

ALASKA LEGISLATION COMMITTEE REPORT 1976

1976 HRLS SB 19 - SB 50

1976

ARTICLE I

(1) This Agreement shall be construed to be a "written agreement entered into with the agency" within the meaning of the Financial Institutions Supervisory Act of 1966, 12 U.S.C. §1818(b)(1).

ARTICLE II

(2) The Board of Directors shall at all times consist of at least five qualified, bonded and active members who have been duly elected or appointed. The Bank shall promptly notify the Regional Administrator of National Banks for the Thirteenth Region (hereinafter Regional Administrator) of any and all vacancies arising on the Board either through resignation of existing Board member(s) or Resolution adopted thereof to effect an increase in the size of the Board of Directors. Furthermore, the Bank shall provide the Regional Administrator with 30 days advance written notice of the names of all nominees for director proposed by management for election at any shareholders meeting or for appointment by the Board of Directors to fill any vacancies on the Board between annual meetings of the shareholders, and the Regional Administrator shall have the power to veto any such nomination or appointment to the Board.

ARTICLE III

(3) The daily operating management of the bank shall be the responsibility of the Chief Executive Officer, (CEO), and he alone shall exercise that responsibility. The CEO shall be subject to the guidance and policies of the Board of Directors acting on majority resolution of the full board.

ARTICLE IV

(4) No executive officer shall be employed, or have his or her employment altered or terminated, except by majority resolution of the full Board of Directors. Furthermore,

prior to effecting any action referred to in the immediately preceding sentence, the BANK shall provide 30 days advance written notice to the REGIONAL ADMINISTRATOR who shall have the power to veto such action.

ARTICLE V

(5) The Regional Administrator shall immediately be advised both by telephone and by mail of the calling of any special shareholders meeting, as well as the time, date, location and purpose of the meeting.

ARTICLE VI

(6) Within sixty (60) days, the Board of Directors, in consultation with management, shall develop, adopt and implement a written program for the elimination of each asset from criticized status. The program shall be submitted to the REGIONAL ADMINISTRATOR, promptly following adoption thereof.

(7) The BANK shall not lend additional money or otherwise extend credit to any borrower whose loan or extension of credit has been criticized, in whole or in part, in the Report of Examination dated May 31, 1979 (hereinafter REPORT OF EXAMINATION) or in subsequent Reports of Examination, unless the criticism of the loan or credit is eliminated.

(8) The immediately preceding paragraph shall not apply if the BANK's failure to extend further credit would be detrimental to the best interests of the BANK. Before any such extension of credit is made, however, it shall be approved in writing by a majority of the Board of Directors who shall certify the specific reasons why failure to extend such credit would be detrimental to the best interests of the BANK. A copy of any such certification shall be maintained in the credit file of the borrower, and shall also be attached to and made a part of the permanent minutes of the Board meeting at which the credit was considered.

ARTICLE VII

(9) The BANK shall immediately establish an executive loan committee to review and approve all extensions of credit in excess of \$50,000. This committee shall be made up of at least the president and two non-officer directors of the BANK. This committee shall review the BANK's legal lending limit in light of the diminution of the BANK's capital account, and shall ensure that no extension of credit, by renewal or otherwise, exceeds the legal lending limit. No new, modified or renewal extension of credit in excess of \$50,000 shall be granted without the prior approval of this committee. The REGIONAL ADMINISTRATOR shall be promptly notified of the members of this committee.

(10) The executive loan committee shall, within sixty (60) days, analyze and assess the capabilities of the lending staff of the BANK, and shall review the lending limits of each individual officer. The lending limits of each officer shall be adjusted as required by the results of this review. Upon completion of this study, a listing of the names of all lending officers together with their designated titles and lending limits shall be furnished to the REGIONAL ADMINISTRATOR.

ARTICLE VIII

(11) Within 60 days, the BANK shall take all steps necessary to establish adequate "internal controls to monitor the lending function. At a minimum, the Board's attention shall be given to the following:

- (a) A thorough review and revision shall be made of the present loan policy statement to correct all deficiencies listed in the REPORT OF EXAMINATION and any subsequent Report of Examination. The loan policy shall incorporate at a minimum, the principles, set forth in Sections 205.1, and 205.4 of the Comptroller's Handbook for National Bank Examiners.

- (b) A thorough review shall be made of the reports on the lending function to ensure that adequate information is transmitted to senior management and the Board. Specific attention shall be given to the accuracy and completeness of the Past Due Loan Reports, Non-accrual Loan Reports, Loan Commitment Reports, Problem Loan Reports, and Reports of Loans Granted, Renewed, Modified or Paid.
- (c) A thorough review shall be made of the overall level and adequacy of the BANK's internal loan review procedures, with specific attention directed to procedures for periodic review of loans within a loan officer's lending limit.
- (d) A thorough review and revision of the BANK's policy for charging off assets shall be performed. The policy shall identify those officers with authority to charge off assets and shall set standards for when assets should be charged off.

A copy of the revised loan policy statement and a summary description of the BANK's internal controls for lending shall be forwarded to the REGIONAL ADMINISTRATOR.

ARTICLE IX

(1?) The BANK shall take all necessary steps to obtain current and satisfactory credit information on all loans listed as lacking such information in the REPORT OF EXAMINATION, and any subsequent Report of Examination, and shall refrain from granting any new loans, renewals of existing loans or other extensions of credit, whether consumer or otherwise, without first obtaining current and satisfactory credit information. The credit information shall include a statement of purpose for which the loan is to be made together with a summary of the source and terms of repayment.

ARTICLE X

(13) The BANK shall ensure that each loan officer includes a written analysis to explain and justify his or her credit decision, and shall maintain current and complete information on all borrowers while their loans are outstanding.

ARTICLE XI

(14) The BANK shall correct the deficiencies pertaining to the securing of collateral as listed in the REPORT OF EXAMINATION, and any subsequent Report of Examination, and shall not grant any new loans or other extensions of credit for which the taking of collateral thereon is deficient.

ARTICLE XII

(15) The BANK shall take all steps necessary to recover on past due and non-accrual assets, including the implementation of a vigorous collection program. This program shall be submitted to the REGIONAL ADMINISTRATOR for his approval within 30 days of the effective date of this Agreement.

ARTICLE XIII

(16) Within sixty (60) days of the effective date of this Agreement, the Board of Directors shall adopt and implement written policies governing liquidity and asset and liability management. The policy shall be submitted to the REGIONAL ADMINISTRATOR for his review. 4

(17) The policy shall include, but not necessarily be limited to, the following:

- (a) Guidelines contained in Sections 302 and 405 of the Comptroller's Handbook for National Bank Examiners.
- (b) A plan to reduce the BANK's dependence on rate sensitive deposits and borrowings of all types.
- (c) Establishment of and goals for balance sheet (asset and liability categories) proportions, consistent with the BANK's profit plan and budget.

ARTICLE XIV

(18) The Board of Directors shall, within sixty (60) days of the effective date of this Agreement, amend the existing investment policy as necessary to address the deficiencies noted in the REPORT OF EXAMINATION, and any subsequent Report of Examination, and to adequately guide the BANK's investment account. The revised policy should be consistent with the BANK's asset and liability management policy and needs and a copy shall be submitted to the REGIONAL ADMINISTRATOR for his review.

ARTICLE XV

(19) Within sixty (60) days of the effective date of this Agreement, the Board of Directors shall submit to the REGIONAL ADMINISTRATOR, for his approval, a written capital program designed to ensure the ongoing capital adequacy of the BANK. It shall be the responsibility of the Board of Directors to make any adjustments necessary to acquire the approval of the REGIONAL ADMINISTRATOR for the BANK's capital program.

(20) The capital program shall provide for, but not necessarily be limited to, the following:

- (a) Targets for minimum acceptable capital ratios relative to total assets, net loans, and other balance sheet categories such as risk assets, total deposits, and rate sensitive deposits;
- (b) Projections for balance sheet categories and income and expense items for 1980. Projections for 1981 shall be completed no later than March 31, 1980;
- (c) A periodic review of the budgets and projections with explanations of variances and revisions;
and
- (d) Specific plans to eliminate the current capital deficiency.

ARTICLE XVI

(21) The Board of Directors shall not declare or pay a dividend without the prior written approval of the REGIONAL ADMINISTRATOR.

ARTICLE XVII

(22) The Board of Directors shall immediately review the adequacy of the BANK's Allowance for Possible Loan Losses, particularly in light of the present condition of the BANK's loan portfolio and the potential for loss inherent in that portfolio. Upon completion of its review, the Board of Directors shall augment the Allowance by an amount necessary to make it adequate and acceptable to the REGIONAL ADMINISTRATOR.

(23) The Board of Directors shall conduct at least calendar quarterly reviews of the Allowance for Possible Loan Losses and make appropriate adjustments thereto which will be reflected in the quarterly Reports of Conditions submitted to the Comptroller. The BANK will maintain documentation sufficient to justify the actions taken after each review, and shall immediately submit a report thereon to the REGIONAL ADMINISTRATOR.

ARTICLE XVIII

(24) Beginning thirty days after the effective date of this Agreement, the BANK shall submit monthly reports to the REGIONAL ADMINISTRATOR signed by a majority of the Board of Directors, detailing:

- (a) The actions taken to rectify those matters criticized in the REPORT OF EXAMINATION, and any subsequent Report of Examination;
- (b) The actions taken to correct each violation of law, rule, or regulation cited in the REPORT OF EXAMINATION, and any subsequent Report of Examination, and the actions taken to prevent their recurrence;
- (c) The actions taken by the BANK to comply with the provisions of this Agreement; and

(d) The results of those actions.

ARTICLE XIX

(25) Although the Board has agreed to submit certain programs and reports to the Regional Administrator for approval, it recognizes that the ultimate responsibility for proper and sound management of the BANK rests with the Board of Directors.

ARTICLE XX

(26) It is expressly and clearly understood that if, at any time, the COMPTROLLER deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the BANK, nothing in this Agreement shall in any way inhibit, estop, waive, bar or otherwise impede or prevent him from so doing.

ARTICLE XXI


(27) The provisions of this Agreement shall become effective immediately upon execution by the parties hereto and shall continue in full force and effect until such time as they shall be modified, suspended, excepted, waived or terminated by mutual consent of the parties of this Agreement.

IN TESTIMONY WHEREOF, the undersigned, designated by the Comptroller of the Currency as his Representative, has hereunto set his hand on behalf of the COMPTROLLER.

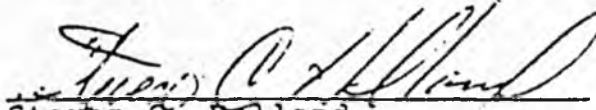
M. B. Adams
M. B. Adams
Regional Administrator of National Banks
Thirteenth National Bank Region

12/6/79
Date

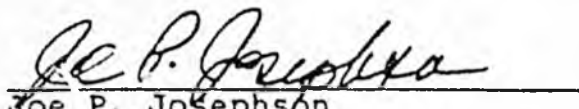
IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the BANK, have hereunto set their hands on behalf of the BANK, and themselves.


George A. Dickson

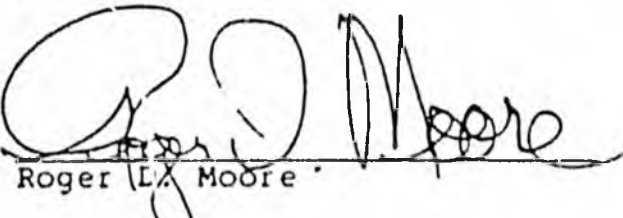
12/6/79
Date


Steven C. Holland

12/6/79
Date


Joe P. Josephson

12/6/79
Date


Roger L. Moore

12/6/79
Date

William J. Schuiling

Date

January 10, 1980

Board of Directors
Security National Bank
Pouch 7-777
Anchorage, Alaska 99510

Gentlemen:

The Bank's application dated December 17, 1979 to increase common stock to \$1,050,000 from \$715,841 by sale of 47,737 shares having an aggregate par value of \$334,159 and a total sale price of \$1,193,425 is hereby given preliminary approval.

This approval is granted subject to the following conditions:

- (a) That appropriate corporate action is taken to release the 2,737 shares which were allocated to the employees' stock purchase plan. Copies of appropriate resolutions should be furnished this Office.
- (b) If the bank proposes to rely upon a private placement exemption from the offering circular requirements set forth in 12 CFR 16, four copies of the notice required under Section 16.5(f) and any request for exemption under Section 16.5(g) should be furnished this office and prior approval obtained.
- (c) That the Bank shall provide notice to the proposed purchasers of the requirements of the Change in Bank Control Act of 1978 and take reasonable steps to assure that those requirements are complied with if applicable.

All cash received from the stock sale should be credited to a special account, which should be maintained until the capital increase has become effective. A report should be made to this Office on the enclosed Certificate of Payment for Additional Common.

EXHIBIT "D"

Board of Directors
Security National Bank, Anchorage
January 10, 1980
Page 2

Stock, in duplicate, when the full amount of cash for the new shares has been paid-in. Please advise us of the date you desire the capital increase to be declared effective.

Upon receipt of the foregoing documents and advice of the date the capital increase is to be effective, a certificate will be issued by this Office granting final approval and making the capital increase effective. Stock certificates representing the new shares should bear the effective date shown on the Comptroller's Certificate.

