

ALABAMA LEGISLATIVE COUNCIL PRINTED BY THE STATE OF ALABAMA

2006 HSA HB 20 - HB 60

2006



Alaska State Legislature

House of Representatives

Committee on State Affairs

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

fiscal note developed when the function was to be located in the Department of Commerce and Economic Development. Under the auspices of the Alaska Power Authority, it was estimated that the cost for funding the program could be very drastically reduced. This committee has requested that the APA develop a new fiscal note for your consideration, and we've asked that that note be forwarded to your attention.



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

Department Commerce and Economic Development	Sponsor (Principal) Moss	Bill Number HB 20
Department Position		
Division Director	Date	Completed by <i>Carolyn S. Guess</i> Date 2/23/81

GOVERNOR'S OFFICE USE		
Comments:		
<input type="checkbox"/> Position Noted	By	Date

SUMMARY	
1. a) Related Bills (Similar or Conflicting)	1. b) Other Agencies Affected by Bill
2. a) Organizational Support for Bill	2. b) Organizational Opposition to Bill
3. Program Effects of Bill	
4. Fiscal Impact: <input type="checkbox"/> None <input type="checkbox"/> Fiscal Note Attached	
5. Amendments Proposed:	

6. Comments: The Commission is supportive of the availability of low interest loans to all public utilities. Depending on the capital intensiveness of a utility, the benefits of low interest debt can have a significant effect on rates. The Commission is also aware that two percent loan monies to rural electric and telephone cooperatives have made utility services available in areas of the State that could not have received service with a higher cost of debt capital.

It is the Commission's understanding that any loan monies issued under the proposed statute would be subordinate to a utility's existing REA loan.

The Commission observes that the availability of low interest loan monies for rural electrification will not necessarily insure that a utility's rates are affordable by prospective or existing consumers. Rural electric utilities today charge rates as high as 45¢/kwh. The deregulation of oil will result in ever higher rates in the near future. At least half, and in many instances 75 percent of a diesel generated electric utility rate is the result of power

(Cont'd) production costs (fuel, maintenance and other operation expenses associated with the generation of electricity). The effect of two percent loan monies in these instances is minimal insofar as its effect on the cost to provide service is concerned.

HB

21

COMMITTEE REPORT
HOUSE

FURTHER: FINANCE

2/18/81

(5)

Date: 3-9-81

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 21

"An Act making a special appropriation to the Department of Commerce and Economic Development for the rural electrification fund; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for CS HB 21 same title
 new title
- and recommends CS HB 21 DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Handwritten signatures]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Handwritten signature]

[Handwritten note: Do not add, do not pass]

[Handwritten signature]

CHAIRMAN

H B

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COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

⁴
2/7/81

(5)

Date: 2/19/81

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 28

"An Act relating to youth hostels and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- [] do pass [] do not pass
[] do pass with attached amendments(s)
[X] replace with CS for HB 28 [X] same title
[] new title
and recommends CS HB 28 DO PASS
[] AND attaches a "Letter of Intent" [] New Fiscal Note
[] reports it back without recommendation
[] referred to the _____ Committee

MEMBERS SIGNING

DO PASS

John J. Fuller

MEMBERS HAVING

OTHER RECOMMENDATIONS:

David Luddy do not pass
Mike Wood do not pass

John J. Fuller

CHAIRMAN

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3860

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 19, 1981

SUBJECT: Youth Hostels [HB 28]
TO: Representative Mike Miller
FROM: Richard A. Bradley
Legislative Counsel *B*

House Bill 28 was prepared as you requested.

However, the bill contains a typographical error. In sec. 45.91.020, at line 22 on page 1, the section number is transposed. It should read "AS 41.20.450."

We can either do a sponsor substitute for you or, if the bill goes through a committee substitute, make the change at that time. It might be more efficient to do nothing now and to correct the error with a CS even if no other changes are requested at that time.

We regret the error.

RAB:jdn

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 28
 Title An Act Relating to Youth Hostels
 Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Department of Commerce & Economic Development
 Program Category Affected Development
 BRU, Program, or Subprogram(s) Affected Division of Business Loans

(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		37.7	41.5	45.7	50.3	55.3
200 TRAVEL		2.4	2.6	2.9	3.2	3.5
300 CONTRACTUAL		8.1	8.9	9.8	10.8	11.9
400 COMMODITIES		.3	.3	.4	.4	.5
500 EQUIPMENT		1.6	-0-			
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		50.1	53.3	58.8	64.7	71.2

FUNDING (Thousands of Dollars)

GENERAL FUND		50.1	53.3	58.8	64.7	71.2
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		1				
PART TIME						
TEMPORARY						

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

Fiscal note detail is attached.

10% inflation after FY '82.

IV. DATE Amended February 20, 1981 PREPARED BY Sharon Traylor, Director
 AGENCY Department of Commerce & Economic Development
 PHONE 465-2510 Division of Business Loans
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

FISCAL NOTE DETAIL

HB 28 YOUTH HOSTELS

100	1 Loan Examiner I/II (Flex) @ \$2,455/mos.		29.5
	TOTAL WAGES		29.5
	Standard Benefits (Wages x .1555)		4.6
	Supplemental Benefits (Wages x .0613)		1.8
	Health Insurance (Man Months x 150)		<u>1.8</u>
	TOTAL PERSONAL SERVICES		37.7
200	Trips to Inspect Collateral & Close Loans		
	4 Trips @ \$473	1.9	
	8 Days Per Diem @ \$65	<u>.5</u>	2.4
300	Telephone, Postage, Printing	5.5	
	Additional Office Space @ \$200/mo.	<u>2.6</u>	8.1
400	Office Supplies		<u>.3</u>
	TWELVE MONTHS OPERATIONAL COSTS		48.5
500	1 Desk @ \$330		
	1 Credenza @ \$455		
	1 Executive Chair @ \$150		
	1 Side Chair @ \$100		
	1 File Cabinet @ \$325		
	1 Calculator @ \$200		<u>1.6</u>
	TOTAL		<u>50.1</u>
	10% INFLATION FOR SUCCEEDING YEARS		

H B

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SENATE TRANSPORTATION COMMITTEE SUM

08:18 3/20/81 PAGE 1 OF 2

BILL #	ABBREVIATED TITLE	SPONSOR	DATE	REFERRALS
HJR 20	REQ/CREATION/UTILITY CORRIDOR/EXTEND AK R	MOSS	3/12/81	FINANCE
SB 33	SPEC APPROP/DOY/CAP IMPROVE/FBKS INT'L AI	FAHRENKAMP	3/03/81	FINANCE
SB 4	RE/LOCAL SERVICE ROADS & TRAILS; ED	RULES	1/13/81	FINANCE
SB 58	RE/PERMIT*/OVERWEIGHT VEHICLES	RAY	1/13/81	----
SB 122	SPEC APPROP/DOY/CONST ACCESS/WHITTIER/POR	COLLETTA	1/30/81	FINANCE
SB 135	RE/USE HWY BETWEEN YUKON RVR/ARCTIC OCEAN	BENNETT	2/03/81	FINANCE
SB 155	SPEC APPROP/FEAS STUDY/TURNAGAIN ARM/POWE	FISCHER	2/04/81	STATE AFFA
SB 157	SPEC APPROP/PHASE I KNIK ARM/POWER FACILI	DANKWORTH	2/05/81	FINANCE
SB 158	RE/CONST KNIK ARM CROSSING/POWER FACILITY	FISCHER	2/05/81	STATE AFFA
SB 159	SPEC APPROP/CONST KNIK ARM CROSSING/POWER	FISCHER	2/05/81	STATE AFFA
SB 160	SPEC APPROP/KNIK ARM/BRIDGE CROSSING; ED	FISCHER	2/05/81	STATE AFFA
SB 204	SPEC APPROP/DOY/REVEG/RECLAIM/HWY/YUKON R	FERGUSON	2/23/81	FINANCE
SB 207	SPEC APPROP/CONST NOME PORT FACILITY; ED	FERGUSON	2/24/81	FINANCE
SB 212	RE/AK RAILROAD/ESTAB AK RAILROAD AUTH; ED	DANKWORTH	2/25/81	FINANCE
SB 213	SPEC APPROP/DOY/AK RAILROAD AUTH; ED	DANKWORTH	2/25/81	FINANCE
SB 217	RE/SURFACE TRAN PROJ/EXEMPT PERMIT REQ/AM	HORNAN	2/26/81	FINANCE
SB 220	SPEC APPROP/DOY/SURFA E TRANS PROJECTS	HORNAN	2/26/81	FINANCE
SB 221	CREATING THE AK RAILROAD AUTHORITY; ED	HORNAN	2/26/81	FINANCE
SB 225	SPEC APPROP/ANCHORAGE/PEB OVERPASS/EAGLE	KELLY	3/03/81	FINANCE
SB 239	RE/CONTROL/HAZARDOUS MATERIALS	RULES	3/04/81	JUDICI

SENATE TRANSPORTATION COMMITTEE SUM

08:19 3/20/81 PAGE 2 OF 2

BILL #	ABBREVIATED TITLE	SPONSOR	DATE	REFERRALS
SB 300	RE/ST TRANSPORTATION/PUBLIC FACILITIES	SACKETT	3/18/81	FINANCE
SCR 3	RE/STUDY FEASIBILITY OF STATE AIRLINE	RAY	1/16/81	----
SJR 4	AM AK CONSTITUTION/RE:LIMIT APPROP/OF ST	RULES	1/13/81	JUDICIARY
SJR 12	RE/CONST DEEP WATER PORT/NOME	FERGUSON	1/30/81	----
SR 2	RE/NAME/INT'L AIRPORT/ANCHORAGE	DANKWORTH	3/11/81	----

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CONTINUOUS INFORMATION TO MOBILE DEVICE

SENATE TRANSPORTATION COMMITTEE SUM		08:44	3/27/81	PAGE 1 OF 2
BILL #	ABBREVIATED TITLE	SPONSOR	DATE	REFERRALS
HB 33	ESTAB PORTFOLIO/AK CITIZEN ENTERPRISES; E	GARDINER	2/04/81	FINANCE
HB 67	PROVIDE ROYALTY OIL PREM PAYMENTS/ST REST	RULES	2/04/81	FINANCE
HE 68	SPEC APPROP/ROYALTY OIL PREM PAYMENTS; ED	RULES	2/04/81	FINANCE
HB 81	RE/ALASKA PIPELINE CMSN; ED	RULES	2/09/81	RESOURCES
HB 197	RE/AK GAS PIPE FIN AUTH; ED	RULES	2/19/81	FINANCE
HB 200	RE/OIL & GAS CORP NC TAX; ED	RULES	2/19/81	FINANCE
HB 299	RE/TAXES/AM GEN INC TAX CORPS/REP OIL/GAS	MOSS	3/10/81	FINANCE
HB 343	REPEAL LAWS RE: SUBSISTENCE HUNTING/FISHIN	BARNES	3/16/81	RESOURCES
HB 381	RE/OIL & GAS CONTRACT EXPLORATION PERMITS	GARDINER	3/24/81	RESOURCES
HB 408	SPEC APPROP/LAA/STUDY/JT GAS P/LINE CMTE/	MALONE	3/26/81	FINANCE
HCR 4	REQ JT GAS PIPE CMTE/INVS & RECOM/PRUDHO	MALONE	2/18/81	TRANSPORTA
HJR 20	REQ/CREATION/UTILITY CORRIDOR/EXTEND AK R	MOSS	3/12/81	FINANCE
SB 40	RE/LOCAL SERVICE ROADS & TRAILS; ED	RULES	1/13/81	FINANCE
SB 58	RE/PERMITS/OVERWEIGHT VEHICLES	RAY	1/13/81	----
SB 122	SPEC APPROP/DOI/CONST ACCESS/WHITTIER/POR	COILETTA	1/30/81	FINANCE
SB 135	RE/USE HWY BETWEEN YUKON RVR/ARCTIC OCEAN	BENNETT	2/03/81	FINANCE
SB 155	SPEC APPROP/FEAS STUDY/TURNAGAIN ARM/POWE	FISCHER	2/04/81	STATE AFFA
SB 157	SPLC APPROP/PHASE T KNIK ARM/POWER FACILI	DANKWORTH	2/05/81	FINANCE
SB 158	RE/CONST KNIK ARM CROSSING/POWER FACILITY	FISCHER	2/05/81	STATE AFFA
SB 159	SPEC APPROP/CONST KNIK ARM CROSSING/POWER	FISCHER	2/05/81	STATE AFFA

