

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672

2643 SLC SB 251 - SB 262

2643

and all individuals is needed to maximize existing shelter possibilities for the homeless. More private sector contributions to this effort will be needed as State revenues decline.

- (10) Demand will rise to meet all available State revenues for multiple housing development as soon as funds for such development become available. Action in support of such development on the State level should be swift and consider all existing and new proposals that could and would be submitted for State funds prior to December 1983. Awards should be made shortly thereafter and construction should begin as soon as the 1984 season will allow.

A new level of housing service delivery is now needed for low-to-moderate income Alaskans. Every effort should be made to learn from past examples of projects attempting to meet such need, and to create future projects full of fresh perspectives and workable alternatives for this growing population of Alaskan citizens. Further investigations of rental housing unit delivery should be undertaken by the State as soon as possible, with the ultimate goal of constructing a viable prototype project during the 1984 construction season.

PART II

SAMPLE PROGRAM

A. Purpose

Multiple Unit low rent housing can be made available through State of Alaska construction grants, similar to Senior Citizen Housing Development now offered. Grants could be used to cover all phases of the development, including, but not limited to:

- Building site purchase
- Site preparation
- Plans and specification preparation
- Purchasing materials
- Financing construction

Grants could also be used to finance planning, rehabilitation or renovation projects to modernize, repair or alter existing low rent units.

Finally, grants could be used to leverage federal, local or private funds available to any project.

B. Projects-in-Partnership

It is the experience of the Senior Citizen Housing Development Program that local housing problems are best solved at the local level. An emphasis should be placed on the local commitment and support of any State funded public housing construction project. It is recommended that a steering committee of seven to fifteen individuals be formed for each project. This committee should be authorized to receive and expend project funds on behalf of any organized local government operating at the project location. In the absence of an organized local government, this committee should establish itself as a legal non-profit entity to sponsor and manage the project from planning through construction and on into ownership and operation. Issues such as site selection, design criteria, and so on are all established and handled by this sponsorship group regardless of local government organization or lack thereof.

C. Grant Specifications

Grant applications for either a planning grant or a construction grant could be accepted and reviewed by the State. Planning grants would be awarded on a per unit basis for a minimum of 1% of total project cost up to a specified maximum amount and could be used for various planning categories, such as:

- determining the project feasibility
- developing a management plan
- site acquisition, including land purchases, options, long term leases, purchase agreements, condemnations, donations or pledges to donate

- project design specialists for soils analysis, building design, construction management and general project management

Planning grant award is not considered a commitment to fund a construction grant.

Construction grant awards can be used to fully or partially fund the actual construction or renovation of low income multiple housing projects. Grants could be awarded competitively on an annual schedule coinciding with construction seasons and scheduling. An annual grant deadline of January 31st would be anticipated.

Fund maximums on a per unit basis should be developed and include all funds available from any source for a specific project. Ninety percent of the construction funds are available during construction based on the construction grant agreement signed with the State. Ten percent of the grant is payable upon project completion and final project audit. Fund limitations could be waived upon review in the case of extraordinary remote site development costs.

D. Grant Application Process

The application process for grant funds should include the six major steps of:

1. Organization/Needs Assessment
2. Determination of Funding Options
3. Preparation of Feasibility Demonstration Proposal
4. Preparation of Project Management Plan
5. Submission of Project Budget/Project Schedule
6. Construction Grant Award/Execution of Contract Grant Agreements

The application/award process is only a portion of total project execution. The full project includes grant application, grant award, construction, occupancy and operation steps, and audit and evaluation procedures. Sponsoring agencies are advised of total project development steps and work with the State through all phases.

E. Program Creation

As financing of multiple unit low-income housing grants is a new arena for State government, time is required to finalize such a program. As there exists a prototype for housing construction grant award in the Senior Citizens Housing Development Grant Program, regulation drafting, form creation, program advertisement, application review and project award systems exist within Community and Regional Affairs, Housing Assistance Division. Information on existing programs and review of legislation to create new multiple unit low-income funds is available on an ongoing basis from Division staff.

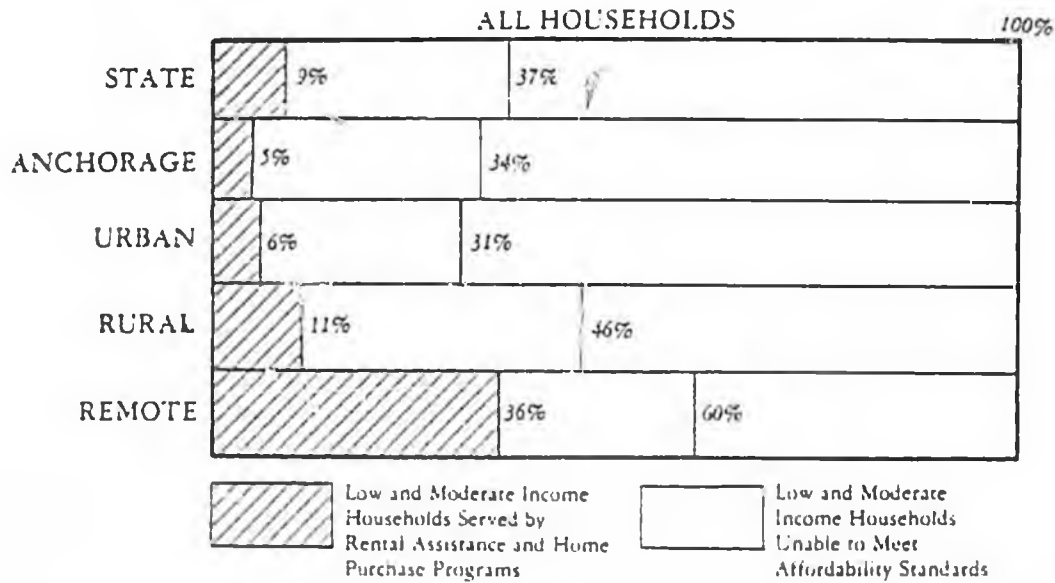
F. Author's Note:

This document has been written at legislative request. The statements contained herein result from the cumulative experiences of staff of the Housing Assistance Division within Community and Regional Affairs. All statistical information is taken from the Alaskan Statewide Housing Needs Study: Phase I and II Reports, March 1983, CH2M Hill and associated authors. Specific reference citations for further study are available upon request through the division.

PART III

STATISTICAL INFORMATION

PROPORTION OF LOW- AND MODERATE-INCOME HOUSEHOLDS UNABLE TO MEET AFFORDABILITY STANDARDS WITHIN THE STATE AND REGIONS



DISTRIBUTION OF LOW- AND MODERATE-INCOME HOUSEHOLDS UNABLE TO MEET AFFORDABILITY STANDARDS AMONG REGIONS

(Represents shaded and hatched areas in above bar chart. The percentages inside the wedges represent each region's share of the entire universe of need. Those outside the circle represent the share of universe of need that is being served by rental assistance and home purchase programs.)

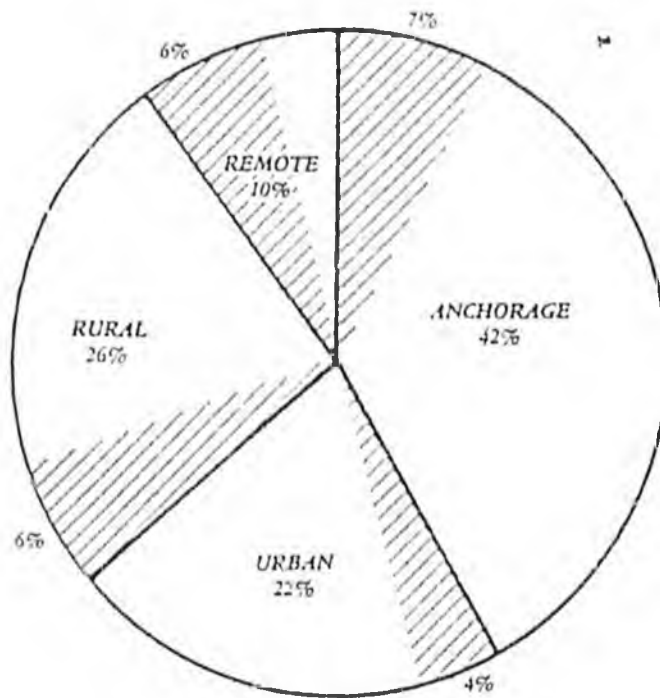
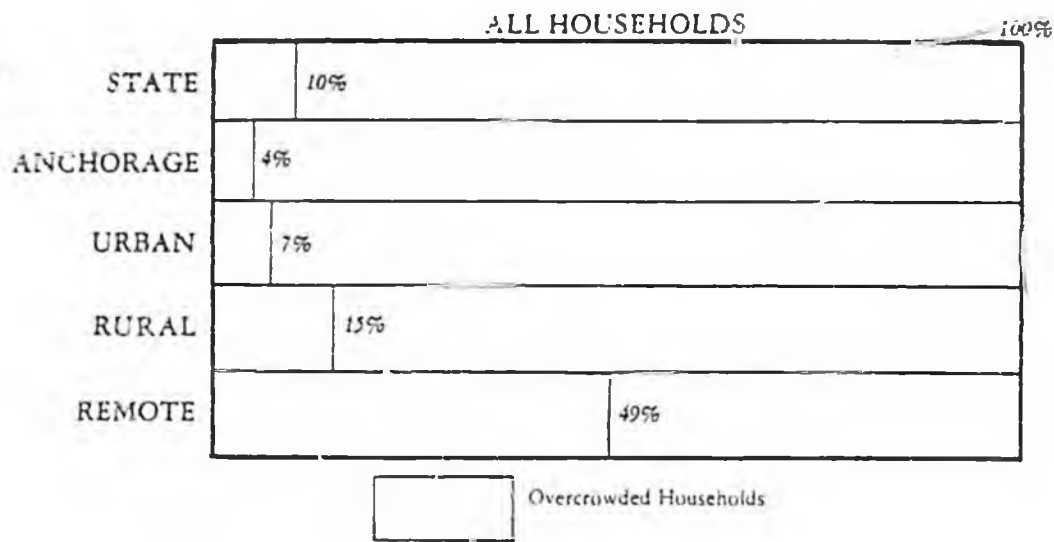


FIGURE 3-1

HOUSING AFFORDABILITY
ALASKAN STATEWIDE HOUSING NEEDS STUDY



PROPORTION OF OVERCROWDED HOUSEHOLDS
WITHIN THE STATE AND REGIONS



DISTRIBUTION OF OVERCROWDED
HOUSEHOLDS AMONG REGIONS

(Represents shaded areas
in above bar chart)

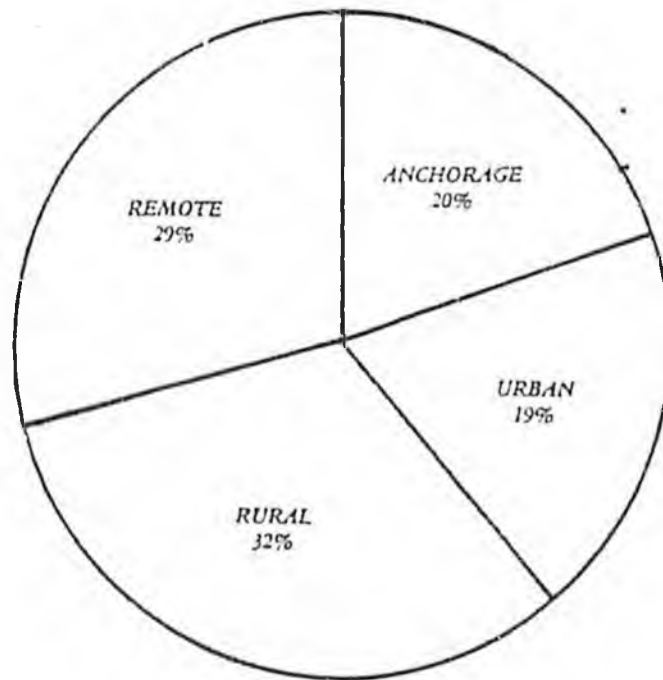


FIGURE 3-2

SUFFICIENT LIVING SPACE
ALASKAN STATEWIDE HOUSING NEEDS STUDY



Chapter 3
HOUSING SUPPORT PROGRAMS

In the Phase I Report, three basic measures of housing need were delineated: affordability, physical adequacy, and sufficient living space. These categories overlap, although limitations of existing data did not permit meaningful measurement of the overlap. Nevertheless, the presentation of housing needs on the basis of this classification provides significant information bearing on the programs that exist, or could exist, in response to those needs.

Housing needs, and the extent to which households in need are being served by State and Federal housing programs, are presented graphically in Figures 3-1 through 3-4. These bar charts illustrate the size of the group with particular needs, or that receive certain services, for the entire State, as well as within the four functional regions defined by this study (see Appendix B, Functional Regions of the State). The length of the whole bar represents all of the households in Alaska, while the shaded and hatched areas indicate the portion of households in need and, in some cases, the proportion of households presently being served by programs. The accompanying pie charts are presented to indicate the distribution of needs and service provision in Alaska.

The following narrative expands upon the significant features of these graphics, and also summarizes a number of additional Alaskan housing needs as determined in Phase I of the study.

Housing Affordability

- o The bar chart in Figure 3-1, Housing Affordability, shows that, although almost 9 percent (11,362) of all households in the State are households being served by rental assistance and home purchase programs, over 28 percent (an additional 37,775 low- and moderate-income households) also unable to meet affordability standards are not being served by programs.
- o The pie chart in Figure 3-1, Housing Affordability, shows that the greatest number of households with unmet needs is in Anchorage, and that only in the remote region are a majority of those in need being served.