Very truly yours,

M. B. ADAMS
Regional Administrator of National Banks

Enclosures

cc: J. James Gallagher, Attorney
bcc: Capital Increase, Washington, D. C.
Subregion Special Projects, D.C.
Capital Funding File
Chronos.
Follow-up: 2/8/80

JDD:joh



Comptroller of the Currency
Administrator of National Banks

Washington, D C 20219

July 18, 1980

Board of Directors
Security National Bank
Pouch 7-777
Anchorage, Alaska 95510

Gentlemen:

A meeting was held in this office yesterday with Board Chairman Holland, President Moore, and bank attorney Evans. They hand-delivered a letter dated July 14, 1980 from Mr. Holland and Mr. Moore to myself and Senior Deputy Comptroller Paul Homan. Other Staff members from the Comptroller's office were present and our discussion centered on the variety of points raised in that letter.

The letter of July 14 urged that we withdraw the conditions imposed upon the bank by Mr. Homan in a letter dated July 10, 1980 to the Board of Directors requiring an injection of \$1.5 million dollars in equity capital within 90 days. The bank contends that our current assessment of the condition of the bank is incorrect, that current management has successfully dealt with problems of restoring depositor confidence and employee morale, and that the Board has approved the sale of authorized and unissued shares of common stock to qualified investors at a price of \$11.50 per share to effect an increase in equity capital of \$548,975.

This letter reaffirms Mr. Homan's request of July 10, 1980 for \$1.5 million dollars in new equity capital. However, as a result of the meeting and the demonstration of good faith efforts by the Board to restore the bank to a sound operating footing with an adequate capitalization, I am agreeable to modifying the letter of July 10, 1980, by removing the 90 day limitation under the following conditions:

1. Authorized but unissued stock as proposed is sold within 30 days from 7/17/80 for the specified \$548,975 and injected into the bank as equity capital.
2. The bank will be examined as soon as possible, and a conclusion reached regarding its condition, including the adequacy of its capital, will be transmitted to the Board of Directors. If that conclusion results in the need for additional equity capital, the Board of Directors will be asked to submit a plan to accomplish it within a timeframe set by this office.

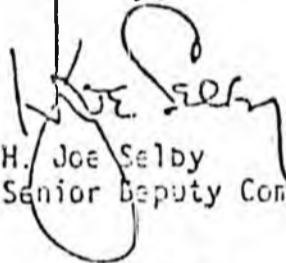
EXHIBIT "E"

3. If the authorized but unissued stock is not sold within the 30 day limitation the original time limitation stated in Mr. Homan's letter of July 10, 1980 is reinstated.

This modification of Mr. Homan's letter of July 10, 1980 in no way affects the ability of the Comptroller of the Currency to take steps as it deems necessary to protect the bank and its depositors. It does provide the Board of Directors with a reasonable time and plan to achieve the requirements of July 10, 1980.

If the modification and conditions under which it is proposed are satisfactory, please have an authorized official of the bank, under proper Board resolution, affix his signature on the attached copy of the letter, returning it to Regional Administrator M. B. Adams, 707 SW Washington Street, Room 900, Portland, Oregon 97205. We will accept the copy with the signature with each Board member.

Sincerely,



H. Joe Selby
Senior Deputy Comptroller for Operations

cc: ~~Bank File~~
Region 13
Martin
Homan
Selby
Baer
Serinc/Rivoir

THE SECURITY NATIONAL BANK

CHARTER NO. 16514

ARTICLES OF ASSOCIATION

For the purpose of organizing an Association to carry on the business of banking under the laws of the United States, the undersigned do enter into the following Articles of Association:

FIRST. The title of this Association shall be SECURITY NATIONAL BANK.

SECOND. The main office of the Association shall be in Anchorage, Greater Anchorage Area Borough, State of Alaska. The general business of the Association shall be conducted at its main office and its branches.

THIRD. The Board of Directors of this Association shall consist of not less than five nor more than twenty-five shareholders, the exact number of Directors within such minimum and maximum limits to be fixed and determined from time to time by resolution of a majority of the full Board of Directors or by resolution of the shareholders at any annual or special meeting thereof. Unless otherwise provided by the laws of the United States, any vacancy in the Board of Directors for any reason, including an increase in the number thereof, may be filled by action of the Board of Directors.

FOURTH. The annual meeting of the shareholders for the election of Directors and the transaction of whatever other business may be brought before said meeting shall be held at the main office or such other place as the Board of Directors may designate, on the day of each year specified therefor in the Bylaws, but if no election is held on that day, it may be held on any subsequent day according to the provisions of law; and all elections shall be held according to such lawful regulations as may be prescribed by the Board of Directors.

Nominations for election to the Board of Directors may be made by the Board of Directors or by any stockholder of any outstanding class of capital stock of the bank entitled to vote for election of directors. Nominations, other than those made by or on behalf of the existing management

of the bank, shall be made in writing and shall be delivered or mailed to the President of the bank and to the Comptroller of the Currency, Washington, D. C., not less than 14 days nor more than 50 days prior to any meeting of stockholders called for the election of directors, provided, however, that if less than 21 days' notice of the meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the bank and to the Comptroller of the Currency not later than the close of business on the seventh day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of capital stock of the bank that will be voted for each proposed nominee; (d) the name and residence address of the notifying shareholder; and (e) the number of shares of capital stock of the Bank owned by the notifying shareholder. Nominations not made in accordance herewith may, in his discretion, be disregarded by the chairman of the meeting, and upon his instructions, the vote tellers may disregard all votes cast for each such nominee.

FIFTH. The authorized amount of capital stock of this Association shall be 150,000 shares of common stock of the par value of Seven Dollars (\$7.00) each; but said capital stock may be increased or decreased from time to time, in accordance with the provisions of the laws of the United States.

No holder of shares of the capital stock of any class of the corporation shall have any pre-emptive or preferential right of subscription to any shares of any class of stock of the corporation, whether now or hereafter authorized, or to any obligations convertible into stock of the corporation, issued or sole, nor any right of subscription of any thereof other than such, if any, as the Board of Directors, in its discretion, may from time to time determine and at such price as the Board of Directors may from time to time fix.

SIXTH. The Board of Directors shall appoint one of its members President of this Association, who shall be Chairman of the Board, unless the Board appoints another director to be the Chairman. The Board of Directors shall have the power to appoint one or more Vice Presidents; and to appoint a Cashier and such other officers and employees as may be required to transact the business of this Association.

The Board of Directors shall have the power to define the duties of the officers and employees of the Association; to fix the salaries to be paid to them; to dismiss them; to require bonds from them and to fix the penalty thereof; to regulate the manner in which any increase of the

capital of the Association shall be made; to manage, and administer the business and affairs of the Association; to make all By-laws that it may be lawful for them to make; and generally to do and perform all acts that it may be legal for a Board of Directors to do and perform.

SEVENTH. The Board of Directors shall have the power to change the location of the main office to any other place within the limits of the City of Anchorage, State of Alaska, without the approval of the shareholders but subject to the approval of the Comptroller of the Currency; and shall have the power to establish or change the location of any branch or branches of the Association to any other location, without the approval of the shareholders but subject to the approval of the Comptroller of the Currency.

EIGHTH. The corporate existence of this Association shall continue until terminated in accordance with the laws of the United States.

NINTH. The Board of Directors of this Association, or any three or more shareholders owning, in the aggregate, not less than 25 percent of the stock of this Association, may call a special meeting of shareholders at any time. Unless otherwise provided by the laws of the United States, a notice of the time, place and purpose of every annual and special meeting of the shareholders shall be given by first-class mail, postage prepaid, mailed at least ten days prior to the date of such meeting to each shareholder of record at his address as shown on the books of this Association.

TENTH. Any person, his heirs, executors, or administrators, may be indemnified or reimbursed by the Association for reasonable expenses actually incurred in connection with any action, suit or proceeding, civil or criminal, to which he or they shall be made a party by reason of his being or having been a director, officer, or employee of the Association or of any firm, corporation, or organization which he served in any such capacity at the request of the Association: Provided, however, that no person shall be so indemnified or reimbursed in relation to any matter in such action, suit, or proceeding as to which he shall finally be adjudged to have been guilty of or liable for gross negligence, willful misconduct or criminal acts in the performance of his duties to the Association: And, provided further, that no person shall be so indemnified or reimbursed in relation to any matter in such action, suit, or proceeding which has been made the subject of a compromise settlement except with the approval of a court of competent jurisdiction, or the holders of record of a majority

of the outstanding shares of the Association, or the Board of Directors, acting by vote of directors not parties to the same or substantially the same action, suit, or proceeding, constituting a majority of the whole number of directors. The foregoing right of indemnification or reimbursement shall not be exclusive of other rights to which such person, his heirs, executors, or administrators, may be entitled as a matter of law.

The Association may, upon the affirmative vote of a majority of its Board of Directors, purchase insurance for the purpose of indemnifying its directors, officers and other employees to the extent that such indemnification is allowed in the preceding paragraph. Such insurance may, but need not, be for the benefit of all directors, officers, or employees.

ELEVENTH. These Articles of Association may be amended at any regular or special meeting of the shareholders by the affirmative vote of the holders of a majority of the stock of the Association, unless the vote of the holders of a greater amount of stock is required by law, and in that case by the vote of the holders of such greater amount.

IN WITNESS WHEREOF, we have hereunto set our hands this 11th day of July, 1974:

George A. Dickson
Richard W. Fischer
Charles A. Blomfield
Arlon R. Tussing
William J. Rader

GEORGE A. DICKSON

RICHARD W. FISCHER

CHARLES A. BLOMFIELD

ARLON R. TUSSING

WILLIAM J. RADER

FILED

AUG 1 1974

OFFICE OF THE
COMPTROLLER OF THE CURRENCY

LETTER TO THE BOARD OF DIRECTORS

Continued loan losses and further deterioration of the loan portfolio threaten the very existence of your bank. Survival is dependent on the immediate strengthening and collection of loans and the injection of capital. The Chief Executive Officer and the entire Board must provide their prompt and undivided attention to this serious situation. Your actions to remedy the numerous problems of the bank will require strong guidance and leadership, effective administration and dedication.

The need for capital is imperative. The outlook for immediate injection does not appear promising. Management reports that new parties are interested in purchasing the authorized but unissued stock but the price may have to be reduced. Without an injection of capital very soon, the bank cannot remain solvent, and unless loan problems are stemmed, even additional capital may not alleviate the situation. The Board should seek alternative solutions to avoid insolvency such as merger or sale.

A review of previously identified problem credits, delinquencies and new loans over \$40M revealed an even more severe condition than the previous examination. Classified assets total \$3,332M (294% of Gross Capital Funds), a substantial increase over last examination of \$2,881M (165% of Gross Capital Funds). Delinquencies amount to \$3,928M or nearly 40% of total loans - a staggering figure and up from \$3,623M last examination.

Commercial loans previously identified as problems have shown some improvement and are the primary responsibility of Don Norton. However, two large credits mentioned last examination have regressed and are now considered Substandard - English Alaska Foresters at \$150M and Director George Dickson, et al, at \$159M. It is extremely disheartening to note the inordinate amount of newly criticized assets. A summary of the commercial loans classified is listed below:

	Criticized Last Examination	Balance This Visitation	Newly Criticized Loans
OAEM	\$ 625M	0	\$ 260M
Substandard	1,374M	\$1,110M	752M
Doubtful	195M	198M	20M
Loss	248M	0	30M
	<u>\$2,442M</u>	<u>\$1,308M</u>	<u>\$1,062M</u>

Almost three quarters of your RE loan portfolio is delinquent. Much of this is the result of a failure to bill for interest since February. Classified assets in the RE construction account are \$526M, none of which were previously criticized. Also distressing are the mounting losses in the instalment, security reserve, and repossession accounts. These total \$124M and can be attributed to not following delinquencies when identified.

Collection of charge offs since the first of the year totals only \$20M. This amount represents an insignificant portion of the \$725M charged off in 1979. Replenishment of the Reserve for Possible Loan Losses to the year-end level is required based on the declining quality of the loan portfolio.

The lending staff has been reduced by the resignation of Rod DeCristafaro, leaving the already overburdened and unguided staff overworked, confused and distraught. It would appear that the Chief Executive Officer, Roger Moore, devotes most of his efforts to the lending area by providing support to the remaining staff on a daily basis. Of course additional qualified lending and collection persons will be required if any meaningful recovery can begin.

Violations of the lending limit persist. These are serious and represent a potential liability to the directors. Other violations have received little attention.

LETTER TO THE BOARD OF DIRECTORS

Earnings for the first three months of 1980 show only a nominal profit of \$12M. It is evident that legal and collection expenses will continue to mount, and combined with current loan losses, any profit to date would be eliminated. The sale of \$6.4 million in RE loans has allowed the bank to invest in high yielding Federal Funds which provided the only significant change in earnings for the bank.

It was noted that information contained in the Board of Director packets was incomplete and parts of it were inaccurate. The Board should insist on accurate and complete information so it can be fully informed on the condition of the bank.

1

Mel Ekstrom

INFORMATION

INTRODUCTION

THIS NBSS BANK PERFORMANCE REPORT COVERS THE OPERATIONS OF YOUR BANK AND THAT OF A COMPARABLE GROUP OF PEER BANKS. IT IS PROVIDED FOR YOUR USE AS A MANAGEMENT TOOL BY THE COMPTROLLER OF THE CURRENCY. DETAILED INFORMATION CONCERNING THIS REPORT IS PROVIDED IN A USER'S GUIDE FOR THE NBSS BANK PERFORMANCE REPORT FORWARDED TO YOUR BANK UNDER SEPARATE COVER.

YOUR PEER GROUP # 14
 INCLUDES NATIONAL BANKS AND ALL OTHER FEDERAL RESERVE MEMBER BANKS HAVING ASSETS BETWEEN \$25 AND \$40 MILLION AT 12/31/79, WITH NO FULL SERVICE BRANCHES, AND LOCATED IN AN AREA CONSIDERED TO BE A HIGH-DENSITY POPULATION AREA (SMSA).