SENATE TRANSPORTATION COMMITTEE SUM		08:45	3/27/81	PAGE 2 OF 2
BILL #	ABBREVIATED TITLE	SPONSOR	DATE	REFERRALS
SB 160	SPEC APPROP/KNIK ARM/BRIDGE CROSSING; ED	FISCHER	2/05/81	STATE AFFA
SB 204	SPEC APPROP/DOI/REVEG/RECLAIM/HWY/YUKON R	FERGUSON	2/23/81	FINANCE
SB 207	SPEC APPROP/CONST NOME PORT FACILITY; ED	FERGUSON	2/24/81	FINANCE
SB 212	RE/AK RAILROAD/ESTAB AK RAILROAD AUTH; ED	DANKWORTH	2/25/81	FINANCE
SB 213	SPEC APPROP/DOI/AK RAILROAD AUTH; ED	DANKWORTH	2/25/81	FINANCE
SB 219	RE/SURFACE TRAN PROJ/EXEMPT PERMIT REQ/AM	HOHMAN	2/26/81	FINANCE
SB 220	SPEC APPROP/DOITP/SURFACE TRANS PROJECTS	HOHMAN	2/26/81	FINANCE
SB 221	CREATING THE AK RAILROAD AUTHORITY; ED	HOHMAN	2/26/81	FINANCE
SB 229	SPEC APPROP/ANCHORAGE/PED OVERPASS/EAGLE	KELLY	3/03/81	FINANCE
SB 297	SPEC APPROP/CAPITAL PROJECTS/G.O. BONDS;	STATE AFFA	3/26/81	FINANCE
SB 300	RE/ST TRANSPORTATION/PUBLIC FACILITIES	SACKETT	3/18/81	FINANCE
SCR 3	RE/STUDY FEASIBILITY OF STATE AIRLINE	RAY	1/16/81	----
SJR 4	AM AK CONSTITUTION/RE: LIMIT APPROP OF ST	RULES	1/13/81	JUDICIARY
SJR 12	RE/CONST DEEP WATER PORT/NOME	FERGUSON	1/30/81	----

*** # *** ** ** ** **

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35

P.O. Box 239
Kenai, Alaska 99611

March 31, 1981

Mike Miller, Chairman
State Affairs Committee
House of Representatives
Pouch V
Juneau, Alaska 99811

RE: Bills SB60, SB61, SB64, SB143, HB35, HB172

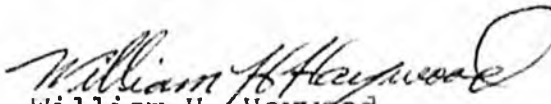
Dear Chairman Miller:

Would you please support the following bills in regards
to Retirement.

- SB60 -- In Labor/Commerce - PRPA, cost of living increase.
- SB61 -- In Labor/Commerce - Changes the multiplier from
2 to 2 1/2 percent. This is a public employee
bill and we would like to sponsor Senator Bill Ray.
- SB64 -- In Health, Education & Social Services - Relating
to labor relations between school boards and other
public employers/employees.
- SB143 -- In State Affairs - Allowing retirement credit for
public employees' unused sick leave.
- HB35 -- In State Affairs - Changes the multiplier from
2 to 2 1/2 percent.
- HB172 -- In State Affairs - Allowing retirement credit for
public employees' unused sick leave.

Thank you for your attention on these bills.

Sincerely,


William H. Haywood

730 Park Ave.
Ketchikan, Alaska
April 5, 1981

Rep. Mike Miller
Chairman State Affairs Committee
Juneau, Alaska

Dear Rep. Miller

I've read H.B. #121 and really feel this legislation is far past due. I would appreciate having your vote in favor of HB #121. The retired teachers, I feel, really deserve an improvement as provided in this legislation.

Also please give your support to the binding arbitration legislation in H.B. # 163.

Sincerely,
Mrs. Carmen Holm

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MSG 81-00011261 PRTY 3 04/06/81 16:17:31 ORIG: LA00 IN= 0025 OUT= 0072
FROM: CHARITY TO: JUNEUA INFO
TARGET: LJH2 SUBJ: PUBLIC OPINION MESSAGE PAGE 0001

TO: ALL LEGISLATORS
FROM: ANCHORAGE MUNICIPAL EMPLOYEES
THRU TED MOORE ANCHORAGE TELEPHONE UTILITY 277-2561
3356 NEWCOMB DRIVE
ANCHORAGE, AK 99504

*THE FOLLOWING VOTING CITIZENS OF ALASKA ENCOURAGE YOU TO VOTE YES ON
HB35 AND SB 61*- ADJUSTMENTS IN RETIREMENT BENEFITS.
THEODORE A. MOORE DELWIN D. SPELLMAN RAYMOND A. GALLANT MILLIE LAZICH
HENRY J. WOLDSWORTH GEORGE E. OMAN CHARLES I. PECK ROBERT C. ALT
WILLIAM D. DOUCETTE JERRY D. NELSEN SALLIE L. NELSON NANCY HANSFORD
JOHN H. KERKSICK KENNETH R. ROCHELEAU ERNEST C. HOES JOHN W. OSBORN
CHARLES P. CARPENTER GEORGE L. BROGDON LARRY J. HATHAWAY RANDALL BROWN
WILLIAM SCHAUPPNER KENNETH CLARK MICHAEL D. GOENS JAMES T. EDELGEN
LILLIAN W. GEER JUNE E. REAVIS BEVERLY A. SJOLIN PAMELA S. PARKHURST
JOHN L. HENDRICKS ELENA K. MILLIGAN ROBERT . METCALFE HOWARD G. FREMLIN

MSG 81 00011261 PRTY 3 04/06/81 16:17:31 ORIG: LA00 IN= 0025 OUT= 0072
FROM: CHARITY TO: JUNEUA INFO
TARGET: LJH2 SUBJ: PUBLIC OPINION MESSAGE PAGE 0002

CON'D SB 61 HB 35 LIST OF NAMES

FRANK DEPIETRO W.C. BOCAST DALE L. WORMUS DIANE J. THOMAS
HOLLY R. RUNTER ERNEST M. CUZZOCREAD SUSAN C. STEPHENSEN WM. J. TERBECK
GILBERT G. SUMNER LOUISE M. MILLS

***THESE INDIVIDUALS HAVE SIGNED THE ABOVE PUBLIC OPINION MESSAGE AND THEIR
SIGNATURES ARE ON RECORD IN THE ANCHORAGE LEG. INFO OFFICE.

MRS. FRANK LAWSON
621 Northward Building
Fairbanks, AK 99701

March 6, 1981

House State Affairs Committee
Mike Miller, Chairman
Pouch V, Juneau, Alaska 99811

Dear Committee Members,
As a retired teacher, I have found that it is frustrating and unsatisfying to ask for increases in teacher retirement payments each year due to inflation.

I approve HB 121. I appreciate your efforts, and hope that the bill will pass.

Sincerely,
Mrs. Frank Lawson

P.O. Box 883
Palmer, AK 99645
April 3, 1981

The Honorable Mike Miller, Chairman
House State Affairs Committee
Pouch V
Juneau, Alaska 99811

Re: House Bill No. 121

Dear Representative Miller:

I am a retired teacher. The steady rise in the cost of living is viewed with concern by those of us who depend on a retirement income. I greatly appreciate your and Representative Duncan's introduction of HB 121 which addresses this matter.

I am not in a position to see all the pros and cons of passing this particular piece of legislation, but I feel it to be a step in the right direction. Your support will be sincerely appreciated.
Thank you.

Very truly yours,

Harry L. Wimmer
Harry L. Wimmer

OVERALL LEGISLATIVE PACKAGE TRS AND PERS

- 75% - 50% - 25% PRPA Proposal
Total FY82 Cost - \$129 million.

Cost shares (in millions):	Total	PERS	TRS
State -	\$ 62	\$36	\$26
Polysubs & Districts -	\$ 51	\$32	\$19
Employees/Teachers -	<u>\$ 16</u>	<u>\$11</u>	<u>\$ 5</u>
Total -	\$129	\$79	\$50

- 2½/2½% Benefit Formula Increase
Total FY82 Cost - \$22 million.

Cost shares (in millions):	Total	PERS	TRS
State -	\$12.5	\$ 6	\$ 6.5
Polysubs & Districts -	\$ 9.5	\$ 5	\$ 4.5
Employees/Teachers -	<u>0</u>	<u>0</u>	<u>0</u>
Total -	\$22.0	\$11	\$11.0

- Overall Package
Total FY82 Cost \$151 million.

Cost shares (in millions):	Total	PERS	TRS
State -	\$ 74.5	\$42	\$32.5
Polysubs & Districts -	\$ 60.5	\$37	\$23.5
Employees/Teachers -	<u>\$ 16.0</u>	<u>\$11</u>	<u>\$ 5</u>
Total -	\$151.0	\$90	\$61

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3900

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 1, 1981

SUBJECT: Retirement
(Work Order No. 12-1673)

TO: Representative Mike Miller

FROM: Richard A. Bradley *R*
Legislative Counsel

The bill is provided to you essentially as requested.

Because of the short turn-around time that Jeff Petrich requested, we have not redone the bill as we would prefer. We offer some observations on the bill:

We have redone the title. It was not reflective of the contents of the bill. For example, Sec. 1 of the bill does not deal with "benefits".

We believe that Sec. 2 is unnecessarily difficult; it will, of course take time to make it clearer and more to the point.

We believe that it would be possible to make lines 11 - 12 on page 2 and lines 14 - 15 on page 4 less clumsy.

I suggest that the "lesser" phrase in line 14, page 2 does not work. Is the bill concerned with the lesser of paragraphs (1), (2), or (3) -- or the lesser of those and the subparts of those paragraphs?

Page 2, line 25: "person" is changed to "recipient" to conform to usage. See also page 4, line 28.

We have conformed the usage in the latter part of the amendments to AS 14.25.110(d) and AS 39.35.370(c).

You should realize that as written, Secs. 2 and 6 do not apply to persons presently or retirement. See AS 14.25.-177(a) and AS 39.35.547(a).

Representative Mike Miller
Page 2
May 1, 1981

If you wish a further review before introduction of the bill, we will seek to address the problems identified and perhaps others not identified yet.

RAB:ljb

Enclosure



Alaska State Legislature

House of Representatives

Juneau, Alaska 99811

March 31, 1981

The Honorable Mike Miller
Chairman
House State Affairs Committee

Dear Mike:

Several of my constituents have requested that I help get HB 35 through the House. I know that this is your bill and probably have plans to hold a hearing on it soon. Will you let me know when you plan to schedule it in your committee so that I can notify my constituents who wish to testify or simply be informed about action on the bill? I'd appreciate it.

Sincerely yours,

Rep. Thelma Buchholdt
District 9 (Spenard)

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill 35
 Title An Act Increasing Retirement Benefits Under The PERS
 Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement and Benefits
 Program Category Affected Labor Services
 BRU, Program, or Subprogram(s) Affected 02-96-8-01-01 (PERS)
 (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		34.3				
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES		0.6				
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 STATE TRS MATCHING						
100 BENEFITS		15,839.2	17,423.1	19,165.4	21,082.0	23,190.2
TOTAL	-0-	15,874.1	17,423.1	19,165.4	21,082.0	23,190.2

FUNDING (Thousands of Dollars)

GENERAL FUND	12,972.4	14,269.5	15,696.4	17,266.0	18,992.8
FEDERAL FUNDS	728.6	801.5	881.6	969.8	1,066.7
VETERAN'S FUND	31.7	34.9	38.2	42.2	46.4
FISH & GAME FUND	95.0	104.5	115.0	126.5	139.1
HIGHWAY FUND	205.9	226.5	249.2	274.1	301.5
AIRPORT FUND	459.3	505.3	555.8	611.4	672.5
CAPITAL FUND	1,346.3	1,481.0	1,629.1	1,792.0	1,971.2
PERS	34.9				
TRS					

POSITIONS 3 employees for 6 months

FULL TIME					
PART TIME					
TEMPORARY		18 Mos.			

