 million in debt service. \$300 million a year in debt service over a ten year period would amortize \$2,252.3 million at 6% interest. Thus, the state could theoretically increase its current total indebtedness of \$680 million several times over, this session, if future bonding were to be cut back considerably.

Market Limits In reality, the market limits are more likely determined "by intangible, psychological, perhaps even irrational factors and attitudes" according to the Nuveen letter, which further states that "no one can accurately predict what level of debt will trigger a reaction leading to a negative shift in market sentiment". (Should it be desired Legislative Finance can readily run long-range computer projections of debt service in relation to revenues based on a given pattern of bond authorizations.)

It appears there are no ready-made rules for the level of debt; by the above standard the state has tremendous unused capacity -- by other standards such as debt per capita there is no excess capacity. The state can always find the limits by testing the water. Needless to say, budgetary restraint and sound management of the state's portfolio will increase its debt capacity in relation to a given level of revenues.

UPDATE

5. WHAT IS OUR PRESENT MUNICIPAL DEBT?

As of July 1, 1979 the general obligation bonded debt of municipalities was \$768,508,903.

ADDENDUM

You may note that in our letter to Nuveen we wondered if a guarantee fund for general obligation bonds would improve interest costs or ratings. Nuveen felt it would raise more questions than it would be worth.