ADDRESSEE

CHIEF EXECUTIVE OFFICER
 SECURITY NATIONAL BANK
 880 H STREET
 POUCH 7-777
 ANCHORAGE, ALASKA

99501

TABLE OF CONTENTS

SECTIONS	PAGE NUMBER
SIGNIFICANT RATIOS	1
BALANCE SHEET INFORMATION:	
TREND OF CONDITION - ASSETS	2
TREND OF CONDITION - LIABILITIES & CAPITAL	3
SOURCES AND USES OF FUNDS	4
ASSET DISTRIBUTION	5
LIABILITY DISTRIBUTION	6
INVESTMENT SECURITIES INFORMATION	7
LOAN MIX	8
PAST DUE LOAN ANALYSIS	9
UNCOLLECTED INCOME ANALYSIS	9
ANALYSIS OF ALLOWANCE FOR POSSIBLE LOAN LOSSES	10
CAPITAL ANALYSIS	11
ADDITIONAL CAPITAL FACTORS	12
DIVIDEND ANALYSIS	12
INCOME INFORMATION:	
INCOME STATEMENT - TAX EQUIVALENT	13
NET INCOME COMPONENTS	14
SUPPLEMENTAL INFO - RESULTS FROM OPERATIONS	14
NET INTEREST EARNINGS ANALYSIS	15
CAPACITY TO HEDGE INTEREST MARGINS	16
SEASONAL TREND DATA	16
OTHER EARNINGS COMPONENTS	17
NON-INTEREST EXPENSE COMPONENTS	17
INCOME TAXES & NON-OPERATING INCOME	18
OTHER INFORMATION:	
AMENDED REPORTS	APPENDIX A
AMENDED RATIO DEFINITIONS	APPENDIX A

EXHIBIT "H"

THIS BANK	ANNUAL DATA				YEAR TO DATE	
	1976	1977	1978	1979	3/31/79	3/31/80
AVERAGE ASSETS	\$ 8004	\$ 18813	\$ 29915	\$ 30810	\$ 30634	\$ 27684
NET INCOME	\$ -173	\$ 196	\$ 195	\$ -1045		
RETURN ON AVERAGE ASSETS	-2.16 01	1.04 66	.65 16	-3.39 00		
ADJUSTED RETURN ON AVERAGE ASSETS	-2.09 01	.60 75	.52 11	-2.79 00		
PRE-TAX NET OPER INCOME - TAX EQ./AA	-2.29 01	.93 26	.74 11	-3.37 00		
NET INTEREST EARNINGS/AVERAGE ASSETS	7.11 98	6.90 98	6.14 94	5.26 52		
OTHER EARNINGS/AVERAGE ASSETS	.91 68	.91 59	.99 70	1.21 75		
NON-INTEREST EXPENSE/AVERAGE ASSETS	10.21 99	6.78 97	5.91 98	7.00 99		
PROV POSS LOAN LOSSES/AVERAGE ASSETS	.10 31	.10 29	.48 79	2.83 98		
CHANGE IN ASSET MIX (YEAR TO YEAR)	63.08 97	26.69 82	11.69 40	17.29 69	4.95 08	78.00 97
CHANGE IN LOAN MIX (YEAR TO YEAR)	101.30 98	16.21 62	15.06 64	12.23 50	2.01 04	46.83 96
CHANGE IN LIABILITY MIX (YEAR TO YEAR)	40.78 96	33.24 97	17.60 73	13.87 69	20.16 86	7.30 01
ASSET GROWTH RATE	317.29 99	76.99 97	24.49 82	-15.85 01	12.12 68	8.32 57
LOAN GROWTH RATE	726.57 99	112.53 99	15.87 40	-22.22 01	-1.81 31	-177.15 00
EQUITY GROWTH FROM RETAINED EARNINGS	-10.35 04	13.05 74	11.20 47	-54.71 00		
TOTAL EQUITY CAPITAL/TOTAL ASSETS	10.55 87	6.91 46	6.09 20	3.03 00	5.68 11	3.01 01
PEER GROUP 14 (170 BANKS)						
RETURN ON AVERAGE ASSETS	.67	.81	.96	1.04		
ADJUSTED RETURN ON AVERAGE ASSETS	.63	.79	.94	1.05		
PRE-TAX NET OPER INCOME - TAX EQ./AA	1.22	1.42	1.78	1.97		
NET INTEREST EARNINGS/AVERAGE ASSETS	4.41	4.51	4.83	5.07		
OTHER EARNINGS/AVERAGE ASSETS	.75	.76	.79	.84		
NON-INTEREST EXPENSE/AVERAGE ASSETS	3.63	3.54	3.47	3.55		
PROV POSS LOAN LOSSES/AVERAGE ASSETS	.36	.35	.36	.40		
CHANGE IN ASSET MIX (YEAR TO YEAR)	19.07	17.15	15.59	15.81	14.91	17.28
CHANGE IN LOAN MIX (YEAR TO YEAR)	22.20	15.52	14.51	15.75	15.07	14.57
CHANGE IN LIABILITY MIX (YEAR TO YEAR)	14.55	10.48	11.55	11.97	11.73	31.89
ASSET GROWTH RATE	16.31	19.93	14.76	13.76	4.65	7.20
LOAN GROWTH RATE	19.67	25.73	21.29	9.23	7.12	2.68
EQUITY GROWTH FROM RETAINED EARNINGS	6.96	9.25	11.49	12.00		
TOTAL EQUITY CAPITAL/TOTAL ASSETS	7.99	7.81	7.73	7.86	7.91	8.10

CAPITAL ANALYSIS (DOLLARS IN THOUSANDS)

	YEAR END				INTERIM	
	12/31/78	12/31/77	12/31/78	12/31/79	3/31/79	3/31/80
CAPITAL COMPOSITION:						
PREFERRED STOCK	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
COMMON STOCK	\$ 700	\$ 712	\$ 716	\$ 716	\$ 716	\$ 716
SURPLUS	\$ 700	\$ 731	\$ 740	\$ 740	\$ 740	\$ 740
UNDIVIDED PROFITS & CAPITAL RESERVES	\$ 102	\$ 298	\$ 454	\$ -655	\$ 380	\$ -644
TOTAL EQUITY CAPITAL	\$ 1502	\$ 1741	\$ 1910	\$ 801	\$ 1836	\$ 812
SUBORDINATED NOTES & DEBENTURES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL CAPITAL	\$ 1502	\$ 1741	\$ 1910	\$ 801	\$ 1836	\$ 812

CHANGES IN EQUITY CAPITAL:

BALANCE BEGINNING OF PERIOD	\$ 1672	\$ 1502	\$ 1702	\$ 1910	\$ 1910	\$ 801
NET INCOME	\$ -173	\$ 196	\$ 195	\$ -1045		
SALE OR PURCHASE OF CAPITAL	\$ 0	\$ 43	\$ 13	\$ 0		
MERGER & ADSORPTION CHANGES	\$ 0	\$ 0	\$ 0	\$ 0		
LESS: CASH DIVIDENDS DECLARED	\$ 0	\$ 0	\$ 0	\$ 0		
NET OTHER INCREASE (DECREASE)	\$ 3	\$ 0	\$ 0	\$ -66		
EQUITY CAPITAL AT END OF PERIOD	\$ 1502	\$ 1741	\$ 1910	\$ 801	\$ 1836	\$ 812

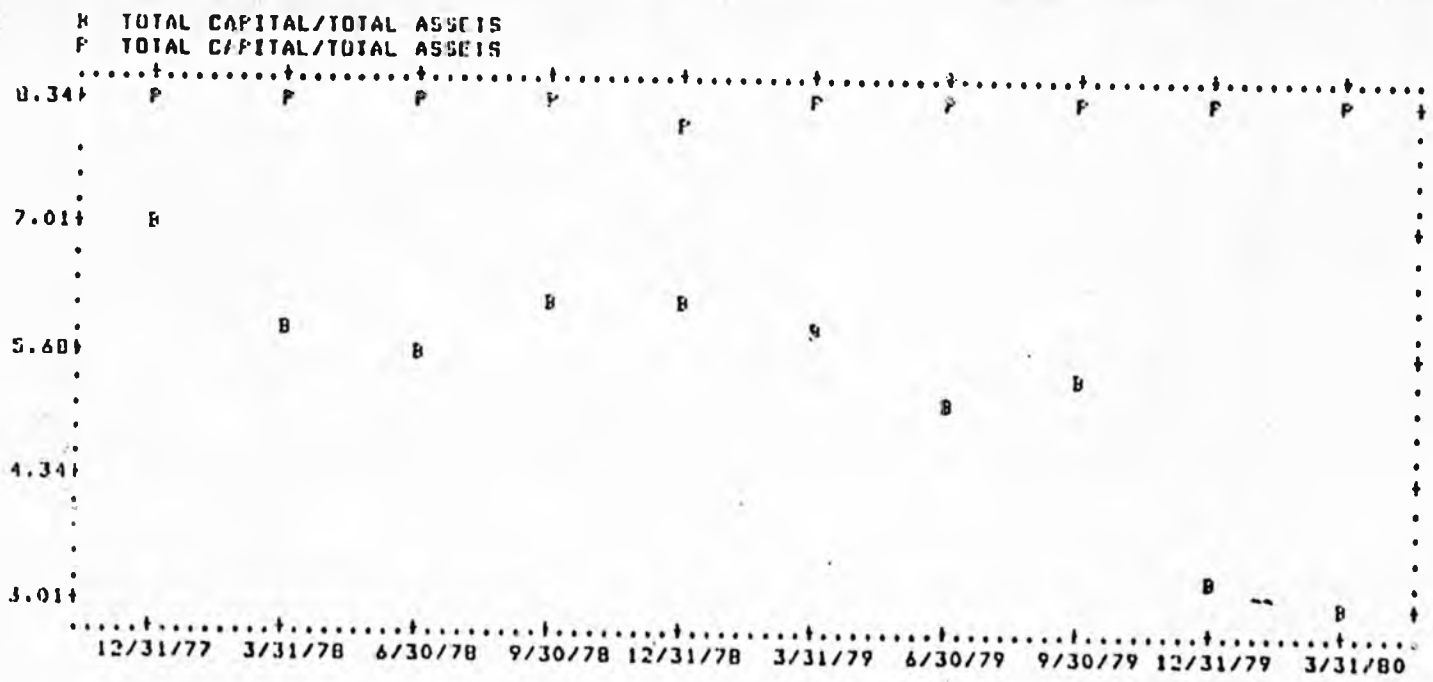
PERFORMANCE ANALYSIS RATIOS (FOR YEAR TO DATE)

RETURN ON AVERAGE EQUITY	-11.13 04	12.31 55	10.81 25	-68.52 00
	9.32	10.63	12.76	13.80
CASH DIVIDENDS/AVG EQUITY CAPITAL	.00 00	.00 00	.00 00	.00 00
	2.05	2.33	2.55	2.79
EQUITY GROWTH FROM RETAINED EARNINGS	-10.35 04	13.05 74	11.20 47	-54.71 00
	6.96	9.25	11.49	12.00

LEVERAGE ANALYSIS (END OF PERIOD)

EQUITY CAPITAL/TOTAL ASSETS	10.55 87	6.91 46	6.09 20	3.03 00	5.68 11	3.01 01
	7.99	7.81	7.73	7.86	7.91	8.10
TOTAL CAPITAL/TOTAL ASSETS	10.55 87	6.91 36	6.09 14	3.03 00	5.68 07	3.01 01
	8.25	8.10	7.98	8.09	8.17	8.34
ASSETS/TOTAL CAPITAL (X)	9.48 11	14.48 63	16.43 85	32.97 99	17.61 92	33.20 98
	13.16	13.68	13.40	13.13	13.04	12.81
NET LOANS/EQUITY CAPITAL (X)	6.04 40	11.00 93	11.65 94	21.34 99	12.10 96	11.54 97
	6.79	7.37	7.57	7.13	7.42	6.78
NET LOANS/TOTAL CAPITAL (X)	6.04 41	11.08 95	11.65 95	21.34 99	12.10 97	11.54 97
	6.42	7.07	7.25	6.87	7.09	6.53
RISK ASSETS/EQUITY CAPITAL (X)	6.07 18	11.11 78	12.15 87	22.27 99	12.63 90	12.17 95
	8.33	8.98	9.16	8.68	9.00	8.30
DEPOSITS/TOTAL CAPITAL (X)	8.46 11	13.27 65	15.06 85	30.43 99	15.48 87	30.55 98
	11.93	12.44	12.00	11.69	11.66	11.37