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

1. This bill provides increased benefits to active, deferred vested and retired PERS members.
2. The increased benefit formulas affect both future and past credited service.
3. The increase in State contribution rate would be 5.34% of covered State payroll (FY82 = \$296,614,000) increasing at 10% annually.
4. The cost to political subdivisions is estimated to be \$13.6 million in FY82 increasing at 10% each year thereafter.

Paul B. Arnoldt

IV. DATE 2/18/81 PREPARED BY Paul B. Arnoldt, Director
 AGENCY Division of Retirement & Benefits
 PHONE 465-4460

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Senator Ray
 Office of the Governor (Keith Specking) *gc*

1	POSITION TITLE Retirement & Benefits Technician			RANGE/STEP 12A	BARG. UNIT. G	LOCATION Juneau	GOV	APPROV	DISAPP
2	TYPE OF POSITION Project	STAFF MONTHS 6	RP No.	PCN No.	PRIORITY	FORM 12 PAGE/LINE	LEG.		
3	TYPE OF EXPENDITURE			AMOUNT		JUSTIFICATION: Three (3) Project employees for six (6) months to recalculate the benefits for approximately 2,650 people who are receiving benefits from the PERS. (This estimate is based upon the actual time required to calculate the \$25 minimum benefit for approximately 1,016 individuals-- Chapter 146 SLA 1980.)			
	1	2	3						
4	PERSONAL SERVICES:								
	SALARY	\$1,761/Month	\$10,566						
5	BENEFITS	2.21%	234						
6	FICA SBS	6.13%	648						
7	HEALTH INS.								
8	TOTAL PERSONAL SERVICES		01	\$11,448					
9	TRAVEL		02						
10	CONTRACTUAL		03						
11	COMMODITIES		04	\$ 200					
12	EQUIPMENT		05						
13	OTHER								
14	TOTAL COST			\$11,648					
	CODE	FUNDING SOURCE							
15		FED RCPTS. 1002							
16		GF MATCH. 1003							
17		GEN. FUND 1004							
18		I-A RCPTS. 1005							
19		PGM RCPTS 1028							
20		OTHER	PERS	\$11,648					
21	CONTINUATION		FOR B&M USE ONLY						
22	ADDITION								
1A KEY NUMBER		COLUMN NO.							

AGENCY Administration PROGRAM Labor Services

BRU Retirement & Benefits

COMPONENT PERS

13 REQUEST FOR NEW POSITION

FY 82

1	POSITION TITLE Retirement & Benefits Technician			RANGE/STEP 12A	BARG. UNIT. G	LOCATION Juneau	GOV.	APPROV.	DISAPP.					
2	TYPE OF POSITION Project	STAFF MONTHS. 6	RP No.	PCN No.	PRIORITY	FORM 12 PAGE/LINE	LEG.							
3	TYPE OF EXPENDITURE			AMOUNT		JUSTIFICATION:								
	1	2	3											
4	PERSONAL SERVICES:													
	SALARY	\$1,761/Month	\$10,566		<p>Three (3) Project employees for six (6) months to recalculate the benefits for approximately 2,650 people who are receiving benefits from the PERS. (This estimate is based upon the actual time required to calculate the \$25 minimum benefit for approximately 1,016 individuals-- Chapter 146 SLA 1980.)</p>									
5	BENEFITS	2.21%	234											
6	FICA SBS	6.13%	648											
7	HEALTH INS.													
8	TOTAL PERSONAL SERVICES	01	\$11,448											
9	TRAVEL	02												
10	CONTRACTUAL	03												
11	COMMODITIES	04	\$ 200											
12	EQUIPMENT	05												
13	OTHER													
14	TOTAL COST		\$11,648											
15	CODE	FUNDING SOURCE												
		FED RCPTS.	1002											
		GF MATCH.	1003											
		GEN. FUND	1004											
		I-A RCPTS.	1005											
		PGM RCPTS	1028											
		OTHER	PERS	\$11,648										
21	CONTINUATION			FOR B&M USE ONLY										
22	ADDITION													
AA KEY NUMBER				COLUMN NO.										

AGENCY Administration PROGRAM Labor Services

BRU Retirement & Benefits

COMPONENT PERS

13 REQUEST FOR NEW POSITION.

FY 82

1	POSITION TITLE Retirement & Benefits Technician			RANGE/STEP 12A	BARG. UNIT. G	LOCATION Juneau	GOV.	APPROV.	BISACF.
2	TYPE OF POSITION Project	STAFF MONTHS 6	RP No.	PCN No.	PRIORITY	FORM 12 PAGE/LINE	LEG.		
3	TYPE OF EXPENDITURE			AMOUNT		JUSTIFICATION: Three (3) Project employees for six (6) months to recalculate the benefits for approximately 2,650 people who are receiving benefits from the PERS. (This estimate is based upon the actual time required to calculate the \$25 minimum benefit for approximately 1,016 individuals-- Chapter 146 SLA 1980.)			
	1	2	3						
4	PERSONAL SERVICES:								
	SALARY	\$1,761/Month	\$10,566						
5	BENEFITS	2.21%	234						
6	FICA SBS	6.13%	648						
7	HEALTH INS.								
8	TOTAL PERSONAL SERVICES		01	\$11,448					
9	TRAVEL		02						
10	CONTRACTUAL		03						
11	COMMODITIES		04	\$ 200					
12	EQUIPMENT		05						
13	OTHER								
14	TOTAL COST			\$11,648					
	CODE	FUNDING SOURCE							
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16		GF MATCH. 1003							
17		GEN. FUND 1004							
18		I-A RCPTS. 1005							
19		PGM RCPTS 1028							
20		OTHER PERS		\$11,648					
21	CONTINUATION								
22	ADDITION		FOR B&M USE ONLY						
4A KEY NUMBER		COLUMN NO.							

AGENCY Administration PROGRAM Labor Services

BRU Retirement & Benefits

COMPONENT PERS

13 REQUEST FOR NEW POSITION

FY 82

ALASKA STATE LEGISLATURE

TWELFTH Legislature FIRST Session

HOUSE BILL NO. 35

By MILLER, ~~AND~~ DUNCAN, and ZHAROFF

"An Act increasing retirement benefits under the public employees retirement system; and providing for an effective date."

Retirement benefit increase

Introduced in the House 2/4, 19...01

HISTORY IN THE HOUSE

19 81	Read first time and referred to Committee on										
Feb 4	State Affairs and Finance Reported back with recommendation that										
	Read second time and										
	Read third time and										
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date										
Yeas	Yeas										
Nays	Nays										
Absent	Absent										
Excused	Excused										
	Reconsideration										
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date										
Yeas	Yeas										
Nays	Nays										
Absent	Absent										
Excused	Excused										
	Reported correctly engrossed Signed by Speaker Sent to Senate										
CHIEF CLERK OF THE HOUSE											

HISTORY IN THE SENATE

19	Read first time and referred to Committee on										
	Reported back with recommendation that										
	Read second time and										
	Read third time and										
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date										
Yeas	Yeas										
Nays	Nays										
Absent	Absent										
Excused	Excused										
	Reconsideration										
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date										
Yeas	Yeas										
Nays	Nays										
Absent	Absent										
Excused	Excused										
	Reported correctly engrossed Signed by President Returned to House										
SECRETARY OF THE SENATE											

HISTORY IN THE HOUSE

19	Received from Senate
	Concurred in Senate amendment thus adopting: VOTE
	Failed to concur in Senate amendment; asked Senate to recede VOTE
	Senate receded from amendment VOTE
	Senate failed to recede from amendment VOTE
	CC appointed by House
	CC appointed by Senate
	CC adopted by House VOTE
	CC adopted by Senate VOTE
	To enrolling Reported correctly enrolled Sent to Governor by Governor
	Filed with Lt. Governor
	Chapter No.

Handwritten initials and date: 4/26/81

*Proposed Comm Sub
Bos V.H.*

Introduced: 2/4/81
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY MILLER AND DUNCAN

2 HOUSE BILL NO. 35

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act increasing retirement benefits under the
7 public employees' retirement system; and providing for
8 an effective date."

H B

37

COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

⁴
2/2/81
(5)

Date: 3/9/82

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 37

"An Act repealing all state taxes except the oil and gas corporate income tax (AS 43.21); and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

[] do pass [] do not pass

[] do pass with attached amendments(s)

[X] replace with CS for HB37 ~~[]~~ same title
new title

and recommends DO PASS

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

[] reports it back without recommendation

[] referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

[Signature]

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

No Rec No Rec

[Signature]

[Signature]
CHAIRMAN

A M E N D M E N T

OFFERED IN THE HOUSE:

BY: State Affairs

To: amend

HOUSE BILL No. CS HB 37

SENATE BILL No. _____

PAGE: 1

LINE: 14

after 'fuel' insert "that has been or will be"

Please do a3 a final version

AMENDMENT

OFFERED IN THE HOUSE:

By: State Affairs

To: amend

HOUSE BILL No. 37

SENATE BILL No. _____

PAGE: _____

LINE: _____

Prepare draft alternate amendments to HB 37 as follows:

1. Require the collection of the motor fuel tax to be with the user
2. Remove all material except for the motor fuel tax provision and forgive any motor fuel tax uncollected for the past 2 years.

AMENDMENT

OFFERED IN THE HOUSE:

By: State Affairs

To: amend HOUSE BILL No. 37

SENATE BILL No. _____

PAGE: _____

LINE: _____

Prepare draft alternate amendments to HB 37 as follows:

1. Require the collection of the motor fuel tax to be with the ~~uager~~
2. Remove all material except for the motor fuel tax provision and forgive any motor fuel tax uncollected for the past 2 years.

will be as CS

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

March 11, 1982

The Honorable Ray H. Metcalfe
Chairman
House State Affairs Committee
Room 102 - Capitol Building
Juneau, Alaska

Dear Mr. Metcalfe:

Re: CS for House Bill No, 37 (State Affairs)
Work Draft

At the request of the House State Affairs Committee, I am enclosing copies of Fiscal Notes prepared by Mr. Robert R. Kessel, Director, Audit Division, Department of Revenue concerning the attached Work Draft Paper of CS for House Bill No. 37 (State Affairs), an Act relating to the motor fuel tax (AS 43.40).

Sincerely,



R. D. Stevenson
Special Assistant

Enclosures

cc: The Honorable Albert P. Adams
Chairman
House Finance Committee

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

Robert R. Kessel, Director
Audit Division
Department of Revenue

FILED MAR 11 1982

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB37
Title An Act relating to the motor fuel tax
Requested by Randolph, Bairne, Pettisworth Date 3-8-82

II. FISCAL DETAIL

Agency Affected Department of Revenue
Program Category Affected Revenue Collections and Management
BRU, Program, Or Subprogram(s) Affected Audit Division
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		22.0	23.5	25.0	27.0	29.5
200 TRAVEL		1.6	1.8	2.0	2.2	2.4
300 CONTRACTUAL						
400 COMMODITIES		.5				
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		24.1	25.3	27.0	29.2	31.9

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		24.1	25.3	27.0	29.2	31.9
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME		1	1	1	1	1
PART TIME						
TEMPORARY						

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

See attached memo to R. D. Stevenson dated 3-9-82.

Robert R. Kessel

IV. DATE March 9, 1982 PREPARED BY Robert R. Kessel
AGENCY Audit Division
Original: Legislative Finance PHONE 465-2320
cc: Budget and Management
Prime Sponsor (First Legislator Named)
33-001 (Rev. 12/81)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 37
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(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) None

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
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		(1.4)	(1.4)			
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS None

FULL TIME						
PART TIME						
TEMPORARY						

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

See attached copy of memo to R. D. Stevenson dated March 9, 1982.

Robert R. Kessel

IV. DATE March 9, 1982 PREPARED BY Robert R. Kessel

AGENCY Audit Division

PHONE 465-2320

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

MEMORANDUM

State of Alaska

Department of Revenue

TO R. D. Stevenson
Special Assistant

DATE: March 9, 1982

FILE NO:

TELEPHONE NO

FROM Robert R. Kessel
Director, Audit Division

SUBJECT Work Draft -
CSHB 37

The work draft would allow motor fuel dealers (distributors/jobbers) to buy a portion of their fuel tax free from the manufacturer/ supplier and would allow the distributor to sell that same portion to consumers tax free in those instances when such consumption is for exempt use. Exempt use includes a) fuel used for heating purposes and b) fuel used by exempt organizations such as the Federal Government, State agencies, charitable organizations, etc.

