

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672

2628 SLC S B 184 (FILE 3) - S B 214 (FILE 1)

③

ATC DOCKET 82-03 AT/O
VETERAN'S AIR SERVICE, INC
PO Box 142
TOL, AV. 99780

VASI AND THE BULL SHOOTER CAN FULLY AND CONCISELY VERIFY AND JUSTIFY ANY AIRCRAFT OPERATIONS, INCLUDING MAINTENANCE AND DEPRECIATION.

III CHANGES MADE SINCE ATC HEARINGS

- A. OWNERSHIP OF THE C172 WAS TRANSFERRED TO VASI
- B. THE AIRPORT PROPERTY USED AS VASI'S BASE OF OPERATIONS (OWNED BY THE WIHLBORG'S) WAS TRANSFERRED TO VASI.
- C. THE MOBILE OFFICE UNIT (OWNED BY THE WIHLBORG'S) USED BY VASI HAD ITS TITLE TRANSFERRED TO VASI
- D. THE ABOVE 3 OWNERSHIP TRANSFERS PERMITTED VASI TO SUBMIT A REVISED PRO FORMA STATEMENT THAT:
 - 1. NO LONGER SHOWED A NEED FOR RENTAL PAYMENTS FOR THE BASE OF OPERATIONS
 - 2. NO LONGER SHOWED A NEED FOR LEASE PAYMENTS FOR THE C172
 - 3. MADE PROVISIONS FOR \$25/HOUR PILOT WAGES.

IV COMPARISON OF TREATMENT WITH THAT OF ANOTHER SMALL AIR TAXI APPLICANT (DEWAR AIRWAYS, DELTA JUNCTION, AK; DOCKET 81-473-AT/O)

- A. THE WIHLBORG'S BELIEVE THAT THE ATC DEVELOPED AN UNWARRANTED PREJUDICE AGAINST THEM AND VASI: WHEN THEIR EXTENSIVELY PREPARED APPLICATION RECEIVED SUCH HARSH SCRUTINY AND SCEPTICISM FROM THE HEARING OFFICER. VIRTUALLY NO

(4)

● ATC DOCKET 82-● AT/O
VETERAN'S AIR SERVICE, INC
PO Box 142
TOK, AK 99780

TESTIMONY GIVEN BY MR WIHLBORG AT THE HEARING WAS ACCEPTED BY THE HEARING OFFICER WITHOUT THE PRODUCTION OF SOME TYPE OF VERIFICATION.

DEWAR AIRWAYS FILED ITS ATC APPLICATION IN EARLY DECEMBER 1981. BECAUSE NO ONE PROTESTED HIS APPLICATION, NO HEARING WAS HELD AND HIS ATC AUTHORITY WAS GRANTED ONLY TWO MONTHS LATER. EXCERPTS FROM THE APPLICATION AND SUBSEQUENT ATC ORDER ARE INCLUDED AS EXHIBITS SA, B, C, & D.

B. DEWAR AIRWAYS APPLICATION

1. MR. DEWAR CLEARLY STATES [EXHIBIT SA] THAT HE IS A FULL-TIME EMPLOYEE OF THE ALYESKA PIPELINE SERVICE CO. HE DOES, IN FACT, WORK AT PUMP STATION #9, WEEK ON AND WEEK OFF. DURING HIS "WEEK ON," HE IS REQUIRED TO BE AT THE STATION AND CANNOT PROVIDE UNINTERRUPTED AIR SERVICE REQUIRED BY THE AIR COMMERCE ACT.
2. MR DEWAR STATED THAT HE HAD PLANS TO BUILD HANGARS AT TWO DELTA JUNCTION FIELDS [EXHIBIT SB]. THE ATC APPARENTLY ACCEPTED HIS WORD, AS EVIDENCED IN ORDER 82-59 (WHICH GRANTED HIS OPERATING AUTHORITY [EXHIBIT SD]).
3. MR DEWAR LISTED HIS PROPOSED SOURCES OF BUSINESS AND REVENUES, BUT GAVE NO EXPLANATION OR JUSTIFICATION FOR HIS ESTIMATED 300 HOURS OF ANNUAL FLIGHT OPERATIONS [EXHIBIT-SC]
4. MR DEWAR LISTS AS A SOURCE OF DEWAR AIRWAYS' CAPITAL, "SALARY AS ALYESKA EMPLOYEE," WHICH IS AN OBVIOUS SUBSIDIZATION "BY OTHER ENTERPRISES OF THE APPLICANT." [EXHIBIT SC]

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ATC DOCKET 82-93 AT/O
VETERAN'S AIR SERVICE, INC
PO BOX 142
TOK, AK 99780

S. MR. DEWAR INCLUDED NO REASONABLE EXPENSE ESTIMATES FOR THE FOLLOWING, BUT WAS NOT QUESTIONED BY THE ATC REGARDING THEIR OMISSIONS:

- a. ENGINE OIL
- b. DEPRECIATION OF ENGINES, PROPS, AND FABRICS
- c. AVIONICS MAINTENANCE
- d. ROUTINE REPLACEMENT ITEMS (TIRES, BRAKES, ELT BATTERIES, ETC)
- e. POWER AND HEAT FOR BASES OF OPERATIONS
- f. RENT/LEASE PAYMENTS FOR AIRCRAFT PROPERTIES
- g. TELEPHONE EXPENSES
- h. DEPRECIATION
- i. PILOT WAGES

C. THE WILHBORG'S ARE IN NO WAY PROTESTING THE MANNER IN WHICH DEWAR AIRWAYS ^{OBTAINED} ITS OPERATING AUTHORITY FROM THE ATC, BUT RATHER THE TREATMENT RECEIVED BY THE WILHBORG'S/VASI FROM THE COMMISSION WHEN ITS PROPOSED SIZE AND SCOPE OF OPERATIONS WAS SIMILAR TO DEWAR'S. THE FACT THAT PROTESTS WERE FILED AND HEARINGS HELD SHOULD IN NO WAY INFLUENCE THE STANDARDS AND PARAMETERS SET BY THE ALASKA LEGISLATURE AND ADMINISTERED BY THE ATC REGARDING THE ISSUANCE OF OPERATING CERTIFICATES FOR SMALL AIR TAXI OPERATORS.

V

FUTURE ACTIONS

A. VASI HAS BROUGHT SUIT AGAINST THE ATC AND PRINCIPLE PROTESTANT IN THE 4TH JUDICIAL DISTRICT TO REQUIRE THE ATC TO COMPLY WITH THE PROVISIONS OF AS - 2.05.070.(d) AND ISSUE THE OPERATING AUTHORITY CERTIFICATE TO VASI. THE WILHBORG'S WOULD VERY MUCH LIKE TO AVOID THIS EXPENSIVE AND TIME-CONSUMING PROCEDURE.

(6)

ATL DOCKET 82-93 AT/O
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ALMOST \$4,000 IN ATTORNEY FEES HAS ALREADY BEEN EXPENDED BY VASI IN PURSUIT OF ITS CERTIFICATE. AN APPEAL CAN COST MANY THOUSANDS MORE. NOT LESS IMPORTANT IS THE TIME CONSUMED BY THE LEGAL PROCEEDINGS. IT IS QUITE POSSIBLE THAT THE COURT WILL NOT HAVE REACHED ITS DECISION PRIOR TO SEPTEMBER 1, 1983, AND ANOTHER BUSY SUMMER OF FLYING WILL HAVE BY-PASSED VASI.

STATE OF ALASKA

ALASKA TRANSPORTATION COMMISSION

In the Matter of the Applica-)
tion of James M. Wilson, d/b/a)
WILSON HELICOPTERS for author-)
ity to engage in air commerce)
utilizing rotary winged air-)
craft of 7,500 pounds maximum)
payload/30 passengers, or)
less, as a contract carrier.)

Docket No. 82-126-AC/0

PROTEST OF
ERA HELICOPTERS, INC.

ERA Helicopters, Inc., d/b/a Livingston Copters, hereinafter referred to as "ERA", protests the above application for authority to engage in air commerce with rotary-wing aircraft as a contract carrier.

ERA is the holder of Air Commerce Certificate No. 20, by which ERA is authorized to engage in air commerce as an air taxi operator employing rotary-wing aircraft, including those of 7,500 pounds, or less, payload capacity, and thirty passengers, or less, seating configuration, from a base of operations at Juneau, Alaska.

The above-captioned application should be denied for the following reasons:

(1) Applicant is not fit, willing, and able to engage in air commerce as proposed; and in accordance with the laws of the State of Alaska and regulations of the Alaska Transportation Commission, in particular, Applicant does not meet the statutory requirement of fitness, willingness, and ability to engage in air commerce for the following reasons:

(a) The proposed service is not economically feasible;

HOLLAND AND IRETT
ATTORNEYS AT LAW
3003 MINNESOTA DRIVE, SUITE 301
ANCHORAGE, ALASKA 99503
TELEPHONE (907) 272-4471

- (b) Applicant is not financially capable of providing the proposed service;
- (c) Applicant does not have a physical base of operations nor the necessary maintenance capabilities at the proposed base of operations;
- (d) Applicant does not have the financial management capabilities required to provide the proposed service;
- (e) Applicant does not have the operational management capabilities necessary to provide the proposed service; and
- (f) Applicant does not have adequate equipment to provide and maintain the proposed service.
- (g) The bulk of the services applicant proposes to provide, including those for M & M Enterprises (a firm controlled by applicant) do not require an air carrier certificate.

(2) The proposed service is contrary to the public interest and inconsistent with the declared policy of the Alaska Air Commerce Act of 1960, amended. A.S. 02.05.010.

ERA hereby certifies that it will, through its agents and attorneys, appear at a hearing scheduled herein, and will fully participate in all proceedings concerning this application. ERA

GULLBERG AND ASSOCIATES
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specifically requests an oral hearing in this docket based upon the following circumstances which demonstrate that ERA has a substantial interest in these proceedings:

- (a) ERA is the holder of Air Taxi Certificate No. 20, above-described.
- (b) In furtherance of said authority, ERA has constructed and maintains substantial hangar, shop, office, and other support facilities at Juneau, Alaska;
- (c) ERA maintains a very substantial fleet of helicopters at its Juneau base of operations;
- (d) ERA has no other means at its disposal to protect its interest in a proper level of competition for helicopter services other than these proceedings;
- (e) There is no other party to these proceedings who can or will adequately protect ERA's interest in the premises; and
- (f) There are material issues of fact, especially in the area of economic feasibility and public interest, which must be addressed and which are best addressed through an oral hearing in order that a proper administrative record will be developed.

DATED at Anchorage, Alaska, this 20th day of March,

1983.

HOLLAND AND TREFRY
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TELEPHONE (907) 272-4471

HOLLAND AND TREFRY
Attorneys for Protestant

By: 

H. RUSSEL HOLLAND

S

B

188

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: SB 188
 Title: Act relating to bank holding companies
 Sponsor: Rodey
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Div. Banking
 Program Category Affected: Public Protection
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Willis F. Kirkpatrick
 Division: Banking, Securities & Corporations

Phone: 465 2521
 Date: 3/28/83

Approved by Commissioner: Richard A. Lyon
 Department: Commerce & Economic Development

Date: 3/28/83

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

3/8/83

(b) A bank may issue a credit card or other similar credit-granting device to a customer for obtaining money, goods, services or anything else of value and the bank, when credit is extended under this section, may impose a service charge not in excess of the limits for service charges provided in AS 45.10.120(c). However, in addition, when cash is advanced under this section, the bank may impose a setup charge which does not exceed three per cent of the funds advanced, or \$12, whichever is less, except that on loans of under \$100 a minimum not exceeding \$3 may be charged.

(c) In addition to charges authorized under (b) of this section, a bank may charge an annual fee for the issuance of a credit card or other similar credit granting device. (§ 2 ch 63 SLA 1969; am § 1 ch 152 SLA 1972; am § 1 ch 79 SLA 1980)

Effect of amendments. — The 1980 amendment added subsection (c).

Sec. 06.05.232. Leasing of real and personal property.

NOTES TO DECISIONS

A writing is executed for the purposes of this section when it has been signed by only the lessee. *Dischner v. United Bank Alas., Sup. Ct. Op. No. 2386 (File No. 5008), 631 P.2d 107 (1981).*

Where lease agreement is a replace-

ment for one signed prior to the acquisition of the property to be leased, requirements of this section are met. *Dischner v. United Bank Alas., Sup. Ct. Op. No. 2386 (File No. 5008), 631 P.2d 107 (1981).*

Sec. 06.05.235. Bank holding companies. (a) Except as provided in (b) or (e) of this section, it is unlawful for a company to own, control or hold with power to vote 25 percent or more of a class of voting securities or other capital stock of one or more state banks or domestic bank holding companies subject to regulation under this chapter. However, when it becomes a bona fide necessity to avoid loss for a creditor to accept shares of stock in one or more state banks or domestic bank holding companies constituting more than 25 percent of the ownership or control of a state bank or domestic bank holding company in payment of indebtedness owing to the creditor, shares of stock may be accepted, but the shares of the one or more state banks or domestic bank holding companies exceeding that 25 percent shall be promptly disposed of under the supervision of the department.

(b) A domestic bank holding company, as defined in AS 06.05.540 and organized under AS 10.05, which maintains its principal office and place of business in the state and conducts its principal operations in the state, may acquire and own all or any portion of the voting securities or other capital stock of, or all or substantially all of the assets of, one or more banks or bank holding companies unless the bank is a

recently formed bank. The department may require a domestic bank holding company to post a bond with the department in an amount equal to the paid-in capital and paid-in surplus represented by the proportion of state bank stock directly or indirectly owned, held, or controlled by it, under conditions the department may prescribe, to assure full protection of the public. The domestic bank holding company is subject to an examination by the department or a competent person designated by the department when the department considers it necessary, but not less than once each year. The domestic bank holding company shall pay an examination fee in accordance with AS 06.01.010.

(c) The department may adopt regulations for controlling as domestic bank holding companies or out-of-state bank holding companies under (b) or (e) of this section to assure financial sound banking organization and practice.

(d) A person, or an officer, director, agent, or employee of the person, who violates a regulation adopted under (c) of this section is guilty of a misdemeanor, and upon conviction is punishable by a fine of not more than \$5,000, or by imprisonment for not more than one year, or by both; and in the case of a corporation, by a fine of not more than \$10,000.