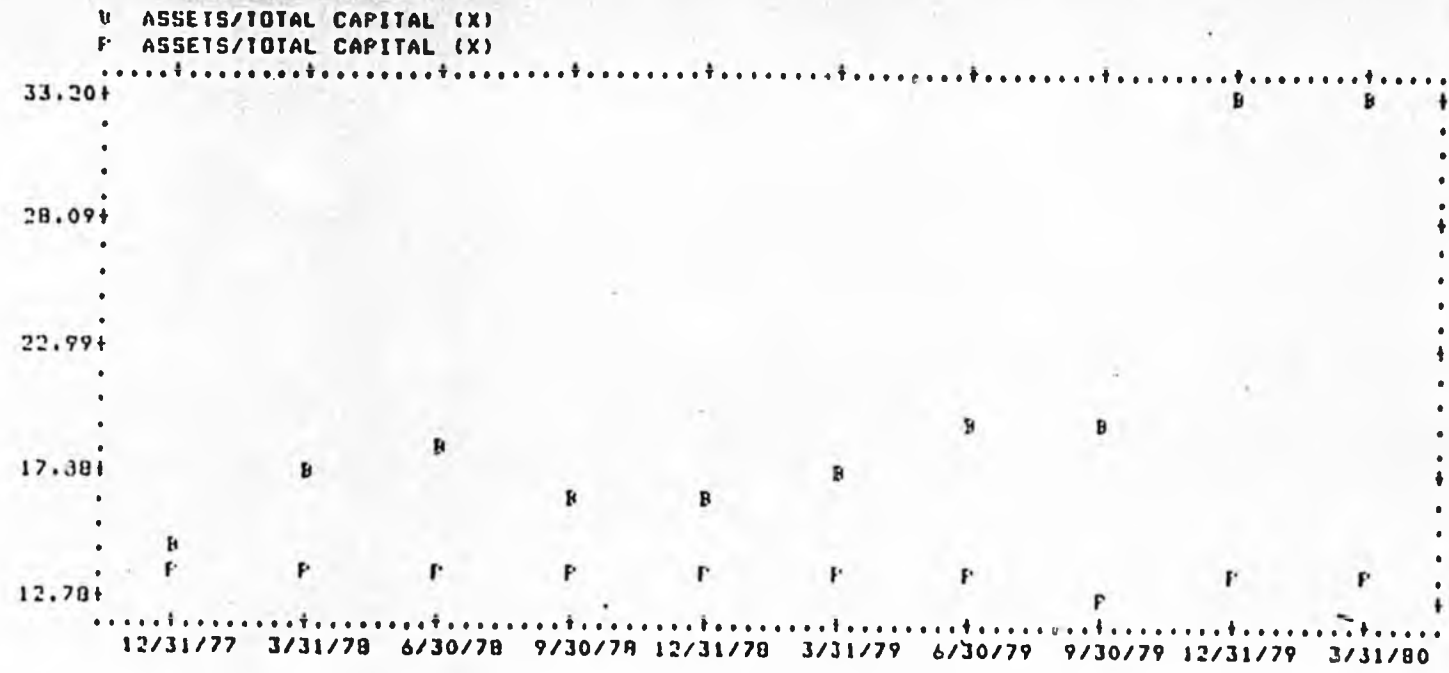
SECURITY NAT BANK ANCHORAGE
 BANK (B) TOTAL CAPITAL TREND VS. FEER (P) TOTAL CAPITAL TREND



ENTER FUNCTION:

EXHIBIT "I"

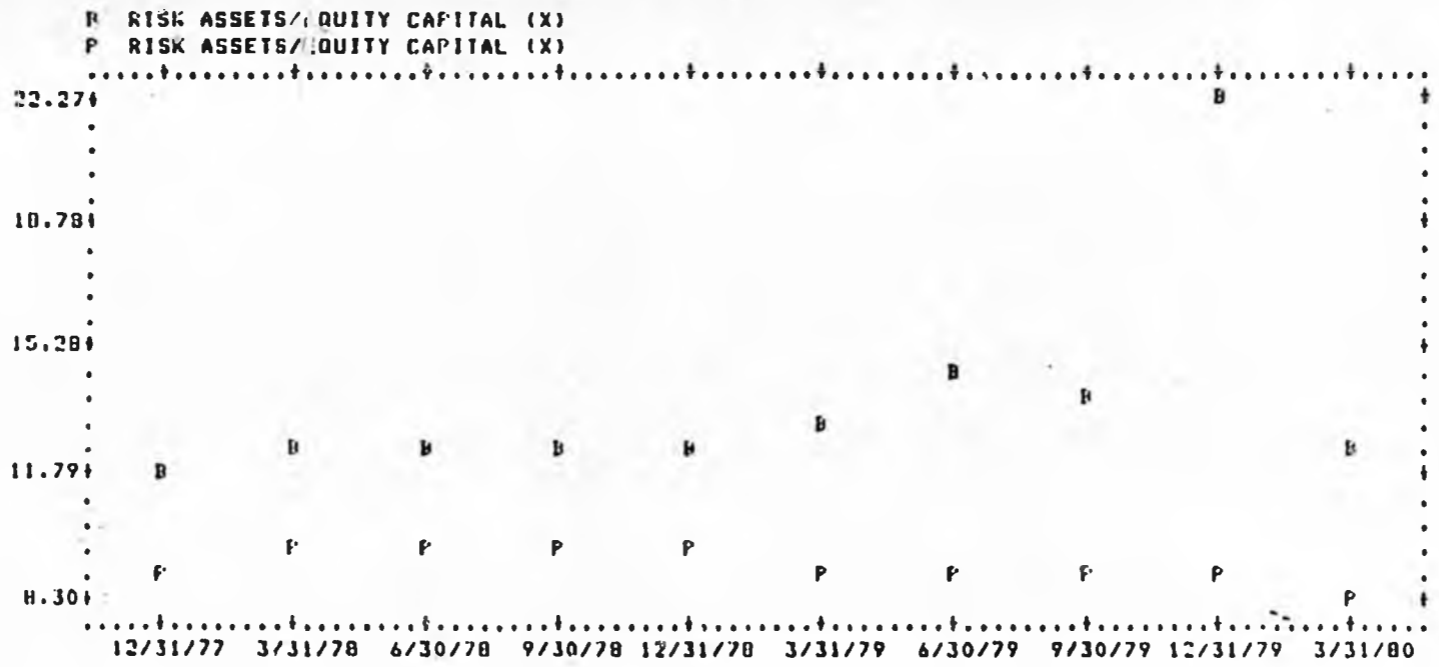
SECURITY NAT BANK ANCHORAGE
 BANK (B) -ASSETS/TOTAL CAPITAL(X) VS. PEER (P) -ASSETS/TOTAL CAPITAL(X)



ENTER FUNCTION:

EXHIBIT "J"

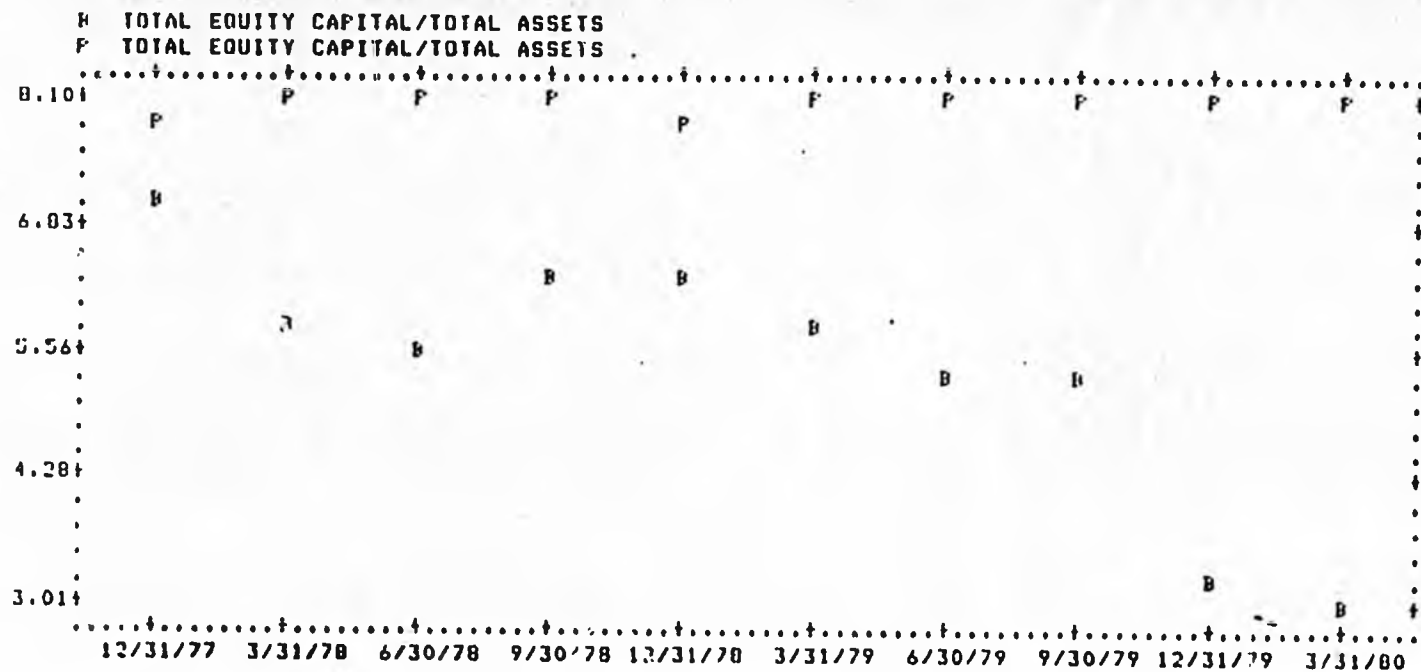
SECURITY NAT BANK ANCHORAGE .
 BANK (B) -RISK ASSETS/EQUITY CAPITAL(X) VS. PEER (P) -RISK ASSETS/EQUITY CAPITA



ENTER FUNCTIONS:

EXHIBIT "K"

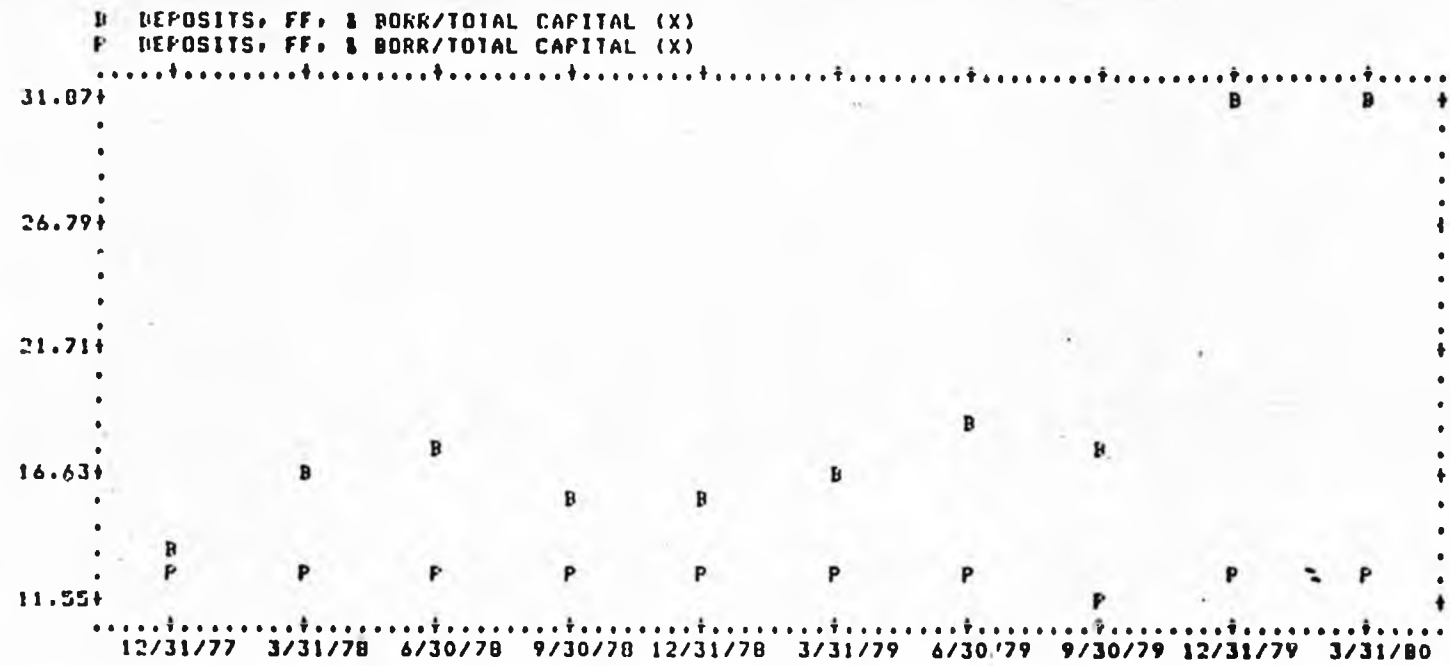
SECURITY NAT BANK ANCHORAGE
 BANK (B) EQUITY CAPITAL TREND VS. PEER (P) EQUITY CAPITAL TREND



ENTER FUNCTION:

EXHIBIT "L"

SECURITY NAT BANK ANCHORAGE
 BANK (B) VQ. PEER (P) - DEP., FED FUNDS/TOTAL CAPITAL (X)



ENTER FUNCTION:

EXHIBIT "M"



Comptroller of the Currency
Administrator of National Banks

Washington, D. C. 20219

HAND DELIVERED

July 10, 1980

Board of Directors
Security National Bank
Pouch 7-777
Anchorage, Alaska 95510

Members of the Board:

This is to again formally inform you of the critical condition of your bank and the vital need for acquiring additional equity capital. This need for capital has been the subject of numerous conversations, correspondence, and even a Normal Agreement issued under the Financial Institutions Supervisory Act. Your failure to respond to these requests and directions, coupled with the continued erosion of the bank's condition which is producing substantial losses, has resulted in the very survival of the institution being placed in jeopardy.

We believe that the serious volume of problems confronting the bank has created a high probability that your bank will fail unless you take prompt and vigorous action to raise the needed additional equity capital. We estimate that at a minimum \$1,500,000 in equity is needed. In the absence of the injection of such funds within ninety (90) days of the date of this letter, the Office of the Comptroller of the Currency will take such additional steps as it deems necessary to protect the bank and its depositors.

Please advise Regional Administrator M. B. Adams, on a bi-weekly basis, of the efforts in obtaining the needed capital.