The distributors/jobbers must provide the manufacturer/supplier with a certificate of use for ex-tax purchases. The distributors/jobbers must obtain a certificate of use from every person purchasing fuel not intended for use as a motor fuel. The distributors/jobbers must retain the certificates for examination by the Department of Revenue.

The bill expands the term "user" (taxpayer) to include a person consuming or using diesel fuel who purchases or receives the fuel within the State that was not taxed at the time of purchase or receipt because it was sold as heating fuel.

Section 3 of the work draft provides, in essence, that all audit assessments against dealers for failure to collect the tax from a purchaser or transferee could not be collected by the Department of Revenue nor could further audits be conducted nor assessments made. This section is arguably unconstitutional. In addition, the State would lose about \$2.8 million because of abatement of current audit assessments and forfeiture of other audit efforts for prior years.

The work draft as written would apparently continue to require dealers and users to file motor fuel tax returns. The sponsors of this bill might not be aware of this requirement.

There would literally be thousands of certificates of use issued. The effort to audit under the certificate concept would require an additional revenue auditor.

Section 3 essentially punishes those 50% of the dealers who have conformed to the law and properly collected tax. The State of Alaska has a substantial amount of dollars impacted by the dealers' failure to collect when required.

RRK/gb

Thurston

HB37

CUMULATIVE SUMMARY OF REVENUE
COLLECTED 07/01/81 THRU 01/31/82
7/12 OR 58.32%

CODE NO	TYPE OF TAX	GROSS RECEIPTS	REFUNDS	NET RECEIPTS	ESTIMATE	NET RECEIPTS % OF ESTIMATE
001	OIL & GAS PROPERTY TAX	\$ 2,098,031.98	\$ 719,266.16	\$ 1,378,765.82	\$155,000,000.00	.89
016	ALCOHOLIC BEVERAGE EXCISE TAX	5,535,401.40	0.00	5,535,401.40	8,500,000.00	65.12
017	CIGARETTE TAX (GF)	1,073,693.32	13.84	1,073,679.48	1,800,000.00	59.65
018	CIGARETTE TAX (SF)	1,789,488.52	0.00	1,789,488.52	3,000,000.00	59.65
020	ELECTRIC & TELEPHONE	2,897.00	0.00	2,897.00	1,100,000.00	.26
021						
022						
036	INDIVIDUAL INCOME TAX	1,018,814.49	319,904.86	698,909.63	0.00	0.00
037	FIDUCIARY INCOME TAX	57.03	5,341.00	(5,283.97)	0.00	0.00
038	CORPORATION INCOME TAX	21,478,387.05	9,720,497.00	11,757,890.05	31,000,000.00	37.93
039	OIL & GAS CORP. INCOME TAX	351,049,574.00	660,794.00	350,388,780.00	713,000,000.00	49.14
046	BUSINESS LICENSE	1,891,291.68	4,601.36	1,886,690.32	5,500,000.00	34.30
052	ESTATE	241,934.97	5,067.00	236,867.97	500,000.00	47.37
057	SCHOOL TAX	1,634.99	0.00	1,634.99	0.00	0.00
060	SALMON ENHANCEMENT TAX	2,137,089.14	53,649.92	2,083,439.22	2,000,000.00	104.17
061	MINES & MINING TAX	133,090.38	0.00	133,090.38	200,000.00	66.55
062	SALMON CANNERY-SHORE BASED TAX	630,669.95	0.00	630,669.95	6,200,000.00	10.17
063	SHORE-BASED FISHERIES TAX	938,740.33	77,341.00	861,399.33	11,200,000.00	7.69
064	FLOATING FISHERIES TAX	950,447.67	7,112.00	943,335.67	4,000,000.00	23.58
065	OIL PRODUCTION TAX	941,173,141.72	5,605.84	941,167,535.88	1,708,400,000.00	55.09
066	OIL & GAS CONSERVATION	497,834.38	0.00	497,834.38	700,000.00	71.12
067	GAS FLARING PENALTY	0.00	0.00	0.00	0.00	0.00
068	GAS PRODUCTION TAX	7,118,737.16	0.00	7,118,737.16	9,600,000.00	74.15
096	PREPAID TAX	5,042.00	0.00	5,042.00	0.00	0.00
106	LIQUOR LICENSE APPLICATION	73,450.00	0.00	73,450.00	150,000.00	48.97
107	PUB LIQUOR LICENSE	400.00	0.00	400.00	600.00	.67
108	BREWERY LICENSE	0.00	0.00	0.00	0.00	0.00
109	DISTILLERY LICENSE	0.00	0.00	0.00	0.00	0.00
110	BEVERAGE DISPENSARY LICENSE	722,050.00	6,350.00	715,700.00	775,000.00	92.35
111	CLUB LICENSE	36,700.00	600.00	36,100.00	34,200.00	105.56
112	COMMON CARRIER LICENSE	26,075.00	0.00	26,075.00	28,000.00	93.13
113	RESTAURANT LICENSE	57,100.00	400.00	56,700.00	65,000.00	87.23
114	ROAD HOUSE LICENSE	0.00	0.00	0.00	0.00	0.00
115	RETAIL LICENSE	315,525.00	2,450.00	313,075.00	330,000.00	94.87
116	RETAIL STOCK SALE LICENSE	0.00	0.00	0.00	0.00	0.00
117	WHOLESALE GENERAL LICENSE	17,000.00	0.00	17,000.00	145,000.00	11.72
118	WHOLESALE MALT BEV. LICENSE	1,400.00	0.00	1,400.00	14,000.00	10.00
119	MISC. LIQUOR LICENSE	21,030.50	0.00	21,030.50	32,000.00	65.72
145	COIN OPER. AMUSE. & GAM. DVC. TAX	64,933.45	60.21	64,873.24	75,000.00	86.50
146	GAMES OF CHANCE & SKILL FEES	16,097.51	0.00	16,097.51	42,000.00	38.33
402	MISCELLANEOUS REVENUE	3,410.70	265.00	3,145.70	0.00	0.00
692	REDISTRIBUTED REVENUE	0.00	0.00	0.00	0.00	0.00
	TOTAL	\$1,365,079,374.98	\$ 6,864,193.23	\$1,348,215,181.75	\$2,689,290,800.00	50.13
843	VESSELS & GEAR	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00
137-844	COMM. FISH LIC.-RES.	91,549.15	20.00	91,529.15	161,000.00	56.85
139-945	COMM. FISH LIC.-N-RES.	177,206.08	660.00	176,626.08	257,000.00	68.73
140	COMM. FISH. EXT. FEE	2,835.00	0.00	2,835.00	2,500.00	113.40
120-230	SPORT FISH., HUNT & TRAP LIC.	3,933,771.48	6,591.96	3,927,199.52	5,095,600.00	77.07
	SUB-TOTAL	\$ 4,205,461.71	\$ 7,271.96	\$ 4,198,189.75	\$ 5,516,100.00	76.11
	TOTAL TAXES	\$1,369,284,836.69	\$16,871,465.19	\$1,352,413,371.50	\$2,694,806,900.00	50.19
	INTEREST					
575	INTEREST ON LOANS	\$ 2,980,368.27	\$ 0.00	\$ 2,980,368.27	\$ 3,000,000.00	99.35
576	INTEREST ON INVESTMENTS	151,213,538.63	0.00	151,213,538.63	200,000,000.00	75.61
	TOTAL INTEREST	\$ 154,193,906.90	\$ 0.00	\$ 154,193,906.90	\$ 203,000,000.00	75.96
	TOTAL REVENUE	\$1,523,478,743.59	\$16,871,465.19	\$1,506,607,278.40	\$2,897,806,900.00	51.99



Alaska State Legislature

House of Representatives

Committee on State Affairs

NOTIFICATION SHEET
BILL NO. HB 37

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

NAME

ORGANIZATION

PHONE NO.

Dem. Club
Mr. Kenner

3-2
Revenue

2300

3-3
Randolph's

Randolph's office

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

JAY S. HAMMOND, GOVERNOR

POUCH D
JUNEAU ALASKA 99811
PHONE: 465-2515

LEGISLATIVE POSITION PAPER
HB 37
March 9, 1982

The Division of Insurance is not in favor of HB 37. There are basically three arguments that should be considered before such a repeal is enacted. These are:

1. The first argument is admittedly the weakest of the three. Insurance is interstate commerce as was confirmed in *United States vs South East Underwriters Association*, 322 U.S. 533 (1944). Its regulation and taxation have been preserved to the states in the McCarran-Ferguson Act, Public Law 15, 59 Stat. 33, 15 U.S.C. Secs. 1011-1015. There is a concern that to the degree that we as a state abdicate our taxation of the insurance industry, it will present an invitation to the Federal Government to step in and tax in a like fashion thus no savings would occur with our repeal.
2. A far stronger argument is that the present tax structure favors and encourages the formation and operation of domestic insurers. The rate structure of an insurer includes an expense provision of 3% for premium tax. This is the amount that a foreign or alien property, casualty, life or disability insurer must pay. The domestic insurer, recognizing that it incurs a higher level of expense just by being in Alaska including physical facilities and employment of Alaskans, pays tax at a reduced rate of 1 1/2% except during its first five years when the tax is 0%. This tax advantage helps to offset other disadvantages and allows the domestic to compete.

Repeal of the tax would require that we disallow the tax provision in the rate structure which has no effect on foreign and alien insurers but reduces the income of domestics from 1 1/2% to 3%. This may be enough to render formation of domestics unattractive.

3. The premium tax structure allows the state to provide for investment incentives that are not otherwise feasible. In the past proposals have been considered that offer tax reductions if certain Alaska investment levels are reached and maintained. Applied in this way, Alaska could encourage as much as \$1.7 billion in private investment capital with a tax revenue loss of about \$4.9 million.

Tax revenue loss with enactment of HB 37.

FY 83	\$12,700,000
FY 84	\$13,970,000
FY 85	\$15,367,000
FY 86	\$16,903,000
FY 87	\$18,593,000

DIESEL FUEL TAX

1. General.

A Federal excise tax is imposed at the retail level on diesel fuel sold for use or used as a fuel in a diesel-powered highway vehicle.^{1/} The rate of tax is 4 cents per gallon, although for certain off-highway uses (explained in paragraph 3B) the rate is 2 cents per gallon. If the diesel fuel is not used in a highway vehicle, on or off the highways, there is no tax on its sale. For example, the sale of diesel fuel for use as a weed-killer is not taxable.^{2/}

The tax is payable by the seller if he makes a taxable sale, or by the user if he acquires fuel on which the tax has not been paid and uses it for a taxable purpose.

2. Definitions.

- A. "Diesel fuel".^{3/}The term "diesel fuel" means any liquid (other than a product taxable as gasoline) which is sold for use or used as a fuel in a diesel-powered highway vehicle.
- B. "Highway vehicle".^{4/}The term "highway vehicle" refers to the type of vehicle, not to the use which is made of it, and means any motor vehicle which is of the type used for transportation on the highways. It includes automobile trucks, buses, highway tractors, trolley buses, and other similar types of vehicles.

Excluded from the term is any vehicle, which, although propelled by means of its own motor, is of a type designed and manufactured for a purpose other than highway transportation. For example, vehicles such as earth movers, power shovels, trench diggers and bulldozers, which are designed and manufactured as self-propelled units for off-the-road operations, are not highway vehicles. Neither are such motorized vehicles as roadgraders or rollers, which are designed and manufactured for the construction or maintenance of roads. Likewise, farm tractors, cotton pickers and other motorized agricultural implements are not highway vehicles. Diesel-powered logging vehicles operated on private lands within the confines of company-owned timber lands, and which are not registered or required to be registered for highway use, are not considered to be highway vehicles. This holds true even when the vehicles have been covered for emergency use on the highways under special permit provisions of the State in which they are operated.^{5/} Similarly, vehicles which are operated mostly in mine pits and other off-highway locations, and which are not capable of running at normal highway speeds, are not of the type used for

2.

highway transportation, even though in certain emergency situations they are allowed by the State to operate overloaded on the highway by special permit.^{6/} However, the fact that equipment or machinery having a specialized use such as an air compressor, crane or specialized oil field machinery, is mounted on a vehicle which, apart from such equipment, is of a type used for highway transportation, will not exclude such vehicle from the term "highway vehicle".