Renter Households

Census data not available for use in the Phase I Report indicate that over 15,000 low- and moderate-income renter households were paying more than 35 percent of their household

income for rent and utilities in 1980. The proportion of these renters paying more than 35 percent of income for housing ranged from 30 percent of renter households in Anchorage, 24 percent of urban renter households, 27 percent of rural renter households, and up to 39 percent of renter households in remote Alaska. Slightly over half the total number of renter households paying an excessive proportion of income for housing are in Anchorage, with another 25 percent in the urban region and the remaining 25 percent in the rural and remote regions.

Owner Households

Census data not available for use in the Phase I Report indicate that slightly less than 6,900 owner households are paying more than 35 percent of their income for mortgage payments, taxes, insurance, and utilities. Owner households represent 31 percent of all low- and moderate-income households in the state paying an excessive proportion of income for housing. The proportion of owner households paying over 35 percent of income for housing ranges from 7 percent of all Anchorage homeowners, 6 percent of urban homeowners, 12 percent of rural homeowners, and up to 17 percent of homeowners in remote Alaska. Approximately half the owner households paying excessive housing costs are in Anchorage and the urban region, and half are in the rural and remote regions.

Elderly Households

- o About 67 percent of elderly renter households (1,374 of 2,051) are served by rental assistance programs as compared with 13 percent of nonelderly low- and moderate-income households (3,097 of 25,330).
- o Nearly 72 percent (5,158) of all elderly households are homeowners. Although about 68 percent of these households have low and moderate incomes, very few are assisted by the complete subsidies provided to renter households.

Sufficient Living Space

- o The bar chart in Figure 3-2, Sufficient Living Space, shows that 10 percent (13,220) of the households in the State are overcrowded. In the remote region, nearly half lack sufficient living space.
- o The pie chart in Figure 3-2 shows that there are actually more overcrowded households in the rural region (32 percent of the overcrowded households in the State, or 4,243 households) than in remote Alaska (29 percent of the overcrowded households in the State, or 3,849 households). Overcrowding also affects a substantial number of Anchorage (2,648) and urban (2,480) households.

Physically Adequate Housing

- o The bar chart in Figure 3-3, Housing Without Adequate Plumbing, shows that 7 percent of the State's households (8,665) lack complete plumbing by study standards, while 10 percent of all households (13,628) lack complete plumbing by census standards. The glossary (Appendix A) explains the differences in these standards.
- o Statewide, the total number of housing units with an inadequate heating system, houses with no heat and with no flues, is estimated at 2 percent (3,013).
- o The pie charts in Figure 3-3 show that, according to census standards, the need for complete plumbing is greatest in remote Alaska, followed by the rural region. By study standards, the rural region has over half the State's need with urban places next.

Need for Housing-Related Services

- o Older Alaskans express the need for a range of housing options that accommodate their changing requirements. Many handicapped people could also benefit from a wider range of housing options and living situations.
- o The unavailability of home support services and semi-independent living options contributes directly to the institutionalization of handicapped persons. Some 758 persons (40 percent) of the institutionalized handicapped could be "de-institutionalized" if suitable housing-related programs were available.
- o Distribution of housing-related programs is skewed toward Anchorage and the urban region, the population in rural Alaska is under-represented among the households served, and almost no services are provided in remote Alaska.
- o Almost seven-eighths of the existing home support program clients (28,372 of 33,653) are elderly persons. Mentally handicapped, emotionally disturbed, and severely physically handicapped people are receiving much less service proportional to their numbers.

SB 251 TITLE & SPONSOR SUMMARY

16:21 6/04/84 PAGE 1 OF 2

PROPOSED TITLE:

AN ACT ESTABLISHING THE LOW COST AND LOW INCOME MULTIPLE FAMILY HOUSING DEVELOPMENT FUND IN THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

PRIME SPONSOR: JOSEPHSON.

CO-SPONSORS: FISCHER, V. .

CURRENT STATUS: 5/23/83 IN (S) FINANCE

SB 251 SENATE ACTION

16:21 6/04/84 PAGE 2 OF 2

DATE	SEQ	PAGE
5/14/83	01	0897
5/23/83	02	1080

LEGISLATIVE ACTION

5/14/83	01	0897	FIRST READING -- COMMITTEE REPORTS
5/23/83	02	1080	L&C -- DP01, DP02 FINANCE RULES

*** ** ** ** **

COMMITTEE REPORT
SENATE

1/30/63

FURTHER: Finance

Date: 5/20/82

Mr. President:

The Committee on Labor & Commerce has had SB 991

Establishing the low cost and low income multiple family housing development fund in the Department of Community and Regional Affairs.

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:

CHAIRMAN

Bill Fact Sheet

Date Received 4/19/83

Bill Number SB251 Title Low cost/low income housing

Fiscal Note - Date Requested 4/19/83 Date Received _____

- Of Whom Karen Perdue C+RA ~~2/5/84~~ 4890

Dept. Position Paper - Date Requested 4/19 Date Received _____

- Of Whom Karen Perdue

Resource People

Initial Hearing - Date 5/17/83
People Contacted

Ray Price - 272 - ~~412~~ 4585 - 5/13

Follow-up hearing - Date _____

SB 251-52
Ray Price

272-4585

Inform
when
scheduled

Final Action _____

Date _____

S

B

252

SB 252 TITLE & SPONSOR SUMMARY

14:20 5/22/84 PAGE 1 OF 2

AMENDED TITLE:

AN ACT TRANSFERRING & REAPPROPRIATING PORTION OF APPROP
TO MULTIFAMILY HOUSING LOANS SECURITY FUND IN ALASKA
INDUSTRIAL DEVELOPMENT AUTHORITY TO LOW-COST/INCOME FUND
IN DEPT COMMUNITY & REGIONAL AFFAIRS, EFFECTIVE DATE

GENERAL DOLLARS: \$0 (APPROP)

PRIME SPONSOR: JOSEPHSON.

OTHER DOLLARS: \$0

CO-SPONSORS: FISCHER, V.

CURRENT STATUS: 4/14/83 IN (S) LABOR & COM REFERRAL: FINANCE

SB 252 SENATE ACTION

14:20 5/22/84 PAGE 2 OF 2

DATE SEQ PAGE

LEGISLATIVE ACTION

04/14/83 01 0697 FIRST READING -- COMMITTEE REPORTS
LABOR & COMMERCE
FINANCE
RULES

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

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: S.B. 252
 Title: Reappropriating AIDA funds
 Sponsor: Josephson/Fischer
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Dvlpmt.
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____
Alaska Industrial Development Authority

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-
CAPITAL		15,000	-	-	-	-
REVENUE		-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)		15,000				
Alaska Industrial Dvlpmt. Authority						
Multi-Family Housing Loan Security Fund						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						
		<u>NONE</u>				

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

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Bertram L. Wagnon *[Signature]* Phone: 274-1651
 Division: Alaska Industrial Development Authority Date: 4/22/83
 Approved by Commissioner: _____ Date: 5/16/83
 Department: _____

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)

SB252 DOCUMENT= 1 OF 1 PAGE = 1 OF 3

BILL = SB252
ROOT = SB0252

BILL ROOT:
SB0252

BILL NUMBER:
SB252

INTRODUCED:
4/14/83

REFERRED: LABOR AND COMMERCE
AND FINANCE

ORIG SPONSOR:
BY JOSEPHSON AND V. FISCHER

FUNDING INFO:
GENERAL FUND \$ -0-
OTHER FUNDS -0-
-0-

BILL HEADING:
IN THE SENATE

SENATE BILL NO. 252
IN THE LEGISLATURE OF THE STATE OF ALASKA

SB252 DOCUMENT= 1 OF 1 PAGE = 2 OF 3

THIRTEENTH LEGISLATURE - FIRST SESSION
A BILL

TITLE: FOR AN ACT ENTITLED:
"AN ACT TRANSFERRING AND REAPPROPRIATING A PORTION OF AN
APPROPRIATION MADE TO THE MULTIFAMILY HOUSING LOANS
SECURITY FUND IN THE ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY
TO THE LOW-COST AND LOW-INCOME MULTIPLE FAMILY HOUSING
DEVELOPMENT FUND IN THE DEPARTMENT OF COMMUNITY AND
REGIONAL AFFAIRS; AND PROVIDING FOR AN EFFECTIVE DATE."

TEXT: BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
* SECTION 1. ALL RIGHT, TITLE AND INTEREST IN STATE OF
ALASKA CERTIFICATES OF DEPOSIT HELD IN THE MULTIFAMILY
HOUSING LOANS SECURITY FUND OF THE ALASKA INDUSTRIAL
DEVELOPMENT AUTHORITY IN AN AMOUNT NOT TO EXCEED
\$15,000,000 IN UNPAID PRINCIPAL ON THE EFFECTIVE DATE OF
THIS ACT, AND ALL RIGHT, TITLE, AND INTEREST IN MORTGAGES,
NOTES, AND OTHER INSTRUMENTS OF SECURITY MADE IN
CONNECTION WITH THOSE CERTIFICATES OF DEPOSIT, HELD IN THE
MULTIFAMILY HOUSING LOANS SECURITY FUND OF THE ALASKA
INDUSTRIAL DEVELOPMENT AUTHORITY ON THE EFFECTIVE DATE OF

SB252 DOCUMENT= 1 OF 1 PAGE = 3 OF 3

THIS ACT, IS TRANSFERRED AND APPROPRIATED TO THE LOW-COST
AND LOW-INCOME MULTIPLE FAMILY HOUSING DEVELOPMENT FUND IN
THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS.

* SEC. 2. THE APPROPRIATION MADE BY THIS ACT IS FOR THE
CAPITALIZATION OF A GRANT FUND AND DOES NOT LAPSE IN
ACCORDANCE WITH AS 37.25.010.

* SEC. 3. THIS ACT TAKES EFFECT ON THE EFFECTIVE DATE OF
AN ACT THAT ESTABLISHES THE LOW-COST AND LOW-INCOME
MULTIPLE FAMILY HOUSING DEVELOPMENT FUND IN THE DEPARTMENT
OF COMMUNITY AND REGIONAL AFFAIRS.

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: S.B. 252
 Title: Reappropriating AIDA funds
 Sponsor: Josephson/Fischer
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Dvlpmt.
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____
 Alaska Industrial Development Authority

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-
CAPITAL		15,000	-	-	-	-
REVENUE		-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)		15,000				
Alaska Industrial Dvlpmt. Authority						

Multi-Family Housing Loan Security Fund

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY		NONE				

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

[RECEIVED]

MAY 13 1983

Josephson

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Bertram L. Wagon
 Division: Alaska Industrial Development Authority

Phone: 274-1651
 Date: 4/22/83

Approved by Commissioner: _____
 Department: _____

Date: 5/16/83

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

S

B

253

Multi-Family
Housing Loan
Fund/AIDA
(use for low
income)

SENATE BILL NO. 253, by Senators Josephson and V. Fischer.
Would amend laws governing the Multifamily Housing Loans
Security Fund in the Alaska Industrial Development Authority
to allow use of assets in the fund to establish capital reserve
funds to secure bonds issued in connection with the financing
of multifamily housing projects. Provides that a capital reserve
fund established to secure such bonds is not subject to the current
statutory limit of \$10 million under AS 44.88.105(a).

The Fund was established in AIDA last session to set up a temporary
program to finance new multi-family housing projects in the state.
(See Sec. 69, Ch. 113, SLA 1982.)

Amends Sec. 69(f), Ch. 113, SLA 1982 establishing the Multifamily
Housing Loan Account. Currently, money in the account may only be
used to purchase loans for multifamily housing projects. The bill
would allow use of funds in the account to originate as well as
purchase loans. Adds: "The authority may not use proceeds from
the sale of bonds of the authority to finance secondary loans for
multifamily housing." Eliminates current provision which prohibits
AIDA from depositing proceeds of bond sales into the Multifamily
Housing Loan Account.

Provides for an immediate effective date.

Introduced April 14 and referred to Labor & Commerce and Finance.

AK Indust.
Development
Authority
(interest
rates)

SENATE BILL NO. 254, by Senators Josephson and V. Fischer.
Changes interest rates on loans made by the Alaska Industrial
Development Authority (A.I.D.A.) from the Small Enterprise
Loan Account that are guaranteed by the federal government
(such as S.B.A., the National Marine Fisheries Service, and
the Farmer's Home Administration).

Currently the rate on loans purchased by A.I.D.A. with money in the
Small Enterprise Loan Account that is not from the proceeds of a
bond sale is equal to the most recent index of Aa Corporate bond
yield averages as published by Moody's Investors Service. Under
the bill, rates on these loans would be equal to "the lesser

(2) AS 16.10.310(a)(1)(B) or (C) if the total of the loans received by the borrower under AS 16.10.650 - 16.10.720 and AS 16.10.310(a)(1)(B) or (C) does not exceed \$100,000.

* Sec. 65. A borrower who receives a loan under AS 16.10.310 before the effective date of this Act may receive a loan under

(1) AS 16.10.310(a)(1)(B) or (C) after the effective date of this Act if the total of the loans received by the borrower under AS 16.10.310 before the effective date of this Act and AS 16.10.310(a)(1)(B) or (C) after the effective date of this Act does not exceed \$100,000;

(2) AS 16.10.310(a)(1)(A) after the effective date of this Act if the total of the loans received under AS 16.10.310 before the effective date of this Act and AS 16.10.310(a)(1)(A) after the effective date of this Act does not exceed \$300,000.

* Sec. 66. Notwithstanding AS 16.10.320(1) and secs. 64 and 65 of this Act the total of all loans that a borrower receives under (1) AS 16.10.650 - 16.10.720; (2) AS 16.10.310 before the effective date of this Act; and (3) AS 16.10.310 after the effective date of this Act, may not exceed \$300,000.

* Sec. 67. In secs. 64 - 66 of this Act a loan to an associate of a borrower is considered to be a loan to the borrower. In this section "associate of a borrower" has the same meaning set out under AS 16.10.320(1).

* Sec. 68. If a newly constructed owner-occupied triplex or four-plex is completed between the effective date of this Act and October 1, 1984, and a triplex or four-plex is eligible for financing under the provisions of the special mortgage loan purchase program of the Alaska Housing Finance Corporation (AS 18.56.093), the interest rate determined under AS 18.56.098(2)(4) and (6) shall apply to the first \$105,000 of a mortgage loan for a triplex and to the first \$140,000 of a mortgage loan for a four-plex. In this section "newly constructed owner-occupied triplex or four-plex" means an owner-occupied triplex or four-plex that is not occupied before the effective date

SLA '82

of this Act and for which a mortgage loan has not been previously purchased by the Alaska Housing Finance Corporation.

* Sec. 69. MULTIFAMILY HOUSING PROJECTS. (a) In addition to the findings and declarations in AS 44.88.010, the legislature finds, determines, and declares that

(1) there exists in the state a serious shortage of decent, safe, and sanitary multifamily housing units, and that this shortage is inimical to the safety, health, welfare, and prosperity of the residents of the state and to the sound growth of communities in the state; and

(2) it is necessary to give the Alaska Industrial Development Authority the power to provide a means for financing additional multifamily housing projects in the state.

(b) In addition to the purposes specified in AS 44.88.070, the purpose of the authority is to promote, develop, and maintain an adequate supply of decent, safe, and sanitary multifamily housing projects during times of shortage of such projects in the state, by providing various means of financing and facilitating the financing of multifamily housing projects in the state.

(c) In addition to the powers conferred on the authority under AS 44.88.080 and its other powers, the authority has the following powers:

(1) to make loans and to participate in the making of loans in conjunction with other lenders, the Alaska State Housing Authority, or a municipality of the state to assist in the financing of multifamily housing projects;

(2) to own a multifamily housing project with sponsors, developers, lenders, or other persons or to own a multifamily housing project alone, for the purpose of maintaining a security interest in that multifamily housing project;

(3) to borrow money, to issue its bonds, and to provide security

Chapter 113

For bonds it issues in connection with the financing of multifamily housing projects, except that the authority may not issue bonds for the construction financing for a multifamily housing project unless the bonds are, in the opinion of the authority, adequately secured by a letter of credit or equivalent security:

(4) to make loans and to participate in the making of loans from the proceeds of tax-exempt bonds for a multifamily housing project at interest rates determined or agreed to by the authority;

(5) to acquire, sell, or otherwise dispose of an interest in a multifamily housing project as necessary or appropriate to provide financing for the housing project;

(6) to enter into agreements with respect to a multifamily housing project on terms and conditions that the authority considers advisable;

(7) to assist private lenders, the Alaska State Housing Authority, and municipalities of the state to make loans to finance the costs of multifamily housing projects;

(8) to use the multifamily housing loans security fund to provide a loan loss reserve for loans purchased by the multifamily housing loan account of the enterprise development fund.

(d) With respect to the issuance of bonds to finance one or more multifamily housing projects, in order to facilitate the financing of a multifamily housing project the authority may waive or modify, as it considers appropriate and prudent, the requirements of AS 44.88.090(e), 44.88.155(d), and 44.88.105(f) do not apply to capital reserve funds established to secure bonds issued to finance one or more multifamily housing projects.

(e) The provisions of AS 44.88.105(f) do not apply to capital reserve funds established to secure bonds issued to finance one or more multifamily housing projects.

(f) A multifamily housing loan account is established in the enterprise development fund of the authority (AS 44.88.155), consisting of money and other assets of the enterprise development fund that the authority deposits

into it. However, the authority may not deposit proceeds from the sale of bonds of the authority into the multifamily housing loan account. The multifamily housing loan account shall be used only to purchase loans for multifamily housing projects. Notwithstanding the provisions of AS 44.88.155(d), a loan purchased by the authority for the multifamily housing loan account

(1) may not be for a term longer than 30 years from the date the loan is made;

(2) shall be secured by a mortgage or other security instrument in the manner the authority determines is feasible to assure timely repayment. In a loan agreement entered into with the borrower, the mortgage or other security instrument constituted a first lien against the multifamily housing debt, except that it may be subordinated by the authority to a loan made directly or indirectly with the proceeds of a sale of bonds by the authority, the Alaska State Housing Authority, or a municipality of the state during the term when the loan from those proceeds is outstanding, and may be subordinated to a loan that refinances the original loan, if the authority considers it appropriate to do so;

(3) shall provide for a schedule of payments of principal and interest that is satisfactory to the authority, and that may include, without limitation, deferrals or reductions of payments, variable payments, balloon payments, sharing in equity appreciation, and other arrangements;

(4) shall be in the form and contain the terms and provisions with respect to insurance, repairs, alterations, payment of taxes and assessments, fund reserves, delinquency charges, default remedies, acceleration of maturity, secondary liens, and other matters as the authority prescribes.

(5) The interest rate on a loan for one or more multifamily housing projects financed from the proceeds of tax-exempt bonds or expected by the authority to be financed from the proceeds of tax-exempt bonds may be at a higher or lower rate, as the authority considers appropriate, than the cost

of funds as defined in AS 44.88.159(a), with respect to that loan.

(h) The multifamily housing loans security fund is established in the authority. The multifamily housing loans security fund consists of money and assets appropriated or transferred to it, the income produced from its investments and holdings, and deposits that the authority may make from repayments of multifamily housing loans purchased by the multifamily housing loan account of the enterprise development fund. The purpose of the multifamily housing loans security fund is to provide a loan loss reserve for the enterprise development fund for multifamily housing loans made by the authority from the multifamily housing loan account of the enterprise development fund. The multifamily housing loans security fund is not a general asset of the authority and may not be pledged or committed in any way except to provide a loan loss reserve for the enterprise development fund for multifamily housing loans made by the authority from the multifamily housing loan account of the enterprise development fund. The authority may

(1) establish separate accounts in the multifamily housing loans security fund for multifamily housing loans, as it finds appropriate, and establish other accounts that it considers appropriate;

(2) hold and invest money and other assets of the multifamily housing loans security fund at competitive national market rates in the type of investments described in AS 37.10.070(a).

(i) If a multifamily housing loan from the multifamily housing loan account of the enterprise development fund of the authority is not fully repaid, including accrued interest, and is not fully satisfied after the enforcement of any security that the authority has acquired under (f)(2) of this section, the executive director of the authority shall certify the fact regarding the loan in writing. Upon the certification an amount equal to the unpaid balance, accrued interest, and costs attributable to that loan shall be paid from the multifamily housing loans security fund to the enterprise

development fund of the authority, or if the balance in the multifamily housing loans security fund is less than the amount of the unpaid balance, accrued interest, and costs attributable to the loan, the remaining balance of the multifamily housing loans security fund shall be paid to the enterprise development fund of the authority. The authority shall consider a loan fully repaid for purposes of (j) of this section upon payment from the multifamily housing loans security fund to the enterprise development fund under this subsection.

(j) Not later than 60 days after all multifamily housing loans that have been made from the multifamily housing loan account of the enterprise development fund of the authority have been discharged, or considered to be discharged under (i) of this section, any balance remaining in the multifamily housing loans security fund shall be transferred by the authority to the state general fund.

(k) In this section,

(1) "authority" means the Alaska Industrial Development Authority;

(2) "multifamily housing project" means a specific building, site, work, or improvement of five or more dwelling units, or a group of buildings, structures, works, or improvements, the primary purpose of which is to provide rental dwelling accommodations and which qualifies for exempt financing under sec. 103 of the Internal Revenue Code of 1954, as amended (26 U.S.C. sec. 103), or sec. 11(b) of the National Housing Act of 1937, as amended, and which is originally financed before January 1, 1986; "multifamily housing project" includes the acquisition, construction, or allocation of land, buildings, and improvements for rental dwellings, site preparation, and other facilities that may be incidental or appurtenant to the dwelling accommodations.

(l) Notwithstanding AS 44.47.410 as amended by sec. 41 of this act, effective on or after December 31, 1987, the interest rate on a loan under AS 44.47.410

Chapter 111

460 - 44,47,560 for (1) rural housing that is not nonconforming; housing is
461 eight and three-quarters percent; and (2) nonconforming; housing is equal to
462 the interest rate, as determined under AS 18.56.098(g)(1) - (4), on a
463 mortgage loan purchased under AS 18.56.098(a) from the proceeds of the most
464 applicable issue of taxable bonds before the origination or purchase
465 of the mortgage loan for the nonconforming housing. The division of housing
466 assistance in the Department of Community and Regional Affairs may not issue
467 a commitment for a loan under this section after September 1, 1982.

468 * Sec. 71. Notwithstanding AS 44.47.520(b) as enacted in sec. 49 of this
469 Act, until January 1, 1987, the interest rate on a loan for non-owner
470 occupied housing under AS 44.47.520 is nine and one-half percent. The
471 division of housing assistance in the Department of Community and Regional
472 Affairs may not issue a commitment for a loan under this section after
473 September 1, 1982.

474 * Sec. 72. The following laws are repealed: AS 03.10.030(b) and (d);
475 AS 16.10.320(e) and (g); 16.10.337(c); 16.10.342(b); 16.10.650 - 16.10.17
476 AS 18.54.010 - 18.54.070; AS 18.55.360; AS 18.56.100(e) - (k); AS 27.07.
477 AS 27.09.040(e); AS 37.11.100; AS 44.25.030 - 44.25.038; AS 44.33.320 -
478 44.33.380; AS 44.47.320 - 44.47.350.

479 * Sec. 73. Section 69 of this Act is repealed.

480 * Sec. 74. The repeal of AS 18.56.100(e) - (k) in sec. 72 of this Act
481 does not invalidate housing development fund notes issued under AS 18.56.
482 (e) - (k) before the effective date of this Act.

483 * Sec. 75. Section 73 of this Act takes effect on the day after the
484 transfer of funds by the Alaska Industrial Development Authority to the
485 general fund is made under sec. 69(j) of this Act, or, if there are no funds
486 available to make the transfer, on the 61st day after all multifamily housing
487 loans that have been made from the multifamily housing loan account of the
488 general development fund of the Alaska Industrial Development Authority.

Chapter 111

489 be discharged or are considered to be discharged under sec. 69(i) of this
490 Act.

491 * Sec. 76. Sections 21 - 23 and 28 - 30 of this Act take effect on the
492 date of approval by the voters of the state of a constitutional amendment to
493 art. IX, sec. 8 of the Constitution of the State of Alaska to allow the state
494 to contract debt for housing loans for veterans.

495 * Sec. 77. Section 31 of this Act takes effect January 1, 1983.

496 * Sec. 78. Sections 1 - 20, 24 - 27, 32 - 72, and 74 of this Act take
497 effect immediately in accordance with AS 01.10.070(c).

SB 253 TITLE & SPONSOR SUMMARY

16:21 6/04/84 PAGE 1 OF 2

PROPOSED TITLE:

AN ACT RELATING TO THE MULTIFAMILY HOUSING LOAN PROGRAM
OF THE ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY,
AND PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSOR: JOSEPHSON.

CO-SPONSORS: FISCHER, V.

CURRENT STATUS: 6/03/83 IN (S) FINANCE

SB 253 SENATE ACTION

16:21 6/04/84 PAGE 2 OF 2

DATE	SEQ	PAGE	LEGISLATIVE ACTION
4/14/83	01	0697	FIRST READING -- COMMITTEE REPORTS
5/03/83	02	1124	LAC -- DP03 FINANCE RULES

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

SB 253: An Act relating to loans made or purchased by the Alaska Industrial Development Authority.

This bill makes technical amendments to CH 113, SLA 1982, which established a multi-family housing program in the Alaska Industrial Development Authority. The current statute provides a "sunset" date of January 1, 1984 for the Authority's involvement in multi-family housing. SB-253 does away with this "sunset" provision and allows the Authority to continue to be involved in multi-family housing as long as the U.S. Treasury rules permit. In essence, as long as multi-family projects can be financed tax exempt, the Authority may continue to do so.

Additionally, the bill makes other changes which, among other things, allow the use of the multi-family housing loan security fund for capital reserve fund uses; remove the \$10 million ceiling on mutli-family housing projects and make clear that the fund may be used as a loan loss reserve.

Based upon CH 113 the Authority has implemented a multi-family program. The original legislation is in need of "technical" or "clean-up" amendments to make it work. Without the passage of this bill the program will cease on January 1, 1984. A sectional analysis is attached.

The board of directors of the Alaska Industrial Development Authority and the Administration recommend approval of this measure as drafted.



Richard A. Lyon, Commissioner

Date: 5/23/83

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: S.B. 253
 Title: Alaska Industrial Developmt. Authority
 Sponsor: Josephson/Fischer
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Commerce & Economic Developmt
 Program Category Affected: Development
 BRU, Program of Subprogram(s) Affected:
Alaska Industrial Development Authority

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
CAPITAL		0	0	0	0	0
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY			NONE			

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

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Bertram L. Wagon, Executive Director *BW* Phone: 274-1651
 Division: Alaska Industrial Development Authority Date: 4/19/83
 Approved by Commissioner: Richard A. Lyon *RA* Date: 5/26/83
 Department: Commerce and Economic Development

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

Sectional Analysis of Multi-Family Legislation

Section 1: This additional language will enable the Authority to use the multi-family housing loan security fund for capital reserve fund purposes. Capital reserve funds are normally equal to one years average annual debt service.

Section 2: This revised language removes the \$10 million limit on capital reserve funds for multi-family housing projects. The original \$10 million limit was based upon the same limit being imposed by the federal tax code.

Section 103(b)(6) of the federal tax code is the "small issue exemption" that allows the Authority to issue tax free industrial development bonds for business financing, up to a limit of \$10 million per project.

Most of the Authority's activities are based on this portion of the tax code. The multi-family program, however, is based on Section 103(b)(4) of the tax code, and no \$10 million limit is applied in this case. Hence, this modification would allow the Authority the opportunity of taking advantage of the greater flexibility of this section of the federal tax code.

Section 3(f): This makes technical corrections to allow the Authority to utilize the reserve fund for bond issues and also prohibits bond proceeds to be used for secondary debt.

Section 4(h): This once again restates that the multi-family housing loan security fund may be used to provide funds for capital reserve purposes and also used for a loan loss reserve.

Section 5(2): This removes the January 1, 1984 sunset provision and allows the multi-family housing to be an ongoing program.

SB 254: An Act relating to the interest rate purchased by the Alaska Industrial Development Authority

Senate Bill 254 proposes amendments to AS 44.88.159(c) which deals with the setting of interest rates for the purchase of SBA loans by the Authority. The current law mandates that this rate be equal to Moody's Aa corporate bond yield. The necessity for a change is due to the fact that the SBA places an interest rate cap based upon the prime rate and, with the dramatic fall in the prime rate over the past six months, we are approaching the ceiling.

The Moody's rate is what is referred to as a "mellow" rate in that it does not move either up or down as fast as prime. For example, when prime was at 20%, Moody's was at 15.5%. However, as prime fell Moody's, being a "mellow" rate, did not fall as fast and currently stands at 11.8% while prime is at 10.5%.

This legislation is intended to give the Authority a limited flexibility in setting the interest rate and at the same time preserving the integrity of the program by setting the rate at the lesser of prime or Moody's Aa with a 10% floor.

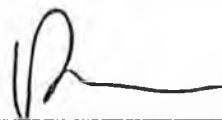
The bill, as drafted, has a technical flaw in that it may be construed to mean that, if prime falls below 10%, no loans could be made. This is not the intent and a suggested amendment is attached making it clear that if prime falls below 10% the loan rate will be 10%.

*Sec. 2. AS 44.88.195(c) is amended to read:

(c) The interest rate on a loan purchased by the authority with money in the small enterprise loan account that is not from the proceeds of the sale of a series of bonds is the lesser of (1) the prevailing prime rate adopted by the United States Small Business Administration, or (2) [EQUAL TO] the most recent index of Aa corporate bond yield averages as published by Moody's Investors Service. However, if the interest rate established in accordance with this subsection would be less than 10 percent, the interest rate on the loan is 10 percent.

Our reason for suggesting such an amendment is that it is possible that someone might construe the existing language to be interpreted to mean that once the lesser of 1 or 2 fell below 10% no loans could be made. Our suggested alternative would hopefully clarify any such ambiguity.

The board of directors of the Alaska Industrial Development Authority and the Administration recommend approval of this measure with the suggested amendment.



Richard A. Lyon, Commissioner

Date: 5/26/83

Sectional Analysis of SBA Bill

Section 1: This section deletes the reference to a project, as defined in AS 44.88.220. This deletion is requested to ensure that there is no difficulty with the Authority purchasing the SBA guaranteed portion of working capital and inventory loans. Presently, it could possibly be interpreted that the Authority is prohibited from buying these loans because of the project description of AS 44.88.220(6).

Section 2: This section is an effort to resolve the difficulty of differential rates being applied to the same loan program. Presently the maximum rate allowed by the U.S. Small Business Administration (SBA) on loans guaranteed by them is the prevailing prime rate plus: 2-1/4% if the loan is less than seven years; or 2-3/4% if the loan is longer than seven years. The present AIDA "buy rate" for the SBA guaranteed portion is Moody's Aa corporate index - in essence, AIDA is loaning funds to the banks at this rate. The bank may then add 1-1/2% to this rate for loans under \$100,000, or 1% to this rate for loans over \$100,000. Generally, there has not been a problem, but with two different rates, particularly one being a "short term" rate (SBA/Prime) and one being a "long term" rate (AIDA/Moody's Aa) the potential exists for the rates to be such that AIDA effectively cannot buy these loans. For instance, the present (mid-March) rates are: Prime = 10.5%; Moody's Aa = 12.4%. For a loan of less than 7 years, the SBA ceiling is 12.75% (10.50% + 2.25%). AIDA will "buy" this loan (i.e. provide funds to the bank) at 12.4%, and allow the bank to charge 1 to 1-1/2% in excess of the 12.4%. Since the SBA ceiling is lower, it will be the effective rate. So the bank would loan funds to the borrower at 12.75%, and get funds from AIDA at 12.4%. This spread is inadequate to induce the bank to sell SBA loans to AIDA. This does not mean that a bank will not make an SBA loan based upon other source of funds, however it does significantly lessen the possibility that a bank will make an SBA loan (the SBA estimates that AIDA purchases 70% of all new SBA guaranteed loans in Alaska).

A simple way to eliminate this problem would be to tie the AIDA rates to prime. However this could create a situation where a borrower was confronted with rates in excess of 20% (prime exceeded 20% during 1980 and 1981, and peaked at 17% during 1982). Section 2 represents a compromise. It sets the AIDA buy rate at the lesser of prime, or Moody's Aa, with a 10% floor. This should allow AIDA to "stay in the SBA business" even if Moody's Aa exceeds prime, as in the example, but still protects the borrower from the egregious rates that could result from being strictly tied to prime. The rationale for the 10% floor is that if rates drop below 10%, AIDA assistance should not be needed.

Suggested amendment for S.B. 254 is: (see attached page)

*Sec. 2. AS 44.88.159(c) is amended to read:

(c) The interest rate on a loan purchased by the authority with money in the small enterprise loan account that is not from the proceeds of the sale of a series of bonds is the lesser of (1) the prevailing prime rate adopted by the United States Small Business Administration, or (2) [EQUAL TO] the most recent index of Aa corporate bond yield averages as published by Moody's Investors Service. However, if the interest rate established in accordance with this subsection would be less than 10 percent, the interest rate on the loan is 10 percent.

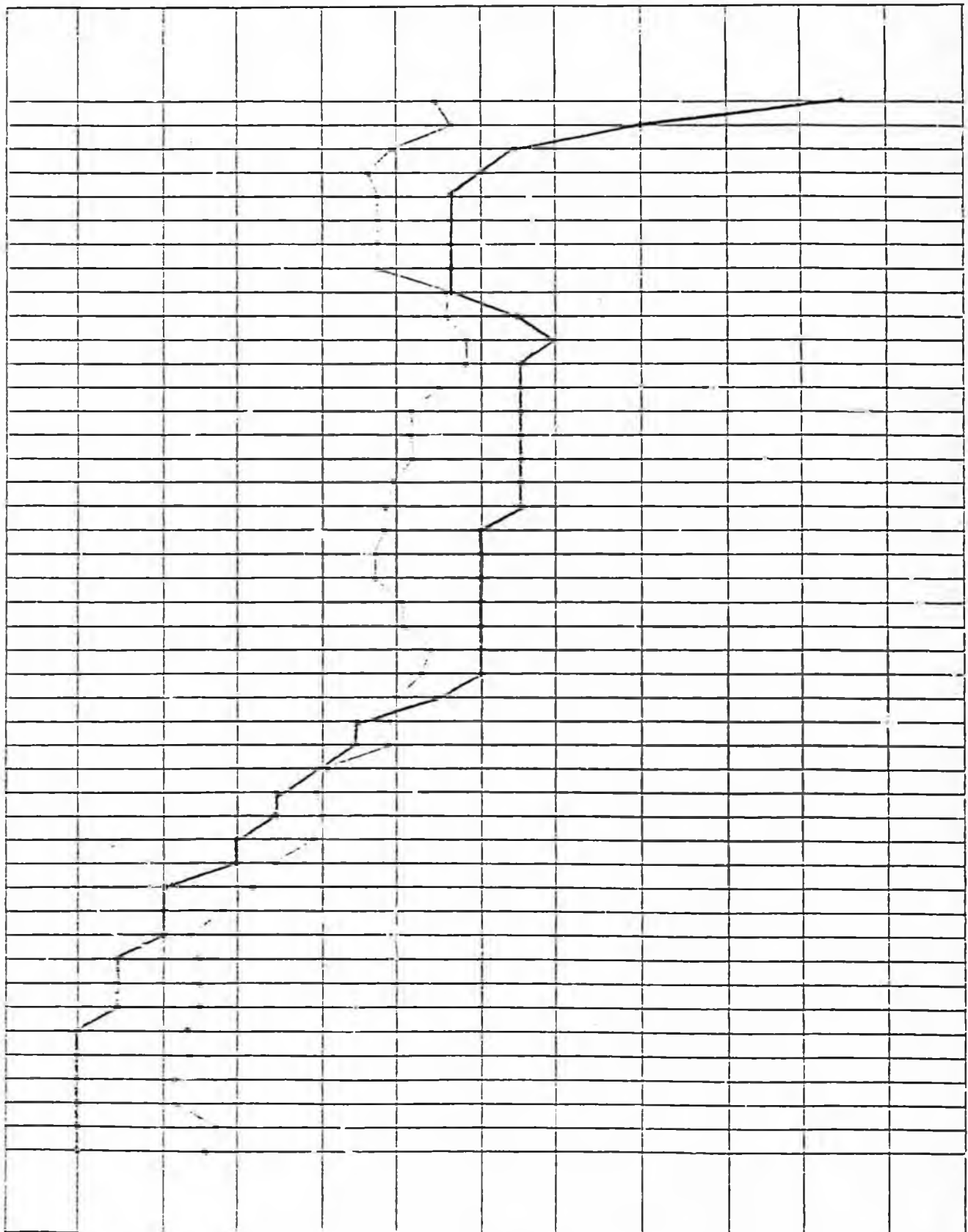
Our reason for suggesting such an amendment is that it is possible that someone might construe the existing language to be interpreted to mean that once the lesser of 1 or 2 fell below 10% no loans could be made. Our suggested alternative would hopefully clarify any such ambiguity.

Rate Comparison Chart
September 1981 - February 1983

INTERNATIONAL
SEATTLE
RENTS

21.0
20.0
19.0
18.0
17.0
16.0
15.0
14.0
13.0
12.0
11.0
10.0

DATE
9/15/81
10/15/81
11/15/81
11/23/81
12/14/81
12/21/81
12/28/81
1/04/82
1/11/82
2/01/82
2/15/82
2/22/82
3/01/82
3/08/82
3/15/82
4/05/82
4/19/82
4/26/82
5/03/82
5/17/82
6/01/82
6/14/82
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8/09/82
8/16/82
8/23/82
8/30/82
9/06/82
9/13/82
9/27/82
10/11/82
10/18/82
11/08/82
11/15/82
11/22/82
12/06/82
1/03/83
1/10/83
1/17/83
2/07/83
2/14/83
2/21/83



Key
Moody's (red)
Prime (blue)



ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY

[RECEIVED]

APR 25 1983

Josephson,

April 19, 1983

The Honorable Joe Josephson
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Josephson:

We recently received a copy of Senate Bill No. 253 which among other things would extend the life of our multi-family program. The Authority supports this legislation and would appreciate the opportunity to testify on its behalf at the appropriate committee hearing.

We have also received a copy of Senate Bill No. 254 which deals with interest rates of the Authority. We support the intent of this bill, but would like to offer a technical amendment which would read as follows:

*Sec. 2. AS 44.88.159(c) is amended to read:

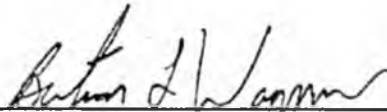
(c) The interest rate on a loan purchased by the authority with money in the small enterprise loan account that is not from the proceeds of the sale of a series of bonds is the lesser of (1) the prevailing prime rate adopted by the United States Small Business Administration, or (2) [EQUAL TO] the most recent index of Aa corporate bond yield averages as published by Moody's Investors Service. However, if the interest rate established in accordance with this subsection would be less than 10 percent, the interest rate on the loan is 10 percent.

Our reason for suggesting such an amendment is that it is possible that someone might construe the existing language to be interpreted to mean that once the lessor of 1 or 2 fell below 10% no loans could be made. Our suggested alternative would hopefully clarify any such ambiguity.

Senate Bill No. 252 which would transfer \$15,000,000 from the Authority's "Multi-Family Housing Loan Security Fund" to the "Low Cost and Low Income Multiple Family Housing Development Fund" in the Department of Community & Regional Affairs is an interesting piece of legislation which we are reviewing.

The Honorable Joe Josephson
April 19, 1983
Page 2

Sincerely,



Bertram L. Wagnon
Executive Director

BLW:mkr

cc: Commissioner Richard Lyon, Dept. of Commerce
John Rubini, Assistant Attorney General, Dept. of Law

Henry

ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY
 MULTI-FAMILY HOUSING CASH POSITION
 February 28, 1983

TYPE	REFERENCE #	ISSUER	INT YIELD	PURCHASE DATE	MATURITY DATE	INVESTMENT AMOUNT	UNINVESTED FUNDS		TOTAL
							INCOME CASH	PRINCIPAL	
Open Note	692992MLO	FIDM	7.875	02/28/83	Open	\$ 3,300,000.00	\$ 484.65		\$ 3,300,484.65
CD	2953	AUC	6.250	06/01/71	06/01/83	200,000.00			200,000.00
CD	2958	AUC	6.250	06/01/71	06/01/83	494,000.00			494,000.00
CD	A1-4	AUB	6.250	06/01/71	06/01/83	336,000.00			336,000.00
CD	H1003	AHUF	6.250	06/01/71	06/01/83	393,000.00			393,000.00
CD	2211	ASB	6.250	06/01/71	06/01/83	200,000.00			200,000.00
CD	2205	ASB	6.250	06/01/71	06/01/83	530,000.00			530,000.00
CD	6060	FHMA	6.250	06/01/71	06/01/83	1,396,000.00			1,396,000.00
CD	2469	FUK	6.250	06/01/71	06/01/83	139,000.00			139,000.00
CD	H-4	HUA	6.250	06/01/71	06/01/83	1,670,000.00			1,670,000.00
CD	199	FUT	6.250	06/01/71	06/01/83	100,000.00			100,000.00
CD	1722	UUA	10.250	11/15/79	11/15/83	1,550,000.00			1,550,000.00
CD	2957	AUC	6.250	06/01/71	06/01/84	200,000.00			200,000.00
CD	2959	AUC	6.250	06/01/71	06/01/84	494,000.00			494,000.00
CD	A1-5	AUB	6.250	06/01/71	06/01/84	336,000.00			336,000.00
CD	H1002	AHUF	6.250	06/01/71	06/01/84	393,000.00			393,000.00
CD	2210	ASB	6.250	06/01/71	06/01/84	200,000.00			200,000.00
CD	2204	ASB	6.250	06/01/71	06/01/84	530,000.00			530,000.00
CD	6061	FHMA	6.250	06/01/71	06/01/84	1,396,000.00			1,396,000.00
CD	2470	FUK	6.250	06/01/71	06/01/84	139,000.00			139,000.00
CD	H-3	HUA	6.250	06/01/71	06/01/84	1,670,000.00			1,670,000.00
CD	12193	Pan S&L	10.250	11/15/79	11/15/84	100,000.00			100,000.00
CD	2951	AUC	6.250	06/01/71	06/01/85	200,000.00			200,000.00
CD	2960	AUC	6.250	06/01/71	06/01/85	494,000.00			494,000.00
CD	A1-6	AUB	6.250	06/01/71	06/01/85	336,000.00			336,000.00
CD	H1001	AHUF	6.250	06/01/71	06/01/85	393,000.00			393,000.00
CD	2209	ASB	6.250	06/01/71	06/01/85	200,000.00			200,000.00
CD	2203	ASB	6.250	06/01/71	06/01/85	530,000.00			530,000.00
CD	6062	FHMA	6.250	06/01/71	06/01/85	1,396,000.00			1,396,000.00
CD	2471	FUK	6.250	06/01/71	06/01/85	139,000.00			139,000.00
CD	H-2	HUA	6.250	06/01/71	06/01/85	1,670,000.00			1,670,000.00
CD	1-01-001134-0	W S&L	10.250	11/15/79	11/15/87	350,000.00			350,000.00
CD	44920030-1	MS&L	10.250	11/15/79	11/15/87	100,000.00			100,000.00
TOTAL Multi-Family Funds						\$21,654,000.00	\$ 484.65		\$21,654,484.65

Bill Fact Sheet

Date Received 4/14/83

Bill Number SB253 Title Multifamily loans

Fiscal Note - Date Requested 4/19/83 Date Received _____

- Of Whom Katy Wallen

Dept. Position Paper - Date Requested 4/19 Date Received _____

- Of Whom Katy Wallen

Resource People

Back-up requested - Josephson - 4/19/83

Richard Rainery DC+RA Leg. Coordinator 5-27-83

Initial Hearing - Date 6-2-83

People Contacted

DC+RA Rich Rainery Leg. Coordinator 5-27-83

DC+RA Barbara Morse Quinn

AHFC (Judy DeSpain for Dennis Cline)

Sen. Josephson

AIDA

LEED

Follow-up Hearing - Date _____

Final Action _____ Date _____

S

B

254



ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY

1577 "C" STREET • SUITE 304 □ ANCHORAGE, ALASKA 99501-5177 □ (907) 274-1651

March 7, 1984

Senator Richard I. Eliason, Chairman
Senate Labor & Commerce Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

RE: Senate Bill 254

Dear Senator Eliason:

We would like to again offer our support for S.B. 254, a bill which would amend the rate charged borrowers on federally guaranteed loans purchased by the Authority. The Authority believes this is a good bill, which will correct a problem that has arisen from time to time, as explained in the attached sectional analysis (Attachment A). We do have a minor amendment that we would like the committee to consider. This amendment, shown in Attachment B, would not change the intent of the bill, but would, in our opinion, add clarification.

The effect of this bill would be to reduce our purchase rate on SBA loans from the present 12.8% to 11%. The Authority feels this is a responsible piece of legislation in that we only purchase the U.S. Government guaranteed portion and the yield should reflect the risk as well as move with the market, which it does under S.B. 254.

We have been informed that Senator Pettyjohn will be offering an amendment to S.B. 254 that would mandate that all applicants for AIDA financing must be residents of the State for at least one year before an application could be made. Statute changes of this nature have been suggested previously and now, as then, we oppose such changes.

Our opposition is based upon two major considerations. First, any type of durational residency requirement always seems to raise constitutional questions, and we would not want the Authority's operations impeded because of a court battle over such an issue.

Senator Richard Eliason
March 7, 1984
Page 2

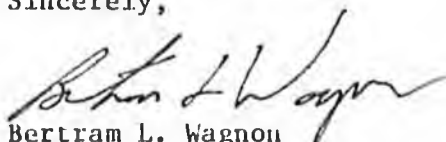
Second, and much more important in our view, restrictions of this nature appear to run counter to the rationale for the existence of AIDA. The legislative findings and policies directing AIDA speak to such factors as decreasing unemployment by "the establishment and expansion of industrial, manufacturing, and business enterprises in Alaska. . .". In our mind it is clear that the Authority's mission is to both expand existing businesses and attract new businesses, both of which should help to increase employment. It is true that in stimulating new business ventures in Alaska, the business involved may not have been in Alaska for a full year prior to application. But please note that the project itself must be in Alaska, hence the new economic activity will take place in our State, regardless of where the owners come from. Further, since most of our financing is of a long term nature, any new-to-Alaska business people must be willing to make a long term commitment to doing business in the State.

In point of fact, most of our applicants could easily meet the one year residency requirement. However, there are exceptions and we see nothing to gain by excluding this new source of economic activity and jobs. Indeed, even if this does increase the level of competition in an industry, we believe that is a favorable development in a competitive economy such as ours.

To summarize, the Authority strongly supports S.B. 254, however we do believe that the clarifying amendment we have suggested should be adopted. Further, we oppose the imposition of any residency requirement, since we believe it would be counter to the purpose of AIDA.

Thank you for the chance to comment.

Sincerely,


Bertram L. Wagnon
Executive Director

BLW:RL:mr



ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY

1577 "C" STREET • SUITE 304 □ ANCHORAGE, ALASKA 99501-5177 □ (907) 274-1651

ATTACHMENT A

SECTIONAL ANALYSIS OF SB254

Section 1: This section deletes the reference to a project, as defined in AS 44.88.220. This deletion is requested to ensure that there is no difficulty with the Authority purchasing the SBA guaranteed portion of working capital and inventory loans. Presently, it could possibly be interpreted that the Authority is prohibited from buying these loans because of the project description of AS 44.88.220 (6).

Section 2: This section is an effort to resolve the difficulty of differential rates being applied to the same loan program. Presently the maximum rate allowed by the U.S. Small Business Administration (SBA) on loans guaranteed by them is the prevailing prime rate plus: 2 1/4% if the loan is less than seven years; or 2 3/4% if the loan is longer than seven years. The present AIDA "buy rate" for the SBA guaranteed portion is Moody's Aa corporate index - in essence, AIDA is loaning funds to the banks at this rate. The bank may then add 1 1/2% to this rate for loans under \$100,000, or 1% to this rate for loans over \$100,000. Generally, there has not been a problem, but with two different rates, particularly one being a "short term" rate (SBA/Prime) and one being a "long term" rate (AIDA/Moody's Aa) the potential exists for the rates to be such that AIDA effectively cannot buy these loans. For instance, the present (mid-March) rates are: Prime = 10.5%; Moody's Aa = 12.4%. For a loan of less than 7 years, the SBA ceiling is 12.75% (10.50% + 2.25%). AIDA will "buy" this loan (i.e. provide funds to the bank) at 12.4%, and allow the bank to charge 1 to 1 1/2% in excess of the 12.4%. Since the SBA ceiling is lower, it will be the effective rate. So the bank would have to loan funds to the borrower at 12.75% and get funds from AIDA at 12.4%. This spread is inadequate to induce the bank to sell SBA loans to AIDA. This does not mean that a bank will not make an SBA loan based upon some other source of funds, however it does significantly lessen the possibility that a bank will make an SBA loan (the SBA estimates that AIDA purchases 70% of all new SBA guaranteed loans in Alaska).

A simple way to eliminate this problem would be to tie the AIDA rates to prime. However this could create a situation where a borrower was confronted with rates in excess of 20% (prime exceeded 20% during 1980 and 1981, and peaked at 17% during 1982). Section 2 represents a compromise. It sets the AIDA buy rate at the lesser of prime, or Moody's Aa, with a 10% floor. This should allow AIDA to "stay in the SBA business" even if Moody's Aa exceeds prime, as in the example, but still protects the borrower from the egregious rates that could result from being strictly tied to prime. The rationale for the 10% floor is that if rates drop below 10%, AIDA assistance should not be needed.

ATTACHMENT B

SUGGESTED AMENDMENT FOR SB254

*Sec. 2. AS 44.88.159(c) is amended to read:

(c) The interest rate on a loan purchased by the authority with money in the small enterprise loan account that is not from the proceeds of the sale of a series of bonds is the lesser of (1) the prevailing prime rate adopted by the United States Small Business Administration, or (2) [EQUAL TO] the most recent index of Aa corporate bond yield averages as published by Moody's Investors Service. However, if the interest rate established in accordance with this subsection would be less than 10 percent, the interest rate on the loan is 10 percent.

Our reason for suggesting such an amendment is that it is possible that someone might construe the existing language to be interpreted to mean that once the lesser of 1 or 2 fell below 10% no loans could be made. Our suggested alternative would hopefully clarify any such ambiguity.

SB 254: An Act relating to the interest rate purchased by the Alaska Industrial Development Authority

Senate Bill 254 proposes amendments to AS 44.88.159(c) which deals with the setting of interest rates for the purchase of SBA loans by the Authority. The current law mandates that this rate be equal to Moody's Aa corporate bond yield. The necessity for a change is due to the fact that the SBA places an interest rate cap based upon the prime rate and, with the dramatic fall in the prime rate over the past six months, we are approaching the ceiling.

The Moody's rate is what is referred to as a "mellow" rate in that it does not move either up or down as fast as prime. For example, when prime was at 20%, Moody's was at 15.5%. However, as prime fell Moody's, being a "mellow" rate, did not fall as fast and currently stands at 11.8% while prime is at 10.5%.

This legislation is intended to give the Authority a limited flexibility in setting the interest rate and at the same time preserving the integrity of the program by setting the rate at the lesser of prime or Moody's Aa with a 10% floor.

The bill, as drafted, has a technical flaw in that it may be construed to mean that, if prime falls below 10%, no loans could be made. This is not the intent and a suggested amendment is attached making it clear that if prime falls below 10% the loan rate will be 10%.

*Sec. 2. AS 44.88.195(c) is amended to read:

(c) The interest rate on a loan purchased by the authority with money in the small enterprise loan account that is not from the proceeds of the sale of a series of bonds is the lesser of (1) the prevailing prime rate adopted by the United States Small Business Administration, or (2) [EQUAL TO] the most recent index of Aa corporate bond yield averages as published by Moody's Investors Service. However, if the interest rate established in accordance with this subsection would be less than 10 percent, the interest rate on the loan is 10 percent.

Our reason for suggesting such an amendment is that it is possible that someone might construe the existing language to be interpreted to mean that once the lesser of 1 or 2 fell below 10% no loans could be made. Our suggested alternative would hopefully clarify any such ambiguity.

The board of directors of the Alaska Industrial Development Authority and the Administration recommend approval of this measure with the suggested amendment.



Richard A. Lyon, Commissioner

Date: 5/16/83

Sectional Analysis of SBA Bill

Section 1: This section deletes the reference to a project, as defined in AS 44.88.220. This deletion is requested to ensure that there is no difficulty with the Authority purchasing the SBA guaranteed portion of working capital and inventory loans. Presently, it could possibly be interpreted that the Authority is prohibited from buying these loans because of the project description of AS 44.88.220(6).

Section 2: This section is an effort to resolve the difficulty of differential rates being applied to the same loan program. Presently the maximum rate allowed by the U.S. Small Business Administration (SBA) on loans guaranteed by them is the prevailing prime rate plus: 2-1/4% if the loan is less than seven years; or 2-3/4% if the loan is longer than seven years. The present AIDA "buy rate" for the SBA guaranteed portion is Moody's Aa corporate index - in essence, AIDA is loaning funds to the banks at this rate. The bank may then add 1-1/2% to this rate for loans under \$100,000, or 1% to this rate for loans over \$100,000. Generally, there has not been a problem, but with two different rates, particularly one being a "short term" rate (SBA/Prime) and one being a "long term" rate (AIDA/Moody's Aa) the potential exists for the rates to be such that AIDA effectively cannot buy these loans. For instance, the present (mid-March) rates are: Prime = 10.5%; Moody's Aa = 12.4%. For a loan of less than 7 years, the SBA ceiling is 12.75% (10.50% + 2.25%). AIDA will "buy" this loan (i.e. provide funds to the bank) at 12.4%, and allow the bank to charge 1 to 1-1/2% in excess of the 12.4%. Since the SBA ceiling is lower, it will be the effective rate. So the bank would have to loan funds to the borrower at 12.75%, and get funds from AIDA at 12.4%. This spread is inadequate to induce the bank to sell SBA loans to AIDA. This does not mean that a bank will not make an SBA loan based upon some other source of funds, however it does significantly lessen the possibility that a bank will make an SBA loan (the SBA estimates that AIDA purchases 70% of all new SBA guaranteed loans in Alaska).

A simple way to eliminate this problem would be to tie the AIDA rates to prime. However this could create a situation where a borrower was confronted with rates in excess of 20% (prime exceeded 20% during 1980 and 1981, and peaked at 17% during 1982). Section 2 represents a compromise. It sets the AIDA buy rate at the lesser of prime, or Moody's Aa, with a 10% floor. This should allow AIDA to "stay in the SBA business" even if Moody's Aa exceeds prime, as in the example, but still protects the borrower from the egregious rates that could result from being strictly tied to prime. The rationale for the 10% floor is that if rates drop below 10%, AIDA assistance should not be needed.

Suggested amendment for S.B. 254 is: (see attached page)

*Sec. 2. AS 44.88.159(c) is amended to read:

(c) The interest rate on a loan purchased by the authority with money in the small enterprise loan account that is not from the proceeds of the sale of a series of bonds is the lesser of (1) the prevailing prime rate adopted by the United States Small Business Administration, or (2) [EQUAL TO] the most recent index of Aa corporate bond yield averages as published by Moody's Investors Service. However, if the interest rate established in accordance with this subsection would be less than 10 percent, the interest rate on the loan is 10 percent.

Our reason for suggesting such an amendment is that it is possible that someone might construe the existing language to be interpreted to mean that once the lesser of 1 or 2 fell below 10% no loans could be made. Our suggested alternative would hopefully clarify any such ambiguity.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 254
Title: Relating to loans made or purchased by AIDA
Sponsor: Josephson
Requestor: Senate Labor/Commerce
Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce & Econ. Development
Program Category Affected: Development
BRU, Program or Subprogram(s) Affected: Alaska Industrial Development Authority

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 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Bertram Waynon, Executive Director Phone: 274-1651
Division: Alaska Industrial Development Auth. Date: 12/13/83
Approved by Commissioner: Richard A. Lyon Date: 12/29/83
Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

SB 254 TITLE & SPONSOR SUMMARY

14:20 5/22/84 PAGE 1 OF 2

AMENDED TITLE:

AN ACT RELATING TO LOANS MADE OR PURCHASED BY THE ALASKA
INDUSTRIAL DEVELOPMENT AUTHORITY;
AND PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSOR: JOSEPHSON.

CO-SPONSORS: FISCHER, V.

CURRENT STATUS: 4/14/83 IN (S) LABOR & COM REFERRAL: FINANCE

SB 254 SENATE ACTION

14:20 5/22/84 PAGE 2 OF 2

DATE SEQ PAGE

LEGISLATIVE ACTION

DATE	SEQ	PAGE	LEGISLATIVE ACTION
04/14/83	01	0698	FIRST READING -- COMMITTEE REPORTS LABOR & COMMERCE FINANCE RULES

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



ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY

1577 "C" STREET • SUITE 304 □ ANCHORAGE, ALASKA 99501-5177 □ (907) 274-1651

January 30, 1984

Senator Rick Halford
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Halford:

As you may recall, this fall a hearing was held by a subcommittee on loans and there was considerable discussion on assistance to the small borrowers.

Our SBA purchase program has been active in this area and a bill is pending in the legislature which would perhaps be of assistance to some Alaskans. We support the intent of this bill, but would like to offer a technical amendment which would read as follows:

*Sec. 2. AS 44.88.159(c) is amended to read:

(c) The interest rate on a loan purchased by the authority with money in the small enterprise loan account that is not from the proceeds of the sale of a series of bonds is the lesser of (1) the prevailing prime rate adopted by the United States Small Business Administration, or (2) [EQUAL TO] the most recent index of Aa corporate bond yield averages as published by Moody's Investors Service. However, if the interest rate established in accordance with this subsection would be less than 10 percent, the interest rate on the loan is 10 percent.

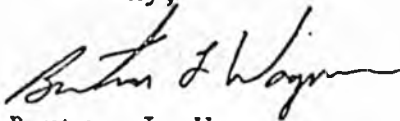
Our reason for suggesting such an amendment is that it is possible that someone might construe the existing language to be interpreted to mean that once the lesser of 1 or 2 fell below 10% no loans could be made. Our suggested alternative would hopefully clarify any such ambiguity.

Senator Halford
January 30, 1984
Page 2

The effect of this bill would be to reduce our purchase rate on SBA loans from the present 12.7% to 11%. The Authority feels this is a responsible piece of legislation in that we only purchase the U.S. Government guaranteed portion and the yield should reflect the risk as well as move with the market which it does under S.B. 254.

If I can answer any questions please advise.

Sincerely,

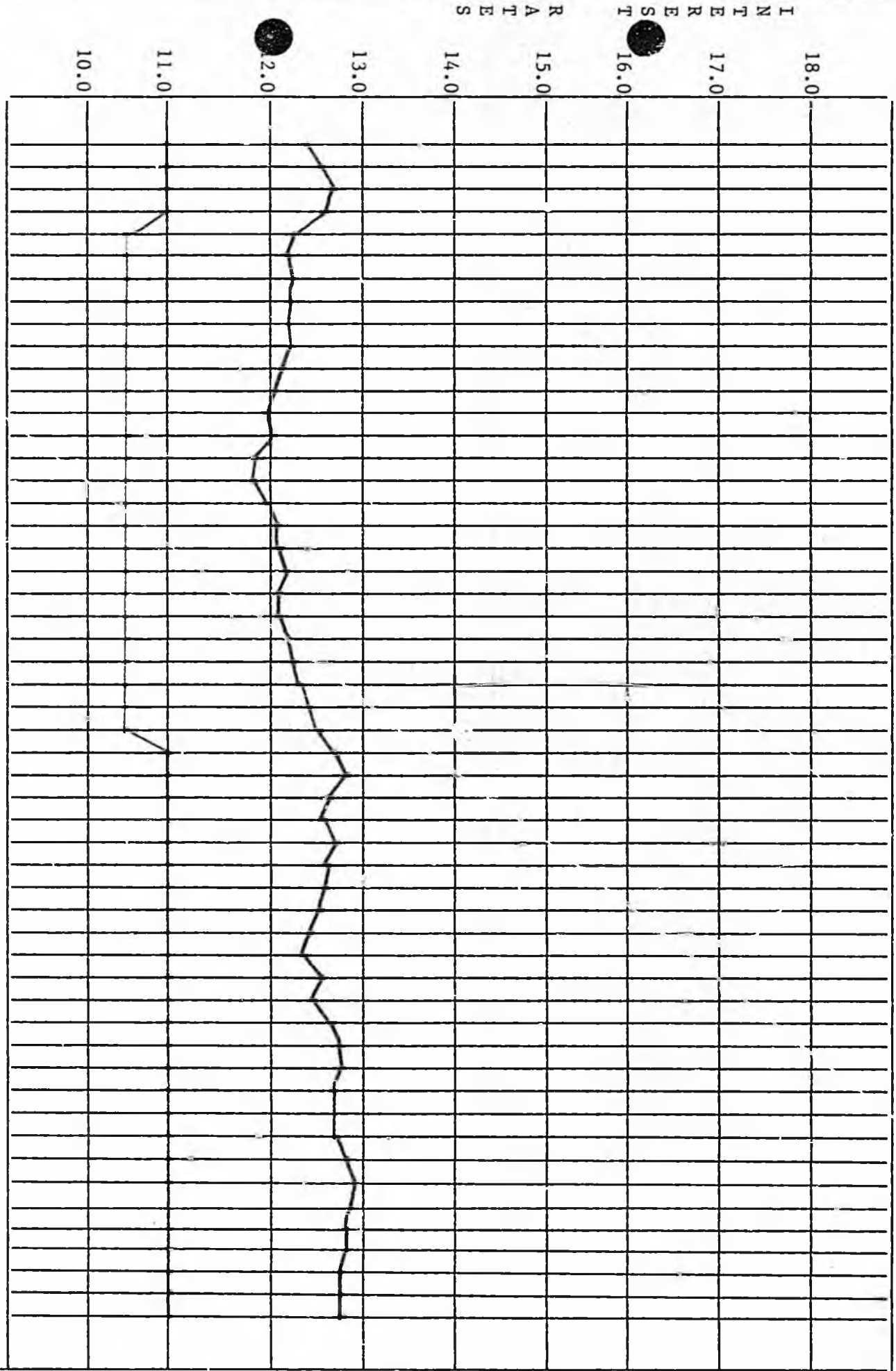


Bertram L. Wagnon
Executive Director

BLW:mr

Rate Comparison Chart
January 1983 - January 1984

Key
Moody's (red)
Prime (blue)



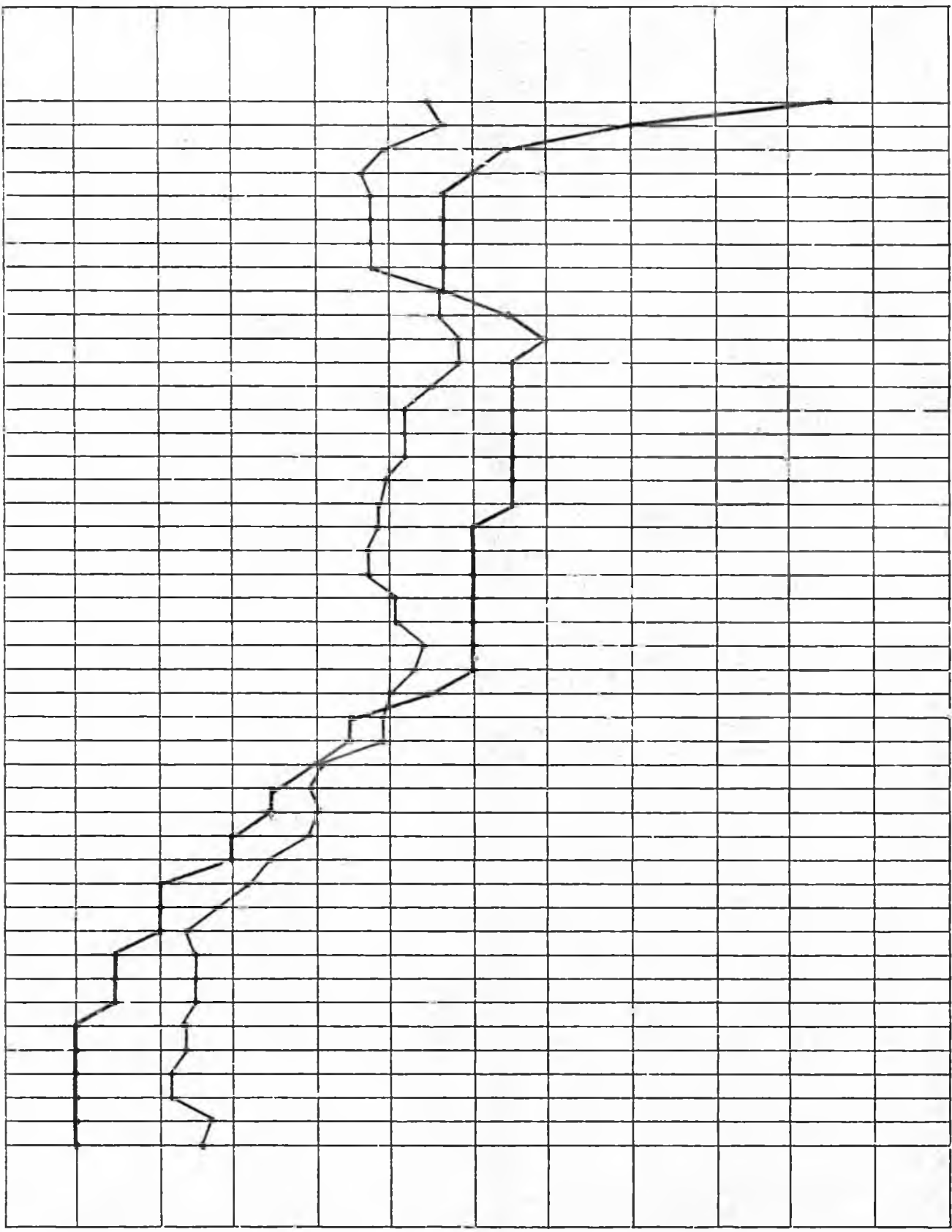
Alaska Industrial Development Authority
 Rate Comparison Chart
 September 1981 - February 1983

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9/15/81
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 3/01/82
 3/08/82
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 8/30/82
 9/06/82
 9/13/82
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 11/22/82
 12/06/82
 1/03/83
 1/10/83
 1/17/83
 2/07/83
 2/14/83
 2/21/83



Key
 Moody's (red)
 Prime (blue)

Vice Chairman Harper asked if there were any questions or comments and there were none.

Deputy Commissioner Terry Elder entered the meeting at this time.

Vice Chairman Harper then requested a roll call vote.

Upon roll call vote: Mark Lewis - yes, Robert Heath - yes, Lee Coffman - yes, Terry Elder - yes, and with Michael Harper abstaining from voting.

7. DIRECTOR REPORTS/COMMENTS

A. Outstanding Eligibility Resolutions/Bond Sale/SBA Reports

Executive Director Wagon reviewed the summary of eligibility resolutions. He said they are issued basically to determine whether the Authority feels, on a preliminary basis, they qualify for tax-exempt financing. Mr. Wagon stated that approximately 50% of the eligibility resolutions become reality.

Mr. Wagon reviewed the bond sale report with the Board. He said the Authority anticipates having another bond sale perhaps in April.

The Executive Director summarized the SBA report. Mr. Wagon said that statutes mandate that on the SBA program, the Authority's buy rate is Moody's AA Index. Mr. Wagon said that, "SBA places a cap on their rate, but the cap is not based off of Moody's it's based off of prime. The cap reads as follows: term of seven years or less - prime plus $2\frac{1}{4}$, term of greater than seven years - prime plus $2\frac{3}{4}$. Right now we're running a prime of 11% as of yesterday, and if you add $2\frac{3}{4}$ to that you're at 13.75. Moody's AA is running at 12.6 as of last week and I add my 1 to that and it's 13.6. So on the over sevens I'm OK, on the under we have a minor tilt. I understand prime is moving at $10\frac{1}{2}$, if that's the case we could have a problem; and the only remedy I see if it continues to stay out of whack will be legislation. We've done some research and worked on it. I've met with Frank Cox, at SBA, to get his opinion. We've run some graphs of Moody's versus prime to see how far they fall out of sync and when. The obvious answer is to dump Moody's and tie it to prime. That may be the appropriate thing to do, but the Moody's rate does have an interesting characteristic, it's a mellow rate. When prime was at 21, Moody's was at $15\frac{1}{2}$ - which is kind of nice in that maybe when times are bad that's when we're (AIDA) supposed to be helping people out. Yet one of the other characteristics of the Moody rate is that it is a 30-year rate and now that prime's at 11, Moody's is not dropping down fast - and it's now 12.6. By mellow I mean it doesn't move as fast and it kind of stays in a more middle band. If the problem continues, rest

AS44.88.158 DOCUMENT= 1 OF 1 PAGE = 1 OF 2
CHAPTER = 44.88
SECTION = 44.88.158
TITLE = 44

HEADINGS TITLE 44.
STATE GOVERNMENT.
CHAPTER 88.
ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY.
ARTICLE 3.
FINANCIAL PROVISIONS.

CITATION SEC. 44.88.158.

CATCH LINE

SMALL ENTERPRISE LOAN ACCOUNT.

TEXT

(A) A SMALL ENTERPRISE LOAN ACCOUNT IS ESTABLISHED IN THE ENTERPRISE DEVELOPMENT FUND. THE ACCOUNT MAY BE COMPOSED OF MONEY OR ASSETS APPROPRIATED OR TRANSFERRED TO THE AUTHORITY, INTEREST ON INVESTMENTS AND LOANS OF THE SMALL ENTERPRISE LOAN ACCOUNT, THE UNPLEGGED INCOME OF THE ENTERPRISE DEVELOPMENT FUND, AND OTHER MONEY OR ASSETS DEPOSITED IN IT BY THE AUTHORITY.

(B) THE AUTHORITY MAY USE MONEY IN THE SMALL ENTERPRISE LOAN ACCOUNT TO PURCHASE THE GUARANTEED PORTION OF A LOAN MADE BY A PRIVATE FINANCIAL INSTITUTION AFTER JUNE 30, 1981, TO A SMALL ENTERPRISE TO PAY THE COST OF A PROJECT, AS DEFINED IN AS 44.88.220, IF THE LOAN IS GUARANTEED BY THE UNITED STATES OR AN AGENCY OR INSTRUMENTALITY OF THE UNITED STATES, INCLUDING, BUT NOT LIMITED TO, THE SMALL BUSINESS ADMINISTRATION, THE NATIONAL MARINE FISHERIES SERVICE, AND THE FARMERS HOME ADMINISTRATION.

(C) THE AUTHORITY MAY PURCHASE LOANS ORIGINATED BY THE ALASKA RURAL REHABILITATION CORPORATION WHICH ARE MADE TO

AS44.88.158 DOCUMENT= 1 OF 1 PAGE = 2 OF 2

AGRICULTURAL ENTERPRISES. LOANS PURCHASED UNDER THIS SUBSECTION MAY BE SECURED BY SUBSTITUTE COLLATERAL IF THE AMOUNT OF THE LOAN DOES NOT EXCEED 75 PERCENT OF THE VALUE OF THE TOTAL COLLATERAL FOR THE LOAN. LOANS MAY BE PURCHASED UNDER THIS SUBSECTION ONLY FROM MONEY APPROPRIATED TO THE SMALL ENTERPRISE LOAN ACCOUNT FOR THAT PURPOSE.

HISTORY (SEC. 65 CH 106 SLA 1980; AM SEC. 40 CH 115 SLA 1981)

R0601 * END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND.

S

B

262

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: 2nd SS SB 262
Title: "...Presumptions under
the Alaska Workers' Compensation"
Sponsor: Josephson & Rodey
Requestor: Labor & Commerce
Date of Request: 3/27/84

FISCAL DETAIL

Agency Affected: Labor
Program Category Affected: Public Protection
BRU, Program or Subprogram(s) Affected: Workers' Compensation

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 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Jacquelyn McClintock Phone: 465-2790
Division: Workers' Compensation Date: 3/27/84

Approved by Commissioner: Jim Robison Date: 3/28/84
Agency: Labor

LEG:A:40

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

Bill No. 2d SS SB 262

Date March 28, 1984

Title "An Act relating to Presumptions under the Alaska Workers' Compensation Act."

Contact *J. L. McClintock*
465-2790

This bill attempts to broaden the rebuttable presumption for firefighters and police officers by adding the specific language that disability or death of a firefighter from heart or lung disease or disability or death of a police officer from heart disease arises out of and in the course of employment if the person has been continuously employed in the job class for three years or more.

Existing language in the Act provides coverage for occupational diseases arising out of and in the course of employment. The definition of injury under AS 23.30.265(13) includes "occupational disease or infection which arises naturally out of the employment or which naturally or unavoidably results from an accidental injury" as coming within the provisions of the Act.

Under the provisions of AS 23.30.120 it is already presumed, in absence of substantial evidence to the contrary, that a claim comes within the provisions of the Act provided that sufficient notice of the claim has been given; that the injury was not proximately caused by intoxication or by the employee being under the influence of non-prescribed drugs; and the injury was not the result of the employee's willful intent to injure or kill himself or another.

The provisions of AS 23.30.105 specify the time periods for an employee to file a claim as: 1) two years after the employee has knowledge of the nature of his disability and its relation to his employment and after disablement; and 2) one year after death. The Act further provides that in case of a latent defect, the employee has full right to claim as determined by the Board, time limitations notwithstanding.

The Department acknowledges the hazards connected with these particular occupations; however, we feel that the present language of the Act fully protects them for occupational injury or disease claims. If it can be shown that a problem does exist under Alaska's current law and that legislation is needed to protect the specific job classes of firemen and policemen, we would support such legislation.

APPROVED:



Jim Robison
Commissioner

Bill No. Senate Bill 262

Date April 25, 1983

Title "An Act relating to Presumptions under the Alaska Workers' Compensation Act."

Contact: J. L. McClintock

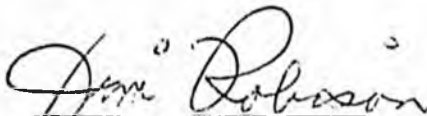
The Department questions the need for legislation that sets a certain group of employees apart from other employees, particularly when existing language in the Act provides coverage for occupational diseases arising out of and in the course of employment.

The definition of injury under AS 23.30.265(13) includes "occupational disease or infection which arises naturally out of the employment or which naturally or unavoidably results from an accidental injury" as coming within the provisions of the Act.

Under the provisions of AS 23.30.120, it is already presumed, in absence of substantial evidence to the contrary, that a claim comes within the provisions of the Act provided that sufficient notice of the claim has been given; that the injury was not proximately caused by intoxication or by the employee being under the influence of non-prescribed drugs; and the injury was not the result of the employee's willful intent to injure or kill himself or another. Does enactment of this bill mean the provisions in Section 120 do not apply to this certain class of employees or are the new provisions in addition to the existing presumption? The language in Subsection (c) of the proposed bill is confusing as to which disease relates to which job class, i.e., lung disease and its relationship to policy officers or emergency medical service providers.

The Department recommends that further research be done to identify the problems under the Alaska Act that this legislation is attempting to resolve. If it is clearly shown that legislation is needed for this particular class of employees, a review of other states' legislation should be undertaken. Also, the Division of Insurance should be requested to obtain a cost analysis from NCCI.

Approved by:



Jim Robison, Commissioner
Department of Labor

SB 262 TITLE & SPONSOR SUMMARY 14:21 5/22/84 PAGE 1 OF 2
AMENDED TITLE: 2DSSSB 262
AN ACT RELATING TO PRESUMPTIONS UNDER THE ALASKA WORKERS'
COMPENSATION ACT

PRIME SPONSOR: JOSEPHSON.

CO-SPONSORS: RODEY.

CURRENT STATUS: 3/20/84 IN (S) LABOR & COM REFERRAL: JUDICIARY

SB 262 SENATE ACTION 14:21 5/22/84 PAGE 2 OF 2
DATE SEQ PAGE LEGISLATIVE ACTION

03/20/84 01 2402 FIRST READING -- COMMITTEE REPORTS
LABOR & COMMERCE
JUDICIARY
RULES

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

Name (please print)	Address	Representing	Testify?? (YES or NO)	Phone Number
BARRY Haight	656 7 th AVE FBKS	FAIRBANKS FIRE FIGHTERS ASSN	YES	455-6293
Earl Lanni	3740 W. 6 th Anch.	Anchorage F.F.	YES	243-8342
CRAIG GODFRICH	Box 121024 ANC 99512	FIRE FIGHTERS	YES	194 6296
DAVID Wigglesworth	417 West 8 th Ave Anch.	Alaska Health Project	YES	276-2864
Jacqueline McClintock	P.O. #04 1149 Junco	WORKERS COAL DIV.	YES	465-2790
Rosa King	134 No. Franklin - JUNCO	A.G.C.	YES	586-1740
Steve Silver	P.O. Box 1211	ROMEA	YES	586-3346
Tom Cashen	124 FRONT ST. JUNCO	AFL - CIO	YES	586-3050
GREG O'CLARAY	124 FRONT ST JUN	SEAFARERS INT'L UNION	YES	586-9711

Worker's Comp



Alaska Health Project

417 West Eighth Avenue — P. O. Box 10-1037, Anchorage, Alaska 99510 — (907) 276-2864

March 28, 1984

TO: Senate Labor and Commerce Committee

FROM: David Wigglesworth
Occupational/Environmental Health Specialist

SUBJECT RE: Testimony in Support of 2nd Sponsor Substitute for Senate
Bill No. 262, An Act Relating To Presumption Under the Alaska
Workers' Compensation Act.

Alaska Health Project appreciates the opportunity to testify in support of SB 262 -- a bill which will give firefighters and police officers the means to receive the compensation that they justly deserve.

Over 100,000 workers die annually from occupational diseases. Yet, nationally and in Alaska, workers' compensation laws have grossly neglected this important issue. In 1980, the U.S. Department of Labor reported that only 10 percent of injury compensation cases were contested by insurers, while a much higher percentage of disease cases were contested. For example, 78 percent of all respiratory disease cases were contested in 1980. Of these, over 75 percent ended in a compromise.¹

Clearly, the main question in most injury cases is determining the extent of the disability and not the validity of the claim. While in cases involving occupational disease, the fundamental question is whether such an illness is job-related and ultimately whether occupational illness exists.

I am not suggesting that human disease stems only from the workplace. However, I am drawing attention to the fact that research is now indicating that workplaces are affecting the proliferation of disease in our society. The question not normally asked in worker compensation cases dealing with occupational disease, which should be, is given the fact that disease and illness exists in our society, to what extent does the evidence indicate that certain occupations and job conditions actually exacerbate and possibly cause the wide range of disease found in our general population?

In the case of firefighters and police officers, evidence clearly indicates that the onset of common diseases to the lung and heart are greatly enhanced (and possibly caused) by the requirements of their jobs. The stresses and strains of firefighting and responding to public emergencies, environmental conditions (temperature extremes), trauma, burns, exposure to toxic substances are all predisposing factors in the causation of several cardiac disorders and lung diseases. For example:

Stress: The human body's reaction to stress results in several biochemical changes that put a strain on the heart thus promoting coronary thrombosis, arteriosclerosis, and hypertension. These changes include:

- * The release of hormones which affect the rate of metabolism,
- * increase in blood pressure,
- * increase in the production of blood sugar;
- * increase in pulse rate to provide an increased blood supply to cardiac and striated muscles,
- * increase in cholesterol and fatty acids in the body.²

Documented evidence concludes that hypertension, coronary thrombosis, the anginal syndrome, and manifestations of accelerated atheromatous changes are especially pronounced in firemen and in workers employed in other dangerous occupations.³ Moreover, research attests to the fact that arteriosclerosis with premature vascular breakdown "appears to be higher among individuals exposed to stress and strain than in the population at large."⁴ The reports indicate that the acceleration of heart disease is not uncommon in occupations such as firefighting because of "exposure to hazardous physical tasks."⁵

Temperature/Environmental Conditions:⁶ The stress caused by cold temperatures also effects the tissue of the body. Exposure to the cold causes:

- * elevated pulse rate,
- * increased blood pressure,
- * vasospasms.

Continuous exposure to cold has been known experimentally to cause:

- * persistent hypertension,
- * cardiac hypertrophy,
- * cardiovascular atherosclerosis,
- * nephrosclerosis (hardening of the kidney).

Exposure to excessive heat can result in a variety of physiological effects. Principally, exposure to heat puts great strain on the cardiovascular system. In conjunction with personal protective equipment (weighing up to 50 pounds) physical work may become next to impossible. Persons with pre-existing heart disease are especially at risk.

Toxic Fumes/Hazardous Materials: Evidence indicates that exposure to toxic fumes and vapors can result in heart disease and irreversible pulmonary changes such as emphysema and fibrosis. The decomposition of "everyday" plastic (VC,PVC) can release a variety of toxic gases such as carbon monoxide, phosgene, hydrogen cyanide, and hydrogen chloride. In many instances, the physiological effects of these gases do not fully appear until several hours after exposure.

For example, the corrosive action of hydrogen chloride inhalation is often delayed as much as 12 to 24 hours after exposure.⁷ Phosgene gas has a latency period of 5 to 12 hours. Exposure to phosgene can cause respiratory tract irritations and in some instances, pulmonary edema. Chronic exposure to phosgene can cause emphysema and fibrosis.⁸

Exposure to plastic fumes have also been known to cause a heart disorder called premature ventricular beat. (This is especially serious for firefighters with pre-existing coronary artery disease⁹). Premature ventricular beat can lead to sudden death syndrome.

Clearly, toxic fumes from burning plastics, are only a few of the many toxic gases to which firefighters and police are exposed to at a fire. Some of the hazardous materials to which firefighters and police officers may be exposed to in the Anchorage area are: pesticides, solvents, PCBs, adhesives, resins, paints, laquers, jet fuel, oxidizers, reactants, explosives, and flammables.

Virtually every business and home in Anchorage and Fairbanks utilizes hazardous and/or toxic materials, which, when exposed to the heat of a fire, decompose into noxious and toxic gases which could cause lung damage if inhaled. Furthermore, the irritating properties of many of these gases on the throat leads to the production of excessive mucous. Infections thrive on mucous, so that chronic irritation "may easily lead to increased susceptibility to respiratory infections.¹⁰

What effect has job conditions and job requirements had on the lungs and hearts of firefighters and police officers? A review of some available epidemiological studies dating back to the 1950's reveal some grisly statistics:

- * In 1950, a study by the U.S. Department of Health Education and Welfare investigated the mortality rates for cardiovascular disease suffered by male firefighters compared to males in all occupations. The results indicated that for every 158 firefighters who died of C.V.D. 100 males in all other occupations died of similar problems.¹¹
- * From 1940 - 1980, the Institute for Cancer and Blood Research studied 1,557 death certificates of active and retired firefighters concluded that firefighters face a 1 to 3 chance of dying from cancer versus a 1 to 5 chance among the general population.¹²
- * In 1981, occupational disease caused 404 firefighters to retire or change jobs, the most common disease being heart disease.¹³
- * In 1981, the mortality rates for firefighters was 58 deaths per 100,000 compared to 12 deaths per 100,000 for all U.S. industry. That's five times the national average.¹⁴

- * Among firefighter deaths from occupational disease, 60 percent resulted from heart disease, 33 percent from lung cancer, and 4 percent from lung disease.¹⁵
- * The National Institute for Occupational Safety and Health (NIOSH) has performed a series of studies on high stress occupations such as police officers. The first study was performed in 1972 which triggered "a broader long-term study undertaken in cooperation with the Police Foundation and the International Conference of Police Associations."¹⁶
- * A ten-year study (1965-1975) performed by the California Department of Labor revealed that 78 percent of firefighter fatalities in California were attributable to cardiovascular strain or disease. Of note, the California Labor Code establishes for firefighters the disputable presumptions that hernia, heart trouble, and pneumonia arise out of and in the course of employment.¹⁷
- * Thirty-eight (38) other states have adopted legislation affording protection to firefighters suffering from disease of the heart and lung out of and in the course of employment.

In the final analysis, the debate concerning presumptive occupational disease legislation is only just beginning. The difficulty of relating a disease to a particular profession will not allow for a quick and easy resolution of this debate. In the meantime, however, decisions in all workers' compensation cases involving injury or illness, or both, must be based on an evaluation of the best available information. Given the facts, it stands to reason that firefighters and police officers should no longer bear the burden of proving that diseases to their heart and lungs are occupationally related. The fact that these diseases can attack while they are off duty should not preclude them from receiving compensation. Undeniably, police officers and firefighters especially have certain unavoidable and unexpected job conditions which promote and cause damage to the lungs and disorders in the heart.

Alaska Health Project urges the Senate Labor and Commerce Committee to support and SSSB 262 and advocate its rapid adoption.

Reference Notes

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- 5 Ibid, p. 21
- 6 Ibid, p. 24
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- 8 Pott, A.M., F., P. Simon, and R.W. Gerard, 1949. The mechanism of action of phosgene and disphosgene. Arch. Biochem. Biophys. 24:329 in Occupational Disease
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- 10 Stellman, Jeanne M., Work is Dangerous To Your Health. Random House Books, 1973, p. 25.
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March 19, 1984

Senator Joe Josephson, Vice Chairman
Senate Judiciary Committee
Alaska State Senate
Pouch "V"
Juneau, AK 99811

Re: Sponsor Substitute For Senate Bill No. 262

Dear Senator Josephson:

I have recently received a copy of Sponsor Substitute for Senate Bill No. 262 which is an amendment to §.120 of the Alaska Workers' Compensation Act. I am writing to you because you are a co-sponsor of the Bill.

As you know, the Alaska Workers' Compensation Act has a rebuttable presumption that a claim is compensable. However, under several Alaska Supreme Court decisions interpreting the Act, the presumption does not arise until the employee comes forward with some evidence reflecting that the injury or disease is somehow connected with his employment. Under normal circumstances, that evidence is presented through a medical report by a treating physician.

Your amendment to §.120 of the Act is apparently intended to allow a narrow segment of the work force to obtain the benefits of the presumption of compensability without presenting any evidence of work relationship if the disability or death arises from heart or lung disease. The amendment is apparently designed with the assumption that firefighters and policemen suffer work-related heart attacks more often than the general population and that firefighters suffer work-related lung diseases more often than the general public. There may be statistics to support these conclusions and I trust that committees evaluating this amendment will be afforded the opportunity to review those statistics.

The amendment also seems to assume that heart disease is caused by stress. I can think of no other reason to grant this benefit to police officers who are generally thought to be employed in a high stress job. However, there is a debate in

Senator Joe Josephson
SSSB 262
March 19, 1984
Page 2 of 2

the medical community as to whether or not stress aggravates or causes atherosclerosis. In fact, I am presently handling a case in which a local internist and two Seattle cardiologists have testified that employment stress is not a recognized risk factor in the development of atherosclerosis. I realize that there are those who hold opposing views. However, the purpose of this letter is not to debate the cause of heart disease. Rather, I question the advisability of granting a special privilege to a narrow class of workers based upon an assumption with regard to medical science that is not necessarily accurate.

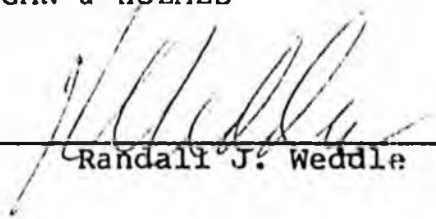
Moreover, I question the general lack of wisdom in granting special benefits to a narrow class of workers such as firemen or policemen. As citizens, we all value the contributions of our policemen and firemen, but we also value public servants in many other high-stress occupations such as teachers, judges, doctors, and air traffic controllers.

In conclusion, I would like to urge the Senate to solicit comments from experts in the field of lung and heart disease and the effects of environmental factors faced by firemen and policemen with regard to those diseases. There are certainly specialists within Alaska who are familiar with these issues and could provide you useful information in evaluating the wisdom of SSSB 262.

In order to insure that this letter is given fair consideration, I feel compelled to conclude by assuring you that I have not written at the request or on behalf of any client, but merely as an interested citizen.

Very truly yours,

FAULKNER, BANFIELD,
DOOGAN & HOLMES

By: 
Randall J. Weddle

RJW:ce

cc: Senate Labor & Commerce Committee
Senate Judiciary Committee



Alaska National INSURANCE COMPANY

A policy of service and protection

February 22, 1983

Mr. Mike Szymanski, Representative
Pouch V
State Capitol
Juneau, Alaska 99811

Dear Mike:

I am pleased to provide you comments on the proposed legislation for an act amending the workers' compensation act to establish certain hazards of fire fighters and peace officers as work related and to establish that disability benefits commence on the first day time is lost as a result of work related disability.

This measure deals with two separate subjects: the first, is establishing presumptions of disability for certain diseases which are arising out of the work of fire fighters and peace officers. The second, deals with doing away with a three day waiting period for short disabilities.

PRESUMPTIONS FOR FIREFIGHTERS AND PEACE OFFICERS:

There are three serious problems with this proposal.

First, the language as drafted creates both a conclusive and a rebuttable presumption for the same thing.

At one point, the legislation says a "work related injury shall be conclusively construed to include any respiratory ..." Then later, the legislation provides "such diseases or illnesses are deemed to arise out of and in the course of employment in the absence of evidence to the contrary."

A conclusive presumption is one that cannot be rebutted by other evidence. On the other hand, it would appear from the later paragraph, that evidence can be presented to show that the disease was not work related.

As a matter of legislative clarity, it should either be a rebuttable presumption or a conclusive presumption, but certainly not left ambiguous.

The second problem deals with the "after retirement" determination of the disease.

Unfortunately, every person who passes on, does so because of cardiovasacular, pulmonary or respiratory disease. Thus, it can be

expected that without any difficulty, a retired peace officer can show sufficient indicia of a disease which as to other people are simply natural results of age and attribute those conditions to the fact that he was a police officer or a fire fighter and convert the workers' compensation system into a very lucrative retirement system. Since the presence of cardiovascular pulmonary or respiratory disease after retirement is conclusively presumed or even rebuttably presumed to be as a result of his work, there are little or no defenses to preclude every retired peace officer and fire fighter from collecting workers' compensation insurance.

The third problem deals with the very notion of presumptions in the workers' compensation system.

Similar legislation was adopted in Michigan several years ago and also currently exists in the Federal Black Lung Law. In these statutes, conditions which are typically attributable to older persons or persons who smoke, have been given presumptive work related status creating a deluge of claims against the workers' compensation system at great expense to the employer. A review of both the Black Lung and Michigan Workers' Compensation Laws will reveal that they became pension funds for retired workers which greatly abused the system.

It is my belief, that the language of the current laws are broad enough; and, in fact, it has been so interpreted by the Workers' Compensation Board, to include any form of occupational disease which is demonstrably work related. When there is satisfactory evidence that the disease exists and that the disease was caused by work hazards, it creates a legitimate disability under the law. In short, firefighters and peace officers who do suffer work related occupational diseases, already have adequate means, through the existing laws, to be compensated, and there is really no demonstrable need to extend that with presumptions.

The Workers' Compensation Law already requires only minimal proof by a worker. Proof of the existence of the physical disability and minimal evidence that it is work related. Upon these showings, the burden of proof already is transferred to the employer. It is making the employer's burden impossible by creating conclusive or even rebuttable presumptions, and it creates unnecessary cost burdens on an already costly system.

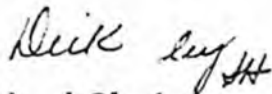
THREE DAY WAIT PERIOD:

The second issue deals with a three day wait period. Under current law, the three day wait period is eliminated if the disability goes beyond 28 days. In other words, if it is a short period of disability, the employee is uncompensated for the first three days. This concept has been written into almost every Workers' Compensation Law and was designed as a means of precluding employees from using insignificant injuries as a way of receiving one or two days time-off with pay. On the other hand, if the injury is severe enough that it requires more than 28 days of disability, then it is regarded that the first three days ought to be paid by the workers' compensation system.

There is absolutely no justification for carving out a special treatment for firefighters or peace officers.

On balance, Mike, I find this proposal to be highly discriminatory in that it singles out two single classes of workers for special treatment under the law with no apparent justification; and, also, it is a very costly venture for the municipalities which are already subject to high burdens for their workers' compensation obligation. I would urge you to not advance this proposal.

Yours cordially,

A handwritten signature in cursive script that reads "Rick Block".

Richard Block
President

RB/krl

Alaska State Legislature

House of Representatives

Representative Mike Szymanski

SR-A-Box 130-F
Anchorage, Alaska 99501
Phone (907) 549-3373

While in Session:
Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

April 25, 1983

Ms. Jan Hart DeYoung
Jermain, Dunnagan & Owens
801 West Fireweed Lane, Suite 201
Anchorage, Alaska 99503

Dear Jan:

When I received your latest letter of April 20, 1983 regarding the Fire Fighters Heart & Lung Legislation proposal, I contacted the Department of Labor to discuss the issue with them. I have also asked my staff to do some research on what has happened in other states with this type of legislation.

At the same time, Senator Josephson has introduced Senate Bill 262 which addresses this issue specifically and a hearing is scheduled on the legislation tomorrow, April 26.

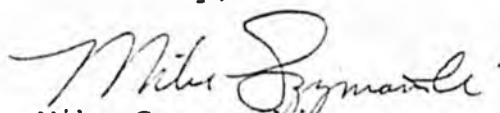
Paula Terrel, on my staff, has talked with Senator Eliason's staff on this legislation and also with Jackie McLintock, Director of the Workers Compensation Division of the Department of Labor. I think it is generally believed that coverage should be available to firefighters for heart and lung disease. Some questions have arisen as to the applicability of existing statutes and as to whether or not police and emergency services personnel should be covered as well. I think that the Department of Labor will request that more time be given for them to work with the Division of Insurance and to do some research into the problem.

For myself, I can anticipate myself sponsoring such legislation on the House side and the only reason that this has not yet happened is that I really believe it is in everyone's interest to introduce legislation which has already been carefully looked at, not only by the groups that it would impact but by the Administration.

What I propose is that we see what happens during the hearing and then I will work with Senator Josephson's staff and with the Division of Workers' Compensation and with you and those you represent to put in a bill on the House side which has all the kinks ironed out. It is possible, on the other hand, that SB 262 will go through committee hearings with a version which will be satisfactory to all concerned and, if that is the case, then we might just wait for it to come over to the House side.

In any event, I wanted to let you know that I am still interested in this legislation and wish to continue to work with you and the representatives of the fire fighters to produce the best possible legislation.

Sincerely,



Mike Szymanski
State Representative

cc: Jackie McLintock, Division of Workers
Compensation
DoneKoch, . . . Division of Insurance
Senator Joe Josephson
Senator Dick Eliason