Sincerely,

Paul M. Homan
Senior Deputy Comptroller
for Bank Supervision

UNITED STATES OF AMERICA
 DEPARTMENT OF THE TREASURY
 OFFICE OF THE COMPTROLLER OF THE CURRENCY

IN THE MATTER OF THE)
 SECURITY NATIONAL BANK OF ANCHORAGE)
ANCHORAGE, ALASKA)

NOTICE OF CHARGES

TO: The Security National Bank of Anchorage, Anchorage, Alaska

TAKE NOTICE THAT, on the 20th day of September, 1979, a hearing pursuant to the Financial Institutions Supervisory Act of 1966, as amended (12 U.S.C. §1818(b)), will commence at 10:00 a.m. in the United States Courthouse for the District of Alaska at Anchorage, into the charges set forth herein, in order to determine whether an Order to Cease and Desist should be issued against the Security National Bank of Anchorage, Anchorage, Alaska (hereinafter the "BANK").

After examination and other investigation of the BANK, the Comptroller of the Currency of the United States of America (hereinafter the "COMPTROLLER") is of the opinion that the persons upon whom this Notice of Charges is served are engaging, have engaged, or are about to engage in an unsafe or unsound practice in conducting the business of the BANK, or are violating, have violated, or are about to violate a law, rule, or regulation.

Therefore, pursuant to the authority conferred upon him by the above named statute, the COMPTROLLER hereby CHARGES:

ARTICLE I

(1) The BANK is a national banking association chartered and examined by the Comptroller pursuant to the National Banking Act of 1864, as amended (12 U.S.C. §1 et seq.).

(2) The COMPTROLLER is the "appropriate Federal banking agency" with respect to the BANK for the purposes of 12 U.S.C. §1818.

(3) The BANK is an insured bank and is subject to the

ARTICLE II

(4) Contrary to 12 U.S.C. §§71 and 71a, the BANK is not being managed by at least five directors, and the BANK's Board of Directors does not consist of at least five directors.

ARTICLE III

(5) Contrary to safe and sound banking practice, the BANK is operating without a president or other senior management necessary to properly conduct the affairs of the BANK.

ARTICLE IV

(6) Contrary to safe and sound banking practice, and contrary to its responsibilities and duties under the National Bank Act, (12 U.S.C. §§24(5) and (6), and 12 U.S.C. §73) the Board of Directors failed to appoint Mr. Thom Wolek as president as an authorized action of the Board of Directors, and allowed that function to be usurped by a single member of the Board.

ARTICLE V

(7) Contrary to safe and sound banking practice, the BANK has accumulated assets of approximately \$1,977,000, which represent approximately 102% of its gross capital funds which have been classified by the Comptroller's National Bank Examiner as substandard, doubtful or loss. In addition, the BANK has accumulated assets of approximately \$119,000, which represent approximately 6% of the BANK's gross capital funds, which the Comptroller's National Bank Examiner has criticized as "Other Assets Especially Mentioned."

ARTICLE VI

(8) Contrary to safe and sound banking practice, the BANK is operating with inadequate capital. The ratio of total deposits to total capital funds is 15.3, the ratio of net loans and direct lease financing to total capital funds is 11.5, and

ARTICLE VII

(9) Contrary to safe and sound banking practice, the BANK has extended credit in an amount equal to \$2,419,000 or 11% of gross loans, which are not supported by adequate current credit information.

ARTICLE VIII

(10) Contrary to safe and sound banking practice, the BANK has accumulated overdue loans in an amount equal to \$1,694,000, which represent approximately 7.6% of gross loans.

ARTICLE IX

(11) Contrary to safe and sound banking practice, the BANK is operating with an inadequate Allowance For Possible Loan Losses.

ARTICLE XI

(12) Contrary to safe and sound banking practice, the BANK has placed an excessive dependence upon rate sensitive deposits. Rate sensitive deposits represent approximately 47.8% of the BANK's total deposits.

THEREFORE, the COMPTROLLER hereby commands the BANK to file an answer to the above charges pursuant to and in accordance with 12 C.F.R. Part 19 with the Deputy Comptroller of the Currency for Administration, Administrator of National Banks, Washington, D.C. 20219, within twenty days from the date of service of this Notice of Charges.

IN WITNESS WHEREOF, I have hereunto set my hand and the official seal of the Office of the Comptroller of the Currency, given at Washington, D.C., this 10th day of August, 1979.

HCS SB 19 by Rodey. relating to rates of interest.
Means that places such as Beneficial Finance may charge
whatever interest they want on loans above \$25,000 -
changes the amount from \$100,000. Rodey doesn't want
to combine HB 524 with his bill.

SB 524 small loans. adjusts the maximum amounts that may be
loaned according to the consumer price index annually.
allows the charge of a late payment fee of not more than 10%
of the payment which is due or \$15, whichever is less.

SB 278 savings associations - ups the amount on loans that can
be made

SB 279 general powers of the Dept. of Commerce & Econ. Dev.

SB 280 credit unions. gives DCED same powers as state-chartered
credit unions

Rodey says ok to combine the three; amend title, add an effective
date. [Tom Sofo]

draft all 4

ckles bank law proposal

But individual states are expected to override the federal law to accept out-of-state bank holding corporations. A change in state law regarding the deal has been discussed for several weeks in Anchorage through a quiet but intensive lobbying effort ended by Rainier. Public hearings have been held on the proposal.

The House Rules Committee is the last stop before bills reach the House floor, and the panel normally doesn't consider any changes to legislation.

Today's hearing ostensibly is on a Senate bill (SB19) proposing changes in the state's loan interest laws. But Committee Chairwoman Sally Smith, D-Fairbanks, confirmed Tuesday that the panel also would listen

to proponents of the Rainier amendment.

Smith said she is only planning to hear out the Rainier proposal and not to tack the measure on to the Senate bill.

"It's just a hearing. I didn't say that it would be a mark-up session," she said.

But Smith acknowledged that the amendment could be added to the Senate bill if a

majority of the nine rules committee members favor such action.

With the legislative session nearing an end, Smith said she believes "it's a little late in the year for us to be considering something as major as this."

Smith said she is not even sure enough committee mem-

See Back Page, HOUSE

ckles proposed banking law change SB19

expect to vote for it," Smith said.

House Minority Leader Joe Smith, R-Anchorage and another panel member, said he made up his mind on Tuesday to support the Rainier proposal.

Smith is just going to listen to arguments and make my own mind up," he said.

Alaska banking officials

have opposed the proposal, contending it would allow Rainier, with its superior financial clout, to dominate the state banking industry. Several Anchorage banking officials reportedly were planning to testify at the Rules Committee hearing.

Rainier will be represented at the meeting by Bill Howe, an officer in the bank's Seattle headquarters. Howe could not be reached for comment Tuesday evening.

The amendment proposed by Rainier would change Alaska's banking code to allow out-of-state bank holding companies to "acquire and own all or any portion of the voting shares or other capital stock of a state bank," provided that the state bank was in financial distress.

To qualify, a state bank would have to be capital deficient and show a net loss on four of its previous five financial reports.

VOL. XXVI, NO. 150 60 PAGES Anchorage, Alaska, Wednesday, June 3, 1981 PRICE 25 CENTS

House panel tackles bank law proposal

By BOB SHALLIT
and JON MATTHEWS
Daily News reporters

A last-minute change in state law that would allow Rainier Bancorporation of Seattle to take over Security National Bank of Anchorage will be considered today in Juneau by the House Rules Committee.

The proposal, which has drawn the ire of the Alaska

□ Senate may push to ban practice of piggybacking bills, Page A-3.

Bankers Association, would allow Rainier and other Outside bank holding companies to enter the Alaska market for the first time.

Federal law prohibits bank holding companies from acquiring banks outside their home

states. But individual states can vote to override the federal law and accept out-of-state banking corporations.

The change in state law required for the deal has been promoted for several weeks in Juneau through a quiet but high-priced lobbying effort engineered by Rainier.

No public hearings have been held on the proposal.

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to proponents of the Rainier amendment.

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"It's just a hearing. I didn't say that it would be a mark-up session," she said.

But Smith acknowledged that the amendment could be added to the Senate bill if a

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Smith said she is not even sure enough committee mem-

See Back Page, HOUSE

House panel tackles proposed banking law change SB19

Continued from Page A-1

bers will show up at the 8 a.m. meeting to make a quorum and allow official business to occur.

House Finance Chairman Sam Cotten, D-Eagle River and a member of the rules panel, also said he doesn't expect the committee to act today on the proposal.

"I'm not committed to adding an amendment, and I

don't expect to vote for it," Cotten said.

House Minority Leader Joe Hayes, R-Anchorage and another rules panel member, said he hasn't made up his mind on whether to support the Rainier proposal.

"I'm just going to listen to the arguments and make my decision," he said.

Alaska banking officials

have opposed the proposal, contending it would allow Rainier, with its superior financial clout, to dominate the state banking industry. Several Anchorage banking officials reportedly were planning to testify at the Rules Committee hearing.

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To qualify, a state bank would have to be capital deficient and show a net loss on four of its previous five financial reports.



FRONTIER ORGANIZERS—Board chairman Gerald Stinson (left) and board member Harvey Marlin, two of the

organizers of Frontier Savings and Loan Association.

(Staff photos by Mike Litt)

Frontier reprieve given

By **SUSAN FISHER**
Staff Writer

Frontier Savings and Loan Association has won a one-year extension in its efforts to open a new Fairbanks bank, but the reprieve also carries some requirements the association must meet by Aug. 1.

Willis Kirkpatrick, director of the state's Division of Banking, Securities and Corporations, said he decided to give the extension because of the strong support subscribers gave in wanting to continue.

There are some subscribers (investors) who want their money back, though, and they will have an opportunity to withdraw.

Kirkpatrick's order includes a requirement that Frontier send letters of rescission to all subscribers by Aug. 1, allowing them to withdraw and get their money returned with interest.

Also by Aug. 1, the association's board must amend Frontier's prospectus, or offering circular.

When Frontier meets those requirements, it may resume selling stock. Kirkpatrick said he will not consider requests to pay salaries until after the total subscriptions have been paid in.

Frontier's operating funds have been frozen since last October. The Division of Banking has been ordered by Kirkpatrick to free those funds when the association meets the above requirements.

That is important to Frontier

which is without funds to hire and pay a professional bank manager.

Copies of Kirkpatrick's order were put in the mail from Juneau late Wednesday afternoon and are enroute to the Frontier board and all subscribers.

Kirkpatrick heard lengthy testimony during a May 26 hearing in Fairbanks to decide if he would order the association to dissolve.

"It was hard not to (extend) in the fact that the only protestants we had were those who wrote letters and did not appear at the hearing," Kirkpatrick said this morning, adding that "the total amount of those who were protesting the continuance was such a small minority."

"In other words, there were people who wanted their money back, only because they wanted their money back," he said, and not because they wanted Frontier dissolved.

Frontier Savings and Loan Association began organization in 1978, with plans to open bank doors that year.

But there were a number of hurdles. Last fall, the association was denied federal account insurance, which it must have to protect customers' accounts. The state then froze the association's operating money, and the bank's manager resigned.

All that led to the dissolution hearing May 26.

Gerald Stinson, Frontier's board



WILLIS KIRKPATRICK

chairman, said this morning the organizers are pleased with the decision.

Stinson said the association plans to have the rescission letters and amended prospectus out this month, well before the Aug. 1 deadline, and that a candidate for the bank managerial position was in Fairbanks today for an interview.

Kirkpatrick's order is that the association must meet all requirements and obtain its state charter by July 1, 1982.

Sally:

SB 19

re: SB19 - spoke to a Mr. Wills, who is sitting in for M.B. Adams, Regional Administrator, Comptroller of the Currency - no, they will not participate in a conference call - it is illegal for them to discuss anything concerning the banks - the only info I was able to get concerned regulatory jurisdictions, which he said depends on the types of banks involved - if it is a holding company attempting to purchase a bank then the federal reserve might get involved - if the purchase/sale involves two national banks, then the Comptroller of Currency has jurisdiction - FDIC would be involved in either case because they insure both types of banks

C
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SB 37 TITLE & SPONSOR SUMMARY 12:40 2/12/82 PAGE 1 OF 3
 AMENDED TITLE: SB 37(EFD ADDED)
 AN ACT RELATING TO INTERNATIONAL AIRPORT REVENUE BONDS;
 AND PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSOR: FAHRENKAMP. GENERAL DOLLARS: \$0 (F. NOTE)
 OTHER DOLLARS: \$0

CO-SPONSORS: BENNETT.
 CURRENT STATUS: 6/19/81 IN (H) RULES

SB 37 SENATE ACTION 12:40 2/12/82 PAGE 2 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
01/13/81	01	0026	FIRST READING -- COMMITTEE REPORTS
03/03/81	02	0356	MOVED FROM S.A. TO TRAN BY UNAN CONSENT
03/18/81	03	0479	TRAN -- DP03, NR01
05/29/81	04	1250	FIN -- DP(AM)05
06/01/81	05	1307	RLS -- OTHER04 TAKEN UP IMMEDIATELY
06/01/81	06	1307	SECOND READING
06/01/81	07	1308	AM01 ADOPTED BY UNAN CONSENT
06/01/81	08	1308	ADVANCED TO 3RD READING BY UNAN CONSENT
06/01/81	09	1308	THIRD READING
06/01/81	10	1308	PASSED BY DIV 20-00-00
06/01/81	11	1308	EFFECTIVE DATE SAME AS PASSAGE
***	**	**	*** ** *

SB 37 HOUSE ACTION 12:40 2/12/82 PAGE 3 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
06/02/81	12	1852	FIRST READING -- COMMITTEE REPORTS
06/17/81	13	2180	MOVED FROM TRAN TO FIN BY UNAN CONSENT

RULES
RULES

**** ** ** ** **

SB 343 TITLE & SPONSOR SUMMARY

12:41 2/12/82 PAGE 1 OF 3

AMENDED TITLE:

AN ACT RELATING TO THE SOURCE OF THE APPROPRIATION FOR IMPROVEMENTS TO THE FAIRBANKS INTERNATIONAL AIRPORT; AND PROVIDING FOR AN EFFECTIVE DATE

GENERAL DOLLARS:

\$0 (F. NOTE)

PRIME SPONSOR: SENATE RULES COMMITTEE.