If it is necessary to convert a vehicle so that it can be put to a different use, the conversion may also change the type of vehicle it is. For example, vehicles with replaceable, overwidth log bunks can neither be registered for use on the highways nor issued special permits for such use; accordingly, diesel fuel used in such vehicles is not subject to tax. However, when the overwidth bunks are replaced with smaller bunks and operated as highway-type cargo carriers, they are then classified as highway vehicles, and tax is imposed on diesel fuel sold for use or used in such vehicles during the time they are adapted for use as highway-type cargo carriers.^{7/}

Vehicles which have certain characteristics or features which make them suitable for use over rough terrain (so that they are often used in logging, quarrying, mining, concrete mixer service, dumping service, and oil field service), but which are also designed to perform efficiently in transporting extra-heavy loads over public roads at normal highway speeds, with special permits from the State, are also classified as highway vehicles.^{8/}

The diesel fuel tax does not apply to diesel fuel used in a vehicle which is not a "highway vehicle" even though such vehicle may occasionally use the highways. However, actual use of the highways is immaterial if the vehicle using the fuel is classified as a highway vehicle, since the applicability of the tax depends solely on whether the vehicle is registered or required to be registered for highway use.

- C. "Highway". ^{9/} The term "highway" includes any road in the United States which is not a private roadway. It is immaterial whether it is designated as a Federal highway, a State highway, a city street, or otherwise.
- D. "Registered". ^{10/} The term "registered" means either:
- (1) Actually registered for highway use under the laws of any State, District of Columbia, or foreign country, or
 - (2) Required to be registered for highway use under the law of the State, District of Columbia, or foreign country in which it is operated or situated.

2.

Any highway vehicle which is operated under a dealer's tag, license, or permit is considered to be registered. However, a vehicle is not considered to be registered solely because it has been issued a special permit for its operation at particular times and under specified conditions.

3. Rate of tax. 11/

- A. Registered highway vehicles. The tax is 4 cents per gallon on the use, or the sale for use, of diesel fuel for a diesel-powered highway vehicle which is registered or required to be registered for highway use, or in such a vehicle owned by the United States which is used on the highway.

The 4-cent rate also applies to the use, or the sale for use, of diesel fuel to a local transit system, even though it is known that it will be used by the transit system in the type of operations for which a credit or refund of 2 cents of the 4 cents per gallon tax may be obtained. (Chapter 14)

The 4-cents per gallon tax applies to all fuel sold for use or used in a diesel-powered highway vehicle which is registered or required to be registered even though it is seldom or never used on the highway, and regardless of the proportion of the fuel used off the highway.

- B. Nonregistered vehicles. The tax is 2 cents per gallon on the use, or the sale for use, of diesel fuel in a diesel-powered highway vehicle which is not registered and is not required to be registered, or in a diesel-powered highway vehicle owned by the United States which is not used on the highway.

The regulations give the following example of the application of the tax to the sale of diesel fuel: The M Corporation is engaged in the construction of a power dam at a site removed from all public highways. Part of its construction equipment consists of diesel-powered shovels, bulldozers, and highway-type dump trucks. Some of the trucks are registered for highway use and are used both on and off the public roads. Others are not registered and under the applicable State law are not required to be registered for highway use inasmuch as they are used entirely on the construction site. The diesel fuel sold for use in the registered dump trucks is all subject to the 4 cents per gallon tax, even though a portion of it is used off the public highway. The fuel sold for use in the non-registered trucks, which are operated entirely off the highway, is taxable at the 2 cents per gallon rate. No tax is payable with respect to the diesel fuel sold for use in the power shovels and bulldozers, since they are not vehicles which may be operated in general use over a public highway. 12/

4.

(1)

4. Who pays the tax and when it applies.

A. Liability for tax. 13/ The tax is payable by the person who makes a taxable sale as defined below, or by a person who acquires diesel fuel otherwise than by means of a taxable sale and uses it for a taxable purpose or resells it for a taxable purpose.

B. Taxable sales. 14/ The sale of diesel fuel to an owner, lessee, or other operator of a diesel-powered highway vehicle is considered a taxable sale -

(1) if it is delivered by the seller into the fuel supply tank of the vehicle, or

(2) where the fuel is not so delivered, the purchaser gives the seller a written statement, prior to or at the time of the sale, that the entire quantity of fuel covered by the sale is for use by him for a taxable purpose. If such a statement is not furnished by the purchaser, he is liable for the tax on any of the fuel acquired by him tax free and used for a taxable purpose, or resold by him for a taxable purpose. If the purchaser maintains a storage facility from which fuel is withdrawn exclusively for use as fuel for a taxable purpose, he may indicate to the seller in writing once every four calendar quarters that the entire quantity of the fuel to be purchased by him during that period is delivered to that particular facility for use as fuel for a taxable purpose. 15/

*

If the purchaser does tender such a statement at the proper time, the supplier is liable for the tax on the sale, whether or not he either acknowledges receipt of the purchaser's statement, or notifies the buyer that he (the supplier) will be responsible for reporting and paying the tax. 16/

Where a person purchases diesel fuel for a non-highway vehicle use and notifies his vendor in writing of such proposed use, the 2 cent rate applies.

Where a purchaser of diesel fuel is unable to determine, at the time of purchase, what portion of the liquid delivered into his bulk storage tanks will be used as a fuel in diesel-powered highway vehicles, the vendor will sell the fuel on a tax-free basis, and the buyer will become liable for tax on whatever quantity of the liquid he uses for such purpose. On the other hand, if the purchaser furnishes a statement, prior to or at the time of the vendor's sale, indicating that the liquid is for use as a fuel in diesel-powered highway vehicles, the vendor is liable for tax on the entire quantity of fuel sold. 17/

(1)

*C. Sales for resale. Sales to a dealer or other reseller are not subject to tax even though it is known at the time of sale that the fuel will be resold by such dealer for use as fuel in diesel-powered highway vehicles. The dealer is required to file returns and remit the tax on his taxable sales. 18/

D. Consignments. The tax is payable by the person who makes the taxable sale. Thus, where diesel fuel is consigned to a person for sale and the consignor retains ownership of such fuel until it is disposed of by the consignee, the consignor is the person liable for the tax when a taxable sale of the fuel is made by the consignee. If the consignor does not retain ownership, the consignee is the person liable for the tax upon his taxable sale of the fuel. 19/

E. Taxable use. 20/ If a person acquires any diesel fuel other than through a taxable sale as described above, and uses it or resells it for use as fuel in a diesel-powered highway vehicle, he is liable for the tax on such sale or use, and must file a return and remit the tax to the government.

If a person acquires any diesel fuel by means of a transaction taxable at 2 cents per gallon and uses it for a purpose which makes the fuel taxable at 4 cents per gallon, he is liable direct to the government for the additional 2 cents per gallon, and is required to file a return and remit such additional tax.

The tax applies to all fuel used in the motor which is used to propel a vehicle, even though the motor is also used to run special equipment such as air-conditioning units, pumping units, generators, and cranes, mounted on the vehicle. Thus, where the motor of a vehicle also operates special equipment by means of a power take-off or power transfer, the tax applies to all fuel used for such purpose. However, the tax does not apply to fuel used in a separate motor to operate special equipment, or during the period a vehicle is considered as not having the essential characteristics of a motor vehicle (See paragraph 3E of Chapter 2), and the equipment is performing the operation for which it is primarily adapted, even though the fuel may be drawn from the same tank as the one which supplies fuel for propulsion of the vehicle. For refund purposes, the taxpayer must keep reasonable records to support the allocation, which may be based on actual consumption or actual operating experience. 21/

5. Tax-free sales.

Any sale, which would otherwise be taxable, may be made tax free:

A. To any State or local government for its exclusive use. (Chapter B)

- 6.
- B. To nonprofit educational organizations. (Chapter 9)
 - C. To accredited diplomatic representatives of foreign nations and members of United Nations delegations. (Chapter 9)
 - D. For export or for shipment to a possession of the United States. (Chapter 10)
 - E. For use on a farm for farming purposes. (Chapter 14)

6. Credits or refunds.

Purchasers who use tax-paid diesel fuel for nontaxable purposes, such as in certain local transit systems, for farming, or in non-registered vehicles, may obtain credits or refunds by following the procedures outlined in Chapter 14.

7. Registration.

No formal registration is required of either the seller or the user.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB-37

Title An act repealing All State Taxes Except the Oil and Gas Corporate Income Tax (AS 43.21)

Requested by Randolph Date _____

II. FISCAL DETAIL

Agency Affected Department of Commerce and Economic Development

Program Category Affected Public Protection

BRU, Program, or Subprogram(s) Affected Division of Insurance

(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	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND	0	0	(12,000)	(13,970)	(15,367)	(16,903)
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

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

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

This bill repeals all tax revenues from insurance premium tax.

IV. DATE 2/11/81

PREPARED BY Kenneth C. Moore Director

AGENCY Division of Insurance

PHONE 465-2515

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 6
 Title An Act relating to historical districts and to loans qualifying under the
 Requested by Historical District Loan Act. Date _____

II. FISCAL DETAIL
 Agency Affected Commerce & Economic Development
 Program Category Affected Development
 BRU, Program, or Subprogram(s) Affected Division of Business Loans
 (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	-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)

This bill would have no fiscal impact on this BRU.

IV. DATE February 10, 1981 PREPARED BY Sharon Traylor, Director
 AGENCY Department of Commerce & Economic Development
 PHONE 465-2510 Division of Business Loans
 Original: Legislative Finance
 cc: Budg. and Management
 Prime Sponsor (First Legislator Named)

Delivered Rep Metcalfe

To: Linn Asper
Legislative Counsel
Pouch Y
Juneau, Alaska 99811

Re: HB 37
Sec. 3

" Until July 1, 1982, any vendor or supplier who in good faith, during the period January 1, 1978 through June 30, 1982, relied on (i) verbal or written assurances from purchasers or transferees as to the intended use of fuel sold or transferred or (ii) a consistent business practice of not classifying such fuel as motor fuel, and (iii) the absence of any clear and convincing evidence the fuel sold or transferred was to be used as motor fuel, shall be deemed to have procured a written certificate as contemplated in Section (1), and accordingly not to have made a sale or transfer of motor fuel."

From: S. H. Reitman

REC'D APR 5 1982

HB 37

§ 43.40.010 Alaska Statutes § 43.40.010

Chapter 40. Motor Fuel Tax.

Article

- 1. General Tax Levy on Transfers or Consumption of Motor Fuel (§§ 43.40.010-43.40.100)
- 2. Additional Tax Levy on Transfers or Consumption of Motor Fuel (Repealed)

Article 1. General Tax Levy on Transfers or Consumption of Motor Fuel.

Section	Section
10. Tax on transfers or consumption of motor fuel and expenditure of proceeds	50. Refund claim by affidavit
20. Penalty for violation	60. Separate invoices
30. Refund for nonhighway use	70. Refund warrants
40. Applications and permits for refund	80. Examination of books and records
	85. Preservation of books and records
	90. Criminal violation
	100. Definitions

STATE OF ALASKA

DEPARTMENT OF REVENUE

Motor Fuel Tax

March, 1978

[Handwritten signature]

Sec. 43.40.010. Tax on transfers or consumption of motor fuel and expenditure of proceeds. (a) There is levied a tax of eight cents a gallon on all motor fuel sold or otherwise transferred within the state, except that

(1) The tax on aviation gasoline is four cents a gallon,

(2) the tax on motor fuel used in and on watercraft of all descriptions is five cents a gallon, and

(3) the tax on all aviation fuel other than gasoline is two and one-half cents a gallon.

(b) There is levied a tax of eight cents a gallon on all motor fuel consumed by a user, except that

(1) the tax on aviation gasoline consumed is four cents a gallon,

(2) the tax on motor fuel used in and on watercraft of all descriptions is five cents a gallon, and

COLL MARINE

(3) the tax on all aviation fuel other than gasoline is two and one-half cents a gallon.

(c) Every dealer who sells or otherwise transfers motor fuel in the state shall collect the tax at the time of sale, and remit the total tax collected during each calendar month of each year to the Department of Revenue by the last day of each succeeding month. Every user shall likewise remit the tax accrued on motor fuel actually used by him during each month. At the time the remittance is made, each dealer or user shall submit a statement to the Department of Revenue showing all motor fuel which he has distributed or used during the month.