(e) An out-of-state bank holding company as defined in (h) of this section may acquire and own all or any portion of the voting securities or other capital stock of, or all or substantially all of the assets of, one or more state banks, domestic bank holding companies, or national banks conducting a banking business in the state unless the state bank or national bank is a recently formed bank. To assure full protection of the public the department may require an out-of-state bank holding company that directly or indirectly owns, holds, or controls stock in a state bank or domestic bank holding company to post a bond with the department, under conditions the department may prescribe. The amount of the bond shall be equal to the product obtained by multiplying the amount of paid-in capital and paid-in surplus of the state bank or domestic bank holding company by the percentage of state bank or domestic bank holding company stock directly or indirectly owned, held, or controlled by the out-of-state bank holding company.

(f) When the department considers it necessary, an out-of-state bank holding company directly or indirectly owning, holding, or controlling state bank stock or domestic bank holding company stock is subject to an examination by the department or a competent person designated by the department. The out-of-state bank holding company shall pay an examination fee in accordance with AS 06.01.010.

(g) As used in this section a "recently formed bank" is a state bank or national bank conducting a banking business in the state that commenced that banking business in the state on or after July 1, 1982, and that has not been in existence and continuously operating in the state

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for a period of three years or more. However, the term "recently formed bank" does not include

(1) a bank organized solely for the purpose of facilitating acquisition of a bank that either has been in existence and continuously operating in the state as a bank for a three-year period, or was conducting a banking business in the state on or before June 30, 1982;

(2) a state bank that the department determines was not chartered directly or indirectly by an acquiring out-of-state bank holding company, and that does not have the capacity to continue to conduct its business independently in a fashion consistent with the public interest and the interest of depositors, creditors, and shareholders; or

(3) a national bank that the Board of Governors of the Federal Reserve System, or their designee, determines was not chartered directly or indirectly by an acquiring out-of-state bank holding company, and that does not have the capacity to conduct its business independently in a fashion consistent with the public interest of depositors, creditors, and shareholders.

(h) As used in this section "out-of-state bank holding company" means a company that

(1) is a bank holding company as defined in the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841, et seq.);

(2) is registered as a bank holding company with the Board of Governors of the Federal Reserve System, with the Federal Reserve Bank of the Federal Reserve District in which the operations of the bank holding company are principally conducted, or with a Federal Reserve Bank that the Board of Governors may designate;

(3) maintains its principal office and place of business outside the state; and

(4) principally conducts its operations out of the state, as measured by total deposits held or controlled by it on the date on which it becomes an out-of-state bank holding company.

(i) For the purpose of this section, a trust company organized under AS 06.25 which is engaged in the business of banking shall be considered a state bank. (§ 3.167 ch 129 SLA 1951; am § 1 ch 194 SLA 1959; am § 1 ch 139 SLA 1961; am § 1 ch 53 SLA 1962; am § 1 ch 124 SLA 1966; am § 18 ch 218 SLA 1976; am § 16 ch 169 SLA 1978; am §§ 1—4 ch 75 SLA 1982)

Effect of amendments. — The 1982 amendment, effective July 1, 1982, in subsection (a), added "Except as provided in (b) or (c) of this section" to the beginning of the subsection, substituted "a class of voting securities or other capital stock" for "the capital stock" and "domestic bank" for "state bank" in the first sentence, deleted the former second sentence, which read "Nothing in this subsection prohibits a company from qualifying as a bank

holding company under (b) of this section," and substituted "state banks or domestic bank holding companies" for "banks or bank holding companies" in two places and "state bank or domestic bank holding company" for "bank or bank holding company" in one place in present second sentence. In subsection (b), the amendment substituted "voting securities" for "voting shares" in the first sentence, added "unless the bank is a recently formed

bank" to the end of the first sentence, inserted "domestic bank" preceding "holding company" in the second, third and fourth sentences, and inserted "state" preceding "bank stock" in the second sentence. In subsection (c), the amendment

deleted "bank holding" following "adopt regulations for" and inserted "qualifying as domestic bank holding companies or out-of-state bank holding companies under (b) or (e) of this section." The amendment also added subsections (e)-(i).

Article 3. Organization and Corporate Functions of Banks.

SUBARTICLE 2. INCORPORATION AND CERTIFICATION.

Section

365. [Repealed]

Sec. 06.05.365. Application for charter.

Repealed by § 54 ch 169 SLA 1978.

Editor's notes. — The repealed section derived from § 3.215, ch. 129, SLA 1951; § 12, ch. 157, SLA 1970.

This section was contained in a former subarticle 3, entitled "Bank Charters," which was repealed by § 54, ch. 169, SLA

1978. See editor's note following subarticle 3 heading.

Legislative history reports. — For report on ch. 157, SLA 1970 (CSHB 643 (Judiciary)), see 1970 House Journal, p. 1085.

SUBARTICLE 3. INITIATION OF CORPORATE AFFAIRS.

Editor's notes. — Prior to 1978, this article contained a subarticle 3 entitled "Bank Charters," consisting of AS 06.05.365 — 06.05.375. This subarticle was repealed by § 54, ch. 169, SLA 1978, and derived from §§ 3.215 — 3.217, ch.

129, SLA 1951. Former subarticle 4 and AS 06.05.395, which was formerly contained in subarticle 5, were then redesignated as subarticle 3 by the revisor of statutes.

SUBARTICLE 4. BRANCH APPLICATIONS.

Editor's notes. — Prior to 1978, AS 06.05.399 was contained in a subarticle 5, entitled "Certificate of Authority." See

editor's note following subarticle 5 analysis.

SUBARTICLE 5. CONDUCT OF BANK AFFAIRS.

Editor's notes. — Prior to 1978, this article contained a subarticle 5 entitled "Certificate of Authority," consisting of AS 06.05.395 — 06.05.425. The revisor of statutes transferred AS 06.05.395 to present subarticle 3 and designated AS 06.05.399

as present subarticle 4. AS 06.05.400 — 06.05.425 were repealed by § 54, ch. 169, SLA 1978, and derived from §§ 3.221 B — 3.221 F, 3.221 H, ch. 129, SLA 1951. Former subarticle 6 was then redesignated as subarticle 5 by the revisor of statutes.

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SB 188 TITLE & SPONSOR SUMMARY

16:17 6/04/84 PAGE 1 OF 3

PROPOSED TITLE:

AN ACT RELATING TO BANK HOLDING COMPANIES

PRIME SPONSOR: RODEY.

CO-SPONSORS:

CURRENT STATUS: 7/14/83 CHAPTER 0060 SLA 83

SB 188 SENATE ACTION

16:17 6/04/84 PAGE 2 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
03/21/83	01	0448	FIRST READING -- COMMITTEE REPORTS
04/06/83	02	0590	L&C -- DP03
04/06/83	03	0590	L&C F/NOTE EQUALS ZERO
04/26/83	04	0810	RLS -- NR02, OTHER04 TAKEN UP IMMEDIATELY
04/26/83	05	0811	SECOND READING
04/26/83	06	0811	ADVANCED TO 3RD READING BY UNAN CONSENT
04/26/83	07	0811	THIRD READING
04/26/83	08	0811	PASSED BY DIV 15-04-01
05/25/83	15	1519	TRANSMITTED TO GOVERNOR
07/14/83	16	1640	SIGNED BY GOVERNOR-CH0060, EFF 10/12/83
****	**	**	*** **

SB 188 HOUSE ACTION

16:17 6/04/84 PAGE 3 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
04/27/83	09	1060	FIRST READING -- COMMITTEE REPORTS
05/12/83	10	1295	L&C -- DP04, NR03
05/23/83	11	1925	SECOND READING
05/23/83	12	1925	ADVANCED TO 3RD READING BY UNAN CONSENT
05/23/83	13	1925	THIRD READING
05/23/83	14	1926	PASSED BY DIV 36-04-00
****	**	**	*** **

COMMITTEE REPORT

SENATE

3/21/43

FURTHER:

Date: 11-3-43

Mr. President:

The Committee on Labor & Commerce has had 10 180

Relating to bank holding companies.

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 _____ same title
- and recommends _____ new title
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Handwritten signature]

[Handwritten signature]

CHAIRMAN

SENATE LABOR AND COMMERCE

STANDING COMMITTEE

April 5, 1983

1:35 p.m.

Members Present: Senator Dick Eliason, Chair
Senator Bob Mulcahy
Senator Pat Rodey

Members Absent: Senator Don Bennett
Senator John Sackett

COMMITTEE CALENDAR

SB 182

"An Act relating to elevator safety standards."

SJR 20

"Supporting passage of J.R. 1176 and S. 137 in the Congress of the United States, amending the Internal Revenue Code to allow certain home mortgage bonds to continue to be tax-exempt."

SB 188

"An Act relating to bank holding companies."

WITNESS REGISTER

(SB 182)

Judy Knight, Special Assistant to the Commissioner
Dept. of Labor
P. O. Box 1149
Juneau, Alaska 99802
465-2700

Position statement: Department supports SB 182.

(SB 188)

Willis Kirkpatrick, Director, Division of Banking, Securities and
Corporations, Dept. of Commerce and Economic Development
Pouch D
Juneau Alaska 99811
465-2521

Position statement: Knows of no opposition to SB 188.

PREVIOUS ACTION

(In Senate Labor and Commerce only.)

No previous action on any of these measures.

ACTION NARRATIVE

Tape #17
Number 008

Senator Eliason called the meeting to order with members Senator Rodey and Senator Mulcahy present. Senate Bill 182, concerning elevator safety standards. Senator Josephson, prime sponsor, had provided a memorandum on the measure for the information of committee members.

Judy Knight, Special Assistant to the Commissioner of the Department of Labor, provided the department position on the measure. She stated that the department supports SB 182, which adopts the 1981 American National Standards Institute Safety Code, and permits municipalities to adopt and enforce standards at least as strict as those set forth in the Code.

Sen. Mulcahy inquired if it was that case that existing elevator operations will not be affected by passage of this legislation, for example, old elevators will not need to have telephones installed, etc.

Number 100

Judy responded that this was correct. Just future elevator construction will conform to the new safety requirements. This bill will not affect existing elevators. There is one elevator inspector for the state, and Anchorage has one to serve their municipal inspection program. The inspector covers elevators, and amusement rides. There are 886 elevators in the state (425 in Anchorage are covered by the City Inspector), and the inspector is quite busy with 225 inspections per year.

Number 193

Senator Rodey moved that SB 182 be passed out of committee with individual recommendations, his own a "do pass". There being no objection, it was so ordered.

Number 203

SJR 20, concerning the amending of the Internal Revenue Code to allow certain home mortgage bonds to continue to be tax-exempt, was taken up for consideration. Senator Rodey, prime sponsor, described the measure as the companion to House Joint Resolution 37. The committee developed the intention, with Sen. Rodey's agreement, to have the Senate pass HJR 37. Senator Rodey outlined the matters addressed by the resolution. He explained that the savings to the state would be great if the tax-exempt mortgage bonds program is continued. He has heard no opposition to the measure, and feels that the program it supports is desirable, especially in Alaska. Senator Rodey then suggested using the House Resolution as a vehicle to pass the measure. Senator Eliason suggested that the committee pass out SJR 20 and waive referral of HJR 37 in order to expedite its arrival in the Rules Committee.

Senator Rodey moved that SJR 20 be passed out of committee with individual recommendations. There were no objections, it was passed out.

Number 280

Senator Rodey then

addressed SB 183, of which he is also the prime sponsor. The measure relates to bank holding companies. Its purpose is to allow all financial institutions "to be on a level playing field", to establish parity. Sen. Rodey stated that the bill has unanimous support, including from the Div. of Banking, Securities and Corporations.

Number 340

Willis Kirkpatrick, Director of the Division of Banking, Securities and Corporations described the purpose of the measure. The bill makes a single change in the domestic bank holding companies section of the Alaska Banking Code. The problem is that domestic bank holding companies, of which Alaska presently has four, are prohibited from establishing new banks in the state, and recently formed banks are prohibited from establishing domestic bank holding companies. (These prohibitions went into effect as a result of passage of a comprehensive interstate banking bill last session. The problem described above had not been previously detected or anticipated.) Mr. Kirkpatrick knows of no reason why there would be opposition to the measure.

Number 426

Wes Coyner, lobbyist for Alaska Bankers Association, did not testify on the measure, but the committee members asked if he supported the measure. He stated that he did not oppose the measure, he supported it. Senator Rodey moved that SB 188 be passed out with individual recommendations. There being no objections, it was so moved.

Number 435

The meeting adjourned at 2:00 p.m.



ALASKA STATE SENATE

M E M O R A N D U M

DATE: March 21, 1983
TO: Senator Patrick Rodey
FROM: Jim Kelly, Aide *JK*
RE: Senate Bill 188: "An Act relating to bank holding companies."

This bill would make a single change in the domestic bank holding companies section of the Alaska Banking Code. The change, accomplished by the deletion of the words "unless the bank is a recently formed bank" in AS 06.05.235(b), is intended to restore the principle of parity for banks doing business in Alaska.

The problem is that domestic bank holding companies, of which Alaska presently has four - Alaska Pacific Bancorp, Alaska Bancshares, Alaska Bancorporation and United Bancorporation of Alaska, are prohibited from establishing new banks in the state; and recently formed banks, such as the Alaska Continental Bank, are prohibited from establishing domestic bank holding companies.

These legal prohibitions went into effect on July 1, 1982, as a result of passage last session of SB 752, the interstate banking bill. That bill, being the first of its kind enacted anywhere in the country, though carefully drafted, was nonetheless quite complex. The major effect of SB 752 was to allow Outside banks to enter the local market; that has happened, and was intended. The problem mentioned above was not intended, and, in fact, was not even discovered until Alaska Continental Bank made application to establish its own domestic bank holding company and was informed by the Division of Banking that that was prohibited.

It is unfair to allow some Alaskan banks to form relationships with domestic bank holding companies, and prohibit some other Alaskan banks from doing likewise. As there can be significant economic advantages to such relationships, it is not in the public interest to grant the opportunity to some, and withhold it from others. For the consumer to realize the very real benefits of true competition, that is competitive services and competitive prices, it is necessary for rivals within the banking industry to be competing on a "level playing field". This legislation would help accomplish that.

Bill Fact Sheet

Date Received 3/21/83

Bill Number SB/88 Title Bank holding companies

Fiscal Note - Date Requested 3/24 Date Received _____

- Of Whom Katherine Wallen C+ED

Dept. Position Paper - Date Requested 3/24 Date Received _____

- Of Whom Katherine Wallen C+ED

Resource People

Initial Hearing - Date ~~3/21/83~~ 4/5/83
People Contacted

Willis Kirkpatrick - 2521 (Katy will inform) ^{3/24} 3/31

Follow-up Hearing - Date _____

Final Action passed L+C Date 4/5/83

S

B

193

SENATE BILL NO. 193

POSITION PAPER

SB 193 would require that travel be competitively bid.

Obtaining lower costs for necessary travel is certainly desirable. Given the amount of travel done by State employees, it certainly appears that discounts should be available to such a large user group.

It is necessary, however, to define what is meant by "travel." Presently, a whole list of services come under that broad definition. Travel expenses include a variety of transportation expenses (commercial carrier, taxi, bus, car rental, vehicle mileage), subsistence (meals, lodging), and other items (telephone calls, parking fees, emergency supplies). Per diem is a flat daily allowance in lieu of subsistence expenses.

A review of actual transportation and per diem expenditures by the State for the fiscal years 1978 through 1982 shows a 50% split between the two categories. Further, in-State transportation is about 40% of total travel expenditures, including air fare, car rental, taxi, etc.

In April 1982 a bid related to airline transportation was published patterned after the Federal Government contracts. No bids were received. There are several methods that might be used regarding airline transportation - point-to-point high density route discounts, etc. Flexibility will be necessary to allow feasible implementation of perhaps some travel items subject to competitive bid, and other under regular rates.

Prepared by:


Anselm Staack, Deputy Commissioner

4-7-83
Date


Lisa Rudd, Commissioner

4/7/83
Date

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: SB 193
 Title: Compet. Bid for Travel
 Sponsor: Faiks
 Requestor: Senate Labor & Commerce

II. FISCAL DETAIL

Agency Affected: Administration
 Program Category Affected: General Govt.
 BRU, Program of Subprogram(s) Affected: ALL

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

SAVINGS COULD RESULT DEPENDING ON EXTENT OF SUCCESSFUL COMPETITION.

IV. ANALYSIS: Attach a separate page for any Analysis (SEE ATTACHED POSITION PAPER)

Prepared By: Anselm Staack, Deputy Commissioner *Anselm Staack* Phone: 465-2200
 Division: General Services & Supply Date: 4-7-83
 Approved by Commissioner: Lisa Rudd *Lisa Rudd* Date: 4-7-83
 Department: ADMINISTRATION

Distribution:

Original to Legislative Finance
 Copy to Office of Management and Budget (for Legislature introduced bills)
 Copy to Department (for Governor introduced bills)
 Copy to Sponsor
 Copy to Department (if different from Sponsor)

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

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OPERATING						
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700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

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Prepared By: Anselm Staack, Deputy Commissioner Phone: 465-2200
 Division: General Services & Supply Date: 4-7-83
 Approved by Commissioner: Lisa Rudd Date: 4-7-83
 Department: ADMINISTRATION

Distribution:

Original to Legislative Finance
 Copy to Office of Management and Budget (for Legislature introduced bills)
 Copy to Department (for Governor introduced bills)
 Copy to Sponsor
 Copy to Requestor (if different from Sponsor)

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

I. REQUEST

Bill/Resolution No.: SB 193
Title: Competitive Bidding for Travel
Sponsor: Senator Faiks
Requestor: Senate Labor & Commerce
Date of Request: _____

II. FISCAL DETAIL

Agency Affected: Administration
Program Category Affected: General Gov't.
BRU, Program of Subprogram(s) Affected:
All state agencies

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	-0-	-0-	-0-			
CAPITAL	-0-	-0-	-0-			
REVENUE	-0-	-0-	-0-			

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						
TOTAL						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Bob Link *Bob Link* Phone: 465-2250
Division: General Services & Supply Date: November 23, 1983

Approved by Commissioner: Lisa Rudd *Lisa Rudd* Date: 12/29/83
Department: ADMINISTRATION

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

9/14/83

IV. ANALYSIS:

Senate Bill 193
November 23, 1983

Savings could result, depending on extent of successful competition.

In 1982, a bid related to airline transportation was published, patterned after the federal government contracts. No bids were received. There are several methods that might be used regarding airline transportation -- point-to-point high density route discounts, etc. Flexibility will be necessary to allow feasible implementation of perhaps some travel items subject to competitive bid, and other under regular rates.

SB 193 TITLE & SPONSOR SUMMARY

14:15 5/22/84 PAGE 1 OF 2

AMENDED TITLE:

AN ACT RELATING TO COMPETITIVE BIDDING FOR TRAVEL CONTRACTS

PRIME SPONSOR: FAIKS.

CO-SPONSORS

CURRENT STATUS: 3/22/83 IN (S) LABOR & COM

SB 193 SENATE ACTION

14:15 5/22/84 PAGE 2 OF 2

DATE	SEQ	PAGE
03/22/83	01	0458

LEGISLATIVE ACTION

03/22/83	01	0458	FIRST READING -- COMMITTEE REPORTS LABOR & COMMERCE RULES
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OFFICIAL BUSINESS

ALASKA STATE LEGISLATURE - SENATE
COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON
CHAIRMAN

POUCH V • JUNEAU, ALASKA 99811
(907) 465-3844

April 11, 1983

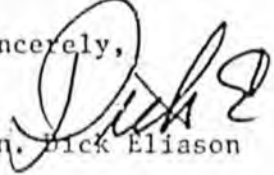
Lisa Rudd, Commissioner
Dept. of Administration
Pouch C
Juneau, Alaska 99811

Dear Commissioner Rudd:

During a recent hearing on SB 193, "An Act relating to competitive bidding for travel contracts", Deputy Commissioner Anselm Staack stated that the Department of Administration was reviewing several cost-saving alternatives for state employee travel. As Chair of the Senate Labor and Commerce Committee, I am most interested in keeping abreast of your findings.

I look forward to receiving a list outlining the various methods considered by the Department.

Sincerely,


Sen. Dick Eliason

April 7, 1983

TESTIMONEY OF RICHARD GARVIN, GENERAL MANAGER, AMERICAN TRAVEL SERVICE,
ANCHORAGE, ALASKA.

In a letter dated March 31, 1983, Sen. Jan Faiks wrote that the budget for 1984 would be approximately \$43,000,000 and 50% to 60% will go toward air travel. She further states that, "We also found that these agencies pay full coach fare in most cases and that as a result of airline incentives, such as the "Amigo Fares", offered by Western Airlines, many trips have been taken which may not have been necessary. This is contrary to state policy."

The problem with these points are:

- a. Incentive fares are only offered over a short period of time and not on a year around schedule.
- b. If there is a problem with purchasing the fares for unneeded trips this is a problem of administration of travel, not the air fares, nor the travel agent.
- c. It is not a fair statement that all or most tickets are sold at full fare. When ever the rules apply for a super saver or other lower or money saving fares, this is the fare used and applies to all state purchases.

Sen. Faiks, "We envision that the competitive bid process would allow any airline, travel agency or other germane business entity to bid for the contract on any serviceable route so you will not be precluded from bidding for state travel contract. This basically follows federal travel policy." The fact is that federal policy addresses its own military personnel who travel. They are issued a travel requisition, and we are talking about a few million people who travel. All Federal employees travel at the regular airline fare. These two types of purchases are made through a 'joint airlines' office on the base. These offices are made up of all participating air carriers with revenues going to the carriers. Again, these fares are right from the tariff, the same as your local travel agent and all carriers sells to state employees.

In fact the federal government is now experimenting with allowing travel agencies ^{to} write tickets for government travel. The trend is toward more deregulation.

According to "Western Travel Sales Guide", there are listed 73 travel agencies in the state and growing. Many of these agencies are doing business with the state at this time. I can assure you that the tickets we deliver to state offices are questioned as to proper fare and that all considerations to the traveler have been extended to provide the lowest level fare. In most cases a department head has authorized the travel for the traveling state employee. We remind you that there is competition out there. A travel agency will do all they can do to provide, professional and cost concious service.

In conclusion a major consideration in your deliberations should be that this bill could be overriding our free enterprize system of letting the market seek it's own level.

By establishing a single carrier or a single agency you are creating a monopoly. Need I remind you of the problems that is inherent in a monopolistic system. This will mean a return of one carrier problems. This could mean a restriction on time of travel, days of travel, availability of space on a particular carrier and many times leads to a particular level of service by a carrier. If state employees are restricted to traveling on one carrier or dealing with one agency you would be taking a lion by the tail because of so much travel originating from so many areas in the state. The exceptions would be too many to list here.

As you know Alaskans have never been very enthusiastic about monopolies.

AMERICAN
★ TRAVEL SERVICE ★

April 4, 1983

Senator Richard I. Eliason
Chairman - Labor and Commerce
Pouch V
Juneau, Alaska 99811

Re: SENATE BILL NO. 193
Hearing, Room 211
Set for April 7, 1983 - 1:30 P.M.

Dear Senator Eliason & Members of the Committee:

I am Richard H. Garvin, General Manager of American Travel Service, of Anchorage, Alaska. I have lived in the State since 1942 and have been a member of the travel industry for the past 14 years. Please accept this letter as my personal testimony in this matter. Thank you.

To be brief, I'll state points that will be oposition to the consideration of the new wording of this bill. (Senate Bill No. 193)

1. There is no guarantee that the airlines will reduce fares to any particular level. Airfare alone is not all of the travel costs.
2. Therefore hotels, taxi's and other travel expense items such as these and even meals would be put on bid for the same reasons if this was to be carried out to the full entent of "savings". Rent-a-car companies would be included too.
3. If the state is dealing directly with the airlines then the travel agent who provides service would not be able to write tickets, make reservations and provide delivery service as well as hotel and rent-a-car reservations for state employees. Travel agencies employee Alaskans.
4. If this was to pass state employees could not take advantage of special fares that are offered from time to time by carriers, i.e., \$100 or free tickets to points in Alaska, Mexico and Hawaii.
5. Should an airline offer a special fare below the bid price what would this do to the system. Or should the system of calculation change, e. from the present structure to a mileage or zone fare, will this mean re-bidding for fares?

The above represents only a small part of my thoughts, but the impact that this bill would have would be harder to deal with than a status-quo. In a time of deregulation, you are inforcng more regulation. The Federal Government is under deregulation and also the State is also taking steps to deregulate travel and transportation. I do not see this bill as a giant step forward for the betterment of the state. Free enterprise, deregulation in the market place will bring down prices and will not cause unemployment in one of Alaska's largest renewable industries...Travel Thank you for your time and consideration.


Richard H. Garvin
General Manager

Captain Cook Hotel Plaza P.O. Box 459 - Anchorage, Alaska (907) 279-2471 • TELEX: 090-28659

Travel Policy
re: SB 193

1. Federal Policy

a. General Federal Employees:

- Travel policies vary from office to office
- GSA has contracts for certain routes. They accept bids for specified maximum flight times. This has been in effect for the past ten years. The variables for acceptance of low bids are:

- .. the time of day of the flight
- .. airport(s) served
- .. price

They have not received any criticism from travel agencies; GSA has travel agencies on contract.

b. Travel agency policy re: Federal Travel

Data from Omega Travel Agency, DC area (GSA Contractor)

20% of Federal employees obtain tickets without the idea of a travel agency or SATO.

\$720 million business done by SATO (Scheduled Airline Ticket Office, an airline sponsored office providing free government travel service to Feds.)

This costs the airlines approximately 9% to maintain. United Airlines controls 70% of SATO business yet has no contract with the government. Travel agencies have about 7% of SATO's business. They collect a commission of 8-9%. Although the airlines won't admit they are paying TA commissions, Omega TA collects a commission on every airfare, including contract (low bid airfare). This has provided excellent business to the TA

Note: Five years ago, when CAB approval was required, the airlines offered a 5 day (Monday-Friday) excursion for business people.

c. The U.S. Senate Allows:

- vacations adjacent to official business trips
- detours in route for personal business
- Senate staff to accept rebates under certain "complicated" conditions, if the benefit accrues to a person and is nontransferrable, but they cannot accept tangible (gold ingots) assets.

Because each agency must stay within the budget, it is in

Submitted by Sen. Faiks

their best interest to monitor and stretch their budget.

d. Federal History:

In 1940 the airlines convinced GAO to prohibit the use of travel agencies in ticketing government employee airfares. GSA recently obtained permission to test the need for this ruling, with the idea of eliminating the rule. GSA has a letter awaiting signature (ref: Omega TA) to encourage the use of travel agencies. GAO/OMB now say travel agencies make a lot of sense and are often better than SATO or individuals. However, Defense Department won't follow the lead to use travel agencies (probably because DOD offices/military bases have SATO offices). GSA will continue their test. Everyone will be able to use a travel agency as long as they travel agency is approved by GAS, who is only using the best after recent problems with one agency.

2. Selected States Policy

Most states use "coach, lowest fare, supersaver when possible, first class if necessary, cheapest, most economical" bonuses/coupons must be turned in (Data from: Hawaii, Arkansas, California, Kentucky, Maryland, Michigan, Minnesota, Illinois, Oklahoma, and Washington; collected by telephone survey and written reports from NCSL)

Special provisions: Hawaiian interstate airlines offer a discount to any passenger who holds a \$5 Travel Club card. Now the fare has been extended to government employees without a Travel Card.

3. Alaska

Currently, travel vouchers are reviewed, before approved, by administrative services to assure maximum financial benefit to the State for each employee's travel. However, the per diem cost (\$80-90/day) to stay over the required Saturday night does not usually offset the savings of the supersaver.

A memo is currently being developed by the Department of Administration to reacquaint State departments with the use of supersavers.

State employees do not have to turn their discount coupons in and, like many other states, can take concurrent vacations (without per diem) in association with business.

State written procedure for travel: State Administrative Manual #73

\$43 million total travel (50-60% airfare)

NOTE:

The Governor wrote to Western, Alaska, and Wein Airlines requesting

information on low bid contracting. No reply as of 4/6/83.
However, several travel agencies have replied with negative
comments about the bill.

4. Conclusions:

1. Competitive bid for airfares will result in a reduction in
state costs of travel
2. The competitive bid process should not be restricted to
airlines but opened up to travel agencies as well

* * * * *

Information collected by Senator Faiks Office
(April 6, 1983)

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§ 37.05.230

(d) Votes required to be conducted under (c) of this section may be conducted by teleconference. (§ 1 ch 170 SLA 1980)

Cross references. — For the 1980 special appropriation to the reserve for emergency operating expenses account, see Chapter 171, SLA 1980, in the Temporary and Special Acts binder.

Article 4. Uniform Purchasing.

Section

- 230. Competitive bids
- 240. Award of contracts and purchases

Sec. 37.05.230. Competitive bids. In the manner provided in AS 37.05.010 — 37.05.330 and rules and regulations established under it

(1) a contract for construction and repairs, or a purchase of and contract for supplies, materials, equipment, and contractual services must be based on competitive bids; an award shall be made to the lowest responsible bidder after advertising for bids, except that (A) Repealed by § 2 ch 92 SLA 1967; (B) a bid shall be awarded to an Alaska bidder if his bid is not more than five per cent higher than the lowest nonresident bidder's; and (C) competitive bids need not be required (i) for contractual services where no competition exists; (ii) for sales involving fair trade items; (iii) when, in the judgment of the purchasing agent, food, clothing, or medical supplies, or materials for use in laboratory and experimental studies may be purchased otherwise to the best advantage of the state; (iv) where rates are fixed by law or ordinance; (v) for items traded in on like items; or (vi) for professional services;

(2) if the amount of the contractual services, purchase, or sale is estimated to exceed \$5,000, sealed bids shall be solicited, when practicable, by publication in a newspaper calculated to reach prospective bidders and by posting notices in public places within the area where the work is to be performed or material furnished and in addition the department may also designate a trade journal for publication; the department shall also solicit bids by sending notices by mail to all active prospective bidders known to it and all bids shall be sealed when received, and shall be opened in public at the hour stated in the notice; the department may limit the solicitation of bids or negotiate directly if it finds that it is in the best interests of the state;

(3) a contractual service, purchase or sale where the known requirements are estimated to be less than \$5,000 may be made either upon competitive bids in accordance with (2) of this section or in the open market, in the discretion of the department; but, so far as practicable, shall be based on at least three competitive bids and recorded as provided in AS 37.05.240; small purchases of less than \$500 in the discretion of the department may be made on the open market, and may be by cash payment from petty cash accounts set aside for that purpose;

the department shall determine the amount of the petty cash accounts needed by each state agency, and inspect the petty cash accounts at least once each year to determine that the total plus amounts of receipts for unreplenished disbursements is equal to the fixed sum of cash set aside; shortages in petty cash accounts are a personal liability of the responsible head of the agency to whom the account is set aside; the department shall make all necessary rules and regulations governing use and replenishment of petty cash funds;

(4) the provisions of this section relative to competitive bids do not apply to contracts for the operation of transportation systems for students to and from the schools within the state, as are authorized under AS 14.09.010; and these contracts may be awarded by bid or negotiation and, at the discretion of the Board of Education, may be awarded for periods of three years or less;

(5) an "Alaska bidder," for the purpose of bid awards under (1) (B) of this section, is a person who

(A) holds a current Alaska business license,

(B) submits a bid for goods or services under the name as appearing on his current Alaska business license,

(C) has maintained a place of business within the state for a period of six months immediately preceding the date of his bid;

(E) the competitive bid requirements of this section do not apply to air taxi services used by state employees when no formal contract is executed; the department affected shall pay the air taxi operator the tariff rates as published by him with the Air Transportation Commission for the type of aircraft required; the tariffs need not be uniform throughout the state and may reflect the diverse conditions of various areas of the state; the air taxi service used in each case shall be selected by the state employee who is to fly in the aircraft, or if more than one state employee is flying in the aircraft by the employee in charge; in all cases the air taxi operator shall have complied with AS 02.05.010 — 02.05.260 and other prequalifying regulations established by the department;

(7) the provisions of this section relative to an "Alaska bidder" do not apply to contracts estimated to exceed \$5,000, of either the Department of Transportation and Public Facilities, which are authorized under AS 35.15.010 -- 35.15.120, or the Department of Highways, which are authorized under AS 19.10.010 — 19.10.280;

(8) the provisions of this section relative to competitive bids do not apply to the purchase of products or services manufactured or provided by a sheltered workshop;

(9) the provisions of this section relative to competitive bids do not apply to the purchase of products or services provided by the correctional industries program established under AS 33.32;

(10) requests for and acceptance of bids or other proposals for professional services shall comply with AS 24.23 or AS 36.98. (§ 3 art IV ch

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ch 53 SL

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State asks airlines to bid on state's business

Juneau
Empire

3/27/83

By Empire Staff

Based on a suggestion from Sen. John Sackett, R-Ruby, Gov. Bill Sheffield has asked Alaska's three major commercial airlines to consider competitive bidding for state government travel rates between Juneau, Anchorage, Fairbanks and Seattle.

Sheffield has written to officials of Western and Alaska Airlines and Wien Air Alaska informing them he is considering such a proposal and asking for any ideas on the subject.

"The state spends approximately \$40 million per year for travel, and we are in need of cost savings, as is every other business," the governor said in his letter.

Since the federal government asks for competitive bids from airlines for official government travel, the state might want to consider the same thing, said John Greely, deputy press secretary to the governor.

In addition to the administration's request, legislative steps are being taken to help save money on the state's travel budget.

Sen. Jan F'aiks, R-Anchorage, introduced a bill earlier this week to require competitive bidding for state air travel. Com-

petitive bidding is already required for many state services, and the bill seeks to extend that to air travel as well.

About \$24 million is spend yearly on state air travel, and special rates provided by the airlines could save the state about \$8 million, said a F'aiks spokesman.

Wien Air Alaska already does competitive bidding for federal government air travel, but Jim Flood, company president, is in Chicago and has not seen the governor's letter concerning bids for state travel.

Jim Johnson, vice president for public affairs for Alaska Airlines, told the Empire this morning the company hadn't had time to review Sheffield's letter or form a response to it.

However, Johnson hoped a method could be worked out with the state that could overcome some of the problems encountered with competitive bidding on federal travel.

The major problem with the federal competitive bidding system is when a low bidder is selected, other airlines flying the same routes simply match the low bid. Then, whenever a federal

Continued on Page 2

Air bids...

Continued from Page 1

traveler finds a full plane or a schedule conflict on the low-bidder airline, they just go to the competitors at the same price, Johnson said.

"We opted not to bid on the federal program because it's not a competitive bid as such," Johnson said. "Besides, we felt the rates were already very fair, and we would be denying seats to the general public."

Western Airlines has not bid for any of the federal contracts on its routes and does not have any similar contracts with any other states, said Glenn Bozarth, manager of press relations for the airline.

George Sullivan, senior vice president for Western, who received the letter from Sheffield was unavailable for comment at press time.

Bill Fact Sheet

Date Received 3/22/83

Bill Number SB193 Title Competitive bid/Travel contracts

Fiscal Note - Date Requested 4/1/83 Date Received _____

- Of Whom Rebecca Burch (Dept Admin)

Dept. Position Paper - Date Requested 4/1/83 Date Received _____

- Of Whom Rebecca Burch (Dept Admin)

Resource People

Initial Hearing - Date 4/7/83

People Contacted

Rebecca Burch - Admin - 2200 (4/1)

Faiks - (4/1) (Cynthia)

Judy McGraw - (4/1) 263-6200

Ben Harding - Gov's Office 4/5/83 (Louis Dischner)

Jim Johnson - AL Airlines - 206-433-3169 - (4/1) - left m

Glenn Bozarth George Sullivan 266-2201 - Western - 4/1 - left n.

Wien - 243-2400 - Jim Flood - (4/1) (Ashley Reed)

Wally Kubly

Follow-up Hearing - Date _____

asked Rebecca
to testify 4/5

Final Action _____ Date _____

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199

I. REQUEST

Bill/Resolution No: SB 199
 Title: Relating to mortgage assistance
 Sponsor: Kerttula
 Requestor: Senate Labor & Commerce

II. FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: Econ. Devel.
 BRU, Program of Subprogram(s) Affected: Alaska Housing Finance Corporation

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC.	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-

CAPITAL	76	-	-	-	-	-
---------	----	---	---	---	---	---

REVENUE	-	-	-	-	-	-
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	76	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

The subsidy amount of \$76,000 could be accommodated without increasing AHFC's capital budget request for the SAM fund for FY 1984.

IV. ANALYSIS: Attach a separate page for any Analysis.

Prepared By: Michael S. Lynch
 Division: Alaska Housing Finance Corporation

Phone: 276-5599
 Date: 5/04/83

Approved by Commissioner: [Signature]
 Department: Revenue

Date: 5/5/83

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

Originally submitted - stated it was in error

IV. Analysis for SB 199

\$76,000 would be the amount of subsidy required to fund the loans of \$110,000 each. The amount was figured by using \$23 of subsidy for each \$100 of mortgage funds raised through the sale of taxable bonds. That amount was the ratio of subsidy for AHFC's most recent taxable sale. The average AHFC loan amount of \$110,000 was used for these calculations.

SB 199 TITLE & SPONSOR SUMMARY

16:17 6/04/84 PAGE 1 OF 3

RENDED TITLE:

AN ACT RELATING TO MORTGAGE ASSISTANCE FOR MEMBERS OF THE ALASKA DELEGATION TO THE UNITED STATES CONGRESS, AND PROVIDING FOR AN EFFECTIVE DATE

GENERAL DOLLARS: \$0 (F. NOTE)

PRIME SPONSOR: KERTTULA.

OTHER DOLLARS: \$0

CO-SPONSORS:

CURRENT STATUS: 6/16/83 IN (H) FINANCE

SB 199 SENATE ACTION

16:18 6/04/84 PAGE 2 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
6/23/83	01	0474	FIRST READING -- COMMITTEE REPORTS
6/06/83	02	0912	L&C -- DP02, NR01
6/06/83	03	0912	L&C F/NOTE EQUALS ZERO
6/03/83	04	1194	FIN -- DP04
6/15/83	05	1317	RLS -- OTHER03 TAKEN UP IMMEDIATELY
6/15/83	06	1320	SECOND READING
6/15/83	07	1320	ADVANCED TO 3RD READING BY UNANIM CONSENT
6/15/83	08	1320	THIRD READING
6/15/83	09	1320	PASSED BY DIV 18-02-00
6/15/83	10	1320	EFFECTIVE DATE VOTE SAME AS PASSAGE
***	**	**	*** ** *

SB 199 HOUSE ACTION

16:19 6/04/84 PAGE 3 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
6/16/83	11	1732	FIRST READING -- COMMITTEE REPORTS FINANCE RULES
****	**	**	*** ** *

COMMITTEE REPORT

SENATE

3/27/83

FURTHER: Finance

Date: 3/27/83

Mr. President:

The Committee on Labor & Commerce has had 28 139

Relating to mortgage assistance for members of the Alaska delegation to the United States Congress; and eff. 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 _____ same title
- new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Handwritten signatures]

[Handwritten signature]

CHAIRMAN

EXT

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM.

(A) THE CORPORATION SHALL ESTABLISH A SPECIAL MORTGAGE LOAN PURCHASE PROGRAM. UNDER THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM, THE CORPORATION MAY PURCHASE FIRST OR SECOND MORTGAGE LOANS, INCLUDING GRADUATED PAYMENT MORTGAGE LOANS, MADE FOR THE PURCHASE, IMPROVEMENT, OR REHABILITATION OF RESIDENCES.

(B) THE CORPORATION SHALL ADOPT REGULATIONS UNDER AS 18.56.088 TO ESTABLISH MINIMUM CONSTRUCTION STANDARDS WHICH A RESIDENCE MUST MEET BEFORE THE CORPORATION MAY PURCHASE A MORTGAGE LOAN ON THE RESIDENCE UNDER (A) OF THIS SECTION. THE MINIMUM CONSTRUCTION STANDARDS SHALL INCLUDE STANDARD DEVIATIONS FROM THE MINIMUM CONSTRUCTION STANDARDS TO ALLOW THE CORPORATION TO PURCHASE LOANS ON RESIDENCES WHICH DO NOT MEET THE MINIMUM CONSTRUCTION STANDARDS BUT WHICH ARE CERTIFIED BY AN ENGINEER TO BE WITHIN THE STANDARD DEVIATIONS. THE STANDARD DEVIATIONS SHALL INCLUDE, BUT ARE NOT LIMITED TO, PROVISIONS RELATING TO WATER HOLDING TANKS, ON-SITE WATER AND SEWER SYSTEMS, AND FOUNDATIONS.

(C) THE CORPORATION MAY PLEDGE MORTGAGE LOANS PURCHASED BY THE CORPORATION UNDER (A) OF THIS SECTION, MORTGAGE LOANS ASSIGNED TO THE CORPORATION FOR THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM, AND MORTGAGE LOANS PURCHASED WITH AMOUNTS APPROPRIATED TO THE CORPORATION FOR THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM TO PAY THE PRINCIPAL, INTEREST, AND REDEMPTION PREMIUM, IF ANY, ON BONDS OR BOND ANTICIPATION NOTES ISSUED BY THE CORPORATION FOR THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM AND MAY EXPEND AMOUNTS APPROPRIATED TO THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM FOR MORTGAGE LOAN SUBSIDIES OR OTHER PURPOSES OF THE PROGRAM AS NECESSARY TO CAUSE THE INTEREST RATE ON MORTGAGE LOANS PURCHASED UNDER THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM AND RETAINED BY THE CORPORATION OR SOLD UNDER AS 18.56.099 TO EQUAL THE RATES SPECIFIED IN THIS SECTION.

(D) REPEALED BY SEC. 51 CH 115 SLA 1981.

(E) THE CORPORATION SHALL ESTABLISH REGULATIONS IN ACCORDANCE WITH AS 18.56.088 TO IMPLEMENT THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM. THE REGULATIONS SHALL INCLUDE PROVISIONS ALLOWING, PROHIBITING, OR RESTRICTING THE RIGHT TO ASSUME OR THE RIGHT TO PROVIDE FOR THE PAYMENT OF MORTGAGE LOANS PURCHASED UNDER (A) OF THIS SECTION BY A PERSON OTHER THAN THE MORTGAGER. A PROVISION IN A MORTGAGE LOAN PURCHASED BY THE CORPORATION AFTER JUNE 30, 1981, THAT PROHIBITS OR RESTRICTS THE RIGHT TO ASSUME OR THE RIGHT TO PROVIDE FOR THE PAYMENT OF MORTGAGE LOANS IS ENFORCEABLE. THE CORPORATION SHALL ENFORCE THE REGULATIONS ADOPTED UNDER THIS SUBSECTION.

(F) IN THIS SECTION AND IN AS 18.56.099,

(1) "GRADUATED PAYMENT MORTGAGE LOAN" MEANS A MORTGAGE LOAN THE TERMS OF WHICH PROVIDE FOR MONTHLY PRINCIPAL AND INTEREST PAYMENTS WHICH

(A) DURING THE FIRST YEAR OF THE MORTGAGE LOAN ARE LOWER THAN THE MONTHLY PRINCIPAL AND INTEREST PAYMENTS THAT WOULD BE REQUIRED UNDER THE TERMS OF A LEVEL PAYMENT MORTGAGE LOAN MADE AT THE SAME INTEREST RATE; AND

(B) DURING SUBSEQUENT YEARS OF THE MORTGAGE LOAN ARE GRADUATED TO PROVIDE FOR THE SAME RETURN OVER THE TERM OF THE LOAN THAT WOULD HAVE BEEN PROVIDED BY A LEVEL PAYMENT MORTGAGE LOAN MADE AT THE SAME INTEREST RATE;

(2) "MORTGAGE LOAN" INCLUDES A BENEFICIAL INTEREST OR PARTICIPATION IN A MORTGAGE LOAN;

(3) REPEALED BY SEC. 51 CH 115 SLA 1981.

(4) "RESIDENCE" MEANS AN OWNER-OCCUPIED, SINGLE-FAMILY RESIDENCE, INCLUDING A MOBILE HOME, OR AN OWNER-OCCUPIED DUPLEX, TRIPLEX OR FOUR-PLEX.

(G) THE CORPORATION SHALL ESTABLISH THE INTEREST RATE ON A FIRST MORTGAGE LOAN PURCHASED UNDER (A) OF THIS SECTION IN ACCORDANCE WITH THE FOLLOWING:

(1) THE INTEREST RATE ON THE FIRST \$90,000 OF A MORTGAGE LOAN PURCHASED WITH THE PROCEEDS OF THE FIRST ISSUE OF TAXABLE BONDS OF THE CORPORATION IS 10 PERCENT OR THE COST OF FUNDS, WHICHEVER IS LESS.

(2) THE INTEREST RATE ON THE FIRST \$90,000 OF A MORTGAGE LOAN PURCHASED WITH THE PROCEEDS OF A SECOND OR SUBSEQUENT ISSUE OF TAXABLE BONDS OF THE CORPORATION SHALL BE DETERMINED AS FOLLOWS:

BONDS IS MORE THAN THE COST OF FUNDS OF THE PRECEDING ISSUE OF TAXABLE BONDS, THE INTEREST RATE SHALL BE INCREASED BY AN AMOUNT EQUAL TO THE DIFFERENCE BETWEEN THE COST OF FUNDS OF THE TWO BOND ISSUES.

(B) EXCEPT AS PROVIDED IN (C) AND (D) OF THIS PARAGRAPH AND (3) OF THIS SUBSECTION, THE INTEREST RATE MAY NOT BE LESS THAN 10 PERCENT AND MAY NOT BE REDUCED.

(C) IF THE DIFFERENCE BETWEEN THE COST OF FUNDS OF AN ISSUE OF TAXABLE BONDS AND THE INTEREST RATE ESTABLISHED FOR A MORTGAGE LOAN PURCHASED WITH THE PROCEEDS OF THE PREVIOUS ISSUE WOULD BE EQUAL TO OR LESS THAN THREE PERCENT, THE INTEREST RATE ON MORTGAGE LOANS PURCHASED WITH THE PROCEEDS OF THAT TAXABLE BOND ISSUE AND SUBSEQUENT TAXABLE BOND ISSUES IS THREE PERCENT LESS THAN THE COST OF FUNDS OF THE TAXABLE BOND ISSUE THAT IS USED TO PURCHASE THE MORTGAGE LOAN.

(D) THE INTEREST RATE ON A MORTGAGE LOAN PURCHASED WITH THE PROCEEDS OF A TAXABLE BOND ISSUE MAY NOT BE LESS THAN 10 PERCENT UNLESS THE COST OF FUNDS OF THE TAXABLE BOND ISSUE IS LESS THAN 10 PERCENT, IN WHICH CASE THE INTEREST ON A MORTGAGE LOAN PURCHASED WITH THE PROCEEDS OF A TAXABLE BOND ISSUE IS EQUAL TO THE COST OF FUNDS.

(E) IF THE PROCEEDS OF A TAXABLE BOND ISSUE ARE TO BE USED ONLY FOR THE PURCHASE OF MORTGAGE LOANS FOR TRIPLEX AND FOUR-PLEX RESIDENCES, THE COST OF FUNDS OF THAT BOND ISSUE IS NOT CONSIDERED IN DETERMINING THE INTEREST RATE ON THE FIRST \$90,000 OF A MORTGAGE LOAN.

THE INTEREST RATE ON THE FIRST \$90,000 OF A MORTGAGE LOAN THAT IS PURCHASED WITH THE PROCEEDS FROM A TAXABLE BOND ISSUE USED SOLELY FOR THE PURCHASE OF MORTGAGE LOANS FOR TRIPLEX AND FOUR-PLEX RESIDENCES IS EQUAL TO THE INTEREST RATE, AS DETERMINED UNDER THIS PARAGRAPH, ON A MORTGAGE LOAN PURCHASED WITH THE PROCEEDS OF THE PRECEDING ISSUE OF TAXABLE BONDS.

(3) AN INTEREST RATE DETERMINED UNDER THIS SUBSECTION ON THE FIRST \$90,000 OF A MORTGAGE LOAN THAT IS NOT PURCHASED FROM THE PROCEEDS OF BONDS THAT ARE QUALIFIED VETERANS' MORTGAGE BONDS UNDER THE MORTGAGE SUBSIDY BOND TAX ACT OF 1980 (26 U.S.C. 103(A)), AS AMENDED, SHALL BE REDUCED BY ONE PERCENTAGE POINT IF THE LOAN IS MADE TO AN ELIGIBLE VETERAN UNDER AS 18.56.101.

(4) THE INTEREST RATE FOR THE AMOUNT OF A MORTGAGE LOAN PURCHASED UNDER (A) OF THIS SECTION THAT EXCEEDS \$90,000 IS EQUAL TO THE COST OF FUNDS TO THE CORPORATION ATTRIBUTABLE TO THAT PART OF THE LOAN.

(5) THE INTEREST RATE ON A MORTGAGE LOAN PURCHASED FROM MONEY APPROPRIATED TO THE CORPORATION IS THE RATE THE CORPORATION DETERMINES IS APPROPRIATE BY APPLICATION OF THE PROVISIONS OF (1) - (4) OF THIS SUBSECTION. THE RATE MAY BE BASED ON AN ESTIMATE OF THE COST OF FUNDS OF A PROPOSED ISSUE OR ISSUES OF BONDS.

(6) THE INTEREST RATE ON THE FIRST \$90,000 OF A MORTGAGE LOAN PURCHASED FROM THE PROCEEDS OF BONDS THAT ARE EXEMPT FROM TAXATION UNDER THE MORTGAGE SUBSIDY BOND TAX ACT OF 1980 (26 U.S.C. 103(A)), AS AMENDED, OTHER THAN BONDS THAT

CONSTITUTE QUALIFIED VETERANS' BONDS UNDER (I) OF THIS SECTION, IS 10 PERCENT OR THE COST OF THE FUNDS, WHICHEVER IS LESS. A HIGHER OR LOWER INTEREST RATE SHALL BE ESTABLISHED ON THE ENTIRE LOAN AMOUNT IF REQUIRED UNDER THE MORTGAGE SUBSIDY BOND TAX ACT.

(7) IN THIS SUBSECTION

(A) "COST OF FUNDS" MEANS THE TRUE INTEREST COST EXPRESSED AS A RATE ON BONDS OF THE CORPORATION PLUS AN ADDITIONAL PERCENTAGE AS DETERMINED BY THE CORPORATION TO REPRESENT THE ALLOCABLE EXPENSES OF OPERATION, COSTS OF ISSUANCE, AND MORTGAGE SERVICING;

(B) "TAXABLE BONDS" MEANS BONDS BEARING INTEREST THAT IS TAXABLE UNDER THE PROVISIONS OF THE MORTGAGE SUBSIDY BOND TAX ACT OF 1980 (26 U.S.C. 103A) ISSUED TO FINANCE THE PURCHASE OF FIRST MORTGAGE LOANS.

(H) THE CORPORATION SHALL ESTABLISH THE INTEREST RATE ON A SECOND MORTGAGE LOAN PURCHASED UNDER (A) OF THIS SECTION IN THE MANNER ESTABLISHED FOR COMPUTING THE INTEREST RATES ON A FIRST MORTGAGE LOAN UNDER (G) OF THIS SECTION EXCEPT THAT, IN THE CASE OF A SECOND MORTGAGE LOAN, IF THE FIRST MORTGAGE LOAN MADE TO THE SAME BORROWER IS HELD BY THE CORPORATION AND WAS PURCHASED UNDER THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM, THE OUTSTANDING PRINCIPAL BALANCE OF THE EXISTING FIRST MORTGAGE LOAN IS SUBTRACTED FROM \$90,000 TO DETERMINE THE AMOUNT OF THE LOAN THAT IS ELIGIBLE FOR AN INTEREST RATE ON A SECOND MORTGAGE LOAN DETERMINED BY REFERENCE TO (G) OF THIS SECTION.

(I) THE INTEREST RATE ON THE FIRST \$90,000 OF A MORTGAGE LOAN PURCHASED FROM THE PROCEEDS OF BONDS THAT CONSTITUTE

QUALIFIED VETERANS' MORTGAGE BONDS UNDER THE MORTGAGE SUBSIDY BOND TAX ACT OF 1980 (26 U.S.C. 103(A)) AS AMENDED, IS THE GREATER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2) THE RATE FOR OTHER LOANS TO VETERANS UNDER AS 18.56.098(G)(3). A HIGHER OR LOWER INTEREST RATE SHALL BE ESTABLISHED ON THE ENTIRE LOAN AMOUNT IF REQUIRED UNDER THE MORTGAGE SUBSIDY BOND TAX ACT OF 1980.

(J) IF THE MONEY USED TO PURCHASE A MORTGAGE LOAN MADE TO A VETERAN UNDER THIS SECTION COMES FROM AN ISSUE OF BONDS OF THE CORPORATION GUARANTEED BY THE STATE, EACH BOND MUST BE ISSUED AS PART OF AN ISSUE SUBSTANTIALLY ALL OF THE PROCEEDS OF WHICH ARE USED TO PROVIDE RESIDENCES FOR QUALIFYING VETERANS. IN THIS SUBSECTION A QUALIFYING VETERAN IS A PERSON WHO IS A "QUALIFIED VETERAN" AS THE TERM IS DEFINED OR MAY SUBSEQUENTLY BE DEFINED UNDER THE MORTGAGE SUBSIDY BOND TAX ACT OF 1980 (26 U.S.C. 103(A)), AS AMENDED.

(K) THE INTEREST RATE LIMITATIONS OF AS 45.45.010 DO NOT APPLY TO LOANS PURCHASED UNDER THIS SECTION OR TO LOANS THAT THE CORPORATION HAS, IN ANY MANNER, COMMITTED ITSELF TO PURCHASE. (SEC. 27 CH 106 SLA 1980; AM SECS. 4 - 7, 51 CH 115 SLA 1981; AM SEC. 1 CH 35 SLA 1982; AM SECS. 19 - 24 CH 113 SLA 1982)

ISTOR:

similar.

Mortgage
Assistance
(congressional
delegation)

SENATE BILL NO. 199, by Senator Kerttula by request. Adds new section to laws governing the Alaska Housing Finance Corporation (AS 18.56) which would allow AHFC to extend the Special Mortgage Loan Purchase Program (AS 18.56.098) to members of the Alaska Congressional delegation in Washington, D.C. Would allow AHFC to purchase a mortgage loan made for the purchase or rehabilitation of a residence located in the District of Columbia or within 50 miles of the District of Columbia. The Senators and Representative must be otherwise qualified to receive assistance under the program. Effective immediately.

Introduced March 23 and referred to Labor & Commerce and Finance.



Official Business

Alaska State Legislature

Senate

Office of the President

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

DATE: April 21, 1983

TO: Senator Dick Eliason
Chairperson, Labor and Commerce Committee

FROM: Senator Jay Kerttula
Senate President

RE: SB 199, Housing assistance for the Alaskan Congressional
Delegation.

The attached material was recently received in my office. I am forwarding it to you for your information and the perusal of your committee.

TED STEVENS
ALASKA



UNITED STATES SENATE
WASHINGTON, D. C. 20510

April 14, 1983

The Honorable Jay Kerttula
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Jay:

Thanks for your letter concerning the extension of Alaska's mortgage assistance program to members of the Alaska Delegation.

Frank told me that this might be possible. Hope it is.

Cordially,


TED STEVENS

send 200x to Cover.

SB0276.A DOCUMENT# 1 OF 1 PAGE = 1 OF 2
BILLS = SB0276
BILL NUMBER
SB0276
SPECIAL INFO

INTRODUCED: 3/12/81
REFERRED: FINANCE
BY KERTULEN AND KELLY

SPONSOR IN THE SENATE
BILL HEADING

SENATE BILL NO. 276
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE - FIRST SESSION
A BILL

RELATING TO

FOR AN ACT ENTITLED: "AN ACT RELATING TO MORTGAGE ASSISTANCE FOR MEMBERS OF THE ALASKA DELEGATION TO THE UNITED STATES CONGRESS; AND PROVIDING FOR AN EFFECTIVE DATE."

TEXT

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

* SECTION 1. AS 10.56 IS AMENDED BY ADDING A NEW SECTION TO READ:

SEC. 10.56.205. RESIDENTIAL MORTGAGE ASSISTANCE FOR MEMBERS OF THE ALASKA DELEGATION TO CONGRESS. THE CORPORATION MAY EXTEND THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM (AS 10.56.093) TO PURCHASE A MORTGAGE LOAN MADE FOR THE PURCHASE OR REHABILITATION OF A RESIDENCE LOCATED IN THE DISTRICT OF COLUMBIA OR WITHIN 50 MILES OF THE DISTRICT OF COLUMBIA TO A MEMBER OF THE UNITED STATES CONGRESS FROM ALASKA IF THE MEMBER IS OTHERWISE QUALIFIED FOR ASSISTANCE UNDER THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM.

SB0276.A DOCUMENT# 1 OF 1 PAGE = 2 OF 2
EFFECTIVE DATE

* SEC. 2. THIS ACT TAKES EFFECT IMMEDIATELY IN ACCORDANCE WITH AS 01.10.070(C).

R0301 * END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND.

similar.

Mortgage
Assistance
(congressional
delegation)

SENATE BILL NO. 199, by Senator Kerttula by request. Adds new section to laws governing the Alaska Housing Finance Corporation (AS 18.56) which would allow AHFC to extend the Special Mortgage Loan Purchase Program (AS 18.6.098) to members of the Alaska Congressional delegation in Washington, D.C. Would allow AHFC to purchase a mortgage loan made for the purchase or rehabilitation of a residence located in the District of Columbia or within 50 miles of the District of Columbia. The Senators and Representative must be otherwise qualified to receive assistance under the program. Effective immediately.

Introduced March 23 and referred to Labor & Commerce and Finance.

Bill Fact Sheet

Date Received 3/23/83

Bill Number SB199 Title Mortgage Assistance - Ak ^{Congressional} _{members}

Fiscal Note - Date Requested 4/6/83 Date Received _____

- Of Whom ~~XXXXXXXXXX~~ Marcie (Dept. of Revenue)

Dept. Position Paper - Date Requested 4/6/83 Date Received _____

- Of Whom Marcie (Dept. of Revenue) left message

Resource People

Initial Hearing - Date 5/5/83

People Contacted
Marcie, Dept of Revenue (2301) will contact AFHC

Follow-up Hearing - Date _____

Final Action passed out Date 5/5/83

S B

214

#1

SRI International



ENVIRONMENTAL REVIEW OF PROPOSED EXPANDED USES OF PLASTIC PLUMBING PIPE

March 1983

Prepared for:

State of California
Department of Housing and Community Development
P.O. Box 1407
Sacramento, CA 95801

Attention:

Michael C. McMillan, Project Coordinator

SRI Project Number HSH-4910
Contract 82-8-013

Submitted by:

Stephen L. Brown, Project Manager
SRI International
333 Ravenswood Avenue
Menlo Park, CA 94025

PREFACE

This document reports an environmental review of a proposed action by the California Department of Housing and Community Development (DHCD) to adopt regulations allowing selected new applications of plastic plumbing pipe. The review was conducted by SRI International of Menlo Park, California.

Although cast in a format similar to that of an Environmental Impact Report (EIR), it is not yet even a draft EIR. This environmental review provides an overview of existing information about the environmental implications of the new applications of plastic pipe, and identifies areas where better information is needed.

The review contains SRI's recommendations for testing that can be completed in reasonable time and that would be useful in making a more confident assessment of the environmental impacts of increased use of plastic plumbing pipe. DHCD, with advice from the Plastic Plumbing Pipe EIR Task Force, will decide which tests to carry out. After test results are available, SRI will update and modify this environmental review; DHCD will then issue a Draft EIR for public review and, after considering the comments received, will issue the final EIR.

Both DHCD and SRI encourage comments on this document and later on the Draft EIR. The purpose of the entire EIR process is to provide information useful for the state's decision on the proposed expanded uses of plastic plumbing pipe, and it is important for the Final EIR to be as accurate and complete as possible.

However, it is also important for readers to recognize two significant aspects of this or any EIR. First, the EIR itself does not make the

ultimate decision on the proposed action. It presents the facts, as far as they are known, about the environmental impacts of the proposed action, but the state will combine that information with other considerations to determine whether to permit additional applications of plastic plumbing pipe and, if so, which ones. Second, an EIR, even in final form, can never be entirely definitive about the impacts of a proposed action. The nature of decisionmaking about such actions requires a balancing of evidence, much of which is uncertain. Nevertheless, the EIR attempts to clarify all uncertainties that are critical to the decision.

Therefore, we have attempted in this document to explain both the nature of the impact issues that have been raised and the meaning of the uncertainties about them. Furthermore, because this proposed action is unusually complicated and controversial, we explore the subtleties of the action more than is usual so that the state can make a better and more defensible decision and the public can make a more informed response.

CONTENTS

PREFACE	iii
LIST OF ILLUSTRATIONS	ix
LIST OF TABLES	xi
SUMMARY	1
I INTRODUCTION	I-1
A. Plastic Pipe in California	I-1
B. The Role of State Government	I-2
C. Project Background	I-7
D. Environmental Review	I-9
II PROJECT DESCRIPTION	II-1
A. Proposed Code Changes	II-1
B. Projected Changes in Pipe Use	II-9
C. Growth of Population Living in Dwellings with Plastic Water Pipe	II-20
D. Other Major Assumptions	II-20
III ENVIRONMENTAL SETTING: PIPE AND PLUMBING	III-1
A. Manufacture of Basic Materials	III-1
B. Manufacture of Pipe, Fittings, and Associated Materials	III-10
C. Installation of Plumbing Systems	III-23
D. Use of Plumbing Systems	III-46
E. Water Distribution and Waste Water Collection	III-50
IV ENVIRONMENTAL IMPACTS AND MITIGATIONS.	IV-1
A. Water Quality	IV.A-1
1. General Overview of Water Quality	IV.A-1
2. Leaching Models	IV.A-8
3. Literature Review	IV.A-16
4. Summary	IV.A-78
B. Impacts on Public Health	IV.B-1
1. Introduction	IV.B-1
2. Approach	IV.B-3
3. Risk Assessment: Health Effects of Leachates	IV.B-9

B.	Impacts on Public Health (Continued)	
	4. Evaluation of Specific Leachates	IV.B-22
	5. Substances Associated with CPVC and PVC Pipes . .	IV.B-23
	6. Substances Associated with Polybutylene Pipe: Irganox	IV.B-56
	7. Substances Associated with Metal Pipe: Lead	IV.B-58
C.	Worker Safety and Health	IV.C-1
	1. Introduction and Scope	IV.C-1
	2. Potential Occupational Health and Safety Impacts of Pipe Materials	IV.C-1
	3. Health and Safety Aspects of the Plumbing Trade--Effects of Pipe Materials	IV.C-2
	4. Function of the Plumber	IV.C-5
	5. Plumbing Materials	IV.C-6
	6. Exposures in Plumbing	IV.C-6
	7. Exposure Potential by Operation	IV.C-11
	8. Occupational Exposures to Chemicals in Plumbing	IV.C-17
	9. Toxicity of Plumbing Materials	IV.C-27
	10. Outcome of Exposures--Reported Health Effects . .	IV.C-37
	11. Potential for Exposure Reduction	IV.C-48
	12. Summary and Conclusions	IV.C-51
D.	Fire Safety	IV.D-1
	1. Introduction	IV.D-1
	2. Fire Spread Hazards	IV.D-7
	3. Conclusions	IV.D-27
	4. Resolving Uncertainties about Fire Spread	IV.D-29
E.	Smoke and Combustion Product Toxicity	IV.E-1
	1. Expected Toxicants	IV.E-2
	2. Toxicant Yields	IV.E-7
	3. Toxicant Concentrations in Fires	IV.E-9
	4. Observed Effects of Smoke Toxicants	IV.E-16
	5. Toxicology of Smoke Toxins	IV.E-17
	6. Risk Assessment	IV.E-26
	7. Countermeasures	IV.E-32
	8. Conclusions	IV.E-33
F.	Fiscal Impacts	IV.F-1
	1. Effects on Cost of Housing	IV.F-1
	2. Effects on the Costs of Public Service Provision .	IV.F-4
	3. Effects on Employment	IV.F-5

G.	Other Impacts	IV.G-1
1.	Energy Consumption	IV.G-1
2.	Use of Nonenergy Resources	IV.G-5
3.	Ecological Effects of the Leaching of Plastic Pipe Materials	IV.G-6
4.	Noise	IV.G-7
5.	Pollution from Production Shifts	IV.G-7
V	CEQA SUMMARY	V-1
A.	Significant Unavoidable Environmental Impacts	V-1
B.	Insignificant Effects	V-6
C.	Effects of Alternative Actions	V-6
D.	Cumulative and Long-Term Implications	V-9
E.	Significant Irreversible Changes	V-12
F.	Growth-Inducing Impacts	V-13
VI	TESTING NEEDS AND OTHER INFORMATION GAPS.	VI-1
A.	Decisionmaking Under Uncertainty	VI-1
B.	Testing Needs	VI-2
C.	Other Information Gaps	VI-7
VII	BIBLIOGRAPHY	VII-1
VIII	REFERENCES ADDED IN PROOF	VIII-1
APPENDICES		
A.	AUTHORS	A-1
B.	ORGANIZATIONS AND PERSONS CONSULTED	B-1
C.	GLOSSARY OF TERMS AND ABBREVIATIONS	C-1
D.	DETAILED TOXICOLOGY OF SUBSTANCES ASSOCIATED WITH PLASTIC AND METAL PIPES	D-1
E.	DETAILS OF WORKER SAFETY AND HEALTH	E-1
F.	SMOKE TOXICITY DETAILS	F-1

ILLUSTRATIONS

I-1	Administrative Actions Required for Plumbing Code Changes	I-4
II-1	Decisions Leading to Expanded Use of Plastic Plumbing Pipe	II-8
III-1	Structure of Analysis and Major Issues	III-2
III-2	Pipe Die for Single-Screw Extruder	III-14
III-3	Component Parts of a Typical Mold	III-14
III-4	Typical Identification Symbols on Plastic Pipe	III-14
III-5	Examples of Threaded Pipe Fittings for Ferrous or Brass Pipe	III-30
III-6	Methods of Connecting Pipes and Fittings, and Tubes and Fittings	III-30
III-7	Cast-Iron Fittings--Principal Types and Method of Flashing at Roofs	III-34
III-8	The Various Joints Presently Being Used to Connect Cast-Iron Soil Pipe and Fittings	III-34
III-9	Details in the Use of Plastic Pipe	III-38
III-10	Two Typical Piping Arrangements for Water Closet, Lavatory, and Tub	III-40
III-11	An Example of Plumbing Roughing for Two Lavatory Rooms in a Fireproof Office Building	III-41
III-12	Plastics Lend Themselves to Preassembly of Sections of DWV Piping	III-45
III-13	Preassembly--A Copper Plumbing Tree	III-45
III-14	Water Delivery and Wastewater Disposal System	III-51
III-15	Details of Water Delivery and Wastewater Disposal System	III-58
III-16	Connection of Residential Plumbing to External Systems	III-59

IV-1	Long-Term Pattern of Decline in Concentration	IV.A-5
IV-2	Short-Term Variations in Concentration	IV.A-5
IV-3	Different Behaviors of Leaching During Dwell Periods . . .	IV.A-7
IV-4	Concentration Versus Time Profile of Leachate in Water According to Equation (4-16)	IV.A-13
IV-5	Concentration of Leachate in Water According to Equation (4-8)	IV.A-17
IV-6	Simplified Scheme of Distribution of Metal Pipe--Opportunities for Occupational Exposures	IV.C-3
IV-7	Simplified Scheme of Distribution of Plastic Pipe--Opportunities for Occupational Exposures	IV.C-4
IV-8	Tubing Cutter	IV.C-7
IV-9	Joining Copper Pipe in a Solvent System	IV.C-12
IV-10	Comparison of Disabling Injuries Due to Contusions and Crushing Injuries and Those Due to Occupational Diseases Among California Plumbing, Heating and Air Conditioning Contractors and Plumbers and Pipefitters, 1960-1991	IV.C-47
F-1	Concentration-Response Curves Obtained with Mice for Lethality During 30 Minutes of Exposure and 10 Minutes of Recovery	F-8

TABLES

I-1	Interested Agencies	I-5
I-2	Plastic Plumbing Pipe EIR Task Force Members.	I-6
II-1	Plastic Pipe Use Matrix	II-4
II-2	DWV System: Current Code	II-15
II-3	Water Supply System: Current Code.	II-16
II-4	Typical Weights of Pipe and Fittings for a Moderately Large House	II-17
III-1	Matrix of Pipe Systems	III-3
III-2	Components and Materials of Major Systems	III-4
III-3	Components of Plastic Pipe Systems	III-11
III-4	Pipe and Fitting Manufacturing Processes	III-12
III-5	Selected Companies Making Plastic Pipe and Fittings in California	III-17
III-6	Summary of Testing Results for Plastic Pipe and Fittings, January-September 1982	III-21
III-7	Summary of Inspection Results for Plastic Pipe and Associated Materials	III-22
III-8	Quantity of Plastic Pipe Produced	III-23
III-9	Characteristics of Pipe and Fitting for Water Services	III-26
III-10	Suitable Choices of Material for Plastic Piping in Water Services	III-27
III-11	Suitable Choices of Material for Plastic Piping in DWV (Drainage, Waste, and Vent) and Sewer Systems	III-27
III-12	Representative Pipe Joint Compounds	III-29

III-13	Composition of a Non-Acid Soldering Flux Approved By IAPMO [LA-CO Regular Soldering Flux] for Copper Water Pipe	III-32
III-14	Solders in Modern Use for Copper Alloy Soldering.	III-32
III-15	Most Commonly Used Solvents in Plastic Pipe Cements and Properties of Solvents Used in Solvent Cements for Plastic Pipes	III-35
III-16	ABS Plastic Pipe Cementing Chemicals at Job Sites	III-36
III-17	PVC Plastic Pipe Cementing Chemicals at Job Sites	III-37
III-18	Minimum Slopes for Horizontal Drainage Pipes.	III-43
III-19	Water Consumption in Various Major Uses	III-47
III-20	Distribution of Domestic Water Consumption.	III-49
III-21	Materials of Construction: Water Delivery System	III-54
III-22	Materials of Construction: Wastewater Disposal Systems	III-56
III-23	Plumbing Costs as a Percent of Construction Costs	III-60
III-24	Fixture Unit Values for Combined Hot and Cold Water Demands	III-62
III-25	Installation Times for Water Supply Pipe.	III-63
III-26	Fixture Unit Values for Drain and Waste Lines	III-64
III-27	Installation Time for Inside Drainage and Vent Pipe	III-65
III-28	Ease of Installation for Water and Waste Pipe	III-66
IV-1	Diffusion Coefficients of Organics in PVC Pipes and Water at 25°C	IV.A-15
IV-2	Criteria for Evaluating Data	IV.A-19
IV-3	Physical Parameters of Potable-Water Plumbing System for a Typical House	IV.A-21
IV-4	Detection Limits of Volatile Organic Compounds	IV.A-23
IV-5	Minimum Detection Limits of Extractable Compounds	IV.A-24
IV-6	Leaching Data for CPVC (Indoor) Test for 2-Week Initial Dwell	IV.A-25

IV-7	CPVC (Indoor) Data for 1-Day Dwell Static Tests--Bad Joints/Cold Water	IV.A-28
IV-8	CPVC (Indoor) Data: Chemicals with Significant Concentrations in 1-Day Static Leaching	IV.A-29
IV-9	Concentrations of Cement Solvents in Weld-On P70 Primer and P711 Cement as a Function of Dwell Time . . .	IV.A-31
IV-10	Concentrations of Non-Cement Solvent Organics in Weld-On Kinetic Cells	IV.A-32
IV-11	Summary of Simulation Study 12-Hour Dwell Results	IV.A-34
IV-12	Two-Week Static Dwell Results	IV.A-38
IV-13	One-Week Static Dwell Results	IV.A-39
IV-14	Two-Week Dwell Data for BFG No. 1 Samples	IV.A-40
IV-15	Organotin Concentrations in Leachates of CPVC Pipe . . .	IV.A-43
IV-16	CAL Field Study Data on CPVC Pipe (1980)	IV.A-47
IV-17	Impurities Detected in PB Pipe Sample Extractions	IV.A-51
IV-18	(Not Assigned)	
IV-19	Concentrations (PPB) of Metals in Standing and Running Water (CaCO ₃ Hardness: 190 PPM in an 8-Year-Old System).	IV.A-57
IV-20	First Day and Twenty-First Day Concentrations (PPB) of 1-Day Static Dwell Tests with Moderately Hard Water	IV.A-58
IV-21	Laboratory Studies of Metal Pipe Leachability Using Corrosive Surface Water	IV.A-59
IV-22	Lead Concentrations in Hard Drawn Copper Tubing with Poor Solder Joints	IV.A-62
IV-23	Concentration Ranges of Metal Leachates in Ann Arbor Tap Water	IV.A-64
IV-24	Median Standing Metal Leachate Concentrations in Plumbing Systems as a Function of Age	IV.A-66
IV-25	Middle (50 Percent) Concentration Ranges of Field Study Samples	IV.A-67

IV-26	Concentration Ranges of Metal Leachates Using the British Protocol	IV.A-69
IV-27	Concentration of Metals in Potable Water of Various Buildings with 95/5 Tin/Antimony Solder	IV.A-72
IV-28	Leachate Concentrations in Initial Effluent of Copper Plumbing System	IV.A-72
IV-29	Lead Concentration in Simulated Copper Pipe Systems . . .	IV.A-73
IV-30	Permeant Concentration After 1-Week Dwell in Saturated Sands	IV.A-76
IV-30A	Chemicals of Interest for Public Health Analysis	IV.B-5
IV-30B	Potential Chemical Effects on Reproduction and Perinatal Development	IV.B-20
IV-31	Exposure Data on VCM, AN, and ABS Dust	IV.C-8
IV-32	Potential for Substantial Exposure in Plumbing	IV.C-13
IV-33	Approximate Distribution of Job Assignments for Plumbers in Local 467	IV.C-16
IV-34	ABS Plastic Pipe Solvent Exposure Measurements	IV.C-19
IV-35	PVC--Plastic Pipe	IV.C-20
IV-36	Short-Term Levels Found, All Samples (PVC Pipe Installation)	IV.C-21
IV-37	Maximum Exposures Found (PVC Pipe Installations)	IV.C-22
IV-38	ABS Plastic Pipe Solvent Exposure Measurements	IV.C-25
IV-39	Exposure Limits and Concentrations Found in Plumbing Surveys	IV.C-29
IV-40	Observed (O) and Expected (E) Incidence and SIR for Selected Primary Sites, 1972 through 1977	IV.C-43
IV-41	Contusions and Crushing Injuries as Fractions of All Disabling Work Injuries and Illnesses in California--1960 to 1981	IV.C-45
IV-42	Occupational Diseases as Fractions of All Disabling Work Injuries and Illnesses in California--1960 to 1981	IV.C-46

IV-43	Extent of Solvent Penetration through Glove Materials After 0.5 Hours	IV.C-50
IV-44	Effects of Oxygen Supply, Temperature, and Heating Rate on Varying Combustion Products of PVC	IV.E-4
IV-45	Carbon Monoxide Toxicity	IV.E-21
IV-46	Effects of Various Concentrations of HCN in the Atmosphere	IV.E-22
IV-47	Short-Term Exposure Limits Compared with Time-Weighted Averages	IV.E-25
IV-48	Energy Consumption for Producing Pipe	IV.G-2
IV-49	Energy Consumption for Piping Systems for a Moderately Large House	IV.G-4
V-1	Relative Degree of Concern Regarding Potential Environmental Impacts	V-5
F-1	Sources and Physiologic Effects of Selected Thermodecomposition Gases Other Than CO and CO ₂	F-2
F-2	Toxicity of the Pyrolysis Products of Thermoplastic Materials on Rats	F-12
F-3	Test Results with the NBS Method.	F-14
F-4	Tentative Critical Values for Human Escape From Fires and Short-Term Exposure Limit	F-17
F-5	Summary of Reported Physiological Effects of Inhalation of Small Amounts (0-100 PPM) of HCl by Humans	F-18
F-6	Summary of Reported Physiological Effects of Inhalation of HCl by Animals	F-19

SUMMARY

The California Department of Housing and Community Development (DHCD) is proposing to allow certain expanded uses of plastic plumbing pipe in residential construction. The principal changes are to allow polybutylene (PB) and chlorinated polyvinyl chloride (CPVC) pipe in hot and cold potable water supply systems inside dwellings and to allow acrylonitrile-butadiene-styrene (ABS), polyvinyl chloride (PVC), and CPVC pipe in drain, waste, and vent (DWV) applications in fire-rated construction. Currently, only PVC and polyethylene (PE) are allowed for water supply, and only outside of residences; ABS and PVC are allowed for DWV, but only in non-fire-rated structures.

If adopted, this state-level action would stimulate similar changes in the plumbing codes of most local jurisdictions in California, and substantial use of the newly approved materials, especially PB for potable water and ABS for DWV in fire-rated buildings, would be expected. These materials would replace copper potable water pipe, cast iron DWV pipe, smaller quantities of galvanized steel water and vent pipe, and/or copper drain pipe, and minor quantities of the plastics currently allowed.

DHCD is currently assessing the environmental impacts that might stem from the proposed expanded uses for plastic pipe, and will be preparing an Environmental Impact Report to document the impacts of the proposed actions. This environmental review is a summary and evaluation of current knowledge about those impacts. The principal areas of concern about plastic and metal piping systems are:

- Possible impacts on public health of chemicals entering drinking water from pipe, pipe-joining materials, or surrounding contaminated soils.

- . Possible illness or injuries in plumbers as a result of installing pipe.
- . Extent of danger from fires, as a result of either fire spread or smoke toxicity.
- . Possible fiscal impacts on the price of housing and the employment of plumbers and pipe manufacturers.
- . Other impacts such as energy consumption in pipe manufacture and use, or noise in plastic drain pipe.

Preliminary analysis indicates that, although there is little evidence to suggest clearly unacceptable environmental effects from adopting the proposed new code, neither is there a sufficient body of laboratory and field investigations to alleviate all concern. Important gaps in knowledge--not unusual in the EIR process--will have to be considered in making the final decision, even after the results of proposed testing are available. Our tentative conclusions and recommendations are summarized below.

Scores of chemicals have been reported as leaching from plastic pipe and solvent cements into drinking water, but substantial disagreement exists about both the validity of the findings and the interpretation of the concentrations found. Existing data are adequate to establish substantial leaching for only a few chemicals. Of these, carbon tetrachloride, perchloroethylene, and trichloroethylene appear to have sufficient toxicity to be of possible cumulative concern at the levels suspected. However, we recommend additional water quality testing to clarify both the levels of those substances and those of other suspected and as yet unknown ones. For metal pipe, lead from solder joints in copper piping is a leachate of potentially serious concern, but its significance cannot be fully assessed without better data on leaching from new copper water piping. We are somewhat more concerned about the chlorinated leachates from CPVC than about any leachates from PB, but at this point we cannot predict whether either will cause significant public health impacts. Our information on permeation of water pipe by soil contaminants is too sparse to draw any conclusions

except that impacts from the expanded uses must be considered in the context of any impacts already incurred from existing plastic distribution and external water supply lines.

The effects of plastic versus metal pipe on worker safety and health are also in substantial doubt, principally because of an almost complete lack of information about worker exposures, and we are recommending testing to determine those exposures more accurately. Current evidence makes it relatively clear that plastic pipe is preferable to metal pipe in terms of worker safety because strains and contusions from heavy metal pipe, as well as burns from soldering copper pipe, would be more frequent than injuries from working with plastic. Health implications are much less certain: both respiratory and skin exposures to solvent cements and respiratory exposures to soldering fumes could be, but have not been proved to be, unhealthful. Here the only clear findings are, first, that PB is preferable because it is mechanically, not adhesively joined, and, second, that cast iron would cause very little health impact unless the antiquated bell-and-spigot/lead-packing technique is used.

Plastic pipe is more susceptible to fire damage than is metal pipe, although cast iron drain pipe is often joined by a "no-hub" gasket connection that can fail in fires. If installed as a direct substitute for metal DWV pipe, plastic will allow faster fire spread by burning or slumping at wall penetrations. On the other hand, the proposed code calls for fire rating to be preserved in so-called "fire-resistive construction"; if techniques for preserving the rating are implemented--such as the use of metal sleeves or fire closures at wall penetrations--then the plastic will by definition be acceptable in this regard. We recommend that manufacturers and distributors of plastic pipe demonstrate specific systems for preserving fire integrity and that these systems be the basis for passing fire safety inspections. We believe that water supply pipe represents such small quantities of plastic in a system and is so naturally cooled by the water

inside that it is not a significant part of the fire spread problem. Furthermore, on the DWV side, PVC and CPVC are likely to be slightly more fire-resistant than ABS.

With respect to smoke toxicity, the situation reverses. The combustion products from ABS, although containing cyanide and some other hazardous materials, are much less toxic than the hydrogen chloride gas from decomposing PVC and CPVC. Although there would be some toxic smoke from pipe-joining compounds in metal systems, it would be an insignificant amount. We currently believe that the extra smoke from plastic pipe in multistory fire-rated construction would be unlikely to lead to a significant increase in fatalities or long-term incapacitation, either to occupants or fire fighters, when their ability to escape other fire hazards is considered. However, the hydrogen chloride hazard will not be well understood until more agreement on an acceptable test for smoke toxicity is reached, and we recommend that any decision be reconsidered when results from generally accepted tests on plastic pipe are reported. Meanwhile, fire fighters--who may be chronically exposed to smoke toxicants and be more subject to long-term illness--should be encouraged to use the breathing equipment provided them.

Although the life cycle cost of plastic pipe appears to be marginally less than that of metal pipe in typical residences, the difference is not sufficient to generate any increase in residential construction or to induce significant growth in California's population through lowered housing cost. Small shifts will occur from employment in metal pipe industries to that in plastic pipe industries, and a small decrease in the work available to plumbers will occur, principally because it is easy for do-it-yourselfers to install, replace, and repair plastic plumbing. None of these impacts appears to be significant as a state issue.

Among the miscellaneous other impacts, there will be a small decrease in total energy use and a small increase in petroleum use if plastic becomes more common. Plastic DWV appears to be noticeably noisier than cast iron in otherwise identical installations, and may be annoying in the multifamily

residences most likely to be fire-rated and affected by the code changes. Neither these nor other potential impacts are considered significant, however.

In summary, no clear environmental preference between plastic and metal pipes has emerged from our investigations, but some concerns about both types remain from lack of information. Even after the recommended testing, residual uncertainties will exist, and DHCD will need to balance the possible residual risks against the benefits of allowing more flexibility in the choice of plumbing materials.

I INTRODUCTION

A. Plastic Pipe in California

Plastic pipe is widely used for plumbing systems in California. In some communities, it is allowed for virtually every application for which it is technically feasible. In other communities, almost no plastic piping is allowed, at least in residential uses. The official state position for residential applications is that certain types of plastic may be used in drain, waste, and vent applications inside dwellings that are not rated with respect to their fire safety and that other types may be used outside buildings for cold water supply to the dwelling or for irrigation. Thus, a homeowner can easily purchase ABS* drain pipe or PVC water pipe at a building supply store, and contractors use large amounts of such pipe and fittings. In fact, it is very rare to find conventional pipe (cast iron drain pipe, galvanized water pipe, and so on) in drain, waste, and vent or external water supply applications any longer.

On the other hand, the state does not allow plastic pipe for hot and cold water supply inside buildings, nor does it allow plastic pipe of any sort in residences that are fire-rated (generally, any residential building of three stories or more). Even though local jurisdictions are allowed under certain circumstances to permit uses that the state does not, the uses not approved by the state are not widespread in California. In this respect, California is somewhat unusual, in that many states allow plastic water pipe inside buildings. In California, copper and galvanized pipe are

* Both the types of pipe involved and their applications, as well as the approval authorities, will be described more precisely and in greater detail in later sections.

still common for water supply, and metal pipes will also be found for drains in fire-rated buildings.

The state is currently considering allowing additional uses of plastic pipe, but it is concerned that unacceptable environmental impacts could occur as a result of this proposed action. Therefore, the state has commissioned this environmental review before preparing an Environmental Impact Report (EIR) for the action.

B. The Role of State Government*

In California, the state government has the authority to preempt local government on matters of building codes and standards but ordinarily allows local jurisdictions wide latitude within broad guidance, unless issues of public safety are involved. The state's authority in the arena of building codes and standards is given by the State Health and Safety Code, which authorizes the State Housing Law. The State Housing Law in turn grants the authority to the Department of Housing and Community Development, which issues regular guidance to local jurisdictions in the form of various codes:

- . Housing Code
- . Mechanical Code
- . Plumbing Code
- . Building Code
- . Electrical Code.

*The first two paragraphs in this subsection are based heavily on conversations with M. E. King (1983) of DHCD; any errors in interpretation, however, are the authors'. (Full references for cited sources can be found in the Bibliography, Section VII.)

A National Fire Code also affects building in California, but the state has no formal fire code.

The Department of Housing and Community Development (DHCD) has the lead responsibility for control of plumbing standards in California. Under the authority of the State Housing Law, DHCD reviews and adopts, with suitable amendments, proposed model codes such as the Uniform Plumbing Code (UPC) issued every 3 years by the International Association of Plumbing and Mechanical Officials (IAPMO). After concurrence by the California Building Standards Commission, local jurisdictions have a year to adopt the state code or amend it on a finding of compelling local need, such as unusual water quality. At present, DHCD has no authority to dispute such amendments. Moreover, DHCD's influence extends technically only to residential building codes, including hotels and motels; it affects standards for commercial and other construction only indirectly through association (the UPC, for example, is intended to apply to commercial as well as residential construction).

In order for the state to modify the Plumbing Code and have it take effect at the local level, a complex series of interactions must take place. The principal steps are outlined in Figure I-1, which shows the organizations and authorities involved.

In addition to following the formal process, DHCD seeks the advice of various other state agencies with interests in the use of plumbing materials in California. Federal agencies with responsibilities in California are also interested. Interested agencies and their areas of interest are listed in Table I-1. Certain of these agencies are formally represented on the Plastic Plumbing Pipe EIR Task Force, which also includes representatives of various interested nongovernment parties. The membership of the Task Force, which advises DHCD during the development of the EIR, is shown in Table I-2.

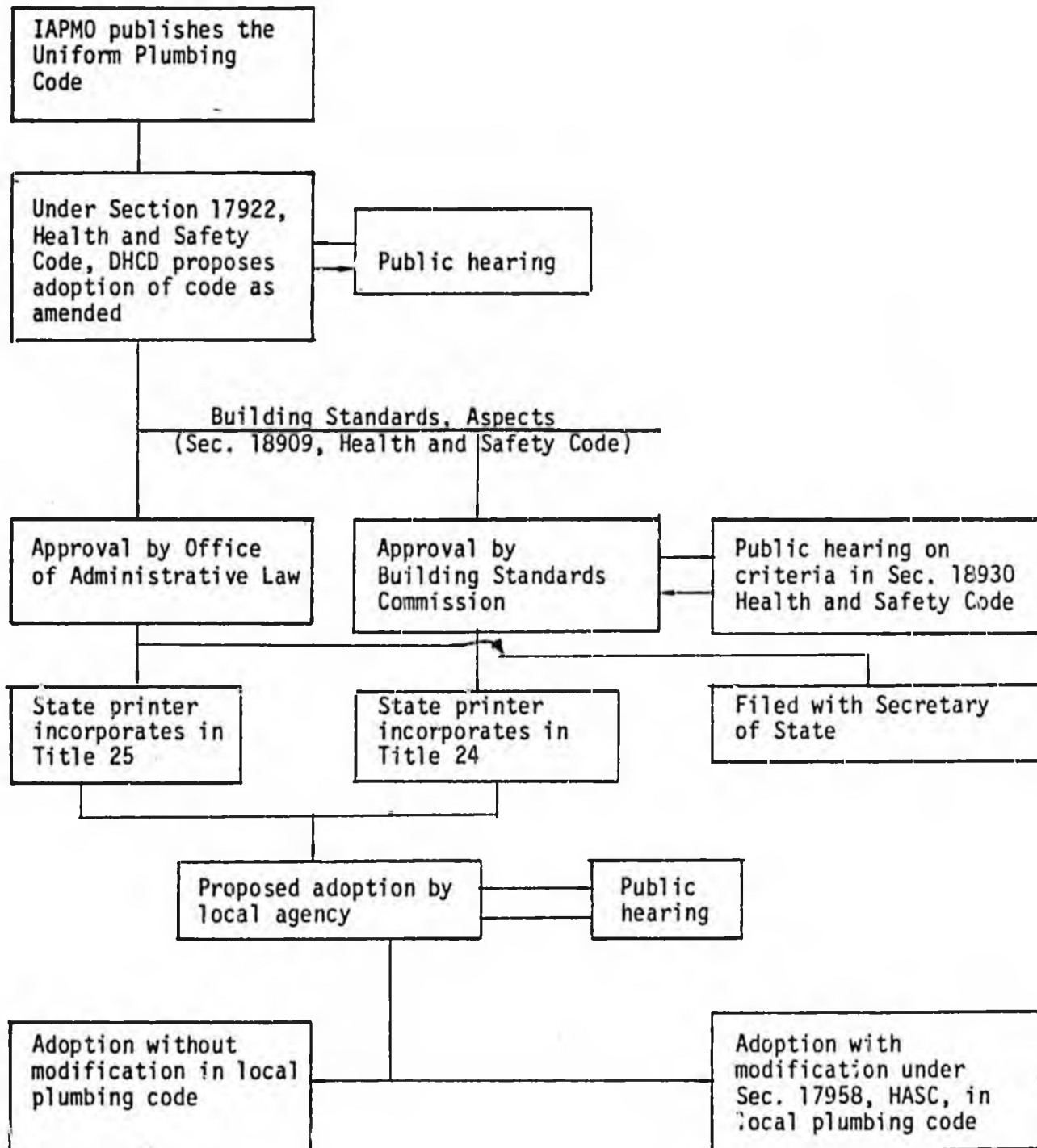


FIGURE I-1 ADMINISTRATIVE ACTIONS REQUIRED FOR PLUMBING CODE CHANGES

Table I-1
 INTERESTED AGENCIES

<u>State of California</u>	<u>Area of Interest</u>
Air Resources Board Building Standards Commission California Energy Commission Department of Conservation Department of Consumer Affairs Department of Fish and Game Department of Health Services Department of Industrial Relations Office of Planning and Research Office of Statewide Health Planning Office of the State Architect Solid Waste Management Board State Fire Marshal State Water Resources Control Board	Air quality Impact on standards Relative energy consumption Ecological impacts Public health and safety Water quality Public health Worker health and safety General interest Public health Building standards Hazardous wastes Fire spread and smoke toxicity Water quality
<u>U.S. Government</u>	
Environmental Protection Agency	Public health and environmental quality

Table I-2

PLASTIC PLUMBING PIPE EIR TASK FORCE MEMBERS

Myron Moskowitz
Hearing Officer and Task Force Chairman
Department of Housing and Community Development

Thomas R. Adams
Adams, Broadwell & Russell
Representing Local 467, Plumbers and Steamfitters Union

Paula C. Dunnigan
The B. F. Goodrich Company
Representing the Society of the Plastics Industry

William J. Hayes
Acting Director
Department of Consumer Affairs

William G. Holliman, Jr.
McDonough, Holland & Allen
Representing Shell Oil Company

Raymond J. Leonardini
Leonardini & Fathy
Representing the California Pipe Trades Council

J. David Quinton
Department of Health Services--OLEHP

David Spath
Department of Health Services--Sanitary Engineering

William Staffan
Division of Occupational Safety and Health

John B. Stohlton
Hoge, Fenton, Jones, & Appel
Representing Monsanto, Dow Chemical,
Borg-Warner Chemicals, and U.S.S. Chemicals

Edna Walz
State Attorney General's Office

C. Project Background

The following history is excerpted from the Request for Proposals issued by DHCD to procure the services of a contractor to develop the basis for an EIR for expanded uses of plastic plumbing pipe in California.

Applications of plastic pipe for water supply can be grouped into three major categories: public utilities, mobilehomes and recreational vehicles, and dwellings and structures. In the 1960's, the State Public Utility Commission approved the use of selected plastic pipes by public utilities for water distribution systems. During the same period, the Department of Housing and Community Development approved the limited use of plastic pipe in mobilehomes and in recreational vehicles. The Department is now considering whether to allow the expanded use of plastic pipe in dwellings and structures, expanded beyond the limited applications provided in the 1979 Uniform Plumbing Code (and adopted into State Housing Law) to those proposed in the 1982 Uniform Plumbing Code.

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The Commission of Housing and Community Development was established in 1971 to assist the legislature and provide a public forum to find solutions to critical housing issues. Composed of nine governor-appointed individuals, the Commission met at monthly public meetings to adopt changes in the rules and regulations of the State Housing Law and other housing-related laws under their jurisdiction.

Since 1977, the Commission has held hearings and taken evidence, both oral and written, on whether to approve the expanded use of plastic pipe for drinking water intake pipe, and drain, waste, and vent pipe. In 1978, the Commission filed a Negative Declaration[*] on the use of plastic pipe. However, further questions were raised about the safety of such use, and in October, 1980, a draft report of tests performed by the James M. Montgomery Laboratory for the California Department of Health Services was presented to the Commission. These tests disclosed new information about the leaching of toxic materials from plastic pipe into drinking water.

Based on the Montgomery report and other evidence received, on November 24, 1980, the Commission determined that new information to the project contained substantial evidence upon which it

* An administrative action stating that no significant adverse environmental impacts are expected and no EIR need be prepared.

could be fairly argued that the project may have a significant effect on the environment. Accordingly, the Commission determined to require an EIR prior to the approval of the use of PVC, CPVC, and ABS for drinking water and/or drain, waste, and vent pipe. On April 20, 1981, the Commission voted to also require the preparation of an EIR for PB pipe. The kinds of plastic now under consideration are polyvinyl chloride (PVC), acrylonitrile-butadiene-styrene (ABS), chlorinated polyvinyl chloride (CPVC), polyethylene (PE), and polybutylene (PB).

During 1981, however, the State Legislature removed funding for the Commission. The Department of Housing and Community Development, as the logical successor agency to the Commission, has given assurances that it would continue work upon the plastic pipe EIR without interruption and would follow that process through to completion. Myron Moskovitz, former chairman of the Commission, has been appointed State Hearing Officer on the plastic pipe issue as well as chairman of the plastic pipe EIR task force.

.

A brief review of the more significant evidence that was presented to the Commission concerning the need for an EIR will give a clearer understanding of the likely scope of the EIR. Allegations were made that the solvent used to glue plastic pipe as well as the different types of pipes themselves leached hazardous chemicals into the water supply. The James M. Montgomery report was a study of what actually leached from PVC and CPVC plastic pipes and the solvents used to join them. The following solvents used to join plastic pipe were detected by Montgomery in water stored in this pipe: methyl ethyl ketone (MEK), tetrahydrofuran (THF), dimethyl-formamide (DMF) and cyclohexanone. In addition, other chemicals of concern were detected such as chloroform, carbon tetrachloride, tetrachloroethene, and trichloroethene. . . . Evidence was also submitted indicating that DEHP [diethylhexyl phthalate] is found in PB pipe. Finally, there was evidence which suggested that acrylonitrile could leach from ABS pipe. The potential hazards associated with the use of ABS and PB pipes is not as well known since they were not part of the Montgomery study.

The California Department of Health Services prepared a report for the Commission based on the results of the Montgomery study. The report discussed the potential dangers to the public and to workers installing plastic pipe. The Health Services report concluded that if adequate flushing of the piping system is performed prior to occupancy of a dwelling, substantial reaccumulation of solvent concentrations to potentially toxic levels is unlikely and normal water usage is likely to further prevent the buildup of toxic levels of any of the major solvents.

Based upon field studies by the State Division of Occupational Safety and Health Administration, the Department of Health Services concluded that adverse worker health effects from inhalation of the major solvents is unlikely based on their relatively low toxicity and field measurement of worker exposure. The Department noted that further study was necessary to draw conclusions about suggestions made that there is a higher incidence of cancer among workers exposed to the solvents. Finally, the report also noted that some workers may not wear adequate protective gear such as rubber gloves when working with the solvents, raising the possibility of dermal exposures that were not part of the field study.

Another major issue of concern regarding the approval of the expanded use of plastic plumbing pipe is fire safety. In May 1980, the State Fire Marshal prepared a report on the fire hazards of plastic pipe. The report concluded that the use of plastic pipe in non-fire-rated construction, whether in residential, commercial, or industrial occupancies, did not present an unusual fire risk. The State Fire Marshal, however, concluded more fire testing was needed on the fire safety of plastic pipe in three or more story fire-rated construction. More testing was needed to ensure that plastic pipe will not contribute to unusual fire spread and that the toxicity generated by the combustion of plastic pipe will not extend beyond the area of initial exposure in quantities sufficient to prove hazardous.

D. Environmental Review

Prior to preparation of a formal EIR for the proposed action to allow expanded uses for plastic plumbing pipe, SRI International of Menlo Park, California, has prepared this environmental review of the proposed action. It attempts to review and interpret available information about the likely environmental consequences of shifting toward increased use of plastic pipe and decreased use of conventional metal pipe in those applications that would be newly allowed by the state's action. SRI also attempts to identify the major uncertainties regarding those environmental consequences and to assess what tests could yield significant information for the EIR within a reasonable time.

Section II of this document discusses the proposed code changes and their likely consequences, both in administrative terms and in terms of the actual installation and use of the newly approved materials. Section III

sets the environment in which the proposed changes could exert their effects by characterizing the manufacture, installation, and use of conventional and plastic pipe systems. Section IV discusses in detail the possible areas of environmental impact, focusing most strongly on the issues agreed by SRI and DHCD to be of prime concern: water quality and public health, worker safety and health, fire safety (including smoke toxicity), and fiscal impacts. The section also describes possible mitigation measures for potentially significant effects. Section V presents the conclusions of the study, as prescribed by the California Environmental Quality Act (CEQA); at this stage, these must be considered preliminary and subject to change in the draft and final versions of the EIR. Testing needs, as well as other information gaps that must be considered in the final decision, are discussed in Section VI. Section VII is the Bibliography, and other useful information is presented in the Appendices.

II PROJECT DESCRIPTION

This section explains the administrative action being proposed that would allow greater use of plastic pipe in California. Although the action in itself is not a "project" with direct environmental consequences, it provides the impetus for a series of actions that could eventually result in changes of plumbing materials, which in turn have the potential for causing environmental effects. The first subsection describes the proposed code changes and other administrative actions that may result from them; the second provides estimates of the shifts in use of plumbing materials that could occur as a consequence. The growth of population in communities allowing plastic pipe is projected in the third subsection, and additional assumptions are presented in the fourth.

A. Proposed Code Changes

In the simplest terms, the subject of this environmental review is a change in the 1982 Uniform Plumbing Code (UPC) that, if adopted by the California Department of Housing and Community Development (DHCD), would permit certain new uses of plastic plumbing pipe in dwellings in California. The principal issue, therefore, is the extent to which adopting the proposed changes would affect the quality of the natural and human environment, through increased use of plastic pipe and corresponding decreased use of pipes made of metal or other materials. (No restrictions on the use of piping materials currently allowed are proposed.) To provide a factual basis for deciding whether to approve the proposed new applications of plastic pipe, DHCD has commissioned studies both of the primary impacts of making, installing, and using the pipe and of such secondary impacts as effects related to manufacture of pipe system constituents or changes in demand for housing stimulated by lower pipe