OTHER DOLLARS:

\$0

CO-SPONSORS:

CURRENT STATUS: 3/19/81 IN (H) RULES

SB 343 SENATE ACTION

12:41 2/12/82 PAGE 2 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
03/27/81	01	0567	FIRST READING -- COMMITTEE REPORTS
03/27/81	02	0567	GOV TRANSMITTAL LETTER
03/27/81	03	0567	FISCAL NOTE SEN SUPPL #25
04/29/81	04	0903	TRAN -- DP03
05/29/81	05	1251	FIN -- DP05
06/01/81	06	1307	RLS -- OTHER04 TAKEN UP IMMEDIATELY
06/01/81	07	1308	SECOND READING
06/01/81	08	1309	ADVANCED TO 3RD READING BY UNAN CONSENT
06/01/81	09	1309	THIRD READING
06/01/81	10	1309	PASSED BY DIV 20-00-00
06/01/81	11	1309	EFFECTIVE DATE VOTE SAME AS PASSAGE

**** ** ** **

SB 343 HOUSE ACTION

12:41 2/12/82 PAGE 3 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
06/02/81	12	1853	FIRST READING -- COMMITTEE REPORTS
06/17/81	13	2180	MOVED FROM TRAN TO FIN BY UNAN CONSENT
06/19/81	14	2279	FIN -- DP08, NR01 RULES RULES

**** ** ** **

March 25, 1981

The Honorable Jalmar Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting two bills relating to the financing of improvements at the Fairbanks International Airport.

One of the bills amends AS 37.25.410 by reducing the authorization for issuance of international airport revenue bonds by \$8,500,000. This exactly reverses the action taken by ch. 68, SLA 1979. Because market conditions precluded issuing the bonds at the 10 percent interest limit established by law, and because adequate funds are available in the International Airports Revenue Fund to cover the \$8.5 million needed for construction of the Fairbanks improvements, the bond authorization is no longer needed.

The other bill simply amends the relevant 1979 appropriation (ch. 69, SLA 1979) by changing the source of the \$8.5 million from the International Airports Construction Fund to the International Airports Revenue Fund.

Sincerely,

SJS H

Jay S. Hammond
Governor

TO: Art Peterson
Assistant Attorney General
Department of Law

DATE: March 4, 1981

FILE NO:

TELEPHONE NO:

FROM:

Ronald D. Lehr, Director
Division of Budget and Management
Office of the Governor

SUBJECT: Request to Amend International
Airports Revenue Bond Authorization
and a 1979 Appropriation for
Fairbanks International Airport

Please prepare for the Governor's introduction the bills necessary to accomplish the following:

1. Reduce the authorization for issuance of International Airports Revenue Bonds by \$8,500,000. This authorization was originally made by Chapter 68, SLA 1979.
2. Amend Chapter 69, SLA 1979 so that the \$8,500,000 appropriation will be made from the International Airports Revenue Fund rather than the International Airports Construction Fund.

The net effect desired from these two changes is to provide a direct appropriation from the IARF as a substitute for the revenue bonds which have been authorized but never issued. The Department of Transportation and Public Facilities has indicated that an adequate balance is available in the IARF to accomplish this, and that the additional bond authorization is no longer required.

I have included for your review suggested wording to be included, assuming that two separate bills will be required.

It should be noted that DOT/PF has several contracts outstanding which are funded by the Chapter 69, SLA 1979 appropriation.

For additional information on this request contact Dick Brant, telephone 465-2266.

Attachments

MEMORANDUM

State of Alaska

TO: Ron Lehr, Director
Budget & Management Division
Office of the Governor

DATE: January 13, 1981

FILE NO:

RECEIVED

JAN 14 1981

TELEPHONE NO:

BUDGET AND MANAGEMENT

FROM: Robert W. Ward
Commissioner
Department of Transportation
and Public Facilities

SUBJECT: CH 68 & 69 SLA 79 and
International Airport
Revenue Bonds

In 1979 the Legislature authorized \$8.5 million in improvements to the Fairbanks International Airport. To fund these projects, Chapter 69 SLA 79 authorized the expenditure of funds and Chapter 68 SLA 79 authorized the issue of International Airport Revenue Fund Bonds.

Because market conditions precluded issuing the bonds at the 10% interest limit established by law and because adequate funds are available in the IARF to cover the \$3.5 million needed for construction, the bond authorization is no longer needed.

The following amendments are required:

1. Amend AS 37.15.410 by deleting (\$43,325,000) and inserting \$34,825,000. This is the amount authorized prior to Chapter 68/SLA 79.
2. Amend Chapter 69 SLA 79 Sec. 1 to read "...There is appropriated from the International Airport Revenue Fund"
3. Amend Chapter 69 SLA 79 Sec. 2 to read "This act takes effect immediately in accordance with AS 01.10.070 c"

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

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

MEMORANDUM

TO: File

FROM: Jay Hogan
Director
Legislative Finance

DATE: March 18, 1981

SUBJECT: SB 37

SB 37 reduces the statutory authorization to sell revenue bonds to the amount previously authorized before the passage of Chapter 68, SLA 1979 (copy attached).

Chapter 69, SLA 1979 appropriated the \$8.5 million in increased bond authorization. It would probably be wise to repeal Chapter 69, SLA 1979 based on the following:

- (1) It appropriates the proceeds of the authorization rescinded/reduced in SB 37.
- (2) Through the effective date clause, Chapter 69 was linked to Chapter 68, thus establishing a joint fund or sale requirement.

Attachments



LAWS OF ALASKA

1979

Source

SB 203

Chapter No.

68

AN ACT

Authorizing the issuance and sale of an additional \$8,500,000 in revenue bonds for international airports; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 10

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: May 18, 1979
Actual Effective Date: May 19, 1979

AN ACT

Authorizing the issuance and sale of an additional
\$8,500,000 in revenue bonds for international airports;
and providing for an effective date."

* Section 1. AS 37.15.410 is amended to read:

Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of providing part or all of the money to be used, with or without any grants or other money which may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed \$43,325,000 [\$34,825,000] is authorized to acquire, equip, construct and install the additions, improvements, extensions and facilities authorized in AS 37.15.510. The principal of and interest on these bonds shall be paid out of and secured by the gross revenues derived by the state from the ownership, lease, use and operation of the airports, and of all the facilities of them and out of any other revenues or money which the state legislature may provide exclusive of any state tax or license.

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-070(c).



LAWS OF ALASKA

1979

Source

SB 202

Chapter No.

69

AN ACT

Making a special appropriation from the International Airports Construction Fund for the Fairbanks International Airport; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 11

Approved by the Governor: May 18, 1979
Actual Effective Date: May 19, 1979

AN ACT

Making a special appropriation from the International Airports Construction Fund for the Fairbanks International Airport, and providing for an effective date.

* Section 1. For the purpose of carrying out the provisions of AS 37.15.-410 - 37.15.550, there is appropriated from the International Airports Construction Fund the sum of \$8,500,000 for the acquisition, construction, and equipping of airport facilities as authorized in AS 37.15.510 at Fairbanks International Airport.

* Sec. 2. This Act takes effect on the effective date of a version of an Act entitled "An Act authorizing the issuance and sale of an additional \$8,500,000 in revenue bonds for international airports."

Alaska State Legislature

SENATOR BETTYE FAHRENKAMP
CHAIRMAN, RESOURCES COMMITTEE

4016 EVERGREEN
FAIRDANKS, ALASKA 99701

907-479-3550



Senate

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
OFFICE 907-465-3763
RESOURCES COMMITTEE
907-465-3834
HOME 907-789-9182

MEMORANDUM

TO: Representative Jack Fuller
Chairman, House Rules Committee *Bettye*

FROM: Bettye Fahrenkamp

DATE: February 2, 1982

RE: SB 37 and SB 343

I would appreciate speedy action on these two bills as per our discussion.

Thank you.

BF/ab

cc: Speaker Hayes

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
DEPUTY COMMISSIONER - PLANNING AND PROGRAMMING

JAY S. HAMMOND, GOVERNOR

POUCH Z
JUNEAU, ALASKA 99811
PHONE:

February 3, 1982

(907)465-3900

John G. Fuller, Chairman
House Rules Committee
Alaska State Legislature
Pouch V,
Juneau, Alaska 99811

Dear Representative Fuller:

The Department of Transportation and Public Facilities is anxious to have SB 37 and SB 343 placed on the House Calendar as soon as possible.

These are carry over bills from the last session and pertain to the International Airport Revenue fund and to International Airport Revenue Bonds. Should you require additional information please, contact me.

Sincerely,



John C. Bates
Deputy Commissioner

Alaska State Legislature

House of Representatives

Representative Ken Fanning

Official Business

JUNE--DECEMBER
Box 80929
College, AK 99708
Ph. 907-479-4234

WHILE IN SESSION:
Pouch V
State Capitol
Juneau, Alaska 99811
Ph. 907-465-4833

TO: Representative Jack Fuller
Chairman
House Rules Committee

FROM: Representative Ken Fanning

DATE: January 20, 1982

RE: SB37 and SB343

I am interested in the progress of SB37 and its companion SB343. which are now pending before your committee. These bills are important to the Interior, specifically as they relate to the level of bond authorization for Fairbanks International Airport.

I would appreciate your efforts to move these bills out of your committee and to the floor for a vote.

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SB37
 Title An act relating to international airport revenue bonds
 Requested by Senator Fahrenkamp Date 2/26/81

II. FISCAL DETAIL
 Agency Affected DOT/PF
 Program Category Affected Transportation
 BRU, Program, or Subprogram(s) Affected IARF
 (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						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND					
FEDERAL FUNDS					
OTHER (Specify Fund Source)					
Bond (Revenue)		(8,500.)			
IARF		8,500.			

POSITIONS

FULL TIME					
PART TIME					
TEMPORARY					

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)
 An additional bill will be submitted by the Governor to appropriate the funds from the IARF account.

IV. DATE 3/4/81 PREPARED BY John Bates *JB*
 AGENCY DOT/PF
 PHONE 465-3900
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

1. ok technical

2. votes:

3. amendments: no

4. attendance:

5. no fiscal note; ok? finance

6. Fahrenkamp, Bennett, Fanning,
B-worth, Pat, Sussner
not needed for vehicle

7. senate wants

8.

S

B

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COMMITTEE REPORT
HOUSE

5/10
Rules

(5)

FURTHER:

5/4/82

Date: 5/6/82

Mr. Speaker:

The Committee on Labor & Commerce has had SB 45 (Efd added)

"An Act relating to bonds of contractors for public buildings or works; and providing for an effective date."

under consideration and reports it back as follows:

do pass [] do not pass

[] do pass with attached amendments(s)

[] replace with CS for _____ [] same title

and recommends _____ [] new title

[] AND attaches a "Letter of Intent" [] New Fiscal Note

[] reports it back without recommendation

[] referred to the _____ Committee

MEMBERS SIGNING
~~DO PASS~~

[Signature]
[Signature]
Terry Martin

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Terry Martin
CHAIRMAN

A M E N D M E N T

OFFERED IN THE HOUSE:

By: FULLER

To: _____ HOUSE BILL No. _____

SENATE BILL No. 45 (efd added)

PAGE: 1

LINE: beginning line 10

*Section 1. AS 08.18.031 is amended to read:

AS 08.18.031. CERTIFICATE OF REGISTRATION - ISSUANCE, DURATION, RENEWAL. A certificate of registration expires on December 31 [June 30] of each year following the date of issuance or renewal and shall be renewed under the same requirements as for an original registration. The commissioner shall issue to the applicant a certificate of registration upon compliance with the registration requirements of this chapter.

*Section 2. Notwithstanding the provisions of AS 08.18.031 as amended by sec. 1 of this Act, a certificate of registration or renewal during calendar year 1982 expires December 31, 1983.

Renumber remaining sections.

Change title to read: "An Act relating to contractors' certificates of registration and to bonds of contractors for public buildings or works; and providing for an effective date."

SB 45 TITLE & SPONSOR SUMMARY

16:21 5/06/82 PAGE 1 OF 3

AMENDED TITLE: SB 45(EFD ADDED)

AN ACT RELATING TO BONDS OF CONTRACTORS FOR PUBLIC BUILDINGS
OR WORKS; AND PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSOR: SENATE RULES COMMITTEE.

CO-SPONSORS:

CURRENT STATUS: 5/03/82 IN (H) LABOR & COM

SB 45 SENATE ACTION

16:21 5/06/82 PAGE 2 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
01/13/81	01	0033	FIRST READING -- COMMITTEE REPORTS
01/13/81	02	0033	GOV TRANSMITTAL LETTER
01/13/81	03	0033	FISCAL NOTE EQUALS ZERO
03/29/82	04	0709	S.A. -- DP04
04/22/82	05	1021	MOVED FROM FIN TO RLS BY UNAN CONSENT
04/26/82	06	1047	RLS --- NR01, OTHER02 TAKEN UP IMMEDIATELY
04/26/82	07	1048	SECOND READING
04/26/82	08	1048	AM01 ADOPTED BY UNAN CONSENT
04/26/82	09	1048	ADVANCED TO 3RD READING BY UNAN CONSENT
04/26/82	10	1048	THIRD READING
04/26/82	11	1048	PASSED BY DIV 18-00-02
04/26/82	12	1048	EFFECTIVE DATE VOTE SAME AS PASSAGE

**** ** **

*** ** *

SB 45 HOUSE ACTION

16 21 5/06/82 PAGE 3 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
05/03/82	13	1628	FIRST READING --- COMMITTEE REPORTS LABOR & COMMERCE RULES

**** ** **

*** ** *

THE LEGISLATURE OF THE STATE OF ALASKA
 TWENTIETH LEGISLATURE
 TWELFTH
FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 45
 Title An Act relating to bonding of contractors for public buildings or works.
 Requested by Governor Date 12/11/80

II. FISCAL DETAIL

Agency Affected Department of Transportation and Public Facilities
 Program Category Affected All
 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 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

There is a slight chance that a contractor may default on a larger project under this bill. There is no estimate of the possible cost because this bill should also increase the number of firms that can and will bid on projects which would serve to reduce costs.