(d) Repealed by § 3 ch 166 SLA 1976.

(e) Sixty percent of the proceeds of the revenue from the taxes on aviation fuel, excluding the amount determined to have been spent by the state in its collection, shall be refunded to a municipality owning and operating or leasing and operating an airport in the proportion that the revenue was collected at the municipal airport. All other proceeds of the taxes on aviation fuel shall be paid into a special aviation fuel tax account in the state general fund. The legislature may appropriate funds from this account for aviation facilities.

(f) The proceeds from the revenue from the tax on motor fuel used in boats and watercraft of all descriptions shall be deposited in a special watercraft fuel tax account in the general fund. The legislature may appropriate from this account for water and harbor facilities.

(g) The proceeds of the revenue from the tax on all motor fuels, except as provided in (e), (f), and (j) of this section, shall be deposited in a special highway fuel tax account in the state general fund. The legislature may appropriate funds from it for expenditure by the Department of Public Works directly or as matched with available federal-aid highway money for maintenance of highways, construction of highway projects and

ferries included in the program provided for in AS 19.10.150, including approaches, appurtenances and related facilities and acquisition of rights-of-way or easements, and other highway costs including surveys, administration, and related matters. All departments of the state government authorized to spend funds collected from taxes imposed by §§ 10-100 of this chapter shall perform, when feasible, all construction or reconstruction projects by contract after the projects have been advertised for competitive bids, except that, when feasible, arrangements shall be made with political subdivisions to carry out the construction or reconstruction projects. If it is not feasible for the work to be performed by state engineering forces, the commissioner of transportation and public facilities may contract on a professional basis with private engineering firms for road design, bridge design, and services in connection with surveys. If more than one private engineering firm is available for the work the contracts shall be entered into on a negotiated basis.

(h) All motor fuel tax receipts shall be paid into the general fund and distributed to the proper accounts in the general fund. Valid motor fuel tax refund claims shall be paid from the highway fuel tax account in the general fund.

(i) Within 30 days after the legislature convenes the Department of Transportation and Public Facilities shall submit an annual budget covering anticipated revenues and their expenditure, for the consideration and approval by the legislature. The budget shall cover all money collected or anticipated to be collected under §§ 10-100 of this chapter for the year following the adjournment of each regular session of the legislature.

(j) The proceeds from the tax on motor fuel used in snow vehicles and, unless a tax refund is applied for under § 40 of this chapter, other internal combustion engines not used in or in conjunction with a motor vehicle licensed to be operated on public ways shall be deposited in a

§ 43.40.010 Revenue and Taxation § 43.40.030

special nonpublic highway use account in the general fund. The legislature may appropriate from this account to the Department of Transportation for trail staking and shelter construction and maintenance.

(k) The tax on the transfer or consumption of motor fuel provided for in this section does not apply to liquified petroleum gas. (§ 48-5-2 ACLA 1949; am § 1 ch 80 SLA 1951; am § 1 ch 47 SLA 1955; am §§ 1, 2 ch 27 SLA 1957; am § 1 ch 134 SLA 1957; am § 1 art VI title II ch 152 SLA 1957; am § 2 art V title III ch 152 SLA 1957; am § 2 ch 124 SLA 1959; am §§ 1, 2 ch 20 SLA 1960; am § 1 ch 150 SLA 1960; am § 1 ch 110 SLA 1961; am § 1 ch 136 SLA 1961; am §§ 1-3 ch 131 SLA 1962; am § 1 ch 130 SLA 1968; am § 10 ch 143 SLA 1968; am §§ 1, 2 ch 216 SLA 1968; am §§ 1-3 ch 158 SLA 1970; am § 3 ch 58 SLA 1971; am §§ 1, 2 ch 124 SLA 1971; am §§ 2, 3 ch 125 SLA 1971; am §§ 1-3 ch 153 SLA 1972; am § 3 ch 166 SLA 1976; am §§ 1, 2 ch 116 SLA 1977)

Sec. 43.40.020. Penalty for violation. (a) A person who violates a provision of §§ 10-100 of this chapter upon conviction is punishable for each violation by a fine of not less than \$50 nor more than \$5,000, or by imprisonment for not more than one year, or by both. Each day's violation is a separate offense.

(b) Repealed by § 3 ch 116 SLA 1977. (§ 48-5-3 ACLA 1949; am § 4 ch 153 SLA 1972; am § 3 ch 116 SLA 1977)

Sec. 43.40.030. Refund for nonhighway use.

(a) Except as specified in § 10 (j) of this chapter, a person who uses motor fuel to operate an internal combustion engine is entitled to a refund of six cents a gallon if

- (1) the tax on the motor fuel has been paid;
- (2) the motor fuel is not aviation fuel, or motor fuel used in or on watercraft; and
- (3) the internal combustion engine is not

§ 43.40.030 Alaska Statutes § 43.40.050

used in or in conjunction with a motor vehicle licensed to be operated on public ways.

(b) The entire tax levied by §§ 10-100 of this chapter shall be refunded to the purchaser on that part of the motor fuel used in a foreign country on which duty is paid when the fuel is sold and delivered in the state for nonhighway use in a foreign country.

(c) The Department of Revenue shall establish the necessary regulations and prescribe the appropriate forms to prove that the motor fuel is taken to and used in foreign countries. (§ 2 ch 47 SLA 1955; am § 3 ch 27 SLA 1957; am § 2 ch 136 SLA 1961; am § 4 ch 158 SLA 1970; am § 3 ch 124 SLA 1971; am § 4 ch 125 SLA 1971; am § 4 ch 116 SLA 1977)

Sec. 43.40.040. Applications and permits for refund. A person who desires to claim a refund shall obtain an annual permit from the Department of Revenue by application on a form prescribed by the department. The application shall contain the name, address, and occupation of the applicant, the nature of the business, and a sufficient description for identification of the machines or equipment in which the motor fuel is to be used for which refund may be claimed under the permit. The permit shall be obtained no later than the time that the first application for refund is made under §§ 10-100 of this chapter. The permit expires at midnight of June 30 following the date it is issued. (§ 3 ch 47 SLA 1955; am § 4 ch 131 SLA 1962)

Sec. 43.40.050. Refund claim by affidavit.

(a) A person who claims a refund as provided in §§ 10-100 of this chapter shall present his claim to the commissioner of revenue by affidavit upon a form provided by the commissioner with the information the commissioner requires. The claim shall be accompanied by each invoice issued to the claimant at the time the motor fuel is purchased. The commissioner may require any additional information

§ 43.40.050 Revenue and Taxation § 43.40.085

which he considers necessary for the administration of §§ 10-100 of this chapter.

(b) A claim for refund shall be filed within one year from the date of the purchase of the motor fuel as indicated on the invoice, and failure to file within the one year period is a waiver of the right to the refund. A claim is considered to be filed when the claim is mailed or personally presented to an office of the Department of Revenue. (§ 4 ch 47 SLA 1955; am § 1 ch 139 SLA 1960)

Sec. 43.40.060. Separate invoices. The Department of Revenue may require the issuance of separate invoices for fuel sold, distributed, or transferred when the invoices will be the basis for a refund claim. (§ 6 ch 47 SLA 1955)

Sec. 43.40.070. Refund warrants. Upon approval of a refund claim by the Department of Revenue, a warrant shall be drawn on the highway fuel tax account in the general fund in favor of the applicant in the amount of the claim. (§ 7 ch 47 SLA 1955; am § 5 ch 131 SLA 1962)

Sec. 43.40.080. Examination of books and records. (a) To determine the validity of a claim for refund, the Department of Revenue may examine the books and records of the claimant and the books and records of a distributor of motor fuel. The Department of Revenue may cancel the refund permit of the claimant relying upon a fraudulent invoice for a period of not more than one year.

(b) If an invoice relied upon for a refund claim is fraudulent, the claimant is guilty of a misdemeanor and is punishable by a fine of not more than \$500. (§ 5 ch 47 SLA 1955)

Sec. 43.40.085. Preservation of books and records. Dealers and users shall preserve for three years all books and records pertaining to sales, transfers, and uses of motor fuel which are taxed under this chapter. (§ 5 ch 158 SLA 1970)

§ 43.40.090 Alaska Statutes § 43.40.100

Sec. 43.40.090. Criminal violation. A person who uses motor fuel with knowledge that the tax has not been paid is guilty of a misdemeanor, and is punishable by a fine of not more than \$500, or by imprisonment for not more than one year, or by both. (§ 11 ch 47 SLA 1955; am § 4 ch 27 SLA 1957)

Sec. 43.40.100. Definitions. In §§ 10-100 of this chapter

(1) "dealer" means a person who sells or otherwise transfers in this state motor fuel upon which the taxes imposed by this chapter have not been paid;

(2) "motor fuel" means fuel used in an engine for the propulsion of a motor vehicle or aircraft, and fuel used in and on watercraft for any purpose or in a stationary engine, machine or mechanical contrivance which is run by an internal combustion motor; "motor fuel" does not include

(A) fuel consigned to foreign countries,

(B) fuel sold for use in jet propulsion aircraft operating in flights to foreign countries,

(C) fuel used in stationary power plants operating as public utility plants and generating electrical energy for sale to the general public,

(D) fuel used by nonprofit power associations or corporations for generating electric energy for resale, or

(E) fuel used by charitable institutions;

(3) "user" means a person consuming or using motor fuel, who either purchases the fuel out of the state and ships it into the state for his own use within the state or manufactures the fuel in the state. (§ 48-5-1 ACLA 1949; am § 1 ch 56 SLA 1949; am § 9 ch 47 SLA 1955; am § 26 ch 70 SLA 1964; am §§ 6, 7 ch 158 SLA 1970; am § 1 ch 74 SLA 1972; am § 5 ch 116 SLA 1977)

Article 2. Additional Tax Levy on Transfer and Consumption of Motor Fuel. JR

§ 43.40.110 Revenue and Taxation § 43.60.011

Section
110-120. (Repealed)

Secs. 43.40.110-43.40.120.
Repealed by § 8 ch 158 SLA 1970.

MEMORANDUM

Date: March 31, 1982

From: Stanley H. Reitzman of Delaney, Wiles, Hayes, Reitzman & Brubaker, Inc. in Support of HB 37

Re: Constitutionality of Sec. 3 of HB 37
(Motor Fuel Tax)

Highly oversimplified, the basic constitutional standards pertaining to tax legislation and the administration thereof are:

1. Each taxpayer must be treated in a manner comparable to other similarly situated taxpayers--this is the essence of the equal protection clause (federal and state).
2. Each taxpayer must be treated fairly--this is the essence of the due process provision (federal and state)-- (a vague or ambiguous statute makes for uncertainty and uneven or improper administrative and hence invites unfairness).

In evaluating or analyzing Sec. 3, it is imperative to first consider the backdrop for the current problem(s).

- a) The existing statute enacted in the mid-40's is not comprehensive, lacks precision and is vague.
- b) This statute has never been constitutionally reviewed by our judiciary.
- c) The statute does not follow the more comprehensive, logical and workable pattern of federal motor fuel taxes, which are also applicable to the affected Alaskan business people and consumers.
- d) The Department of Revenue, although it has had a duty to develop motor fuel tax regulations has never done so although the statute has been in force for roughly 35 years.
- e) To a large extent the industry practice throughout Alaska over the years has been to follow the federal pattern in interpreting the Alaska statute.
- f) More particularly, absent a clear and convincing indication that the fuel was to be used for a taxable purpose,

the Alaska tax was not asserted or collected by the Alaska small business intermediaries (wholesalers and jobbers) in accordance with the federal pattern.

g) The sketchy Alaskan statute has not and does not currently have sufficient armament in it to get at the end user at whom the tax is clearly targeted.

h) The Department of Revenue has been aware of the problem for a number of years--for at least five to seven years ago according to one Department employee who testified recently in a hearing on HB 37.

i) In or about the early part of 1981, Department personnel (whether they were new personnel or old personnel, we have no knowledge of at the moment) took a fresh look at the statute and (i) determined there was a gap in the statute allowing certain end users to possibly avoid or evade the tax, and (ii) as a gap-closing measure, conveniently and unjustifiably decided the Alaskan small business concerns acting as intermediaries were not interpreting the statute correctly thereby failing to collect the tax.

j) Without any dissemination for comment to the industry or consumers, of the new Department interpretation, the Department then began retroactively applying the new interpretation in an audit program affecting Alaskan dealers principally in the southcentral area. At the moment we are not sure how many audits, if any, were conducted in the First, Second and Fourth Judicial Districts.

Now, a brief oversimplified constitutional and legal critique of the Department's newly adopted erroneous interpretation of the subject tax statute:

I. The present statute because of its vagueness, is subject to constitutional challenge because it does not afford the taxpayer or administrator sufficient certainty or knowledge of what the law is and how it is to be applied--this is a due process defect.

II. The recent application by the Department of this new and unexpected erroneous interpretation to past years moreover is (a) arbitrary, (b) it departs from reasonable expectations of a taxpayer, (c) it constitutes an abuse of

discretion, and (d) is punitive and confiscatory--all of which constitutes due process defects.

III. Also to be considered is a long standing principle that a prior settled administrative interpretation acquires the force of law and cannot be unilaterally retroactively revoked.

IV. The essence of this entire matter clearly is unfairness and overreaching by the Department.

V. What the Legislature is being asked to do is not to expunge a tax that had validly and properly accrued, rather it is an attempt to prevent the overzealous, arbitrary and unreasonable Department of Revenue from using its power to assess crushing back taxes against small business concerns who are (i) not the persons against whom the tax is targeted, and (ii) not financially equipped to handle the onslaught. Such small business concerns are accordingly compelled to hire lawyers at significant cost and spend considerable time and effort to meet the Department's tactics.

VI. Any person or lawyer at minimal cost and effort can file an action in court. Whether or not that suit is sound ultimately is resolved by the courts. Similarly, any person or lawyer can, at minimal cost and effort, assert the unconstitutionality of a particular piece of legislation. Whether in fact the legislation is unconstitutional is a matter to be judged by a neutral umpire--namely, the courts and not by the proponent, the opponent or their advocates.

VII. The Department of Revenue (1) acting as a pseudo legislature, and (2) under the guise of ostensible administrative authority, is placing numerous Alaskan small business concerns in unnecessary and unwarranted financial jeopardy.

VIII. The Legislature clearly has the power and under the circumstances the duty to appropriately protect Alaskan citizens by a legislative tool (corrective legislation) from unfair and confiscatory treatment by the Department of Revenue.

March 31, 1982.

Stanley H. Reitman

H B

60

COMMITTEE REPORT

HOUSE

2/4/81

FURTHER: FINANCE

(5)

Date: 2-25-81

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 60

"An Act establishing a risk management and loss prevention program in state government; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 60 same title
 new title
- and recommends CS HB 10 DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

[Signature]

[Signature]

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature]
CHAIRMAN

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY


MEMORANDUM

February 28, 1981

SUBJECT: Risk Management Legislation
CSHB 60 (State Affairs)

TO: Representative Mike Miller
Chairman
State Affairs Committee

FROM: John B. Chenoweth
Legislative Counsel



Your committee administrative assistant brought over the original bill with several very specific changes for incorporation into a committee substitute. By the time I finished, I had changed the bill in great measure. I am providing this memorandum by way of explanation of the changes.

The most significant change is the redesignation of all material in sec. 4 of the governor's bill as a new chapter, AS 44.78. I pulled this material from AS 44.21, where originally placed by the governor's draftsman, and moved it because of our drafting policy that tries to keep the provisions establishing the several executive branch departments free of detailed substantive program requirements. Each of the subsections as set out in sec. 4 of the governor's bill is designated a section within AS 44.78. That change alone necessitated a change in cross-references throughout the legislation.

At page 1, line 15, I have deleted "shall" and inserted "may," as requested.

Your next requested change was to insert "if the Board of Regents finds the program is consistent with the management policies of the University of Alaska" at the end of line 16, and that change is made with language slightly revised for clarity of reference.

Representative Mike Miller
Page 2
February 28, 1981

You asked that "Subject to the findings of the Board of Regents under (a) of this section," be added at the beginning of AS 14.20.597(b); I have tried to do so, but felt the need to revise the language so the reference was clearer.

Your final change asked that "any" replace "the" before "risk management fund" in the second line of the new material added by AS 44.21.020(13). I used "a" rather than "any", for only one risk management fund for the University of Alaska is authorized by AS 14.40.297.

The other drafting changes were made on my initiative and include the following:

Throughout the bill, the "program" established is the "risk management and loss provision program"; the "fund" is the "risk management fund."

Page 2, line 2, and page 4, line 8: "which may include but need not be limited to" is shortened to the standard "including but not limited to".

Page 4, line 15: AS 44.21.070(d) of the governor's bill is rewritten to read: "Unless otherwise expressly provided in the appropriation bill" to give greater certainty to where an exception may be found. There is no other vehicle by which the appropriation is made, and that is the logical place to incorporate any exception or exemption to the general legal requirement.

Page 2, line 9: The sentence beginning "The department shall transfer to an affected agency..." is rearranged and I hope that in so doing I have not lost the sense of the sentence -- whatever that may be.

Page 4, line 20: AS 44.78.060 is derived from the last sentence of AS 44.21.070(a) of the governor's bill, and I think you will agree is so unrelated to the material in AS 44.78.010 as to deserve a separate section with caption. By itself, this will highlight for agencies that there is no relief from liability for enforcement and training provided by this legislation.

JBC:blg

Enclosure

A PERFORMANCE REVIEW
OF THE
DEPARTMENT OF ADMINISTRATION
DIVISION OF RISK MANAGEMENT

July 29, 1990

Commissioner, Department of
Administration

William R. Hudson

Deputy Commissioners, Department
of Administration:

Administrative Management

Richard A. Smith

Personnel Management

Vacant

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STATE OF ALASKA

THE LEGISLATURE
BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF—STATE CAPITOL

JUNEAU, ALASKA 99811

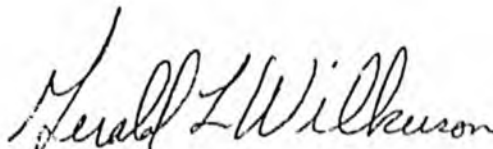
July 29, 1980

Members of the
Legislative Budget and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

A PERFORMANCE REVIEW
OF THE
DEPARTMENT OF ADMINISTRATION
DIVISION OF RISK MANAGEMENT

July 29, 1980



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

PURPOSE OF THE REVIEW

In accordance with the provisions of Title 24 of the Alaska Statutes, we conducted a performance review of the Department of Administration, Division of Risk Management, to determine if the agency has complied with Alaska Statutes and has operated in an effective, efficient, and economical manner.

ORGANIZATION AND FUNCTION

Organization

Risk Management has undergone significant organizational changes since FY '78. In July 1978, it was transferred from the Department of Administration, Division of General Services and Supply, to the Commissioner's Office. Then in January 1980, it was made a separate division within the Department of Administration. The purpose of both changes was to emphasize the existence and importance of the State's centralized risk management program and to provide greater accountability over its activities.

In addition, Risk Management has expanded in size and scope. In July 1979, four additional professional staff positions were approved, increasing the total number of staff to eight. Two more clerical positions have been approved for FY '81. At the time of this report, however, only six of the Division's ten positions are filled. These are: Division director (risk manager), claims manager, claims examiner, claims recovery officer, contract review officer, and secretary. While the loss control manager and loss control engineer positions are both vacant, the claims examiner is being cross-trained in that capacity.

Function

In general, Risk Management is responsible for protecting the assets of the State from the risks of accidental loss. The costs of risk are controlled by identifying and analyzing those risks which contribute to loss, and providing the necessary treatment. Each controllable risk will either be retained, transferred to an insurance company or other financially responsible entity, reduced, prevented, or eliminated. To do this, Risk Management utilizes its own staff, coordinates with loss control and safety personnel from other State agencies, and contracts with outside consulting firms and brokers.

In particular, Risk Management is responsible for planning and soliciting insurance coverage. It also handles related financial activities, such as payment of premiums and receipt of insurance reimbursements, monitoring of self-insured retentions and aggregate deductibles, and transfers to and from third parties.

In the last several years, Risk Management has worked with its brokers to obtain insurance that is broader in coverage, but with the deductible portions expanded so that "normal" losses are covered by the State.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The Division of Risk Management should solicit proposals from several major insurance brokers prior to entering into FY '82 contracts. Further, brokerage services and computer services should be obtained from different sources.

Marsh & McLennan, Inc. (M/M) has handled substantial portions of the State's insurance for the past several years. Its involvement in the State's risk management program was expanded in FY '78, and the company has served as the State's major broker since that time. The scope of services to be provided in FY '81 includes:

- A. Structuring and placing all lines of insurance for primary coverage.
- B. Developing and recommending risk management programs for the State. For example, M/M participated in an FY '80 review of Alaska's loss control program, and has a separate FY '81 contract to expand and implement recommendations from that review.
- C. Furnishing other special services, such as an FY '79 review of the State's data processing security.
- D. Developing and updating State property valuations.
- E. Providing actuarial loss projections.
- F. Providing computer services for loss data accumulation and cost-of-risk reports. These services were obtained from a different company until mid-FY '80. M/M has provided them since that time.
- G. Assisting Risk Management personnel in audits of claim adjustment procedures.

Risk Management's decision in FY '78 to expand its relationship with M/M - and then to continue and expand that relationship in Fiscal Years '79, '80 and '81 - was based on advice from professional consultants, M/M's professional reputation, financial status and quality of service, etc. It should be noted, however, that when the Division selected

M/M in FY '78 without first soliciting proposals from other brokers, it backed its decision in part with the following statement: ". . . we propose that we begin July 1, 1977 to solicit broker proposals . . . for the FY '79 renewal . . .". To our knowledge this was never done except for excess coverage in FY '81.

We recommend that Risk Management solicit proposals from several major insurance brokers prior to entering into FY '82 contracts. We recognize that this is a complicated process, that it may be appropriate to develop brokerage agreements that last several years, and even that Marsh & McLennan may prove to be the best choice. However, we believe that insurance brokers have a right to compete for the State's business. In addition, good management procedures dictate that the Division do some comparative shopping to be sure that the State is getting brokerage services that are not only of high quality but are also cost effective.

In addition, brokerage services and computer services should be obtained from different sources. Currently, Risk Management contracts with M/M for management information services under a system called "IRIS". Among other things, IRIS provides underwriting data to be utilized by the broker and risk manager in negotiating insurance contracts with underwriters. This data directly affects premium rates and indirectly affects the broker's fee. It is important, therefore, that the Division have adequate controls over data input and output - the most effective way to do this is to obtain computer services from an independent source.

We further suggest that Risk Management consider using the State's own Division of Data Processing in this regard. If the State changes brokers in FY '82, computer services will probably change also. Computer changeovers are costly and inevitably result in errors and information lags. Obtaining services in-house, however, would allow for stability as well as greater control over the data itself.

Recommendation No. 2

The Division should strengthen its procedures to ensure that financial transactions are made in accordance with State statutes and the State Administrative Manual, and are properly recorded in the State's accounting system.

This is not a financial compliance audit, and accordingly we did not conduct extensive audit tests of Risk Management's financial transactions. However, a major concern of the

Division is the enactment of legislation that would create a risk management revolving fund. Risk Management believes that this mechanism would enable it to more efficiently administer the Division's financial activity, as well as to more accurately measure and allocate the costs of risk management. In order to evaluate this proposal, we reviewed the Division's current procedures for monitoring and accounting for financial activity. Our review disclosed the following problems:

- A. Financial activities for individual claims are not separately identified in the State accounting system (PBA). In lieu of this, Risk Management relies on the claim data - such as type and date of claim, estimates of potential liability, payments and recoveries, etc. - captured on IRIS. In addition, summary claim data is used as a basis for encumbering funds, allocating the cost of risk among State agencies, negotiating premium rates, and monitoring self-insured retentions and aggregate deductibles.

In most respects, the information generated by IRIS is of greater use to Risk Management than information in PBA because its format and details are more relevant to the Division's needs. Because financial decisions are made on the basis of this data, however, there must be some assurance that actual expenditures and receipts - that is, as reflected in PBA - are being recorded correctly in IRIS. The following examples illustrate this point:

1. IRIS data is used to allocate the cost of risk among State agencies - if data is incorrectly recorded in IRIS, the agency's cost allocation will be distorted. Indeed, we found financial references in case files that couldn't be traced to IRIS or PBA, or that could be traced to one system but not the other.
2. IRIS data is used as a basis for encumbering funds and monitoring self-insured retentions and aggregate deductibles. If expenditures or receipts for a given coverage or year are incorrectly recorded, encumbrances may be insufficient or, alternatively, funds may not be lapsed as required by law. Also, unless

self-insured retentions are properly monitored, the State may pay for losses which should be covered by insurance.

To prevent these or similar problems, we recommend that Risk Management reconcile financial transactions recorded in PBA and IRIS (or any similar computer system contracted for in future years). Reconciliation procedures should include:

1. An alignment of PBA collocation codes with summary data generated by IRIS.
2. Routine reconciliations between PBA and IRIS at these code levels.
3. Audits of claims that include steps to determine whether financial activity is properly recorded in IRIS (see Recommendation No. 3).

- B. We reviewed the majority of Risk Management's prior year encumbrances outstanding as of June 30, 1980. It was our intention to determine whether these encumbrances were valid as defined by Sections 6780-6784 of the State Administrative Manual, whether they were sufficient to meet actual and estimated outstanding claims, and, in general, to become familiar with the accounting problems that occur when claims take several years to complete. However, Risk Management's encumbrance documents were not supported by worksheets that showed the source and basis of amounts encumbered. The risk manager explained the theoretical basis for encumbering funds; however, we were unable to verify whether the theory was actually applied.

We also found that encumbrances are not always used for their stated purposes. For example, the FY '79 fire loss to the State Equipment Fleet's main garage in Palmer was paid for in part as follows:

1. \$165,000 from CC027126, an encumbrance for FY'77 fire damage to a Division of Aviation building at Umiat; and
2. \$316,175 from CC029036, an encumbrance for FY'78 property losses.

With the introduction in FY '80 and '81 of continuing accounts for certain categories of losses, Risk Management will not have to go through the mechanics of establishing encumbrances to prevent funds from automatically lapsing. The Division is still obligated, however, to review year-end obligations and to lapse funds as appropriate. This process should be supported by worksheets and/or other documents that clearly identify the source of information and any computations involved.

- C. During FY '80, subrogation recoveries (cases where State property is damaged by third parties) were not deposited directly to the State Treasury, as required by AS.37.10.050 and the State Administrative Manual Section 6185. They were instead deposited in an outside trust account (See Recommendation No. 3), apparently on the theory that they should be used to offset related expenditures. The Division recently transferred FY '80 subrogation recoveries to the departments who suffered the losses, and plans to transmit future recovery checks upon receipt.

Risk Management is accountable for its use of State funds - as such, it is required to comply with State laws which govern the use of these funds, and to maintain accurate and auditable records of its financial activities. Therefore, we believe the problems discussed above to be significant. It is clear, however, that the Director has neither the time himself nor the staff to make all the necessary improvements. Consequently, we support the Department's efforts to fill an administrative or accounting position whose responsibilities would include monitoring the Division's financial records.

We cannot, however, endorse the concept of a revolving fund until such time as Risk Management improves its accounting procedures.

Recommendation No. 3

The Division should perform or contract for cash disbursement audits of Workers' Compensation and general liability claims.

The bulk of the State's Workers' Compensation and casualty claims are handled by Northern Adjusters in Anchorage. To

facilitate the payment of claims and expenses, Risk Management deposits funds in bank accounts with Northern Adjusters named as trustee. Northern draws against these accounts, and more funds are deposited as needed.

Recognizing the vulnerability of this arrangement, Risk Management has contracted with a major accounting firm to perform periodic bank reconciliations. In addition, Risk Management personnel and consultants from the State's major broker, Marsh and McLennan, perform periodic reviews of Northern Adjusters' claim handling procedures. However, cash disbursements from the fund are not systematically audited for such attributes as: Check is properly supported by a claim file containing appropriate financial documents; check data - amount, payee, year of claim, etc. - is correctly recorded on the IRIS computer runs; check endorsement and deposit information is reasonable; etc.

The funds passing through Northern Adjusters' trust accounts are substantial: over \$900,000 in FY '78, and over \$2,400,000 in FY '79. We therefore recommend that Risk Management either contract with an accounting firm to periodically audit the accounts, or incorporate cash disbursement audit procedures into its in-house audit function. Regardless of who performs such tests, the current cash reconciliation (which does not constitute an audit) could be expanded without significantly increasing cost. Any contract, of course, should be bid competitively.

Recommendation No. 4

Risk Management should keep Treasury informed of all bank accounts and investments into which it advances State funds.

As discussed in the previous recommendation, Risk Management has bank trust accounts with Northern Adjusters. In addition, it has had similar accounts with other insurance adjusters, and Northern also acts as trustee for certain investments of State funds.

We found at least ten such accounts or investments that existed during FY '79 or FY '80, none of which had been reported to the Department of Revenue, Treasury Division. The State Administrative Manual, Section 6185, expressly states: "An agency must obtain permission from the Treasury Division of the Department of Revenue to maintain any bank account." In addition, Treasury issued a June 23, 1980 memo to all State fiscal officers asking for a list of all bank

accounts into which State funds have been deposited, and directing that a copy of each monthly bank statement be sent to Treasury prior to the 10th of each month.

We recommend that Risk Management prepare such a listing, implement procedures to obtain and copy to Treasury all monthly bank statements, and obtain permission from Treasury prior to establishing any new accounts.

Recommendation No. 5

Risk Management should develop written procedure that outline insurance requirements for personal service contracts; these procedures should be incorporated into the State Administrative Manual.

In FY '80 Risk Management was approved four new positions, one of which was to be primarily responsible for the Division's contract review program. Duties were to include advising in the proper design of standard contracts, reviewing non-standard contracts for risk and insurance provisions, and obtaining evidence of insurance from contractors. In addition, Risk Management projected that adding the position would enable it to review 60% of all "risk" contracts and, by so doing, to effectuate savings of approximately \$300,000.

It is difficult to measure savings that result from a loss prevention program - such as contract review - and the 60% and \$300,000 projections were not based on hard data. Consequently, we could not determine whether these objectives were achieved. However, the Division has made progress in implementing contract review procedures. For example, Risk Management is copied on most construction contracts and has some input on contract wording and insurance coverage. In addition, the Division worked in conjunction with the Division of Finance and the Department of Law to develop a standardized professional services contract which contains adequate insurance provisions.

In conjunction with its current efforts, Risk Management should develop written procedures that outline what minimum insurance requirements are, define what constitutes satisfactory evidence of insurance, and explain the need for monitoring insurance throughout the contract term. Moreover, these procedures should be incorporated in the Personal Services Contracts chapter of the State Administrative Manual.

Recommendation No. 6

The Division should develop an annual report that provides a more complete picture of the State's Risk Management program.

The State Annual Financial Report reflects certain year-end balances and insurance holdings of the Division of Risk Management, but does not provide complete disclosure of the Division's financial activities. There are also computer runs and memoranda that contain other relevant information. However, there is no one report that provides agencies (which pay the costs of the program), legislators, or other interested parties with a total picture of the State's Risk Management program.

We recommend that the Division develop a report which includes information such as:

- A. Assets - including receivables and monies held in trust accounts or investments outside the State Treasury.
- B. Claims paid or accrued.
- C. Estimated obligations for claims that have not been settled or perhaps not even initiated (actuarial projections).
- D. A breakdown, by year, of aggregate deductible or self-insured retention balances.
- E. Insurance settlements.
- F. A comparison of costs charged to State agencies versus actual costs incurred or accrued.

Suggestions for exhibits and formatting can be obtained from the annual statements that insurance companies are required to file with the State Division of Insurance.

* * *

The following recommendation is directed to the Department of Administration, Division of Finance:

Recommendation No. 7

The Division of Finance should use historical costs for building values reported in the State Annual Financial Report, rather than values developed by the Division of Risk Management for insurance purposes.

Generally accepted accounting principles require that buildings and improvements be reported at cost. However, building values reported in the last several State annual reports have been determined from property lists developed by the Division of Risk Management for insurance purpose. In general, these lists reflect estimated replacement values, not historical cost. As a result of this practice, we have consistently issued an adverse opinion on the Statement of General Fixed Assets for those agencies whose fixed asset holdings are materially affected by building values.

This is, in short, an old issue. In previous audits, however, our scope encompassed only a small part of the State's buildings, and did not illustrate how much this reporting policy affects the State's balance sheet. But in our audit of Risk Management, we looked at the various building listings as a whole and made the following observations:

- A. Insurance values for buildings are periodically increased to reflect inflation rates. In FY '80, for example, values on the insurance listing were increased by 12.5%. If the Division of Finance uses these values in the FY '80 annual report, the "cost" of the State's assets as reported in the FY '79 annual report will be increased by more than \$60 million.
- B. In a limited comparison of the building costs shown on the State's property list to their FY '79 insurance values, we found that insurance values were more than 30% above cost as shown on the State property list. This means that buildings and improvements reported in the FY '79 Annual Report could possibly be over \$100 million greater than what generally accepted accounting principles permit.
- C. There are other discrepancies between building values shown on the State property list and the insurance list. In several instances, buildings appear on one list and not the other - it is unknown whether one or both lists are incorrect.

It is not appropriate that the State's assets should be increased on the basis of arbitrarily and inconsistently applied inflation factors. Further, it is not clear that the insurance lists are any more accurate than the State's property list. The Department of Transportation and Public Facilities (DOTPF) is currently conducting an inventory of

the State's buildings, and is working to develop historical cost data for both existing and newly constructed facilities. We recommend that the Division of Finance work closely with DOTPF in this effort, and that in future annual reports it report building and improvements in accordance with generally accepted accounting principals.

AUDITOR'S COMMENTS

In recent years the general appropriation act has contained the following provision:

Amounts equivalent to the amounts to be received in settlement of insurance claims for property losses are appropriated from the general fund to the affected agency for the purpose of replacing the facility or service lost as a result of the incident giving rise to the insurance claim.

This section is intended to enable agencies to effect repairs and maintain essential services while awaiting the receipt of insurance settlements. We believe this provision should be clarified in two areas:

1. Agencies do not generally receive settlements directly from insurance companies. Funds are instead transferred from the Division of Risk Management and may be comprised of General Fund monies - if the State's total losses are within its self-insured retention or aggregate deductible limits - as well as insurance recoveries.

The phrase "in settlement of insurance claims" should be clarified as to whether it encompasses funds transferred from Risk Management as well as funds received directly from insurance companies.

2. It should also be clarified what obligation the affected agency and the Division of Budget and Management have to the Legislative Budget and Audit Committee with respect to receiving and expending insurance recoveries.

APPENDIX A

STATE OF ALASKA
 DEPARTMENT OF ADMINISTRATION
 DIVISION OF RISK MANAGEMENT
COMPARISON OF AUTHORIZATIONS, EXPENDITURES AND
ENCUMBRANCES, FY's 1978 - 1980 (Note 1)

Year	Program	Budget Act	Continuations, Supplements, Revisions	Total	Expenditures	Encumbrances at Close of Year	Balance	
							Continuing Programs	Lapsed
1980	Risk Management-Operations	\$ 280,000	\$ 23,563	\$ 303,563	\$ 283,752	\$ 15,325	\$ -0-	\$ 4,486
	-Premiums (Note 2)	13,568,600	9,354,129	22,922,729	6,851,048	14,313,447	1,650,632	107,602
1979	Risk Management-Operations	173,600	4,248	177,848	164,707	10,241	-0-	2,900
	-Premiums (Note 2)	-0-	20,067,301	20,067,301	7,279,194	10,888,101	-0-	1,900,006
1978	Risk Management (Note 3)	\$ 157,000	\$14,878,645	\$15,035,645	\$6,539,955	\$ 7,893,359	\$ -0-	\$ 602,331

Note 1 Financial data is unaudited and is included for comparative purposes only. FY'78 and '79 data was compiled from State Annual Financial Reports. FY'80 data was compiled State accounting records.

Note 2 The term "Premiums" as used here encompasses all costs of the programs other than operations.

Note 3 The FY'78 Annual Financial Report did not detail "operations" and "premiums".

STATE OF ALASKA

DIVISION OF LEGISLATIVE AUDIT