IV. DATE December 11, 1980 PREPARED BY J. W. Scribner
 AGENCY Dept. of Transportation and Public Facilities
 PHONE 465-3900
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

January 12, 1981

President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill amending the bond requirement for contractors for public buildings or works (AS 36.25.010). On February 28, 1980 the Department of Transportation and Public Facilities entered into an agreement with the state Human Rights Commission to insure more Minority Business Enterprise involvement in construction projects for public buildings or works. Under Part II, section 11, of the agreement, the Department of Transportation and Public Facilities was to support legislation which would raise the dollar level of contracts for which bonding is required on state jobs. The bill amends AS 36.25.010(a), requiring bonds for contractors on projects for public buildings or works in excess of \$50,000, by raising the \$50,000 threshold to \$100,000.

Sincerely,

S/SSH

Jay S. Hammond
Governor

S

B

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COMMITTEE REPORT

HOUSE

FURTHER:

Date: 6/20/1981

Mr. Speaker:

The Committee on Rules has had CSSB 30(210)

"An Act relating to unemployment insurance; and providing for an effective date."

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s) Rules
- replace with CS for CS 50 same title
 new title
- and recommends pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature]

CHAIRMAN

A M E N D M E N T

OFFERED IN THE HOUSE:

By: Rules

To: amend HOUSE BILL No. _____

SENATE BILL No. CSSB 50(L&C)

PAGE: _____

LINE: _____

page 3, line 9 through page 5, line 11: delete entire section 4.

add the following new material as a new section 4:

Sec. 4. AS 23.20.165(e) is amended to read:

(e) An employer shall maintain a record of the amount deducted from the wages of each employee and shall furnish a statement of the deductions to each employee at the times and in the manner the department prescribes by regulation. No deduction may be made from those wages paid to an employee during a calendar year which are in excess of the wages subject to contributions under AS 23.20.175. If an employee in the employ of two or more employers earns wages in one calendar year totaling more than the wages subject to contributions or if an employer through error makes a deduction and erroneously pays contributions or interest on wages of an employee in excess of the wages subject to contributions during a calendar year, the amount of deductions in excess of those required by this chapter [ERRONEOUSLY PAID] may be requested by the employee. Employee deductions in excess of the wages subject to contributions shall be refunded to the employee by the department upon application for them in accordance with regulations adopted by the department. Application must be made during the calendar year after the calendar year in which the deductions are made.

page 5, line 28: Add a new section:

*Sec. 7. Section 4 of this Act is retroactive to January

H 1 1981.
70

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

P. O. BOX 1149
JUNEAU, ALASKA 99811

Ph: 465-2700

June 17, 1981

The Honorable Ramona L. Barnes, Chairman
House Judiciary Committee
House of Representatives
Pouch V
Juneau, AK 99811

Dear Representative Barnes:

Subject: Committee Substitute for Senate Bill No. 50

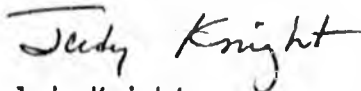
Attached is a copy of a federal directive (General Administrative Letter No. 21-81) regarding interpretation of P.L. 96-449, a bill amending the Federal-State Extended Unemployment Compensation Act of 1970.

Because this bill created a conformity issue with states, it was necessary to submit legislation to the State Legislature (CSSB No. 50). The attached directive relates to Page 3, Line 29, of CS for SB No. 50. Although the federal law says "and" in that particular section, the U.S. Department of Labor has decided the legislative intent was "or" instead of "and."

We are submitting this to you for your review. The Department of Labor would prefer the wording of the Alaska statute to read "or" to be consistent with the intent of P.L. 96-449 and to simplify administration.

If you would like to discuss this change with me, please call me at the above telephone number.

Sincerely,



Judy Knight
Legislative Liaison

Enclosure

cc: Representative Terry Martin
Chairman, House Labor & Commerce Committee

Senator Bob Mulcahy
Chairman, Senate Labor & Commerce Committee

Employment and Training Administration
Washington, D.C. 20213

CORRESPONDENCE SYMBOL

TUMSC

DATE

May 12, 1981

DIRECTIVE : GENERAL ADMINISTRATION LETTER NO. 21-81

TO : ALL STATE EMPLOYMENT SECURITY AGENCIES

FROM : T. JAMES WALKER
Administrator
Administration and Management

SUBJECT : Extended Benefits Program--P.L. 96-499, Amendment to
the Federal-State Extended Unemployment Compensation
Act of 1970

1. Purpose. To transmit instructions and procedures to SESAs for handling extended benefit claims.
2. References. P.L. 96-499, Section 1024, UIPL 14-81, P.L. 96-364, UIPL 16-81, 20 CFR 615, Part V, ES Manual, Sections 5720-5769.
3. Background. During the development of these procedures several issues arose concerning the interpretation of the new EB provisions in Section 1024 of P.L. 96-499 which impact on the implementation of these provisions. Those issues have now been settled and the resulting interpretations made are to the extent applicable, reflected in the procedures in this letter.

Previous issuances (UIPL 14-81 and UIPL 14-81 Change 1) have provided instructions as to the application of the provision in Section 202(a) (3)(D)(i) requiring that an offer of work be in writing "and" be listed with the State employment service. Such instructions specified that this provision be interpreted as requiring both conditions to be satisfied before the denial is applied. However, upon further consideration and analysis of the statute, it has been concluded that there is sufficient legal basis for carrying out the legislative intent that the word "and" be construed as "or." Accordingly, we now construe this provision as permitting a job to be either offered in writing or be listed with the employment service.

Section 202(a)(4) which requires that disqualifications for voluntarily leaving of employment, discharge for misconduct and refusal of suitable work shall not be considered terminated except by subsequent employment required by State law applies to initial EB claims filed after March 31, 1981, unless State law provides that this disqualification shall apply to all EB claims (initial and continued) filed after March 31, 1981.

RESCISSIONS

EXPIRATION DATE

May 3, 1982

DISTRIBUTION

EPA 4-78 (Nov. 1979)

APR 27 1981

RE: SB 50

Since enactment of the Social Security Act of 1935 (of which the Unemployment Compensation Act was a part) the federal and state governments have been partners in the financing of state unemployment insurance programs. Since inception of the program, the federal government has paid for administration of the program and allowed certain credits against taxes imposed by law providing the states conform to federal laws and regulations. This carrot and cudgel relationship virtually guarantees conformity with federal laws and regulations.

The reason we have Senate Bill 50 before us today is to bring state law into conformity with certain changes made in unemployment compensation law during the closing hours of the last session of Congress. This legislature had nothing to do with the enactment of these changes, but like them or not, there is little that this legislature can do about them if Alaska wishes to retain tax credits and the administrative expense now allowed.

What if Alaska does not conform? Employers could lose the federal unemployment tax credit and would then pay the full 3.4% FUTA tax and the state could also lose its share of administrative funds. Funds from the 3.4% FUTA tax are used to pay extended benefits to claimants who have exhausted their state benefits. At the present time, Alaska employers' FUTA credit is 2.7%. Alaska employers now pay 0.7% on a tax base of \$6,000 or \$42. If Alaska does not conform, Alaska employers are liable for the full tax of 3.4% of \$6,000 or Alaska employers are liable for the full tax of 3.4% of \$6,000 or \$204. Thus employers would be paying \$162 more into the Washington maw while employers in other states similarly situated would be paying only \$42. We are informed by the Division that the total estimated cost to employers by loss of the FUTA tax credit would be \$30 million in 1981. Similarly, if the state wished to continue an unemployment insurance program, the Employment Security Division would be required to request this legislature for an appropriation of \$17 million.



Official Business

Alaska State Legislature

Senate

Labor & Commerce Committee

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM:

Passage of SB 50 is necessary to bring state law into conformity with Public Law 96-364; sections 1, 2, 4, and 5 address the conformity issues. The provisions of these sections relate to claims filed for the extended benefit period, and without compliance the state will be fiscally impacted as follows:

FY 81: \$30,000,000
FY 82: \$136,000,000
FY 83: \$153,000,000
FY 84: \$168,000,000
FY 85: \$178,000,000
FY 86: \$191,000,000

These figures reflect the cost to the state for the administration of unemployment compensation, currently paid by the Federal Government, and the increase which would be levied upon Alaskan employers. Alaskan employers presently receive a FUTA tax credit of 2.7% on a tax base of \$6,000 and actually pay .7% tax. If the Federal credit is withdrawn the tax to the employers will be 3.4% (2.7% plus .7%) thus increasing the employer contribution from \$42 to \$204 on a tax base of \$6,000. As of May 12th, 36 state legislatures had passed legislation conforming to the federal requirements.

Section 3 is the only provision in SB 50 which is not conformity related, and it corrects an error in the statutes pertaining to the waiver for overpayments. Simply, it substitutes the word "and" for "or", requiring that the individual had acted in "good faith" and would suffer "hardship" if repayment were necessary.



Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

SUMMARY CS SB 50

SECTION 1: Pension payments are deductible from UI benefits only when a pension was maintained or contributed to by a base period employer, and the claimants service during that base period increased the amount of the pension. The claimants portion contributed to the pension will not be deducted from his benefits. This change brings us into conformity with PL 96-364.

Ammendment also distinguishes between pension payments and payments for dismissal pay, accrued vacation pay, sick leave or holiday pay. Any such payment attributable to a week will be deducted from benefits payable for that week.

SECTION 2: No benefits are payable for a waiting week, and no benefits are payable for a week of unemployment within the benefit year before the completion of a waiting week.

SECTION 3: This section makes both "good faith" and "hardship" a requirement for waiver of overpayments. Under the current provision, a person who has not acted in "good faith" may be absolved from liability for repayment if he can demonstrate "great hardship" would be the result of repayment.

SECTION 4: Extended benefits will be denied as individual who has been disqualified for regular benefits for voluntary quit, discharged for misconduct, or job refusal, unless the disqualification was terminated by subsequent employment.

Denial of extended benefits to persons who do not actively seek, apply for, or accept suitable work when referred such work. (Suitable work is specifically defined in these provisions. Disqualification can only be terminated by new employment of at least four weeks, and by earnings of four times the weekly benefit amount.

SUMMARY CS SB 50 cont.

SECTION 5: An individual who files an Interstate claim for extended benefits from a state in which an extended benefit period is not in effect, will receive only the first two weeks of extended benefits.

COMMENTS: The provisions of Section 1,2,4,and 5 are conformity issues to comply with Federal Law.

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 50
SECTION BY SECTION ANALYSIS

Prepared for the Senate Committee on Labor and Commerce

Section 1: AS 23.20.362

This section repeals and re-enacts AS 23.20.362 with the following changes:

- 1) The pension deduction provision required by Sec 3304(a)(15), FUTA, is amended to conform with Public Law 96-364. Under this amendment, a pension would be deductible from benefits otherwise due only if the pension is provided under a plan maintained or contributed to by a base period employer, and the claimant's service in his base period increased the amount of, or affected his eligibility for, the pension or other retirement pay. In addition, that portion of the pension attributable to the claimant's own contributions will not be deducted from his benefit amount. Public Law 96-364 does not require these changes to state pension deduction provisions; rather, it allows the state this option of liberalizing the required provisions. However, the changes are equitable and would benefit Alaskan workers. For example, the previous provision required a 100% deduction even if part or all of the pension was based on employee contributions. This, in effect, penalized individuals for saving some of their wages by deducting amounts which had actually been earned long before the unemployment insurance claim was filed.
- 2) The proposed amendment also distinguishes between pension payments and payments received for dismissal pay, accrued vacation and sick leave, or holidays. The previous provision had the effect of prohibiting deductions for dismissal pay, vacation pay, or holiday pay unless the week began in a period for which such payment was made. The proposed amendment provides simply that any such payment attributable to a week will be deducted from benefits payable for that week. Sick leave has been added to the list of deductible payments. The rationale for deducting vacation pay, holidays, etc., applies to sick leave as well.

Section 2: AS 23.20.375(b)

This section repeals and re-enacts AS 23.20.375(b) to require a waiting week on all claims. The current provision waives the waiting week requirement on transitional claims. However, Public Law 96-499 now requires that any state which provides for payment "(at any time or under any circumstances) of regular compensation to an individual for his first week of otherwise compensable employment" will not be reimbursed for the federal share of the first week of extended benefits paid in the state. This requirement is not a standard for certification of state laws. The requirement must be met, however, if the state is to receive the 50% reimbursement of the federal share of the first week of extended benefits. This amendment conforms to Public Law 96-499.

Section 3: AS 23.20.390(b)

This section makes both "good faith" and "hardship" a requirement for waiver

of overpayments. The current provision allows an individual who has not acted in good faith to nevertheless be absolved from liability for repayment if he can show that great hardship would result from charging him with repayment.

Section 4: AS 23.20.406

This section amends AS 23.20.406 by adding new eligibility requirements for receipt of extended benefits. These requirements are conformity standards established by Public Law 96-499 and must be included in a state's law for weeks beginning after March 31, 1981, in order for the law to be certified by the Secretary of Labor on October 31, 1981, and thereafter.

The amendments require the following:

- 1) Denial of extended benefits to an individual who has been disqualified for regular UI benefits for voluntary quit, discharge for misconduct, or job refusal, unless the disqualification was terminated by subsequent employment.
- 2) Denial of extended benefits to an individual who does not actively seek, apply for, or accept suitable work when referred to such work. Suitable work is specifically defined in the provisions. The disqualification can be terminated only by new employment of at least four weeks and earnings of four times the weekly benefit amount.

Section 5: AS 23.20.408

This section amends AS 23.20.408 to specify that only the first two weeks of extended benefits are payable to an individual who files on an interstate basis from a state in which an extended benefit period is not in effect. This change is required, for certification of all state laws, by Public Law 96-364.

This amendment was requested by Alaska and introduced by Senator Stevens. House Joint Resolution No. 59 passed by Alaska's Legislature last year supported this change.

The provisions of Sections 1, 2, 4, and 5 are conformity issues to comply with federal law.

Distributed by Senator Robert H. Ziegler, Sr. (with no pride of authorship)

Re: SB 50

Since enactment of the Social Security Act of 1935 (of which the Unemployment Compensation Act was a part) the federal and state governments have been partners in the financing of state unemployment insurance programs. Since inception of the program, the federal government has paid for administration of the program and allowed certain credits against taxes imposed by law providing the states conform to federal laws and regulations. This carrot and cudgel relationship virtually guarantees conformity with federal laws and regulations.

The reason we have Senate Bill 50 before us today is to bring state law into conformity with certain changes made in unemployment compensation law during the closing hours of the last session of Congress. This legislature had nothing to do with enactment of these changes, but like them or not, there is little that this legislature can do about them if Alaska wishes to retain tax credits and the administrative expense now allowed.

What if Alaska does not conform? Employers would lose the federal unemployment tax credit and would then pay the full 3.4% FUTA tax and the state would also lose its share of administrative funds. Funds from the 3.4% FUTA tax are used to pay extended benefits to claimants who have exhausted their state benefits. According to the Employment Security Division, Alaska's share of these funds in 1980 was seventeen million dollars. At the present time Alaska employers FUTA credit is 2.7%. Alaska employers now pay 0.7% on a tax base of \$6,000 or \$42. If Alaska does not conform, Alaska employers are liable for the full tax of 3.4 percent of \$6,000 or \$204. Thus employers would be paying \$162 more into the Washington maw while employers in other states similarly situated would be paying only \$42. We are informed by the Division that the total estimated cost to employers by loss of the FUTA tax credit would be thirty million dollars in 1981. Similarly, if the state wished to continue an unemployment insurance program, the Employment Security Division would be required to request this legislature for an appropriation of seventeen million dollars.

I. REQUEST

Bill/Resolution No. CS for SB 50 (Labor & Commerce)
 Title "An Act relating to Unemployment Insurance; and providing for an . . ."
 Requested by Labor & Commerce Committee Date 2/9/81

II. FISCAL DETAIL

Agency Affected All agencies, indirectly
 Program Category Affected All, indirectly
 BRU, Program, or Subprogram(s) Affected All, indirectly reduces Gen. Fund Reimb. to UI Trust Fund
 (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	(30)	(136)	(153)	(168)	(178)	(191)
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	(30)	(136)	(153)	(168)	(178)	(191)

FUNDING (Thousands of Dollars)

	(30)	(136)	(153)	(168)	(178)	(191)
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)

Assumptions:

1. Pension provisions have too small an effect to evaluate.
2. Waiting weeks provision too small to evaluate.
3. Hardship cases too small to evaluate.
4. Approximately 20% of EB weeks claimed will be eliminated by a work acceptance requirement.
5. Approximately 10% of EB weeks paid will be eliminated by the Intrastate restriction and Washington, Oregon, and California will not be triggered on to the EB after 7/1/81.
6. Approximately 6% of EB payments made are billed to state. (Including University of Alaska and Geophysical.)
7. Effective date will be 4/1/81.

IV. DATE February 9, 1981 PREPARED BY Nico Bus
 AGENCY Finance Officer
 PHONE 465-2720

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Sent to House 4/30/81

Distributed by Senator Robert H. Ziegler, Sr. (with no pride of authorship)

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FISCAL NOTE

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Bill/Resolution No. CS for SB 50 (Labor & Commerce)
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GENERAL FUND						
FEDERAL FUNDS						
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	0	0	0	0	0	0
FULL TIME						
PART TIME						
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7. Effective date will be 4/1/81.

IV. DATE February 9, 1981

PREPARED BY Nico Bus
 AGENCY Finance Officer
 PHONE 465-2720

Original: Legislative Finance
 cc: -- Budget and Management
 Prime Sponsor (First Legislator Named)

DATE,

I RECOGNIZE THE PROBLEM PRESENTED BY THE MARCH 31, 1981 EFFECTIVE
ADMINISTRATION OF THE EMPLOYMENT AND TRAINING ADMINISTRATION.

ADMIN-

WISHED TO YOUR STATE EMPLOYMENT SECURITY AGENCY BY THE REGIONAL

FIG-

NING AFTER MARCH 31, 1981, LEGISLATIVE LANGUAGE HAS ALREADY BEEN

BEGIN-

SATION LAW AS SOON AS POSSIBLE WITH RETROACTIVE EFFECT TO WEEKS

I STRONGLY RECOMMEND THAT YOUR STATE AMEND ITS UNEMPLOYMENT COMPEN-

THE FEDERAL REQUIREMENTS SPECIFIED IN P.L. 96-499 AND P.L. 96-364.

STATE HAS FAILED TO ENACT APPROPRIATE AMENDMENTS TO ITS LAW TO MEET

YOUR

AFTER UNDER THE FEDERAL UNEMPLOYMENT TAX ACT, AS OF MAY 29, 1981,

THERE-

CERTIFICATION PERIOD NOVEMBER 1, 1980, TO OCTOBER 31, 1981, AND

THE

MATTERS FOR CERTIFICATION OF STATES BY THE SECRETARY OF LABOR FOR

1981, RESPECTIVELY. THEY WOULD BECOME CONFORMITY AND SUBSTANTIAL COMPLIANCE

1,

TO WEEKS OF UNEMPLOYMENT BEGINNING AFTER MARCH 31, 1981, AND JUNE

RESPECT

COMPENSATION LAWS. THE CHANGES IN THESE ACTS ARE EFFECTIVE WITH

CABLE TO CLAIMANTS FOR EXTENDED BENEFITS UNDER STATE UNEMPLOYMENT

ACT OF 1976, TO ESTABLISH NEW DISQUALIFICATION REQUIREMENTS APPLI-

BOTH AMENDED THE FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION

THE OVERSIGHTS RECONCILIATION ACT OF 1980 P.L. 96-499 AND P.L. 96-364

JUNE 2 1981

OFFICE OF THE COMMISSIONER

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GOVERNORS OFFICE

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FEDERAL TAX SERVICE

1160314

ADMIN-

ISTRATOR OF THE EMPLOYMENT AND TRAINING ADMINISTRATION.

I RECOGNIZE THE PROBLEM PRESENTED BY THE MARCH 31, 1981 EFFECTIVE DATE,

AND KNOW THAT IT POSES DIFFICULTIES FOR YOU TO ACT WITHIN SUCH TIME RESTRAINTS. WITH YOUR HELP, I BELIEVE WE CAN ACHIEVE A PRACTICAL SOLUTION FOR ALL CONCERNED. I HOPE YOU UNDERSTAND THAT THE SECRETARY OF LABOR HAS A RESPONSIBILITY TO ASSURE THAT STATE LAW SATISFIES FEDERAL LAW REQUIREMENTS, FOR THE PURPOSE OF THE CERTIFICATIONS TO BE MADE ON OCTOBER 31, 1981, UNDER THE FEDERAL UNEMPLOYMENT TAX ACT.

AS YOU KNOW, THE STATES FAILURE TO AMEND ITS LAW TO MEET THE NEW FEDERAL REQUIREMENTS APPLICABLE TO CLAIMANTS FOR EXTENDED BENEFITS AS SET FORTH IN P.L. 96-499 AND P.L. 96-364 IMPACTS ON THE NORMAL AND

ADDITIONAL TAX CREDITS ALLOWABLE TO THE STATES EMPLOYERS, AND ALSO ON PAYMENT TO THE STATE OF GRANTED FUNDS FOR ADMINISTRATION OF THE STATES UNEMPLOYMENT COMPENSATION PROGRAM.

IF YOU OR THE STATE AGENCY NEED ADVICE OR ASSISTANCE, PLEASE CALL UPON

THE REGIONAL ADMINISTRATOR OF THE EMPLOYMENT AND TRAINING ADMINISTRATION. I WOULD APPRECIATE YOUR INFORMING ME BY THE END OF THIS MONTH OF THE ACTIONS YOU WILL TAKE.

SINCERELY,

ALBERT ANGRISANI ASST SEC FOR LABOR ETA U S DEPT OF LABOR WASHDC
22210. TWX 710-8229531.

1442 EST

IPMAFUA AHG

JUN 8 '81

GOVERNORS OFFICE



May 29, 1981

Dear Chief Elected Official:

We in the Department are beginning the process of examining our legislative options for employment and training programs beyond Fiscal Year 1982. As we undertake this effort, we want to invite proposals and ideas from all of the individuals and organizations who have been part of or close to the employment and training system. This process will provide a unique opportunity to examine the system and, thus, learn from its problems and build on its successes.

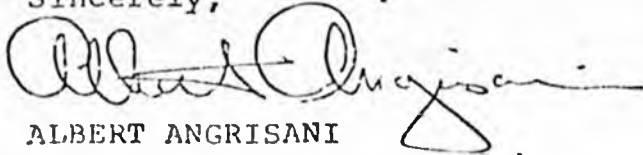
Based upon your experience with the present operation of employment and training programs, I would like you to join with the Employment and Training Administration (ETA) in a dialogue which focuses on the principal issues which will be key in a legislative proposal. Enclosed is an outline of 10 major issue areas which is intended to serve as a framework for the dialogue. While the debate on the specifics of the proposed legislation will not take place until after the introduction of bills next spring and summer, the Department will begin immediately to receive comments on the policy issues and will continue to evaluate ideas received throughout the legislative process.

To enhance your involvement in this dialogue, we would encourage you to undertake several actions. Where appropriate, you may wish to initiate forums with the support of your CETA Director and Private Industry Council Chairperson. These might involve program operators, employers, educators, and others who would discuss their concerns regarding the future design and structure of employment and training programs. You may also participate in meetings with other organizations interested in employment and training. Such meetings can provide a valuable exchange of ideas as well as an efficient means of obtaining a broad range of views. Regional Offices of the ETA Administration will be undertaking meetings as well, and we would encourage your participation. Finally, your input in this process may take the form of general comments and suggestions or discussion papers on specific issues which are submitted to the Department. While we consider that this involvement will continue throughout the legislative process, your early participation and comment will have the potential for greater impact.

To facilitate the flow of input into the Department, I have established a task force within ETA whose duties include the solicitation of ideas and the overall coordination of the dialogue process. I have named Hugh Davies as Task Force Director. Please feel free to contact him directly at (202) 375-3058. Mr. Davies' mailing address is Room 5208, Patrick Henry Building, 601 D Street, N. W., Washington, D. C. 20213. Through this process, I intend to provide for as meaningful a public dialogue on the issues as possible in order to enhance our deliberations on the critical employment and training issues facing our Nation.

As we move into this new phase for employment and training programs, I hope I may rely upon your continued involvement and support.

Sincerely,

A handwritten signature in cursive script, appearing to read "Albert Angrisani". The signature is written in dark ink and is positioned above the typed name.

ALBERT ANGRISANI
Assistant Secretary of Labor

Enclosure

Legislative Strategy for Employment and Training Programs
Beyond FY 1982 - A Plan for Involving the System

I. Introduction

The legislative authority for the Comprehensive Employment and Training Act (CETA) expires at the end of Fiscal Year 1982 (i.e., September 30, 1982).

In anticipation of the steps which necessarily are involved in developing a legislative proposal for employment and training programs beyond that point, the Employment and Training Administration (ETA) has planned a broad dialogue with the principal organizations and individuals concerned about such programs. Examining what has happened in programs to date and listening to the observations and advice of those involved in or close to the system are critically important aspects of the legislative process. Presented herein is ETA's plan for conducting a public dialogue on the legislative issues, within the general schedule and constraints imposed by the Executive Branch and the Congressional legislative and budgetary review procedures.

II. Public Dialogue Arrangements and Procedures

To be effective, the public dialogue must be timely, focussed on the principal issues, and directed to a clearly designated point within the Department. To assure that each of these is accomplished, a Task Force within ETA has been established. All comments will be directed to the Task Force Director, who will in turn coordinate the dialogue process. The dialogue will be undertaken as follows:

A. Framing the Issues

To effectively facilitate the dialogue, observations and recommendations should be undertaken within a common framework. The framework to be used is necessarily broad, while providing a focus for the process. As discussion or comment is initiated, it should be undertaken within this framework, which is attached to the plan.

B. Soliciting Comment

The Assistant Secretary is specifically requesting a broad range of organizations to participate in the dialogue through a variety of ways, including meetings, forums, submission of comments and recommendations to the Task Force and other means as appropriate. Letters will be directed to all of those organizations which have a significant concern or stake in employment and training programs. These would include:

- Public interest groups
- Business organizations
- Federal agencies
- Governors
- Mayors
- Community based organizations
- Veterans groups
- Unions
- Special interest and advocacy organizations
- Education organizations

C. Meeting with Principal Groups and Organizations

Meetings and forums for the purpose of discussing the issues will be undertaken as follows: