

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672

2652 SLC SB 398 - SB 434

2652

AS 02.15.116 gives the state the authority to summarily remove any encroachment that obstructs the use of a state airport by the public, or interferes with the safe operation of the airport.

Section 2 of the bill amends AS 02.15.260 by adding four new definitions. The new definitions added are: "cost of change, relocation or removal," "encroachment," and "utility."

Section 3 of the bill amends AS 35.10 by adding a new article concerning utilities and encroachment in public facilities. This article is nearly identical to the eight new sections which sec. 1 of the bill would add to AS 02.15 concerning utilities and encroachment in state airports.

Section 4 of the bill repeals and reenacts AS 35.25.020, the general definition section for Title 35. The existing definition of "public works" is deleted. New definitions for "cost of change, relocation, or removal," "encroachment," "public facility," or "public works," "utility," and "utility facility" are added. Five of the existing definitions are retained.

Section 5 of the bill repeals and reenacts AS 19.45.-001(12), in the general definition section relating to highways, to make the definition of "utility" consistent with the definition of that term in the statute dealing with airports in sec. 1 of the bill and with public facilities in sec. 4 of the bill.

Section 6 of the bill establishes an effective date of July 1, 1984.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: 395
 Title: Utility Relocation - Airport & Pub. Fac. Construction
 Sponsor: DOT&PE
 Requestor: Commissioner
 Date of Request: _____

FISCAL DETAIL

Agency Affected: DOT&PE
 Program Category Affected: Utilities
 BRU, Program or Subprogram(s) Affected: N/A

EXPENDITURES/REVENUES: (Thousands of Dollars) N/A

	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	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars) N/A

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS: N/A

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

N/A

Analysis

ANALYSIS: Attach a separate page for analysis

Prepared By: Bruce R. Freitag Phone: 789-6237
 Division: Standards and Technical Services Date: 01-04-84

Approved by Commissioner: [Signature] Date: 1/1/84
 Agency: DOT&PE

Distribution (by Agency preparing fiscal note):

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

12/1/83

Utility Relocation - Airports and Public Facilities Construction

Analysis

The need for this law is to provide statutory authority for the accommodation and relocation of utility facilities within State rights-of-way for the other Department modes - airports, harbors, and public buildings - similar to what AS 19.25.010 - 19.25.020 presently allows for State highways.

We don't anticipate any Department fiscal impact because we are presently reimbursing utility facility relocation costs for these modes if they meet code and are under permit. However, no statute authority for this reimbursement presently exists. In 1981, department policy evolved to allow for this reimbursement.

We don't anticipate any opposition to this proposal.

We don't anticipate any savings/costs differences from the present situation due to this proposal for either the Department or the Utility.

This law would provide statutory authority for the Department to permit utility facility accommodation/relocation reimbursement similar to that presently allowed within highway rights-of-way. Also, this Act is necessary for consistency with highway projects, and housekeeping for the Department operations.

SB 398 TITLE & SPONSOR SUMMARY

14:29 5/22/84 PAGE 1 OF 2

AMENDED TITLE:

AN ACT RELATING TO UTILITIES AND ENCROACHMENTS IN STATE AIRPORTS, PUBLIC UTILITIES, AND HIGHWAYS; AND PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSOR: SENATE RULES COMMITTEE.

CO-SPONSORS:

CURRENT STATUS: 1/31/84 IN (S) LABOR & COM REFERRAL: TRANSPORTATION

SB 398 SENATE ACTION 14:29 5/22/84 PAGE 2 OF 2

DATE	SEQ	PAGE	LEGISLATIVE ACTION
01/31/84	01	1898	FIRST READING -- COMMITTEE REPORTS
01/31/84	02	1898	F/NOTE EQUALS ZERO
01/31/84	03	1898	ANALYSIS IN SEN SUPPL #47
01/31/84	04	1899	GOV TRANSMITTAL LETTER LABOR & COMMERCE TRANSPORTATION FINANCE RULES

XXXX XX XX XXX XXX XXX

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

POUCH Z
JUNEAU, ALASKA 99811
PHONE: (907) 465-3900

OFFICE OF THE COMMISSIONER

April 30, 1984

The Honorable Richard Eliason
Chairman, Senate Labor and
Commerce Committee
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Eliason:

The following information is provided in response to your request concerning the impact on DOT&PF should the Department's utility legislation fail enactment this year.

Senate Bill 396

"An act relating to relocation of utilities incident to highway projects; and providing for an effective date."

The objective of this legislation is to provide better control on permitting utility use of Department rights-of-way and on allowing Department reimbursement for relocation/adjustment costs of utility facilities due to highway construction.

If SB 396 is not passed, considerable funds may be spent by the Department to relocate or adjust utility facilities which have been placed in highway rights-of-way illegally. Without this legislation, the Department of Transportation and Public Facilities does not have a means to ensure a utility company will install its facilities in conformance with proper codes and in approved locations within highway rights-of-way. Further, with this legislation the Department will have statutory authority to issue a Temporary Permit for locating utility facilities in highway rights-of-way when known reconstruction is planned for a highway segment the utility wishes to use.

With passage of SB 396, the State stands to save \$50,000 to \$200,000 per year from cost reimbursements to utilities as well as experiencing fewer instances of faulty code compliance or improper location.

April 30, 1984

Senate Bill 398

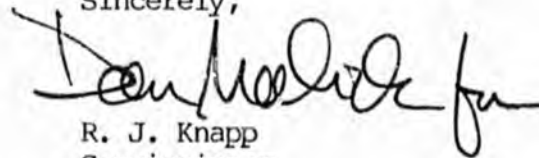
"An act relating to utilities and encroachments in rights-of-way for State Airports and Public Facilities; and providing for an effective date."

The objective of this legislation is to provide statutory authority to the Department of Transportation and Public Facilities to issue permits for utility facilities within State rights-of-way for airports, harbors, marine transportation areas, and State public buildings similar to the existing permit ability the Department has for highway rights-of-way. The State would also then have statute authority to reimburse utility companies for required relocation/adjustment of utility facilities due to State construction.

If SB 398 does not pass, DOT&PF will continue to lack statutory authority to permit location of utility facilities in State rights-of-way other than highways. Therefore, utility companies may have to pay to locate their facilities in private rights-of-way which would ultimately result in higher costs and rates to their consumers.

The department strongly supports the passage of SB 396 and SB 398. Should you require additional information, please contact our legislative liaison office at 465-3900.

Sincerely,



R. J. Knapp
Commissioner

cc: Susan Fleischhauer, Administrative Assistant
Ray Gillespie, Director of Legislative Relations
Office of the Governor
John J. Simpson, Director, Standards and Technical Services



City and Borough of Sitka

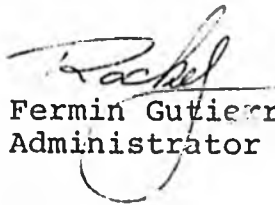
~~PO BOX 79~~ · SITKA, ALASKA · 99835
304 Lake Street
Room 104

Senator Richard Eliason
Alaska State Legislature
Pouch V M/S 3100
Juneau, Alaska 99811

Dear Dick:

Please be advised that the City and Borough of Sitka opposes the passage of SB-396 and SB-398 which if enacted would not be in our best interest.

Sincerely,


Fermin Gutierrez
Administrator

S

B

414

SB 414 TITLE & SPONSOR SUMMARY

14:30 5/22/84 PAGE 1 OF 2

AMENDED TITLE:

AN ACT RELATING TO AN ENERGY MORTGAGE VALUATION PROGRAM;
AND PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSOR: FISCHER, V.

CO-SPONSORS:

CURRENT STATUS: 2/07/84 IN (S) LABOR & COM REFERRAL: FINANCE

SB 414 SENATE ACTION

14:30 5/22/84 PAGE 2 OF 2

LEGISLATIVE ACTION

DATE	SEQ	PAGE
02/07/84	01	1968

FIRST READING -- COMMITTEE REPORTS
LABOR & COMMERCE
FINANCE
RULES

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ENERGY MORTGAGE VALUATION PROGRAM

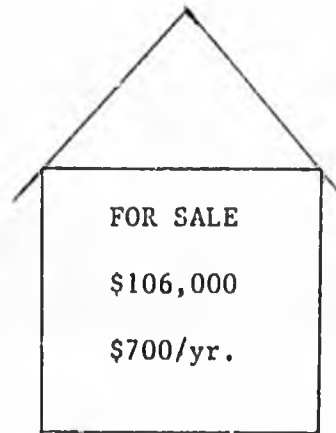
HOME A

HOME B

Anchorage Region

As Is

With Extension
Weatherization



← Appraised Value →

← Heating Bill →

Electric Heat
2x4 Construction

Electric Heat
With Extensive
Weatherization

	<u>Without EMVP</u>		<u>With EMVP</u>
	<u>Home A</u>	<u>Home B</u>	<u>Home B</u>
Cost	\$100,000	\$106,000	\$106,000
Monthly Payment (Principal (P) + Interest (I))	\$833.69	\$883.71	\$883.71
Energy (E)	\$117	\$58	\$58
P + I + E	\$950.69	\$941.71	\$941.71
Debt-to-Income Ratio	28% (P+I)	28% (P+I)	32% (P+I+E)
Minimum Monthly Income Required to Qualify Purchaser	\$2978	\$3157	\$2943

Adjusting the debt-to-income ratio to include energy costs allows a buyer to qualify for the more expensive energy-efficient home with less income than that required for the cheaper home because total monthly costs for the home are less.

Areas of higher energy cost or colder regions have more to gain than Anchorage by implementation of EMVP.

*Shiela -
We do not want to
schedule SB 414
at this time, but
here's something for*



Senator Vic Fischer

Alaska State Legislature
Pouch V • Juneau, Alaska 99811 • (907) 465-4954

MEMORANDUM

February 17, 1984

TO: Senator Dick Eliason
FROM: ~~Senator~~ Vic Fischer
RE: energy mortgage valuation program

I would like to request that you schedule SB 414 for a Labor and Commerce hearing at your earliest convenience.

What the bill essentially does is create an energy efficiency rating system for homes so that everyone-- bankers, appraisers, contractors, homebuyers, etc. will talk the same language when they talk about energy efficiency. Then, the bill requires the state programs that subsidize home purchases (AHFC and Non-conforming) to consider a home's energy rating in establishing a person's income eligibility. In other words, if the energy costs are low, then a buyer would qualify for a more expensive energy-efficient home (because the higher mortgage payments and lower energy costs would be no more than the lower mortgage but higher energy costs of a less efficient home.) The net results would be to qualify more people as homebuyers, and to improve the housing stock overall.

This system is presently being used in other states such as Washington and Oregon. In initial discussions with Alaskans in the housing industry, it appears to be preferred to codes or standards. It was discussed in a seminar at the recent Alternative Energy Conference and attracted a great deal of interest.

I am attaching some relevant back-up information. My aide, Nancy Lord, has more information and can answer any questions you may have.

Western Resources Center

SHELTER INDUSTRY

RESIDENTIAL ENERGY EVALUATION PROGRAM

GOAL: To develop a "market solution" to energy considerations in the residential sector

GENERAL APPROACH: Develop a national model for:

[A] The integration of a uniform residential energy evaluation (rating) methodology into the daily business practices and procedures of the major shelter and utility industry sub-sectors

through the

[B] Voluntary and cooperative efforts of representatives of the major sectors of the shelter and utility industries

NEED: In recent years the shelter and utility industries have developed a variety of programs to deal with the impacts of rising energy costs in the residential market. Unfortunately, the approach of each industry sector separately dealing with this problem has led to a great deal of confusion in the marketplace. Indeed, at present there exists no common language among relevant industry participants for evaluating the relative market value of energy efficiency improvements in residential housing.

This situation has led to:

- ° Buyer confusion as to the true energy efficiency potential of the home in question
- ° Appraiser inability to measure the market value of energy efficiency improvements due to the variety of energy terms, concepts and equipment confronting them in the marketplace. [Essentially, appraisers are presently in the position of comparing apples to oranges in attempts to evaluate the market impacts of energy.]
- ° Builder concern over the added cost of efficiency improvements without any market recognition of the added value that may also occur due to those improvements

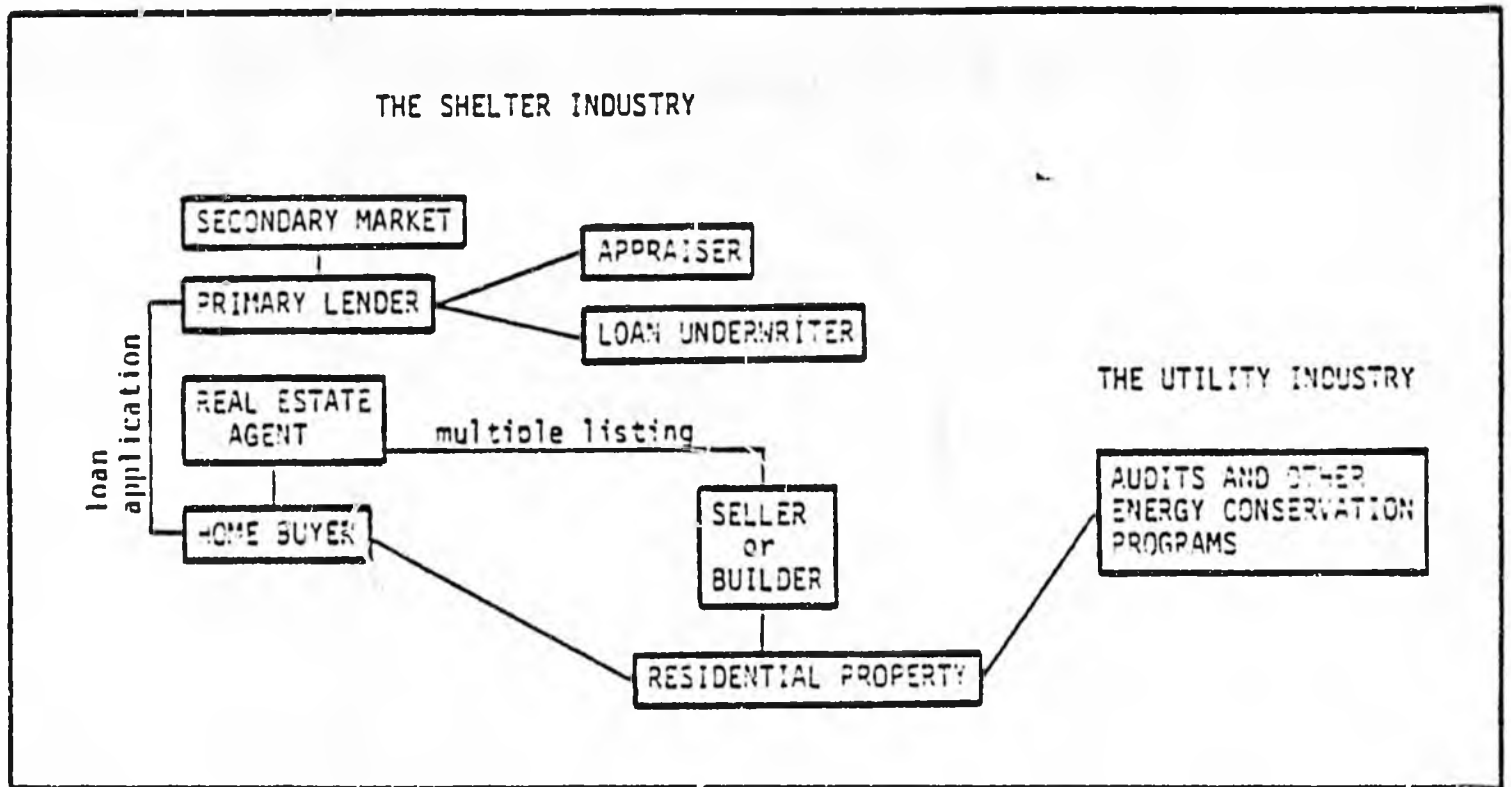


Institute for
Public Policy
and Management

University of Washington
3935 University Way N E
Seattle Washington 98105

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ENERGY RATING PROGRAM: THE SHELTER AND UTILITY INDUSTRIES



- ° Realtor difficulty in reliably identifying the energy efficiency potential of a property in order to inform buyers of the potential long term impacts of the home's energy characteristics
- ° Lender difficulty in reliably evaluating the potential dollar impacts of rising utility bills on the residential buyer's ability to meet mortgage obligations - thus making it difficult to take into account energy-efficiency impacts in the underwriting process.
- ° Utility concerns that energy efficiency improvements made by customers are not adequately being reflected in the marketplace
- ° Secondary market concerns that lenders be able to reliably justify higher than normal consumer loan to debt ratios (per secondary market guidelines) for highly energy efficient homes

What is needed, then, is the development of:

- [A] A common language with which each market sector can understand the same thing about the same house as related to energy.

The development of such a language (i.e. an energy rating) would allow each individual sector to use the information to assist the market in responding to residential energy efficiency

- [B] A process by which each market sector - with its own special interest and perspective - can adequately express its concerns as related to the implementation of an energy rating methodology into the residential marketplace

The Washington Residential Energy Evaluation Program has been designed as a national model for meeting the above needs.

DESCRIPTION: The program, to date, has been designed to integrate an energy efficiency-potential rating into the residential market, initially through the residential appraisal process, potentially through the utility audit process, and also (perhaps) through the development of a private sector certified energy rating (auditing) industry - as presently exists in some states.

Of necessity, the information would have to be:

- [A] Available on a data bank that could be used by appraisers to determine the comparable market value of the residential property
- [B] Capable of being updated as consumers undertake energy efficiency improvements

[C] Technically accurate to insure that the rating (akin to an EPA rating) reflected a close approximation of the home's energy efficiency-potential

[D] Available for use by each industry subsector at the time it is most useful to have the information, e.g., realtors need the information prior to the sale for it to be of any use

POTENTIAL
MARKET
BENEFITS:

GENERAL:

Allows the market to operate more effectively by informing all sectors of the market about the energy efficiency-potential of a residential structure

BUYER:

Allows the buyer to make a better informed market decision as related to the energy efficiency of the purchased property

SELLER/BUILDER:

Allows the seller/builder to use the energy efficiency rating as a tool in marketing the property

BROKER/AGENT:

Allows the agent to use the energy efficiency-potential of the home as a measure of quality in selling the subject property

APPRAISER (STAFF & FEE):

Allows the appraiser (over-time) to better evaluate the market response to energy efficiency in residential property evaluations

UNDERWRITER:

Allows the underwriter to better estimate the impact of energy efficiency (or inefficiency) on the purchaser's ability to meet mortgage obligations on the property

SECONDARY LENDER:

Allows secondary markets to better evaluate primary lender loans that are made (for energy efficiency reasons) above normal loan to debt guidelines

UTILITY INDUSTRY:

Allows the market to better reflect the efforts of utility customers who have taken the time, effort and money in the past to upgrade their home's energy efficiency-potential

PROGRAM
DESIGN:

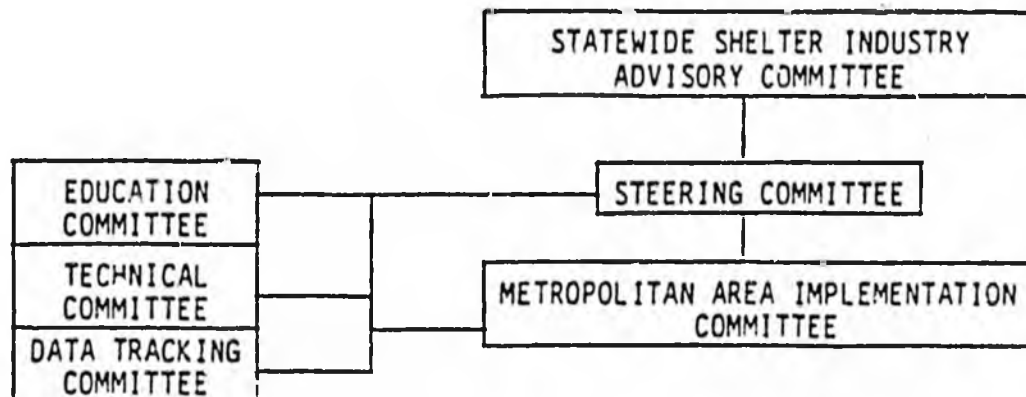
The program is designed to:

[A] operate in three phases over a two year period. Below are listed the major features of each phase:

Phase I.	Consensus Building Phase (4-6 months)	Organization of Broad Based Representation: Appraisers Home Builders Lenders Realtors Government Consumers Utilities
Phase II.	Organizational and Developmental Phase (6 months)	Operating Committees Energy Rating Development Training Program Standard Operating Procedures
Phase III	Implementation Phase (12 months)	Community Education Program Field Test Regional Implementation

[B] be implemented at the local metropolitan level (SCMA) with both local area and statewide shelter industry committees providing leadership and oversight. Technical, educational, and residential data "tracking" committees provide needed input to insure broad based community support for the implementation effort.

FIELD APPLICATION COORDINATING STRUCTURE



PRESENT
STATUS:

- The Bonneville Power Administration has proposed funding an energy rating activity such as this in all four Northwest states
- The Northwest Regional Power Council Staff have recommended that council support be given to the housing industry for implementation of a voluntary rating program

- Washington State:

The program in Washington State has gone through Phase I of the general program outline above - Industry groups have been involved in the development of the concept and have been most supportive of the approach. Further, a successful, limited field-test of the concept was undertaken during July, August and September 1982. Rainier Mortgage Co., Washington Mutual Savings Bank and First Mutual Bank participated. Over 60 appraisers were trained during this period, resulting in over 300 "energy addenda" (i.e. ratings) being completed as part of the appraisal process.

- Oregon:

The first phase of the Oregon program - targeted for the Portland metropolitan area - began November 22, 1982 with support from the State Savings and Loan League, appraisers, builders, utilities, etc.

- Idaho and Montana:

These states are actively considering the implementation of similar programs.

- Colorado:

Colorado appraisers, realtors, builders, etc. have expressed an interest in initiating the program in Denver. If funding can be secured, the program will begin in the first part of 1983.

- Other States, e.g., Alaska, Florida and California, have expressed a keen interest in the concept.



FLOOR AREA

2 HEATED FLOOR AREA SQ. FT.

3 WATER HEATING

POOR	FAIR	GOOD	EFFICIENT	VERY EFFICIENT	SCORE
0	2	6.5	8	14.5	(a)

4 ENVELOPE EFFICIENCY ψ

a	b	c	d	e
CEILING	0	17.5	19	20
WALLS	0	16.5	22	26
FLOOR	0	2.5	3.5	4.5
WINDOWS	0	5	9.5	11
AIR CHANGES	0	6	9	12.5

ENVELOPE EFFICIENCY TOTAL (b)

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

5 SOLAR GAIN ψ

Light 50 sq.ft.	3.5	2.5	2	2	1.5
Light 100 sq.ft.	7	5	3.5	3	2.5
Light 200 sq.ft.	13	8	5.5	4	3
Heavy 50 sq.ft.	4	3	2.5	2	2
Heavy 100 sq.ft.	7.5	5.5	4.5	4	3
Heavy 200 sq.ft.	14.5	10	7.5	6	5
Heavy 300 sq.ft.	19	12.5	10	7.5	5.5

SOLAR GAIN (c)

SPACE AND WATER HEATING ENERGY EFFICIENCY

6 COOLING ENERGY

COOLING ENERGY
N/A

- PREVENTION OF OVERHEATING
- Overheating Not a Problem
 - Possible Overheating Problem
 - Overheating Prevention Measures Taken
 - Window Shading and Other Solar Control
 - Ventilation by Operable Windows
 - Mechanical Ventilation or Cooling Device

EFFICIENCIES OF WATER AND SPACE HEATERS

7 WATER HEATER EFFICIENCY

- NATURAL GAS
- Older than three years
 - New, more efficient
- SPACE HEATER EFFICIENCY
- NATURAL GAS
- New gas burner
 - New high efficient ignition with electric ignition
 - Electric ignition plus vent damper
 - Older than 3 years
 - Insulated ducts

- OIL
- New furnace
 - Old, maintained
 - Old, unmaintained
 - Insulated ducts
 - Chamberless retrofit
 - Flame retention burner
 - Vent damper
 - Delay timer
- ELECTRICITY
- Older than 3 years
 - New water heater

EFFICIENCY POTENTIAL RATING

Low
mid
high

RATING	SCORE
Poor	0 - 22
Fair	23 - 49
Good	50 - 65
Efficient	66 - 76
Very Efficient	77 - abo

EFFICIENCY POTENTIAL RATING

ANNUAL ENERGY USE

9

9a. WATER HEATING () MBtu/yr

9b. SPACE HEATING () MBtu/yr

9c. TOTAL () MBtu/yr

Approximate Annual Energy Use Total () MBtu/yr

ANNUAL ENERGY COST

10

10a. WATER HEATING () \$/MBtu x () \$/MBtu = () \$/yr

10b. SPACE HEATING () \$/MBtu x () \$/MBtu = () \$/yr

10c. TOTAL () \$/yr

Approximate Annual Energy Cost Total () \$/yr

WRI 102

* The Efficiency-Potential Rating is based on a heat loss methodology that assumes "typical" or average energy use. Because of this, individual home energy use (and cost) figures estimated above may vary from actual usage. The rating above represents the energy efficiency potential for the home assuming typical energy use patterns.

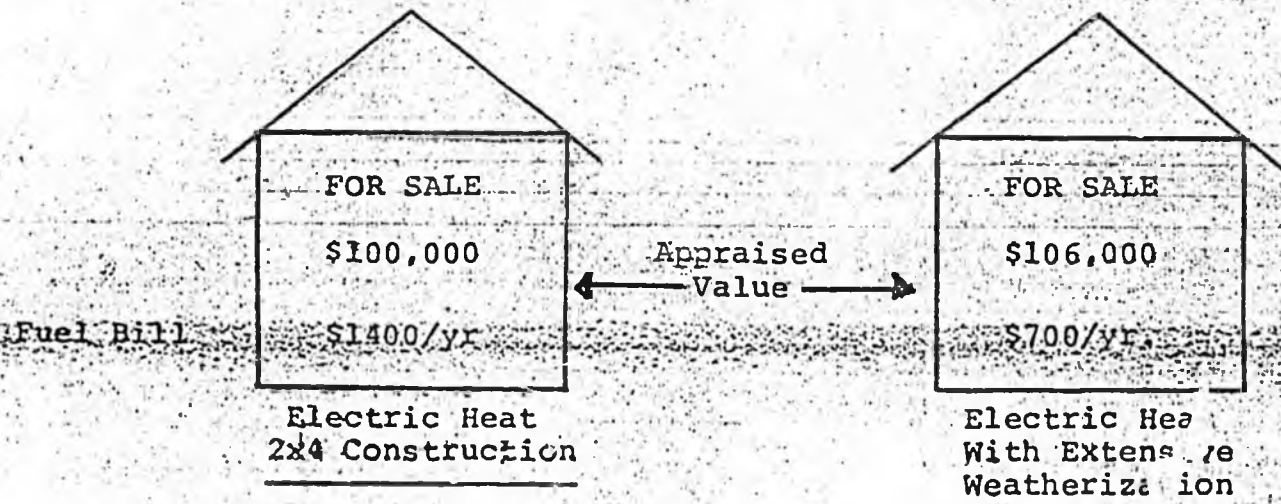
© 196 WESTERN RESOURCES

HOME A

HOME B

Anchorage Region

As Is

With Extensive
Weatherization

The weatherization is appraised as value added to the home. Mortgage can cover base home plus weatherization.

	<u>Base Home</u>	<u>Energy Efficient Home</u>
Cost	\$100,000	\$106,000
Monthly Payment (Principal (P) + Interest (I))	\$833.69	\$883.71
Energy (E)	\$117	\$58
P + I + E	\$950.69	\$941.71
Minimum Monthly ^{INCOME} Payment	\$2977	\$2977
Debt to Income Ratio	29% (P+I)	32% (P+I+E)
	(\$833.69 is 28% of \$2977)	(\$941.71 is 32% of \$2977)

Areas of higher energy cost or colder regions have more to gain than Anchorage by allowing higher ratios that include energy cost.



Nailing Down Home Energy Savings

Energy Mortgage Value gives bankers, brokers, and buyers a common language. Everyone in the housing industry can now recognize and reward cost-effective energy investments by the builder.

By Steven J. Foute

Investments in energy efficiency are like any other investment. As the uncertainty increases, the risk is higher. The higher the risk, the fewer the investors. Energy investments in the housing industry are very uncertain because there are no assurances on how the investment will be valued. Therefore, the risk is high, and the investment remains speculative.

Energy Mortgage Value (EMV) provides a standard on which the housing industry can value energy-efficiency investments, reducing uncertainty and risk. EMV establishes the value added to real property from an investment in energy efficiency. It can be used to

Steven J. Foute is past Finance Program Manager for Western SUN and now operates Energy Ventures West, a resource analysis and finance management consulting firm in Englewood, Colorado. For a more detailed treatment of the EMV method oriented towards appraisers, see the Spring 1982 issue of

An example

THE SOLAR AGE

RESOURCE BOOK

The Complete Guidebook to the Dramatic Power of Solar Energy

By the Editors of Solar Age Magazine

Edited by MARTIN McPHILLIPS
Executive Editor BRUCE ANDERSON



Solar Age has created one of the most comprehensive catalogs available today—amply illustrated, easy to read, and designed to meet the needs and expectations of energy-conscious people.

Practical and to the point, the all-new Solar Age Resource Book contains 16 articles by experts on topics such as: "A Solar Installer's Checklist," "Solar Air Heaters," "The Solar Greenhouse," "Microclimate," and "Avoiding the Classic Solar Pitfalls."

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Name _____

Address _____

City _____

State _____ Zip _____

Solar Age, SolarVision Inc.
Church Hill, Harrisville, NH 03450

evaluate investment decisions for new construction, retrofit application, and resale property.

For the builder, the EMV is a design tool for finding the ceiling investment levels for any degree of energy efficiency. This maintains the profit margin while still qualifying more buyers.

For the builder and broker, EMV offers convincing buyer-oriented economics, showing a return on investment and a positive cash flow—usually from the very first year.

For the appraiser, EMV is an objective and standardized method to establish the value added to property based on energy-saving investments. The builder can recover investment costs, and the buyer does not suffer a down-payment penalty.

For the lender, it reduces the risk of loan default and foreclosure by providing a coherent buyer-qualifying process, which includes and rewards investments in energy efficiency.

For the buyer, EMV allows the lender to adjust the debt-to-income qualifying ratio so that there is no income penalty for selecting an energy-efficient home. Additional equity equal to the EMV is realized immediately upon purchase.

Establishing the economic value

EMV is based on the interest rate on the investment, the term of the loan, and the monthly estimated energy savings predicted from the investment. It is a reverse amortization process; a reversal of the way loan payments are calculated.

Figure 1: EMV—a reverse amortization process

Loan Amount →	Interest Rate →	Loan Term →	Monthly Payment
\$3000	15 percent	30 years	\$38
EMV ←	Interest Rate ←	Term ←	Monthly Energy Savings

From left to right in Figure 1, the top line is a typical loan payment schedule. The bottom, from right to left, is the EMV

Table 1: Energy Mortgage Value Schedule

Mortgage Interest Rate (%)	EMV (30-Year Term) per Dollar
12.00	97.18
12.25	95.42
12.50	93.72
12.75	91.99
13.00	90.42
13.25	88.81
13.50	87.34
13.75	85.84
14.00	84.39
14.25	82.99
14.50	81.63
14.75	80.34
15.00	79.11
15.25	77.88
15.50	76.63
15.75	75.47
16.00	74.35
16.25	73.26
16.50	72.20
16.75	71.16
17.00	70.13
17.25	69.16
17.50	68.21
17.75	67.25
18.00	66.36

Values in the second column are derived from standard amortization tables. For example, at a 15% interest rate over 30 years, a \$1000.00 note would cost \$12.64 per month. This relationship is equivalent to a \$79.11 loan at \$1.00 per month (\$1000 ÷ \$12.64 = 79.11). Therefore, each dollar saved on energy per month results in an Energy Mortgage Value of \$79.11 (79.11 × \$1.00 = \$79.11).

process. If you percent, your energy-efficient saves \$38 per additional mo appraised val

The EMV tables and w what one doll a range of int values on the are based on percent inte per month is value. A \$10 EMV of \$79?

In a reverse given invest for a \$1,000 energy savi

Profit-m

Doug Patco home for M (Solar Age, MMBtu for valued as

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The EMV levels for design to efficiency mortgage two auxi

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process. If you borrow \$3,000 over a 30-year period at a rate of 15 percent, your payments would be \$38 per month. Conversely, if an energy-efficient home, amortized over 30 years at 15 percent, saves \$38 per month on energy, the savings would equal \$3,000 in additional mortgage value. This amount could be added to the appraised value of the home.

The EMV process is derived from standard loan amortization tables and will never change for a given loan term. It describes what one dollar of energy savings is worth on a monthly basis over a range of interest rates. Table 1 is the EMV schedule. Each of the values on the schedule varies according to the interest rate, but all are based on a one-dollar-per-month savings. For example, at a 15 percent interest rate over 30 years, each dollar saved on energy per month is equivalent to \$79.11 worth of additional real property value. A \$10 per month savings at 15 percent would result in an EMV of \$791.10, and so on.

In reverse, to find the monthly energy savings necessary for a given investment, divide the investment by the EMV. For example, for a \$1,000 investment at 15 percent over 30 years, the monthly energy savings would need to be \$12.64 ($\$1000 \div 79.11 = \12.64).

Profit-making for builders—an example

Doug Balcomb optimized the cost/performance of a passive solar home for Mason City, Iowa, using a recently developed method (*Solar Age*, 9/81). The result indicated an annual savings of 89.3 MMBtu for an investment of \$5,973. How would this design be valued as an investment by EMV?

If the HVAC backup were electric baseboard heating, the Btu savings convert to 26,164 kWh (1 kWh = 3,413 Btu). At 42¢ per kWh, the annual savings is \$1,099, or \$91.58 per month. Suppose the house is financed at 15 percent over 30 years. The EMV would be approximately \$7,245 (from Table 1, $79.11 \times \$91.58$). The EMV exceeds the actual costs by \$1,272 ($\$7,245 - \$5,973$), netting a 121-percent return on investment. This is the net profit if the builder realizes full value on the scale.

The design tool in action

The EMV can be used as a design tool to show ceiling investment levels for any degree of energy efficiency desired. The investment design tool is based on seven factors: backup fuel type, conversion efficiency and cost, heated floor area, heating degree days, and mortgage interest rate and term. The following example contrasts two auxiliary fuel types.

Assume that the floor area of the building is 1,350 square feet, that it is located in a 6,016 degree day climate (501 °F-day/month), and that the interest rate is 15 percent over a 30-year period. The energy content of electricity is 3,413 Btu per kWh, a 100-percent system efficiency, and a cost of 5¢ per kWh. The energy content of natural gas is 100,000 Btu per therm, a 70-percent system efficiency, and a cost of 70¢ per therm.

First, derive the number of Btu's purchased from a one dollar investment, by dividing the energy content of the fuel by the unit cost.

Case 1 (electricity)

$$\frac{3,413/\text{kWh}}{\$.05/\text{kWh}} = 68,260 \text{ Btu}/\$$$

Case 2 (natural gas)





$$\frac{100,000 \text{ Btu/therm}}{\$.70/\text{therm}} = 142,857 \text{ Btu}/\$$$

Second, determine how energy-efficient the house must be per square foot in order to save one dollar per month on the heating bill. Divide the Btu/\$ by the average heating degree days per month and the square footage of the design. The resulting value is then multiplied by the HVAC conversion efficiency factor. The result is the heat loss coefficient *reduction* necessary to realize a dollar per month energy savings.

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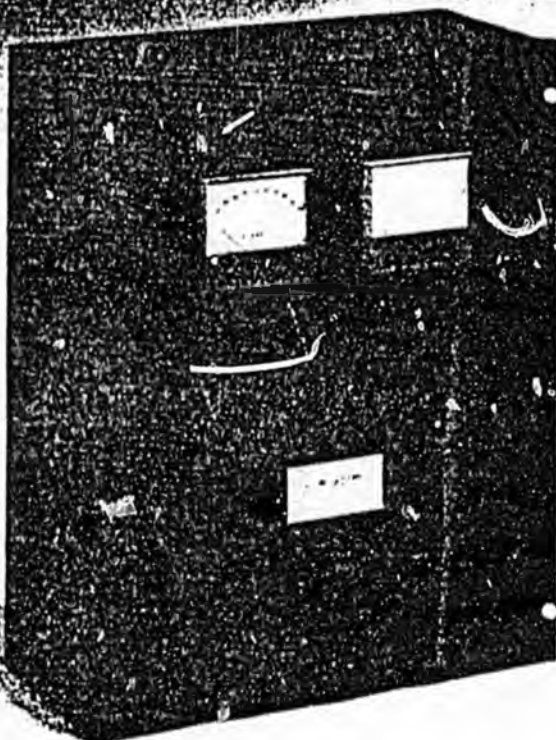
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Case 1		
$\frac{(68,260 \text{ Btu}/\$)}{(501^\circ\text{F-day}) (1,350 \text{ ft}^2)}$	$\times (1.0 \text{ efficiency}) = 0.101$	$\frac{\text{Btu}}{(\text{F-day ft}^2)}$
Case 2		
$\frac{(142,857 \text{ Btu}/\$)}{(501^\circ\text{F-day}) (1,350 \text{ ft}^2)}$	$\times (.70 \text{ efficiency}) = 0.148$	$\frac{\text{Btu}}{(\text{F-day ft}^2)}$

These design base numbers indicate the energy efficiency that must be built in on a square-foot basis.

Table II is the Energy Investment Design Tool. The two design base numbers we just derived are on the first line in column C. If achieved, they would each net the homebuyer one dollar per month in energy savings (column B). Column A describes the ceiling investment level to achieve these savings. To derive the other figures on the table, or any in between, a ratio can be set up between the investment levels and the other columns. For example, a \$1,500 energy investment would yield a monthly energy savings of \$18.96, if a heat loss reduction of 1.92 for electricity, and

Table 2. Energy Investment Design Tool

A	B	C	
		Case 1 Electric	Case 2 Natural Gas
Investment Level (\$) (Equals EMV if "C" is achieved)	Monthly Energy Savings (\$) (Realized if "C" is achieved)	Reduction in Heat Loss Coefficient Necessary to Achieve "B" for "A" Investment Level	
79.11	1	0.101	0.148
1000.00	12.64	1.277	1.870
2000.00	25.28	2.553	3.741
3000.00	37.92	3.830	5.612
4000.00	50.56	5.107	7.483
5000.00	63.20	6.383	9.354
6000.00	75.84	7.660	11.224
7000.00	88.48	8.936	13.095
8000.00	101.12	10.210	14.966

2.81 for natural gas (by multiplying the second line numbers in each column by 1.5) were achieved.

The investment table has three distinct applications depending on who is using it. The builder will likely be most interested in the levels of investment and would use column A as a starting point. The buyer of an energy-efficient home would be more concerned with the energy savings shown in column B. The engineer or designer would be interested in column C.

EMV and the mortgage finance community

There are good reasons to communicate EMV to the mortgage finance community. First, appraisers can use EMV to put an objective value on energy-efficient homes. Second, the secondary market is encouraging prime lenders to include energy in underwriting. Third, the lender is concerned about how energy carrying costs affect the ability of borrowers to repay a mortgage.

The conventional Cost and Market approaches of appraisal alone are unfair in placing a value on energy-efficient buildings. The former usually penalizes the builder and buyer with a less than 100 percent valuation, and the latter has few local "comparables" to provide an accurate comparison. The EMV assists by calculating a value for the added energy efficiency, which can be added to the value found for the house via one of the two conventional appraisal methods.

PITI + EI
Many lenders
buyers, using
insurance plu

Tabl

Cost

Monthly Paym
(20% Down)
(15% Interest f
over 30 Years
Taxes & Insur

PITI

Energy

PITI+E (a)

Minimum Mo
Income

Debt-To-Incc
Ratio

(a) Note the cc
home
(b) This is the r
PITI is use
(c) When ener

PITI + EMV

Many lenders are already including energy costs in qualifying buyers, using the conventional Principal, Interest, Taxes, and Insurance plus Energy (PITI-E). EMV allows the lender to calcu-

Table 3: EMV Debt-To-Income Ratio Adjustment

	Base Home	Energy-Efficient Home
Cost	\$60,000	\$60,000 Base + \$3,000 EMV
Monthly Payment (20% Down) (15% Interest Rate over 30 Years)	\$607	\$635
Taxes & Insurance	\$115	\$115
PITI	\$722	\$750
Energy	-\$75	+\$37 (-\$75 - \$38 Savings)
PITI+E (a)	\$797	\$787
Minimum Monthly Income	\$2,578	\$2,578
Debt-To-Income Ratio	28% (PITI) ((\$722 is 28% of \$2,578) (b))	30.5% (PITI+E) ((\$787 is 30.5% of \$2,578) (c))

- (a) Note: the combined PITI+E cash flow is actually less for the more expensive energy-efficient home.
 (b) This is the normal rate used by mortgage underwriters in qualifying buyers; therefore, the \$722 PITI is used.
 (c) When energy is included, we must use the PITI+E figure of \$787.

late an increased qualifying ratio for the purchaser of the energy-efficient home. This adjustment is made by including energy costs in computing the debt-to-income ratio. Because EMV is based on energy savings, the *actual cash flow* of owning an energy-efficient home is approximately equal to owning a conventional home, once energy costs are included.

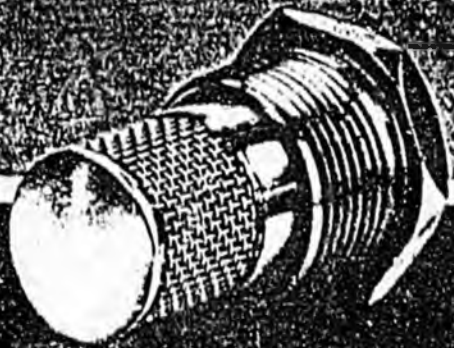
Referring to Table III, the buyer of the conventional \$60,000 base home would require a minimum of \$2,578 monthly income under a conventional 28-percent PITI ratio to meet a \$722 monthly payment. However, the higher monthly payment of the energy-efficient home, \$750, is almost directly offset by its energy savings, so the lender could adjust the qualifying ratio to about 30.5 percent. This allows the same minimum income of \$2,578 to purchase the more expensive energy-efficient home. Actual adjustments are determined by specific energy costs and savings.

EMV

Using Energy Mortgage Value as an energy investment design tool will help the builder make sound business decisions. The builder can add energy value to a home in the design stages. The appraiser has a method to value the energy investment. The lender can maintain qualified buyers for more valuable homes with carrying costs less sensitive to escalating fuel costs, and develop a mortgage portfolio less subject to default. The buyer purchases a more valuable home, with instant equity and higher resale value, for the same monthly payments and a positive cash flow which increases with fuel inflation. ☺

Steven J. Foute will deliver the EMV method to the 1982 AS of ISES Solar Technology Conference and International Exposition in Houston this month. The text will be published in the conference proceedings, which will be available from AS of ISES (c/o R.I.A.T., U.S. Highway 190 West, Killeen, TX 76541).

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Circle Reader Service no. 102

Senator Vic Fischer

Alaska State Legislature
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MEMORANDUM

February 17, 1984

TO: Senator Dick Eliason
FROM: Senator Vic Fischer
RE: SB 414, energy mortgage valuation program

I would like to request that you schedule SB 414 for a Labor and Commerce hearing at your earliest convenience.

What the bill essentially does is create an energy efficiency rating system for homes so that everyone-- bankers, appraisers, contractors, homebuyers, etc. will talk the same language when they talk about energy efficiency. Then, the bill requires the state programs that subsidize home purchases (AHFC and Non-conforming) to consider a home's energy rating in establishing a person's income eligibility. In other words, if the energy costs are low, then a buyer would qualify for a more expensive energy-efficient home (because the higher mortgage payments and lower energy costs would be no more than the lower mortgage but higher energy costs of a less efficient home.) The net results would be to qualify more people as homebuyers, and to improve the housing stock overall.

This system is presently being used in other states such as Washington and Oregon. In initial discussions with Alaskans in the housing industry, it appears to be preferred to codes or standards. It was discussed in a seminar at the recent Alternative Energy Conference and attracted a great deal of interest.

I am attaching some relevant back-up information. My aide, Nancy Lord, has more information and can answer any questions you may have.

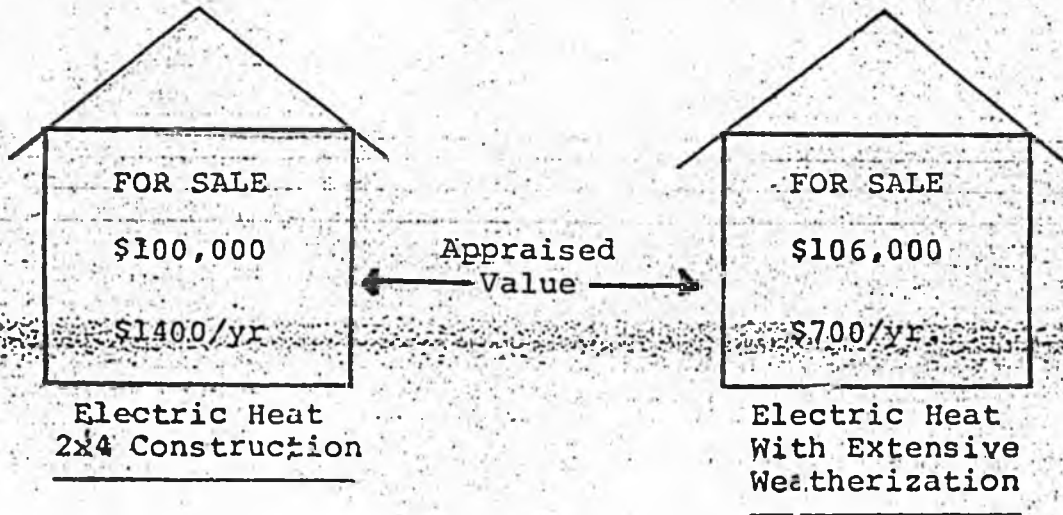
HOME A

HOME B

Anchorage Region

As Is

With Extensive
Weatherization



The weatherization is appraised as value added to the home. Mortgage can cover base home plus weatherization.

	<u>Base Home</u>	<u>Energy Efficient Home</u>
Cost	\$100,000	\$106,000
Monthly Payment (Principal (P) + Interest (I))	\$833.69	\$883.71
Energy (E)	\$117	\$ 58
P + I + E	\$950.69	\$941.71
Minimum Monthly ^{INCOME} Payment	\$2978	\$2977 2943
Debt to Income Ratio	28% (P+I)	32% (P+I+E)
	(\$833.69 is 28% of \$2978)	(\$941.71 is 32% of \$2977 2943)

Areas of higher energy cost or colder regions have more to gain than Anchorage by allowing higher ratios that include energy cost.

S

B

432



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

432

February 9, 1984

The Honorable Jalmar Kerttula
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Kerttula:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which amends the Alaska Securities Act (AS 45.55) by extending its scope to include offers to buy or sell interests in oil, gas, or mining rights on land in the state, regardless of where the offer or sale occurs.

The bill was jointly prepared by the division of banking, securities and corporations of the Department of Commerce and Economic Development and the consumer protection section of the Department of Law in response to numerous complaints of fraudulent oil and gas lease schemes. These schemes typically involve solicitations by firms located outside Alaska who acquire an interest in oil or gas leases through bid offerings of the Department of Natural Resources or the federal Bureau of Land Management.

The lease tracts these firms acquire are often the least likely to contain valuable oil, gas, or mineral resources. However, these firms conduct massive high pressure telephone sales and media advertising aimed at would-be investors in the lower 48 states, promising them high returns if they "invest" in a portion of one of these Alaskan oil or gas leases. The offering firms often falsely represent that they have expertise in oil, gas or mineral exploration or development. What is particularly offensive to our state is that these slick operators often use names such as "Alaska Oil and Gas Exploration" or "Alaska Petroleum Investments," and set up empty "shell" corporations with Alaska addresses.

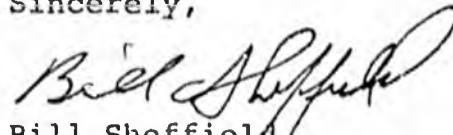
This bill would extend the provisions of the Alaska Securities Act to these business firms even if the "investment" sales are not made in our state or to our citizens.

Essentially, the bill would extend the jurisdiction of our state securities regulators and of our courts over these fraudulent schemes. The state would be able to take legal action against these out-of-state sellers of Alaska mineral rights. By amending the Securities Act, Alaska can require these firms to file securities registrations regarding their sales, and to give prospective purchasers truthful information about the likelihood of realizing a gain on such investments.

This legislation will not affect legitimate companies engaged in oil, gas, or mineral exploration or production as they are already exempted from the Alaska Securities Act by AS 45.55.140(b)(17).

This bill should be supported by consumer groups as well as by the legitimate members of the oil and gas industry. Therefore, I urge your prompt action on this bill to prevent further damage to the commercial image, nationwide, of Alaska.

Sincerely,



Bill Sheffield
Governor

FEDERAL TRADE COMMISSION
WASHINGTON, D. C. 20580

BUREAU OF
CONSUMER PROTECTION

March 14, 1984

The Honorable Richard I. Eliason
Chairman
Senate Labor and Commerce Committee
State Capitol
Pouch V
Juneau, Alaska 99811

Dear Chairman Eliason:

The Federal Trade Commission's Bureaus of Competition, Consumer Protection, and Economics,¹ at the request of Governor Sheffield, submit comments on Senate Bill No. 432. We wish to thank you and Governor Sheffield for the opportunity to share our views on S. 432. We think that expanding the jurisdiction of the Alaska Securities Act of 1959 to cover all oil and gas leases to land located in Alaska would complement our efforts and those of other federal and state agencies to control what appear to be serious abuses in the rapidly growing, nation-wide marketing of Alaska oil and gas leases. The Commission staff favors passage of S. 432.

The Commission, in fulfilling its Congressionally-mandated mission to protect consumers from unfair and deceptive practices in the nation's commerce, has been investigating suspected fraud by sellers of oil and gas leases and related services. In the course of these investigation the Commission staff has identified from the public records of the federal Bureau of Land Management ("BLM") and the Alaska Department of Natural Resources a number of companies that have acquired oil and gas leases to millions of acres of land in Alaska. These companies acquired most of their leases for \$1 per acre under the BLM noncompetitive oil and gas leasing program.² Most of these acquisition have occurred in the Minchumina, Denali, and Tiekel block areas of Alaska.³

¹ This statement reflects the views of the Bureaus of Competition, Consumer Protection and Economics of the Federal Trade Commission, but does not necessarily reflect the views of the Commission or of any individual Commissioner. The Federal Trade Commission has voted, however, to authorize the Bureaus to submit these comments.

² 43 C.F.R. § 3110 et seq.

³ Public Land Orders Nos. 6098, 46 Fed. Reg. 61472 (December 17, 1981), and 6329, 47 Fed. Reg. 39495 (September 8, 1982).

According to public records kept at the Alaska Oil and Gas Conservation Commission, no oil or gas wells have ever been drilled in any of these areas. Also, the Alaska Department of Geological and Geophysical Survey's 1983 map of potential oil and gas basins in Alaska⁴ indicates that virtually all of the approximately 3 million acres released in these land openings are not within such basins.

BLM records indicate that these companies are assigning these leases in small units, usually 40 acres, to thousands of consumers throughout the lower 48 states and Hawaii. Concerns have been raised that many small investors are being induced to pay far in excess of the fair market value for these leases, and have no idea of the extremely speculative nature of these leases. The action brought by the State of Alaska against several of these companies for misrepresenting the value of leases⁵ indicates that these concern may well be justified.

These concerns have been heightened because the sale of Alaska oil and gas leases is expanding. In August 1982 we were aware of only one company selling Alaska leases. By December 1983, BLM records indicated that at least 40 companies, with holdings of millions of acres of Alaska oil and gas leases, were operating. With the possible release of an additional 21 million acres of federal lands for oil and gas leasing⁶ and plans by the State of Alaska for the release of its own acreage, this growth may continue. We believe that a concerted state and federal effort is necessary to insure that those interested in investing in the development of Alaska's resources have available reliable information on which to make reasoned decisions.

Senate Bill No. 432 should provide a relatively simple means to inhibit misrepresentations of fact made in connection with the sale of Alaska oil and gas leases. The Alaska Securities Act already covers oil and gas leases when either the buyer or seller resides or is located in Alaska. The proposal would expand coverage of the Act to include all sales of oil and gas leases

⁴ DGGs Special Report No. 32 (1983).

⁵ State v. Alaska Land Leasing, Inc., Case No. 3AN-83-8867 (3rd Dist. Oct. 26, 1983).

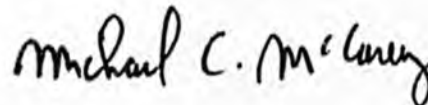
⁶ Secretary of the Interior, Oil and Gas Leasing Program for Non North Slope Federal Lands in Alaska, Annual Report to Congress, 7, Table 3 (1983).

for lands located in Alaska. This revision would empower the Alaska Division of Securities to require these companies to register their leases as securities and to provide prospective purchasers with meaningful disclosures of the speculative nature of these investments.

Senate Bill No. 432 should not materially hinder the development of Alaska's resources. The Alaska Securities Act already includes an exemption for sales of leases to bona fide oil and gas exploration companies. Thus, the expansion of the securities law's jurisdiction should not materially change the effect of the statute on those firms actually exploring and developing Alaska's resources.

The Commission staff strongly supports passage of S. 432. With the new authority granted by this bill, state officials could effectively join the Commission and other federal law enforcement agencies in our efforts to protect consumers and to stop the possible misuse of Alaska's name and its resources.

Very truly yours,



Michael C. McCarey
Associate Director

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: January 18, 1984

REQUEST

Bill/Resolution No.: SB 432
Title: An act amending the Alaska Securities Act.
Sponsor: Rules Committee
Requestor: Governor Sheffield
Date of Request: 1/18/84

FISCAL DETAIL

Agency Affected: Commerce and Economic Development
Program Category Affected: Consumer Protection
BRU, Program or Subprogram(s) Affected: Banking, Securities and Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	54.1	56.8	59.6	62.6	65.7	69.0
200 TRAVEL	3.0	3.2	3.4	3.6	3.8	4.0
300 CONTRACTUAL	3.0	3.2	3.4	3.6	3.8	4.0
400 SUPPLIES	1.0	1.1	1.2	1.3	1.4	1.5
500 EQUIPMENT	5.0					
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	66.1	64.3	67.6	71.1	74.7	78.5
CAPITAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
REVENUE	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND	66.1	64.3	67.6	71.1	74.7	78.5
FEDERAL FUNDS						
OTHER						
TOTAL	66.1	64.3	67.6	71.1	74.7	78.5

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME	2.0	2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Willis F. Kirkpatrick, Director
Division: Banking, Securities (Small Loans and Corporations)

Phone: 465-2521

Date: 1/18/84

Approved by Commissioner: Richard A. Lycin
Agency: Commerce and Economic Development

Date: 1/20/84

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

F.Y. Note #1

1.	POSITION TITLE Business Registration Examiner			RANGE/STEP 12A	BARG. UNIT GGU	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEG.	
3.	CONTINUATION LEVEL	ADDITION			JUSTIFICATION				
4.	TYPE OF EXPENDITURE			AMOUNT	<p>Position will be necessary if legislation passes requiring the Securities Section to undertake securities registration of oil and gas lease sales programs. The current substantially increased workload has stretched the examining/enforcement staff to the limit with a considerable percentage of the securities examiners' time devoted to nonprofessional clerical functions. The additional clerical support will free up the professional staff time to cope with the expanded registration and enforcement duties imposed by the proposed legislation.</p> <p>The equipment expense of \$2.5 will be used for purchase of a desk, positions, typewriter, chair and desk calculator.</p>				
	1			3					
	PERSONAL SERVICES								
5.	Salary		23.7						
6.	Benefits		3.9						
7.	Supplemental Benefits		1.5						
8.	Fixed Benefits		0.3						
9.	TOTAL PERSONAL SERVICES	01		29.4					
10.	Travel	02		-0-					
11.	Contractual	02		-0-					
12.	Commodities	04		0.5					
13.	Equipment	05		2.5					
14.	Other			-0-					
15.	TOTAL COST			32.4					
	RECEIPT CODE	FUNDING SOURCE							
16.		Federal Receipts 1002							
17.		G.F. Match 1003							
18.		General Funds 1004							
19.		I-A Receipts 1005							
20.		Program Receipts 1028							
21.		Other							
FOR B&M USE ONLY KEY NUMBER _____									

13 REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development
PROGRAM Consumer Protection
BRU Banking, Securities & Corporations
COMPONENT Financial Institutions

Page 1 of 1

Revised Date

FY 85

1.	POSITION TITLE Clerk IV			RANGE/STEP 9A	BARG. UNIT GGU	FORM 12	PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL			ADDITION	JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT	<p>Position will be necessary if legislation passes requiring the Securities Section to undertake securities registration of oil and gas lease sales programs. These registrations will result in increased filings as well as substantial efforts in compliance and enforcement activities. The current substantially increased workload has stretched the examining/enforcement staff to the limit with a considerable percentage of the securities examiners' time devoted to nonprofessional clerical functions. The additional clerical support will free up the professional staff time to cope with the expanded registration and enforcement duties imposed by the proposed legislation.</p> <p>The equipment expense of \$2.5 will be used to purchase a desk, positions, typewriter, chair and desk calculator.</p>					
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	19.8								
6.	Benefits	3.3								
7.	Supplemental Benefits	1.3								
8.	Fixed Benefits	0.3								
9.	TOTAL PERSONAL SERVICES	01	24.7							
10.	Travel	02	-0-							
11.	Contractual	03	-0-							
12.	Commodities	04	0.5							
13.	Equipment	05	2.5							
14.	Other									
15.	TOTAL COST		27.7							
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts	1002							
17.		G.F. Match	1003							
18.		General Funds	1004	27.7						
19.		I-A Receipts	1005							
20.		Program Receipts	1028							
21.		Other								
FOR B&M USE ONLY										
4A KEY NUMBER										

13 REQUEST FOR NEW POSITION

AGENCY Commerce & Economic Development
PROGRAM Consumer Protection
BRU Banking, Securities & Corporations
COMPONENT Financial Institutions

Page 1 of 7
Revised Date

FY 85

FISCAL NOTE # 11

Revision Date: _____

REQUEST

Bill/Resolution No.: 432
 Title: "An Act amending the Alaska Securities Act."
 Sponsor: Sen. Rules/by req. of Gov.
 Requestor: Governor's Office - OMB
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Law
 Program Category Affected: General Government
 BRU, Program or Subprogram(s) Affected: Legal Services Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL		8.0	8.5	9.0	9.5	10.1
300 CONTRACTUAL		39.2	41.6	44.0	46.6	49.4
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	47.2	50.1	53.0	56.1	59.5
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	47.2	50.1	53.0	56.1	59.5
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not specified by sponsor.

ANALYSIS: Attach a separate page for analysis

Prepared By: Richard I. Pegues Director Phone: 465-3672
 Division: Administrative Services Date: 1-24-84
 Approved by Commissioner: Richard I. Pegues/for Date: 1-24-84
 Agency: Department of Law

Distribution (by Agency preparing fiscal note):

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

F.V. NOTE # 2 12/1/82

This bill amends the state's existing securities laws to strengthen the state's law enforcement jurisdiction over securities offerings made in other states, where the underlying "value" of the security is a (non-competitive) oil, gas or mineral lease on Alaska land. Sales of speculative investments in such leases are already regulated "security" transactions, but Alaska's current law does not allow the state to require registration, or to take enforcement action against sellers who set up offices outside Alaska but who market Alaskan leases as securities, usually only to non-Alaskans.

These sales are often fraught with misrepresentations about the value of the Alaskan oil or gas lease, or the true cost of exploring and developing production on the lease land. Investors in other states pay up to \$1,000 an acre for state and federal lease lands available over-the-counter in Alaska for \$1.00 an acre, in hopes of striking it rich, in line with the promoters' glowing promises.

These sales, and the subsequent losses of \$6,000, \$10,000, even \$20,000 to each of thousands of out-of-state investors, are very damaging to Alaska's commercial and investment image. Moreover, the subdividing into smaller parcels of these 640 acre leases may well defeat the underlying purpose of the state and federal exploratory (non-competitive) leasing program.

Enactment of this bill will require the attorney general to provide additional legal support for research, advice and enforcement action in the courts, as requested by the Division of Banking and Securities. As most of the offending companies are located outside Alaska, lawsuits to obtain injunctions against them will require substantial out-of-state travel funds to take depositions and interview witnesses, as well as funds to conduct those depositions and interviews.

It is expected that, at a minimum, five trips outside Alaska will be necessary to enforce registration of sales Alaskan oil, gas or mineral leases outside Alaska. It will also be necessary to hire court reporters in order to take depositions and to hire outside counsel to file actions in jurisdictions outside the state.

Out-of-state Travel

5 trips X \$800 air fare =	\$4,000
5 X 10 days X \$80 per day =	<u>\$4,000</u>
Total travel & per diem =	\$8,000

Contractual

Court reporter services

6 hrs. X \$80 X 40 days = \$19,200

Outside counsel 4 occurrences
X \$5,000 \$20,000

Total \$39,200

TOTAL COSTS \$47,200

Costs beyond FY 84 include a 6% annual inflation factor.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 2/15/84

REQUEST

Bill/Resolution No.: SB 432
 Title: An act amending the Alaska Securities Act.
 Sponsor: Rules Committee
 Requestor: Governor Sheffield
 Date of Request: 1/18/84

FISCAL DETAIL

Agency Affected: Commerce and Economic Dev.
 Program Category Affected: Consumer Protection
 BRU, Program or Subprogram(s) Affected: Banking, Securities and Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		54.1	56.8	59.6	62.6	65.7
200 TRAVEL		3.0	3.2	3.4	3.6	3.8
300 CONTRACTUAL		3.0	3.2	3.4	3.6	3.8
400 SUPPLIES		1.0	1.1	1.2	1.3	1.4
500 EQUIPMENT		5.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	- 0 -	66.1	64.3	67.6	71.1	74.7
CAPITAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
REVENUE	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

GENERAL FUND	- 0 -	66.1	64.3	67.6	71.1	74.7
FEDERAL FUNDS						
OTHER						
TOTAL	- 0 -	66.1	64.3	67.6	71.1	74.7

POSITIONS:

FULL-TIME	- 0 -	2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Please see attached fiscal note analysis.

ANALYSIS: Attach a separate page for analysis

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

Phone: 465-2521

Date: 2/15/84

Approved by Commissioner: Richard A. Lyon
 Agency: Commerce and Economic Development

Date: 2/15/84

Distribution (by Agency preparing fiscal note):

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

12/1/83

FISCAL NOTE ANALYSIS

SB 432, if enacted, will require that the Securities Section of the Division undertake securities registration for the sale of oil and gas leases located in Alaska and will undoubtedly result in increased filings as well as substantial efforts in compliance and enforcement activities including hearings. A Clerk IV and a Business Registration Examiner position will be necessary to support these registrations. The current substantially increased workload has stretched the examining/enforcement staff to the limit with a considerable percentage of the securities examiners' time devoted to nonprofessional clerical functions. The additional clerical support will free up the professional staff time to cope with the expanded registration and enforcement duties imposed by the proposed legislation.

Travel of 3.0 will be required for investigation of wrongdoers in the field. Contractual funds of 3.0 are needed for hearing officer purposes in administrative proceedings. Additionally, a one time expense of 5.0 is included to cover costs of typewriters, desks and chairs for the new positions.

SENATE BILL 432

COMMITTEE SUBSTITUTE FOR SENATE BILL 432 (RULES) ADDRESSES TWO MAJOR CONCERNS OF THE CONSUMER PROTECTION SECTION OF THE DEPARTMENT OF LAW. THE FIRST INVOLVES NUMEROUS COMPLAINTS OF FRAUDULENT OIL AND GAS LEASE SCHEMES. THESE SCHEMES TYPICALLY INVOLVE SOLICITATIONS BY FIRMS LOCATED OUTSIDE ALASKA WHO ACQUIRE AN INTEREST IN OIL OR GAS LEASES THROUGH BID OFFERINGS OF THE DEPARTMENT OF NATURAL RESOURCES OR THE FEDERAL BUREAU OF LAND MANAGEMENT.

THE LEASE TRACTS THESE FIRMS ACQUIRE ARE OFTEN THE LEAST LIKELY TO CONTAIN VALUABLE OIL, GAS, OR MINERAL RESOURCES.

THIS LEGISLATION WOULD EXTEND THE PROVISIONS OF THE ALASKA SECURITIES ACT TO THESE BUSINESS FIRMS EVEN IF THE "INVESTMENT" SALES ARE NOT MADE IN OUR STATE OR TO OUR CITIZENS.

THE STATE WOULD BE ABLE TO TAKE LEGAL ACTION AGAINST THESE OUT-OF-STATE SELLERS OF ALASKA MINERAL RIGHTS. BY AMENDING THE SECURITIES ACT, ALASKA CAN REQUIRE THESE FIRMS TO FILE SECURITIES REGISTRATIONS REGARDING THEIR SALES, AND TO GIVE PROSPECTIVE PURCHASERS TRUTHFUL INFORMATION ABOUT THE LIKELIHOOD OF REALIZING A GAIN ON SUCH INVESTMENTS.

SECONDLY, THIS LEGISLATION CLARIFIES THE DEFINITION OF "TRADE OR COMMERCE" UNDER THE UNFAIR TRADE PRACTICES AND CONSUMER PROTECTION ACT. THIS LANGUAGE ADDRESSES A CURRENT GAP IN ALASKA STATE LAW. THE CONSUMER PROTECTION AGENCY HAD BEEN IN VIGOROUS PURSUIT OF CASES OF REAL ESTATE FRAUD UNTIL THE RECENT ALASKA SUPREME COURT DECISION OF BROWN V. STATE OF ALASKA, 12/3/82, WHICH HELD THAT THE CONSUMER PROTECTION ACT DID NOT COVER THE SALE OF REAL PROPERTY.

FAR TOO MANY FRAUDULENT "REAL PROPERTY" TRANSACTIONS COULD FALL BETWEEN THE CRACKS IF THE UNFAIR TRADE PRACTICE ACT CANNOT COVER THOSE TRANSACTIONS.

I recommend passage of CSSB 432 (Rules)

ADDITIONAL INFORMATION

1) REGARDING THE SECURITIES SECTION, THIS LEGISLATION WILL NOT AFFECT LEGITIMATE COMPANIES ENGAGED IN OIL, GAS, OR MINERAL EXPLORATION OR PRODUCTION AS THEY ARE ALREADY EXEMPTED FROM THE ALASKA SECURITIES ACT BY AS 45.55.140(B)(17).

2) THE NEED TO DEFINE REAL PROPERTY SPECIFICALLY CAME ABOUT WHEN THE SUPREME COURT DECIDED THAT CONSUMER PROTECTION COULD NOT PROSECUTE TRANSACTIONS INVOLVING THE SALE OF REAL PROPERTY.

AT THE TIME CONSUMER PROTECTION WAS INVESTIGATING A MAJOR LAND DEVELOPMENT IN THE MATANUSKA VALLEY WHICH WAS LOCATED IN A FLOOD PLAIN, A FACT WELL KNOWN TO THE DEVELOPERS BUT MISREPRESENTED TO PURCHASERS.

3) ALASKA UNIFORM LAND SALES PRACTICES ACT (AS 34.55.004) GOVERNS MISREPRESENTATIONS AND FRAUD IN LAND TRANSACTIONS. A.L.S.P.A ONLY COVERS FORMALLY SUBDIVIDED, UNDEVELOPED LAND. THEREFORE, UN-SUBDIVIDED OR DEVELOPED PARCELS ARE NOT COVERED.

ALSO, A.L.S.P.A DOES NOT COVER IF LESS THAN 50 LOTS ARE SOLD OVER 12 MONTHS. CONSUMER PROTECTION KNOWS OF AT LEAST ONE DEVELOPER IS DELIBERATELY SELLING UNDER 50 LOTS PER YEAR IN ORDER TO ESCAPE SCRUTINY.

THE ADDED LANGUAGE IN SB 432 WILL COVER THESE "GAPS".

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF LAW

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 435-3600

OFFICE OF THE ATTORNEY GENERAL

March 23, 1984

The Honorable Fritz Pettyjohn
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Re: SB 432, "an Act amending
the Alaska Security's Act"

Dear Senator Pettyjohn:

At the Senate Labor and Commerce Committee hearing on February 15, 1984, you requested our opinion with respect to the effect on the jurisdictional scope of SB 432. This legislation would clarify the existing Alaska Security's Act to better reach fraudulent or high pressure out-of-state sales of oil and gas lease hold interests on state or federal lands in Alaska.

The Administration believes that Alaska is well served by having an ability to regulate sales of land or lease hold interests located in Alaska, even where the transactions take place outside the state between non-residents of the state. The state may protect the legitimate concerns of its citizens by exercising the right to sue according to the doctrine of parens patriae. This doctrine is recognized in Alaska. State v. First National Bank of Anchorage, 660 P.2d 406, 420-21 (Alaska 1982); Public Defender Agency v. Superior Court, 534 P.2d 947 (Alaska 1975).

Because we believe there is a substantial state interest in preventing fraudulent sales of oil and gas leases located within the state's border, we believe a constitutional challenge against Alaska's assertion of jurisdiction provided by the proposed legislation would fail. A claim that the jurisdiction afforded by the proposed legislation violates an out-of-state citizen's rights under the Due Process Clause, Full Faith and Credit Clause or Commerce clause of the U.S. Constitution would, in all likelihood, be dismissed. See generally, Aldens, Inc., v. Packel, 524 F.2d 38 (3rd Cir. 1975). The Aldens case is instructive because it involved a challenge to Pennsylvania's right to enforce state credit sales laws as applied to an

Letter to
Pettyjohn re:
his concern that
the state didn't
have right to
"cross state lines"


Illinois corporation operating a mail order business in all fifty states and where all orders were accepted in Chicago. In that case, the court performed a thorough and comprehensive analysis of a variety of constitutional issues and concluded that none of the constitutional provisions were violated by enforcement of Pennsylvania's laws.

The currently accepted approach to Due Process Clause limitation challenges is one of interest analysis where the court focuses on whether a state has sufficient interest "to justify any exercise of its sovereignty in connection with the transaction and dispute." Id. at 42-43, (citing McGee v. International Company, 355 U.S. 220 (1957)) emphasis in original. The court further noted in Alden that a relatively low threshold of state interest is needed to justify jurisdiction. Id. at 43.

In conclusion, because Alaska has a substantial interest in transactions involving land or interest of land within its borders, we believe a court would find that the exercise of jurisdiction through the proposed legislation does not interfere with an out-of-state defendant's due process or other constitutional rights.

Please feel free to call if we can be of additional assistance.

Sincerely,


Norman C. Gorsuch
Attorney General

NCG:eer

cc: Senator Richard I. Elaison ✓
Chairman, Senate Labor and
Commerce Committee

Senator Bob Mulcahy
Vice-Chairman, Senate Labor
and Commerce Committee

Senator Patrick Rodey
Senate Labor and Commerce
Committee

Senator John C. Sackett
Senate Labor and Commerce
Committee

The Honorable Fritz Pettyjohn
Senate Bill 432

March 23, 1984
Page #3

Connie Sipe
Assistant Attorney General
Consumer Protection

Jeff Bush Ø
Assistant Attorney General
Commercial

MEMORANDUM

State of Alaska

TO: Senate Labor & Commerce Committee DATE: April 21, 1983
Pouch V
Juneau, AK FILE NO.
TELEPHONE NO: 279-0428

FROM: Connie J. Sipe SUBJECT: House Bill 236
Assistant Attorney General
Chief, Consumer Protection Section
AGO/Anchorage

1. HISTORY. The Unfair Trade Practices and Consumer Protection Act (UTP&CPA) prohibits unfair methods of competition and unfair or deceptive acts or practices in the conduct of trade or commerce. Twenty-five non-exclusive examples are listed as particular types of prohibited acts. Last December, the Supreme Court held that the UTP&CPA is "directed at regulating practices relating to transactions involving consumer goods and services" and does not encompass the sale of real property. That case involved a major land development in the Natanuska Valley which was located in a flood plain, a fact well known to the developers but misrepresented to purchasers.

Following the Supreme Court decision, Representative Lacher, at the urging of Mat-Su Borough Attorney Steve Morrisett, introduced House Bill 236 (copy attached) adding a definition to the UTP&CPA defining "trade or commerce" to include real property and any commerce directly or indirectly affecting commerce in the state. (Previously we relied on case law definitions of "trade or commerce," as there was no definition in the statute.)

2. IMPORTANCE. There is great ambiguity as to how far the supreme court's exclusion of "real property" operates. Does it include condominiums, builder/developer sales of homes and lots, mobile homes, time shares (resorts), and tenant leasehold interests, or is it limited to raw land sales?

This office receives numerous telephone inquiries from the public concerning real estate. So far in FY 83 thirty-four consumer complaints have been filed in Anchorage in the areas of land development sales (including in-state lots, out-of-state lots, and time shares); real property (including houses and condominiums); and home construction. We have formally opened investigative files in FY 83 for fifteen "real property" transactions in those same categories. [I have not included mobile homes in these statistics, an industry in which we have had a large volume of complaints.]

Many other states specifically include real property within the coverage of their Consumer Protection Acts. A

recent Colorado Supreme Court decision held that a builder/developer selling a home and a piece of property is subject to the jurisdiction of the Consumer Protection Act of that state, although a recent Massachusetts decision has ruled that landlord/tenant disputes are not within Consumer Protection jurisdiction.

It has always been this office's interpretation, prior to the supreme court opinion, that we do have jurisdiction over real property. Our act is a mini-Federal Trade Commission Act and real property has always been covered by the Federal Trade Commission. Hence, the recent decision alters our long standing practice and opens the door for the development of future case law further expanding the types of "real property" transactions which are not covered under the UTP&CPA or under any other Alaska statute.

3. PRIVATE CONSUMER RIGHTS. This bill affects not only public law enforcement against frauds involving real property, but also insures that individual consumers hurt in such transactions will continue to have the private cause of action set out in the Unfair Trade Practices Act, AS 45.50.531. This statutory private cause of action allows for up to triple damages and attorneys' fees for successful consumer plaintiffs bringing private suits against fraud.

4. ALASKA UNIFORM LAND SALES PRACTICES ACT. We understand that some developers may oppose this amendment because ALSPA (AS 34.55.004 et. seq.) governs misrepresentations and fraud in land transactions. It is true that ALSPA does cover some of these transactions; however, its coverage is severely limited. To begin with, ALSPA only covers formally subdivided, undeveloped land and would not cover un-subdivided or developed parcels, resulting in totally unregulated contractor/developer sales wherein a home is sold with land.

Also, ALSPA exempts land sellers from registration if less than 50 lots are sold in-state over 12 months, or less than 10 lots are sold out-of-state. We know of at least one State Trooper investigation wherein a developer is deliberately selling under 50 lots per year in order to escape scrutiny under ALSPA. This particular developer was previously registered under ALSPA and has chosen to let the registration lapse and sell only 48 lots per year.

5. DUPLICATION OF REGULATION. The Unfair Trade Practices Act coverage of real property does not duplicate other state regulation, such as the real estate licensing laws. Whenever a licensed real estate agent violates a real estate statute prohibiting fraud, that activity is exempt from the UTP&CP Act, by action of AS 45.50.485(1). The attorney general has usually interpreted this section (.385)

to exempt real estate brokers and agents from the direct jurisdiction of the UTP&CP Act. A licensed agent may become involved in an investigation under the UTP&CP Act when the realtor is part of, or witness to, land fraud by un-licensed, non-regulated individuals, such as a land developer.

6. SUMMARY. This amendment is very important because there are far too many "real property" transactions which could fall between the cracks if the UTP&CPA does not cover those transactions. The language on lines 15 and 16 of the bill focuses on the need to extend the Act to not only those activities which occur in-state but which "affect commerce in the state" even though they may happen elsewhere.

This language, combined with the real property coverage, is very important in the current time share resort sales programs sweeping the country. These programs (which are frequently sold through various deceptive advertising campaigns) offer a property interest in a piece of resort property for a number of weeks per year; for instance, two weeks a year in a Hawaii condominium.

The suggested definition of "trade or commerce" would not only get us over the hurdle of a challenge to the attorney general filing a real property case, but would also bolster our jurisdictional claim in a challenge of our long arm jurisdiction against an out-of-state business.

CJS/aw

SB 432 TITLE & SPONSOR SUMMARY 16:31 6/04/84 PAGE 1 OF 2

SHORTEST TITLE: CSSB 432(RLS)

AN ACT RELATING TO THE PROTECTION OF CONSUMERS OF GOODS,
SERVICES, AND SECURITIES

GENERAL DOLLARS: \$111,500 (F. NOTE)

PRIME SPONSOR: SENATE RULES COMMITTEE.

OTHER DOLLARS: \$0

CO-SPONSORS:

CURRENT STATUS: 5/01/84 PASSED (S) ON RECONS

SB 432 SENATE ACTION 16:31 6/04/84 PAGE 2 OF 2

DATE	SEQ	PAGE	LEGISLATIVE ACTION
02/09/84	01	2007	FIRST READING -- COMMITTEE REPORTS
02/09/84	02	2007	F/NOTE SEN SUPPL #51
02/09/84	03	2007	GOV TRANSMITTAL LETTER
02/23/84	04	2159	FIN COMM REFERRAL ADDED BY UNAN CONSENT
03/16/84	05	2373	L&C --- DP04, DNP01
04/02/84	06	2583	JUD --- DP02, DNP01, NR01
05/03/84	07	2905	FIN --- DP05
05/30/84	08	3370	RLS --- CS04, OTHER04 TAKEN UP IMMEDIATELY
05/30/84	09	3381	SECOND READING
05/30/84	10	3301	RLS CS ADOPTED BY UNAN CONSENT
05/30/84	11	3381	ADVANCED TO 3RD READING BY UNAN CONSENT
05/30/84	12	3301	THIRD READING
05/30/84	13	3381	PASSED BY DIV 17-02-01
05/30/84	14	3381	NOTICE OF RECONSIDERATION GIVEN
05/31/84	15	3430	POSTPONED UNTIL 06/01/84 BY UNAN CONSENT
06/01/84	16	3458	PASSED ON RECONSIDERATION BY DIV 18-02-00
****	**	**	*** ** *

COMMITTEE REPORT
SENATE

FURTHER: JUDICIARY
FINANCE

2/23/84

Date 3/15/84

Mr. President

The Committee on LABOR & COMMERCE considered SB 432

amending the Alaska Securities Act.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]
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do not pass
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[Signature]
Chairman
[Signature]
Chairman recommendation

COMPANY

COMMENTS

Alaska Banks Petroleum
Corporation*
717 W. Hardwood St., Ste. 800
Diamond Shamrock Tower
Dallas, Texas 75201
214/969-9808

A Washington resident was contacted by this firm on 1/24/84. The firm telephonically promised the offeree that if he did not receive within two years an offer to resell his lease for \$30,000, Alaska Banks Petroleum would guarantee him that much in face value United States Savings Bonds. Cease and desist order issued by Washington (Martin Cordell).

Alaska Capital Corporation
22761 Pacific Coast Highway
Malibu, California 90265

Cease and Desist Order issued by the Maine Bureau of Banking 8/29/83. Same street address as Alcor Corporation and federal land information corporation. Alaska Cease and Desist Order issued 3/14/84.

Alaska Energy Trust*
Wilshire Blvd., Los Angeles

2/15/84 offer to Ohio resident;
3/2/84 offer to California resident.

Alaska Federal Petroleum
Corp.
3785 N.W. 82nd
Miami, Florida 33167

Incorporated in Alaska 12/30/82. We have received inquiries from Nelson H. Patnaude of the New Jersey Bureau of Securities and Larry Swink of the Wisconsin Division of Securities. Patnaude inquired on behalf of a 31 year old deaf individual who paid \$4,700.50 for a 320 acre lease.

Betty Guenther, 8901 Meade Avenue, Martin Grove, Illinois 60053 (312/965-3838) was offered Alaska land at \$14.84 an acre which would be \$9,500 for one square mile of land. The salesman represented that within 90 days a big oil company would buy the interest and she would have a \$33,000 profit.

Alaska Land Leasing, Inc.
688 Thousand Oaks Blvd.
Thousand Oaks, California 91360

28990 Pacific Coast Highway
P.O. Box 4010
Malibu, California 90265 (Former)

11726 San Vicente Blvd.
Los Angeles, California 90049

Associated with Tundra Oil, Inc. and Anchorage Research and Management Co., the State of Alaska is presently litigating with this firm. We have discussed this firm with Assistant Attorney General Herschel T. Elkins, California Department of Justice, 3580 Wilshire Blvd., Room 800 Los Angeles, California 90010 (213/736-23). Cease and desist order issued by the Iowa Superintendent of Securities 12/19/8 (contact person Brad Osmundson). Cease and desist order issued by the Minnesota Commissioner of Commerce, Securities Section, 9/3/83. Cease and Desist order issued by Missouri Secretary of State, Division of Securities, 3/14/83. We advised the Nebraska Department of Banking and Finance, Securities Section, (Thomas Sindelar) of one Nebraska resident who was advised by the salesman that his oil and gas royalties could range from \$60,000 to \$160,000 a month. Two cease and desist orders issued by Texas State Securities Board naming Alaska Land Leasing, Inc. along with related entities and individuals on 2/17/84. Contact person Isabelle Potts. Inquiry has been received about ALLI from Stephen K. Mueller, Staff Attorney, Enforcement Division, Wisconsin Securities Board. The Alaska Department of Natural Resources has numerous filings made by ALLI. On 11/25/83, Terry J. Risenhoover and Vic Gainer who are associated with ALLI became the initial directors of a new Alaska corporation, Alaskan Crude Corporation along with N.K. Goff.

Alaska Oil and Gas Company
Penthouse #2
1207 Rideway
Sausalito, California

ARCO has requested this company to ensure that references to Atlantic Richfield or its subsidiaries are not made in connection with the sales efforts of this company (see comment under Alaska Capital Corporation above). We received inquiry about this firm from Mark A. Loush, Attorney in Charge, Securities and Exchange Commission Office, Detroit, Michigan.

Alaska
3/14/84

Alaska Oil Development Corporation

See Federal Property Record, Inc.

Alaska Oil Leases
18500 N.E. 41st Court
North Miami Beach, Florida

Dr. Jack Gold, 583 Caledonia Road, Dix Hills, New York 11747 (516/271-7415) advised the Alaska Attorney General's Office that he made a \$10,000 investment with this company for 40 acres of lease hold rights. Lou Risko, 1666 Springtown Road, Alpha, New Jersey 08865, (201/454-9448) complained to this division that he invested \$10,000 with the firm. Risko had previously dealt with the Stratford Company of Miami, Florida. Inquiry was also received from Mr. Bill Gregg, 2117 N.W. Flanders, Portland, Oregon 97210. The firm has solicited at least one Alaska resident and an Alaska cease and desist order is contemplated. Ron Lawrence, 5956 Blackpool Lane, Virginia Beach, Virginia 23462, (804/497-6010(H), 460-3725 (W)) complained that he invested \$8,975. Alaska Cease and Desist issued 3/15/84.

Alaska Petroleum Leasing Corp.*
5781 W. Sunrise Blvd.
Plantation, Florida 33313

Cease and desist order by Iowa
Superintendent of Securities 12/19/83.

Alaskan Crude Corporation*

See Alaska Land Leasing, Inc.

Alaskan Oil & Gas*
San Francisco, California

Inquiry concerning this firm received 2/84 from Scott P. Brochert, Commerce Investigator, Enforcement Division, St. Paul, Minnesota.

Anchorage Research Management Co.*

See Alaska Land Leasing, Inc.

American Oil and Gas Leasing
Corp.*
Wells Fargo Bank Building
16055 Ventura Blvd., Ste. 924
Encino, California 91436

Dr. Robert S. Cunningham, 17400 N.E. 13th Place, Bellevue, Washington 98008 was solicited by this firm.

Arctic Oil & Gas Corp.*
3595 Sheridan St., Ste. 206
Hollywood, Florida 33021

Cease and desist order issued by the Iowa Superintendent of Securities 12/19/83. Paul Flath, 907 S. 10th Street, Watertown, Wisconsin 53094 was solicited by the firm and advised this office that he was told the firm was a sister company of Omni International. Flath in the past has also been solicited by Trans-World Leasing of Florida. Dr. Thomas L. Smith, P.O. Box 228, Crystal Springs, Mississippi 39059 was advised by the firm's salesman that Texaco and either ARCO or AMOCO had recently been buying leases from Arctic Oil & Gas Corporation or their clients. Smith asked about the high cost of

Alaska
3/14/84

Atlantic Oil & Gas Corp.
1065 N.E. 125th St., Ste. 221
North Miami, Florida 33161

Barrington Aims Whitney, Ltd.
Arlington Heights, Illinois

California Resources
Encinitas, California

Chapen & Associates, Inc.*
5230 Vesper Ave., Ste. 5
Sherman Oaks, California 91411
and
1642 Westwood Blvd.
Los Angeles, California 90024

Commonwealth Management Corporation
Texas

Domestic Resources Corporation
3272 Motor Ave., Ste. G
Los Angeles, California 90034

Dynasty Management Company, Inc.*
Las Vegas, Nevada

Eagle Oil & Gas Company
11601 Biscayne Blvd.
Coral Gables, Florida 33134

drilled in Alaska and was told that his prospective property was "in a valley" and not in the mountains and, therefore, the drilling would be less expensive. The Ohio Department of Commerce (Securities Section-Paul Tague) inquired into the solicitation of at least one Ohio resident.

The firm retained the services of an Anchorage, Alaska geologist Thomas W. Mortensen who by letter 9/14/83 objected to the way Atlantic Oil & Gas Corp. was using his name for sales purposes.

Associated with Federal Record, Inc., inquiry 3/7/84.

In 1980, this firm was apparently associated with Western Energy Resources, 801 South Rancho Road, Boulevard D, Suite 1-A, Las Vegas, Nevada 89106. In November 1982, the Alaska Division of Securities declined to register this program.

California Corporation formed 12/20/82 qualified to do business in Alaska 8/16/83. Cease and desist order issued by the Alaska Division of Securities 2/3/84.

Inquiry by Larry Gilley, 7333 Bramblewood, Fort Worth, Texas 76133 (817/294-9586) who had been offered an investment by the firm.

An Anchorage, Alaska resident was solicited to invest with this firm, 1/84.

An Anchorage, Alaska resident was solicited by this firm 11/83 and was told that Dynasty Management, Inc. was a Texas corporation.

ARCO by letter 9/14/83 requested that this firm assure ARCO that all appropriate steps were taken to ensure that references to Atlantic Richfield or its subsidiaries were not made in connection with sales efforts (see Alaska Capital Corporation above).

Federal Land Information
Corporation
22761 Pacific Coast Highway, Ste. 22
P.O. Box 1100
Malibu, California
(Same street address as Alaska Capitol
Corporation and Alcor Corporation.)

Federal Lease Filing
Corporation
28990 Pacific Coast Highway
P.O. Box 4010
Malibu, California 90265

Federal Land Management
Corporation
Newbury Park, California

Federal Property Record, Inc.*
715 W. Algonquin Road
Arlington Heights, Illinois 60005

Frontier Exploration Corporation

Government Oil & Gas
Lease Program, Inc.
409 W. Hallandale Beach Blvd., Ste. 202
Hallandale, Florida 33009

Leland Capitol Corporation
Dallas, Texas 75201

Magnum Exploration

Alaska
3/14/84

This firm contacted Betty Guenther
of Martin Grove, Illinois (see
Alaska Federal Petroleum Corporation)
and was offered oil and gas land for
\$200 an acre.

The State of Alaska is presently
in litigation with this firm - see
Alaska Land Leasing, Inc. above.
We had correspondence with the firm
in July 1982 concerning their BLM
lottery program and solicitations
which were made in Alaska. At that
time T.J. Risenhoover now with ALLI
was president of Federal Lease
Filing Corporation.

Search warrants were executed by
postal inspectors at its California
office in November 1983. Solicitations
of an Alaska resident were made also
in November 1983. The Alaska resident
did not invest.

Federal Property Record, Inc. and
Alaska Oil Development Corporation
are Illinois corporations authorized
to do business in the State of Alaska.
On 12/20/83, the Alaska Administrator
of Securities issued a permanent order
to cease and desist to these corporations
along with David Swain and Margie Welch.
The order found that the respondents
offered for sale to an Alaska resident
unregistered securities. There were no
known sales in Alaska. Associated with
Barrington Aims Whitney, Ltd., and
Trans-Alaska Energy Corporation.

Cease and desist order issued by the
Iowa Superintendent of Securities
12/19/83. No known solicitations in
Alaska.

Cease and desist order issued by the
the Alaska Division of Securities on
10/13/83. No known sales in Alaska.

Offers and sales made to Alaska
residents prior to FTC complaint
being filed.

This firm solicited a Homer, Alaska
resident in August 1983. No known
sales in Alaska.

National Land Services Corp.
11601 Biscayne Blvd., Ste. 200-D
North Miami, Florida 33181

North American Lease
Acquisition
1011 Ives Datney Road
North Miami Beach, Florida 33179

North American Resource Corp.

Northwest Assets Corporation

Omni International

Pacific Northwest, Inc.

Petro Alaska*
6500 Greenville Ave., Ste. 440
Dallas, Texas 75206-9990

Petrolaska Corporation*
8383 Wilshire Blvd., Ste. 224
Beverly Hills, California

Spearman Company, The
Los Angeles, California

Alaska
3/14/84

Inquiry received in December 1983 from John P. Wintermoyer, 2442 S.E. Gowin Road, Port St. Lucie, Florida 33452 (305/335-3116). Wintermoyer was told by the salesperson that Pacific Northwest, Inc. was a subsidiary of National Land Services Corp. Alaska Cease and Desist Order issued 3/14/84.

Order to cease and desist issued by the Maine Bureau of Banking 12/15/83. Contact person Irene Keeley, Investigator.

Cease and desist order issued by the Iowa Superintendent of Securities to North American Resource Corp. and Transworld Resources Corp. on 11/21/83. Complaint filed against the same firms 10/31/83 by the Idaho Attorney General in the District Court of the Fourth Judicial District in and for the County of Ada. Civil file 83-436. The FBI executed simultaneous search warrants at the "offices" of North American Resource Corp. in Anchorage, Alaska and in Florida. Appears to be related to Westchase Petroleum Exploration, Inc.

Inquiry by Texas Securities Commission, 3/6/84. Associated with USA Resources, In

See Artic Oil & Gas Corporation.

See National Land Service Corporation above.

Inquiry received 1/12/84 concerning this firm from Mr. and Mrs. Steve Larson, Box 22083, Harlan Star Route, Blodgett, Oregon 97326.

Formed as an Alaska corporation 8/11/83 with its purpose "oil and gas extraction." The incorporator was Stanley M. Clark whose address is shown at the left. The local mailing address is P.O. Box 2794, Anchorage, Alaska 99510 and the registered agent is William O. Vallee, 4430 W. 7th Avenue, Suite 1, Anchorage, Alaska 99510. It is not known if this firm is engaged in the leasing of federal oil and gas drilling rights.

Wasilla, Alaska doctor solicited 2/28/84. No additional information presently available.

Stratford Company The
11601 Biscayne Blvd.
Miami, Florida 33181

Completed by Lou Riske of Alpha, New
Jersey. (See Alaska Oil Leases above.)

Trans Alaska Energy Corporation
Miami Beach, Florida
Van Nyes, California
Chicago, Illinois

On 12/19/83, Mylo Tague, 1937 Denslow
Drive, South Bend, Indiana advised that
he had been solicited by this firm.
David Swain was identified to Tague
as chairman (see Federal Property
Record Company, Inc. and Barrington
Aims Whitney, Ltd., above).

Trans-Alaska Investment, Inc.*
1001 Ives Dairy Road - 3204
North Miami Beach, Florida 33179

Inquiry 2/27/84 by Alabama Securities
Division.

Trans-Alaska Oil Development*

Associated with Federal Property
Record, Inc.

Trans World Resources
Corporation
Hollywood, Florida 33024

Preliminary order to deny or revoke
exemptions and to cease and desist
issued by Michigan Corporation and
Securities Bureau 11/22/83.

Tundra Oil, Inc.
28990 Pacific Coast Hwy., Ste. 214
Malibu, California 90265

The State of Alaska is presently in
litigation with this firm. (See
Alaska Land Leasing above.)

USA Resources, Ltd.
1331 - 17th St., Ste. 400
P.O. Box 5200
Denver, Colorado 80217

Inquiry concerning this firm received
1/31/84 from David Reintf, 1508 S.
Merlon, Aberdeen, South Dakota 57401.
Information concerning inquiry was
relayed to the South Dakota Division
of Securities. Inquiry by Texas
Securities Division, 3/6/84. Associated
with Northwest Assets Corporation.

United American Mineral Corp.*

On 12/21/83, Norah Malkian, Commercial
Lines Underwriter, Ultima Insurance
Services, Inc., 3280 E. Foothill Blvd.,
Ste. 440, Pasadena, California 91107,
made an inquiry to Lawyers Title
Insurance Agency, Inc., Anchorage, Alaska
concerning United American Mineral
Corporation. The description of its
planned activity would indicate that it
intended to sell secondary leases in
federal oil and gas properties in Alaska.
No further information is available.

United Arctic Oil, Inc.
1100 Glendon Ave., Ste. 2101
Los Angeles, California 90024

This firm has made solicitations in the
the State of Alaska. On 8/25/83, Richard
Hoffman, Attorney at Law, 903 Linda Flora
Drive, Los Angeles, California 90049
advised that his father in 1983 invested
\$10,000 with United Arctic, Inc. His
father was suppose to receive certain
documents evidencing ownership of the
lease. United Arctic Oil has failed to
produce these. Cease and desist order
issued by the Iowa Superintendent of
Securities 11/23/83.

Westchase Petroleum
Exploration, Inc.
401 W. Texas Street
Midland, Texas 79701

Order to cease and desist issued by
the Alaska Division of Securities
12/15/83. Solicitation made to
an Alaska resident who tape recorded
the conversation. The tape recordings
concerning this matter have been
furnished by this office to the Anchorage
office of the FBI. On 2/22/84, Mark
Wysocki, Wisconsin securities division
advised that his office is aware of
one Wisconsin investor who sent \$18,500
to Westchase Petroleum in Denver,
Colorado. The Denver FBI office is
aware of that individual. Appears to
be related to North American Resource
Corporation.

Alaska
3/14/84

Oil scheme uses photo of governor

By ANN CONY
Daily News business reporter

Companies of dubious repute are using a photograph of Gov. Bill Sheffield in brochures touting Alaska oil and gas lease investments state investigators describe as a rip-off.

The color portrait of the governor — replete with the stars and stripes in the background — gets prominent play on the first page inside the brochure, next to the salutation, "Welcome to Alaska ... Land of Opportunity."

"We want to inform the public that these implied endorsements are erroneous and unauthorized," said Larry Carroll, chief securities examiner in the Division of Banking and Securities. "There may be as many as 30 companies using it."

Carroll said his office is investigating the companies, their questionable investment offerings and their use of the governor's photo. He asked that any Alaskans who receive the brochure contact his division.

The governor is not pleased about the unauthorized use of his picture, according to his deputy press secretary, John Greevy.

"It certainly is misleading," Greevy said. "The governor does not lend his endorsement to any commercial enterprise, especially one of this nature."

Carroll said companies using the brochure offer to sell oil and gas leases they've bought in the federal Bureau of Land Management's (BLM) noncompetitive leasing of Alaska lands that have no known oil and gas potential. The companies purchase the leases for \$1 an acre, then sell them to unwitting investors for \$100 to \$300 an acre.

Typically, the sales pitch grossly overstates the potential value of the leases, Carroll said. Sales people neglect to say that the major oil companies — which are supposedly going to snap up the leases for development, providing a tidy profit for the investor — have equal opportunities to buy into the area for \$1 an acre when the lands are opened for leasing by the BLM.

The investment companies using the offending brochure appear to be avoiding Alaska in their telephone and mail solicitations, but state officials are concerned about investors in other states as well as the potential trashing of Alaska's image.

"We're getting calls from people all over the country who are uninformed but want to get in on the bottom level of the great Alaska oil boom," said Carroll. Some, he added, are borrowing money to do it.

State enforcement power under Alaska securities laws is limited, particularly if the offending company is not soliciting Alaska investors, Carroll said.

Nevertheless, the Division of Banking and Securities has issued "cease and desist" orders against several companies that have offered oil-related investments to Alaskans, usually on the grounds that the companies and their offerings are not registered under state securities laws.

The division issued cease and desist orders last Friday against Pacific Basin Exploration Inc. of Marina del Rey, Calif., and Universal Exploration Inc. of Newport Beach, Calif.

Pacific Basin was selling interests in oil leases in Utah, according to state officials. Universal Exploration advertised in the Juneau Empire, offering the sale of interests in unidentified oil wells that would give investors tax shelters and "very high return and fast payback" on a mini-

The state in October filed suit against Alaska Land Leasing Inc. of Malibu, charging that the firm used fraudulent sales practices in soliciting buyers for interests in oil and gas leases. The state is asking the court to prohibit the company from making its pitch in Alaska and from selling interests in Alaska leases to out-of-state investors.

The Division of Banking and Securities has filed cease and desist orders against Alaskan Oil Development Corp. of Arlington Heights, Ill., its parent company, Federal Property Record Inc., and Government Oil and Gas Lease Program Inc. of Hallandale, Fla. The latter company is one of many that has offered to file the investor's name in the BLM's lease-by-lottery program, for allegedly exorbitant fees.

The FBI has joined investigations of oil lease investment companies, including one called North American Resources Corp., which has made sales solicitations from Florida instructing investors to send checks to a rented office in Anchorage.

Carroll said the latest alleged oil scams here was reported recently by a woman in Wasilla who received a call from a Florida company called Alaska Leasing. A salesman told her she was a lucky winner in the BLM lease lottery program, which was recently suspended by the Department of Interior. The salesman said his company had been designated to handle the lottery program and that the Wasilla woman could be the fortunate lessee of 80 acres for a mere \$8,000, with a \$4,000 downpayment to be picked up by courier.

The state in March joined the Council of Better Business Bureaus and a national securities group in warning investors to be wary of oil lease investment companies that promise quick tickets to wealth. There are estimated to be more than 250 such companies nationwide.

Carroll's probe also disclosed that West Chase Petroleum is the successor to North American Resources, a firm once investigated by the FBI for misrepresenting the value of oil leases. North American Resources, a Florida firm, also had been run by Cerf. He used it as his selling agent, said Carroll.

All of this activity has got King feeling very grateful she wasn't duped like others have been in similar scams. To get the \$8,250, she and her retired husband really would have had to deplete their savings accounts and sell off the equipment on their place at Mile 86.5 on the Parks Highway.

"We sure as heck couldn't have afforded to let that happen to us," she said. King keeps hoping that someday she'll win a lease on federal lands through a BLM lottery.

"But I don't think I'd ever be lucky enough to get \$200,000 for it."

John Knowlton is business editor of The Times.



s goes into today's game
ool: Page 11



Two former
Rose Bowl
queens
maintain
distinction,
pride:
Page 16



INSIDE	
California News	12-13
National News	26-27
International News	2, 28
Business	34
Classified	29-36
Crossword	22
Living	16-17
Movies	15
Opinion	19-21
Puzzle Pages	23-25
Sports	11-14
Starscope	22
Travel	25
Weather	9

news chronicle

183 Thousand Oaks, California January 1, 1984 50 cents 90 pages



Auld lang syne

write this message in lights News Chronicle photographer Roger Hardy, using a bit of the Conejo Valley. It was of photographic magic to welcome 1984.

park worried EPA ruling ring toxic-truck deluge

amount of tons of material that may be dumped in a West Covina landfill. The decision undoubtedly will bring more truck traffic to Ventura County, and, in turn, to Moorpark. To muddy the issue further, the new trucks will be carrying hazardous waste materials on roads that already are in need of repair.
The trucks in question formerly would have dumped their toxic contents at the BKK landfill in West Covina. An EPA decision last week, however, limited the amount of liquids that may be dumped at BKK. So, instead, trucks will have to transport their contents clear to Casmalia

Resources near Santa Maria. Since truckers admittedly are already using the Moorpark route to avoid the Conejo scales, it follows that they will continue to beat a path through the rural town of about 10,000. Ventura County Supervisor Ed Jones of Thousand Oaks reacted immediately and angrily to the EPA's decision. "I'm going to demand that measures be taken to protect the residents of Ventura County," said Jones. "First, the weigh station on the Conejo Grade must remain open 24 hours a day. Right now, it's closed at night and on

(See TRUCKS, Page 2)

Securities firm probed by FBI; fraud alleged

By PAUL FRINGLE
News Chronicle

A Westlake Village man and a company he controls have been cited for securities laws violations in several states and are the subject of an FBI investigation of possible fraud in the selling of purportedly worthless interests in oil leases. The News Chronicle has learned.

Terry J. Risenhoover and Alaska Land Leasing Inc., which recently began operating in Thousand Oaks, have been served since March with cease and desist orders alleging securities violations in Iowa, Minnesota and Missouri, according to legal officials in those states.

Alaska Land Leasing is also named as a defendant in a civil complaint filed Oct. 24 by the Alaska attorney general's office which alleged securities violations and an "intent to deceive and defraud purchasers" in the sale of the oil lease interests.

The FBI has been investigating Alaska Land Leasing since late last year for possible mail fraud, wire fraud and interstate transportation of stolen property, said FBI spokesman John Hoos in Los Angeles.

A Newbury Park firm that engaged in a business very similar to that of Alaska Land Leasing — Federal Land Management Corp. — is also the target of an FBI fraud investigation, according to Special Agent Fred Reagan. As part of that probe, agents are trying to determine whether the

two companies are connected, Reagan said.

Federal Land Management is accused in a U.S. postal inspector's affidavit of running a fraudulent "boiler room" operation in which telephone solicitors sold oil and gas leases on Wyoming land the company does not own.

Postal inspectors armed with a search warrant seized a large number of documents in a Nov. 22 raid on Federal Land Management's Lawrence Drive offices.

No criminal charges have been filed against Risenhoover, Alaska Land Leasing or Federal Land Management.

Risenhoover, 39-year-old chairman and principal stockholder in Alaska Land Leasing, denied any wrongdoing, and said that "all these circumstances will be satisfactorily resolved in a matter of months."

"No charges will be brought because there is no basis for such charges," he said. "We have a thriving organization. We're proud of what we've done, and we're proud of where we're going."

Risenhoover said he has no connection with Federal Land Management, and accused that company of "misusing the name" of Alaska Land Leasing in sales pitches. Several attempts to contact Federal Land Management officers for comment were unsuccessful.

(See LEASING, Page 4)

Leasing

From Page 1

Alaska Land Leasing, which also engages in telephone solicitation, has generated as much as \$18 million in sales of the lease interests in the past year and a half, authorities estimate.

Risenhoover said his firm is the biggest of its kind in the country, but disputed as "extremely" high the \$18 million sales estimate.

He also said the company's "primary business is oil and gas exploration," although he conceded that the firm has yet to begin any drilling operations. Risenhoover claimed the company plans to spend \$123 million on petroleum exploration and drilling in 1984.

Today, the company employs 150 people, including 45 in a newly opened office at 888 Thousand Oaks Blvd., he said. Another office that will employ 60 people is scheduled to open soon in Westlake Village, Risenhoover added.

Some of the local employees are teen-agers hired to match names of potential investors with telephone numbers. The names are culled from lists of people who have tried to obtain oil leases through government lotteries or private companies.

Risenhoover defended his hiring of the teen-agers — many of whom are of junior high school age — by saying the practice is no different from that of a newspaper employing boys and girls to deliver papers. In this respect, he added, Alaska Land Leasing operates "just like McDonald's or any other free-enterprise business."

In newspaper advertisements for adult salespeople, Alaska Land Leasing offers a "heaven on earth" employment package of \$150,000 in commissions the first year, "(an) auto plan that can have you driving a new Mercedes in 60 days," and monthly bonuses of Kruggerand gold.

The company holds state and federal leases to 1.5 million acres of Alaska's North Slope, according to Risenhoover. He said the firm has made 7,000 "transactions" for 4,000 "clients" who bought interest in the leases.

Authorities contend that the interests are sold at grossly inflated prices and are worthless in terms of their potential for producing profits from oil and gas drilling.

Iowa, Minnesota and Missouri issued cease-and-desist orders prohibiting Risenhoover and his company from doing business in those states after authorities found that the lease interests

constituted unregistered securities.

The Iowa securities superintendent's office stated in its Dec. 19 order that the sale of the lease interests followed a "course of conduct that would operate as a fraud," according to the agency's Des Moines-based staff attorney, Brad Osmundson.

The orders filed in Missouri and Minnesota on March 14 and Sept. 7, respectively, were not challenged by Risenhoover and his company, and thus became a permanent prohibition without a hearing, according to officials in those states. Risenhoover has until Jan. 19 to challenge the Iowa order.

Also scheduled for a hearing are allegations of securities laws violations made by the Texas Securities Board against Risenhoover, Alaska Land Leasing and several other defendants.

One of the allegations in the Texas case is that the defendants purchased leases for as little as \$1.15 per acre, then sold interests in them to investors for as much as \$200 per acre.

The investors did not know the true value of the leases, and the manner in which the interests were sold by the defendants "would tend to work a fraud," the Texas board alleged.

The board also alleged that the profits generated by Risenhoover and his company are "so gross and exorbitant as to be unconscionable."

Named along with Risenhoover and Alaska Land Leasing in the Texas action are Wayne Terry, identified by Risenhoover as a longtime Thousand Oaks resident and partner in the company; Tundra Oil Co.; Pacific Matrix Group Ltd.; Prudhoe Upland 34-132 Associates; and several individuals who have interests in the enterprises.

One of the individuals is Charles Weller, who helped write regulations for the sale of federal oil leases while he was an administrator of the U.S. Bureau of Land Management. Weller, Risenhoover and a man identified as David Kane founded Alaska Land Leasing about two years ago, authorities said.

Risenhoover later bought out the ownership interests of Kane and Weller, according to authorities. Risenhoover said Alaska Land Leasing is now owned by himself, Terry and Vic Galner of Malibu.

A hearing in the Texas case is scheduled for Jan. 16.

Jeffrey Bush, assistant state attorney general in Alaska, said the leases owned by Risenhoover's company are to tracts of land considered by major oil corporations and government geologists to have no potential for yielding profitable quantities of oil or gas.

The complaint filed by Bush's office against Alaska Land Leasing and its officers states that the defendants were selling interests in the leases for as much as 200 times the original purchase price. The complaint also accuses the defendants of securities violations, and asks the court to issue a permanent injunction against the business.

Risenhoover is seeking to have the complaint dismissed on grounds that the state of Alaska has no jurisdiction on sales made outside its borders, according to his Anchorage-based attorney, Tim Petumenos.

Petumenos said that if the complaint is not dismissed, Risenhoover would contest all of its allegations in court. A trial date has not been set.

Also named in the Alaska complaint are Tundra Oil Inc., Anchorage Research & Management Co. and Federal Lease Filing Corp.

Risenhoover, who maintains homes in Oklahoma, Malibu and the North Ranch area of Westlake Village, said the charges of securities violations are without merit because the lease interests should not be legally defined as securities.

However, legal officials said the interests could be exempt from the securities definition only if they were sold privately to buyers who were adequately informed of their value. Instead, the officials said, Alaska Land Leasing

is making a public offering of the leases to misinformed buyers.

"We've had complaints from people who were contacted cold (by Alaska Land Leasing salespeople) in phone calls that come out of the blue," said Osmundson, of the Iowa securities superintendent's office.

Osmundson said the potential buyers were told that their names were selected from a list of investors, and that they should purchase the lease interests immediately to prevent the offer from being passed along to someone else.

"One person complained that he placed \$64,000 with the company," Osmundson said.

In 1980, Risenhoover was involved in a similar securities operation in Oklahoma, where he was president of Cromwell Petroleum Co., according to Oklahoma Securities Commission officials.

Risenhoover filed a claim to have the sale of interests in a Cromwell drilling venture exempted from Oklahoma's securities regulations on grounds that the interests would be offered privately to select investors, said commission general counsel Deanna Burger.

During a review of the exemption claim, however, it was learned that a cease-and-desist order had been issued against Cromwell by the Wisconsin Securities Commission in June 1980, Burger said. The Oklahoma claim was eventually abandoned, she added.

Steve Mueller, staff attorney for the Wisconsin commission, said the order cited violations of securities laws in the selling of interests in the Cromwell venture.

Asked about the Oklahoma and Wisconsin cases, Risenhoover said only that he was president of Cromwell for "a very brief period (and) never had any ownership in that."

All but 1 Beach Boy attends Dennis Wilson's funeral

ENGLEWOOD (AP) — All the members of the Beach Boys except Brian Wilson attended a private memorial service Saturday for the band's drummer, Dennis Wilson, who drowned last Wednesday at age 38, a spokesman said.

Wilson's song, "Farewell, My Friend," from his 1977 solo album, "Pacific Ocean Blue," was played during the brief ceremony for 75 to 100 family members of Laguna and Coronado, said Beverly Friedman of San Rogers & Crown public relations firm.

checked himself out of an alcohol treatment unit, said Dr. Joe Tomkine, a physician at St. John's Hospital in Santa Monica.

Aside from the Beach Boys members, no other music celebrities attended the 2 p.m. ceremony Saturday, Friedman said. Also present were Wilson's mother, Audrey Wilson; his widow, 19-year-old Shawn Wilson (who is Love's daughter), and his 18-month-old son by Shawn Wilson.

KTTV to celebrate

By Associated Press

KTTV Channel 11 will celebrate its 35th anniversary in Los Angeles tonight in a nostalgic-filled program airing 9 p.m. and featuring Los Angeles television pioneers John "Sheriff John" Rovick, George Putnam and Bill Welsh. It will be hosted by Ted Knight.

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Thursday, March 8, 1984, The Anchorage Times C-3

Oil lease firms accused of 'boiler room' tactics

Associated Press

Tallahassee, Fla. — Comptroller Gerald Lewis has accused seven South Florida companies and nine people connected with the firms of running "boiler room" operations to sell oil and natural gas leases.

The comptroller said Tuesday that he ordered the companies and individuals to halt the practice immediately because they had not registered with his office to deal securities.

Further, Lewis said federal government agents Tuesday visited the companies armed with court subpoenas and search warrants to look for evidence of fraudulent sales.

Lewis said the companies used "boiler room" sales operations to solicit business.

Boiler room is used to describe a place where companies engage in high-pressure telephone solicitations.

Potential investors were told to expect a guaranteed return on their investment by purchasing oil and natural-gas drilling rights, the comptroller said.

So far, hundreds of investors have paid up to \$200 an acre for oil or natural-gas rights to public land in

Alaska, Lewis said.

In most cases, the companies acquired the leases from the federal government for \$1 an acre.

Last year, the Florida comptroller accused 41 companies of state violations in offering filing-services in the federal government's oil and natural-gas lease lottery program.

The bi-monthly lottery, suspended Oct. 12, allowed the public an opportunity to win a lease of government land.

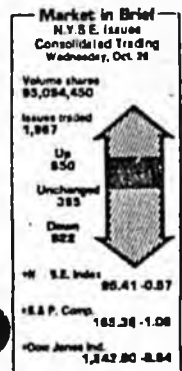
Lewis' complaint with the seven companies Tuesday is different from his objections with the way the 41 companies conducted business in 1983, the comptroller said in a news release.

Lewis issued immediate cease-and-desist orders against these companies:

- Alaska Energy Group Ltd., Miami
- Kimberly Land and Minerals Corporation, Coral Gables.
- North American Lease Acquisition Corporation, North Miami Beach.
- Pacific Northwest Inc., North Miami.
- Petroleum Leasing Corporation of America, Miami.
- Smith Webber Exploration Inc., Miami Lakes.
- Southeast Oil & Gas Inc., Fort Lauderdale.

the marketplace

Invasion takes toll on market



NEW YORK — Stock prices drifted lower Wednesday as traders kept a cautious eye on developments in the American invasion of Grenada. Precious metals and some technology stocks were the most notable losers, while many utility issues gained ground. The Dow Jones average of 30 industrials fell 8.64 to 1,243.80, bringing its loss since it reached a record closing high of 1,284.65 on Oct. 10 to

40.85 points. Analysts said the fighting in Grenada seemed to make investors wary. But they also said many market participants were operating on the belief that neither that situation, nor last weekend's terrorist attacks in Lebanon, will have any drastic implications for the domestic economy.

Advertising to be judged

Alaskan advertisers are preparing to learn which of their efforts have been judged the best for 1982-83 as the "Best of the North" awards program will be held Saturday at the Anchorage Sheraton Hotel. The "Bonnies" awards are presented annually by the Advertising Federation of Alaska to Alaskan advertisers for outstanding print or electronic work. The entries were judged by an impartial panel chosen from ad agencies in Seattle and San Francisco. Entertainment will also

Oil-lease firms charged with fraud

By ANN CONY
Daily News business reporter

The state has filed suit against a California company that solicits investments in oil and gas lease interests, charging the firm uses fraudulent sales practices.

Filed in state court in Anchorage on Tuesday, the suit names Alaska Land Leasing Inc. and its affiliates, Federal Lease Filing Corp., Tundra Oil Inc. and Anchorage Research and Management Co.

Alaska Land Leasing and its affiliates, all based in Malibu, have solicited investors nationwide, including Alaskans, to purchase limited partnership shares and other interests in oil and gas leases, many of which are in Alaska.

In offering to sell interests in the leases, the company has grossly misrepresented the value of the leases and omitted important facts "with (the) intent to deceive and defraud purchasers," the suit says.

Alaska Land Leasing and its affiliates have resold interests in oil and gas leases for as much as 200 times their fair market value, according to the state.

Sales misrepresentations and omissions, the suit says, include:

- Failure to disclose the original price or fair market value of the leases;
- Advertising that the leased lands "offer great promise for development as oil and gas lands, when, in fact, the chances of devel-

opment on any of these lands is almost nonexistent;"

- Representing that the leases could be developed into producing oil and gas fields "without disclosing the prohibitive costs;" and

- Falsely representing that the leased lands are near production facilities such as the Trans-Alaska Pipeline System.

The interests sold in oil and gas leases constitute securities, but the offerings are not registered as such, the state charged.

Alaska Land Leasing purchased oil and gas leases in two competitive state lease sales since September 1982 and has also bought oil leases in Alaska from the Interior Department's Bureau of Land Management.

The company subdivided the leases but failed to deliver to investors a so-called current public offering, as required by the Alaska Uniform Land Sales Practices Act, the suit says.

The company has also violated the Alaska Unfair Trade Practices and Consumer Protection Act, according to the state.

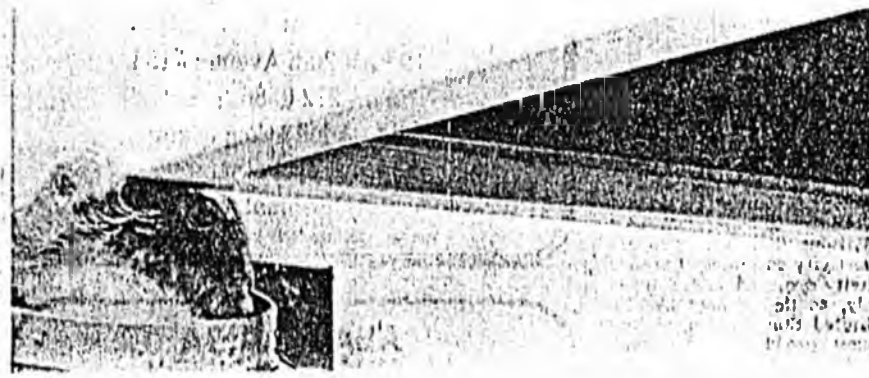
The state is asking the court to issue an injunction to prohibit the company from making its offerings in Alaska or selling interests in Alaska leases to out-of-state investors.

The suit also asks for legal fees, "appropriate penalties and fines," and that a receiver be appointed to take possession of the company's property in Alaska.

Canadians find little oil in Beaufort

By DOUGLAS MARTIN
BizDay

RESOLUTE, Northwest Territories — Even two years ago, the Canadian side of the Beaufort Sea was still a dream of vast oil riches being successfully



FBI probes questionable Alaska oil lease firms

by A.J. McClanahan
Times Writer

PAGE 1
ANCHORAGE

Phony promises made by companies created to "sell" federal oil leases in Alaska is fast turning into a multimillion-dollar headache for federal officials.

Deluged by phone calls from throughout the country, the Bureau of Land Management has to explain to each caller that the land offered by those companies are part of three non-competitive oil and gas leasing areas in Alaska.

No, the companies are not offering them a special deal. Yes, the individuals could save themselves hundreds or even thousands of dollars by not going through a third party, BLM spokesman George Gurr tells them.

If those individuals file on their own — and they do not have to come to Alaska to do it — it costs a \$/5 filing fee and \$1 a year for each acre leased and a one-eighth royalty if oil or gas is developed.

People may lease any amount of acreage ranging from 640 to 10,240 acres for each application. Each lease holder is allowed up to 300,000 acres in northern Alaska and 300,000 acres in the southern part of the state. Leases can be continued for up to 10 years.

Any holder may legally "assign" his lease to someone else, and that's where the money starts changing hands. Many companies — several dozen of them have substantial holdings — assign their leases to others, for a fee. Some sell leases they don't own in the first place.

The FBI has been investigating companies that lie to prospective lease holders. But authorities have difficulty shutting down fly-by-night companies that merely "shade" the truth in telephone solicitations.

The problem is compounded by what Gurr calls the "mystique" of Alaska and the fact that lands up for lease are essen-

tially virgin country. Their resource potential is anybody's guess.

The sales pitches used by the companies are a study in how to mislead people by telling only part of the truth, Gurr said. One of the clinchers used to sell leases, he said, is that the land being offered is "close to the pipeline."

The salesmen don't mention that the trans-Alaska pipeline is nearly 800 miles long, and that because land is "close to the pipeline" it is not likely to have any more chance of producing oil than land hundreds of miles away.

Some entrepreneurs simply lie. They say:

- The "filling service" for which they work is a representative or broker for the federal government.

- The federal government has appraised the value of existing oil and gas reserve.

- There is major oil company interest

and that there are producing wells in the area or that exploration is under way.

- The person being solicited has won a government-sponsored lottery.

- Eligibility in the "Alaska lottery" was established by the person's participation in the simultaneous gas and oil lotteries held in the Lower 48.

After being contacted by an FBI office in Indianapolis, FBI agents in Anchorage obtained a warrant to search the records of North American Resources Corp., which had rented an office at 207 E. Northern Lights Blvd.

Telephone solicitors worked out of Florida, court records say, but had customers send checks to the office in Alaska.

One woman was told she could get a lease worth \$400,000 if she sent in a check for \$9,500 to an Anchorage bank where the company had opened an account, accord-

See High-pressure, page A-18

Michigan anti-tax group calls for governor's ouster

Associated Press

Mount Clemens, Mich. — Anti-tax campaigners taking credit for the ouster of two Democratic state senators who backed an income tax hike now are setting their sights on recalling a third lawmaker and Gov. James Blanchard.

"You can fight city hall and you can fight state hall and win," Dan Powers, a 25-year-old auto-worker and leader of the recall drive, said Wednesday after state Sen. David Serotkin became the second legislator in

Michigan history to be recalled by constituents.

"Our groups are tired of the tax-and-spend crowd in Lansing," Mick Steiner, a spokesman for the recall groups, said.

Blanchard, the state's first Democratic chief executive in 20 years, and at least 17 legislators were targeted by the anti-tax activists for supporting an income tax hike to wipe out what Blanchard said was a \$900 million deficit.

The increase raised the flat-
See Group, page A-18



Hunters' spoils retaken after trip to city dump

Associated Press

Wrangell — Two hunters who bagged five blacktail deer in the Sitka area had to track down their quarry again — this time after the venison was picked up by an overefficient sanitation crew.

Chester Jackson and Robert Soderlund returned home from their hunt last week with 500 pounds of sectioned, wrapped and frozen venison.

They left the meat on Soderlund's porch in several sealed freezer boxes while they went out for coffee, according to a re-

port in this week's Wrangell Sentinel.

When they returned, the venison was gone.

Neighbors told the pair they had seen a garbage truck in the area, so it didn't take them long to figure out what happened. The sanitation crew thought the boxes had been discarded.

As it was, they were able to reclaim the meat with little more damage than some mangled boxes, he said.

Jackson was unable to put a price tag on the meat but said it was worth "quite a bit of money."

Chance of snow
Friday



Weather, page A-13

Friday daylight — 5 hrs. 4 min.
Sunrise 7:47 a.m.
Sunset 3:51 p.m.

Friday tides
High 5:39 a.m. 29.5 ft. 12:11 p.m. 33.3 ft.
Low 12:48 p.m. 2.9 ft.

INDEX

Alaska Life	C-1
Bridge	F-7
Business	D-1
City/State	B-1
Classified	F-1
Comics	F-6, F-7
Crossword	F-7
Dear Abby	C-1
Editorials	A-14
Entertainment	F-1
Horoscope	F-6
Legals	H-7, H-8
Movies	F-1
News in Brief	A-1
Obituaries	B-5
Pattern	C-1
Sports	E-1
Stocks	D-6, D-7
Tell It to Bud	B-2
The Blotter	B-6
TY Listings	F-4

Anchorage Times 12/1/83

High-pressure sales

Continued from page A-1

ing court documents. She was told the land for which she was buying a lease was "very near the pipeline" and close to a producing well operated by Arco Alaska Inc. But the company does not own leases in the areas described to the victims, documents say.

FBI agents declined to comment in detail, but they said they are involved in an "active investigation" into the activities of companies offering leases in Alaska.

Leases can be filed for land in three areas:

- 2.9 million acres in the Denali-Tielke district near Denali National Park, of which about 80 percent has been leased and about 40 to 60 percent of that has been "assigned" to other people.

- 276,460 acres in the Minchumina district about 140 miles southwest of Fairbanks, of which about 90 percent has been leased and about 40 to 60 percent of that has been assigned to others.

- 4.4 million acres in scattered tracts throughout the Seward Peninsula and Western Alaska near the peninsula, which was opened for leasing Nov. 9.

FBI officials said their investigation focuses on whether companies are violating federal law in their telephone solicitations.

Victims generally have been elderly and were bilked out of \$10,000 to \$15,000 each, they said. High-pressure tactics are used on the phone.

The state last month issued cease and desist orders against two companies and filed suit against a third firm, charging that it uses fraudulent sales practices.

effective in other cities. Under their plan, officers would have pulled over all drivers on certain sections of roadway and questioned them in an attempt to determine whether they were drunk. The proposal was praised by some members of Mothers Against Drunk Drivers as well as some on the mayor's task force.

But the plan drew fire from those who said it would have violated the constitutional rights of those who were questioned.

The task force recommended the checkpoints as well as the patrols to Knowles. The mayor chose the latter.

"I hope they (the patrols) have the effect they're intended to have," said Allen Bailey, the city prosecutor and a member of Mothers Against Drunk Drivers. "Maybe special patrols will work. I hope they do."

Group aims at taxes

Continued from page A-1

rate tax to 6.35 percent from 4.6 percent. It will roll back to 6.1 percent in January.

The ouster of Serotkin, a former Republican who represented the Detroit suburb of Mount Clemens in the state House for five years and was in

his first term in the Senate, followed the Nov. 22 recall of Democratic state Sen. Phillip Mastin of nearby Pontiac.

Next on the hit list is Sen. Patrick McCollough, a Dearborn Democrat. About 17,000 of the 23,000 petition signatures needed for a recall election have been collected and the drive should be over by Christmas.

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SUNDAY 12:00-7:00

S

B

433



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

433

February 9, 1984

The Honorable Jalmar Kerttula
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Kerttula:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that will authorize the division of motor vehicles (DMV), Department of Public Safety, to refuse to register heavy trucks if the owner of the truck does not furnish proof that applicable federal heavy use taxes on the truck have been paid. This authorization is necessary to comply with federal law, and to ensure that Alaska does not lose up to 25 percent of apportioned federal highway funds.

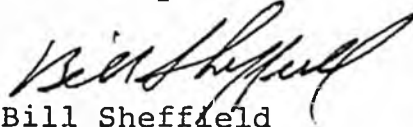
In 1982 the U.S. Congress adopted the Surface Transportation Assistance Act of 1982. The Act increases, as of July 1, 1984, the heavy vehicle use tax which heavy trucks and trailers must pay. Section 143 of the Act (23 U.S.C. sec. 141(d)) authorizes the federal government to withhold up to 25 percent of a state's apportionment of federal highway funds during any year in which heavy vehicles subject to taxation under sec. 4481 of the Internal Revenue Code of 1954 may be registered in the state without presenting proof of payment of these taxes. This proof-of-payment requirement must be in effect no later than September 30, 1984.

In order to prevent the loss of these federal highway funds, this bill authorizes DMV to refuse to register a heavy vehicle unless the owner provides proof that the required federal tax has been paid. If an applicant fails to provide the required proof of payment his vehicle will not be registered. The State of Alaska is not required to enforce or collect the federal tax.

I anticipate that Department of Public Safety personnel will be working with legislative committees on possible amendments to the bill, which may be necessitated by pending federal procedural decisions.

In order to avoid the loss of federal funding needed to improve and maintain Alaska's highway system, I urge your passage of this bill.

Sincerely,



Bill Sheffield
Governor

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 433
 Title: An Act relating to the registration of heavy vehicles
 Sponsor: Governor
 Requestor: Senate Labor & Commerce
 Date of Request: 2-21-84

FISCAL DETAIL

Agency Affected: Public Safety
 Program Category Affected: Life and Property Protection
 BRU, Program or Subprogram(s) Affected: Division of Motor Vehicles

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		8.8	9.3	9.9	10.5	11.1
200 TRAVEL						
300 CONTRACTUAL		7.4	5.5	5.8	6.1	6.5
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		16.2	14.8	15.7	16.6	17.6
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		16.2	14.8	15.7	16.6	17.6
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME Seasonal		1	1	1	1	1
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not identified

ANALYSIS: Attach a separate page for analysis

Prepared By: Marcia Lynn McKenzie Phone: 465-4349
 Division: Administrative Services Date: 12-27-83

Approved by Commissioner: [Signature] Date: 12/28/83
 Agency: Department of Public Safety

Distribution (by Agency preparing fiscal note):

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

12/1/83

ANALYSIS

This bill would require proof of IRS filing or payment of the Federal Heavy Truck Use Tax prior to registration for all motor vehicles with a gross vehicle weight (GVW) of 33,000 lbs. or over. Alaska vehicle classifications are based on unladen weight rather than GVW, so it is not possible to determine exactly how many vehicles are affected but an estimate based on unladen weight would be 2,500 to 3,500 vehicles.

Notification to vehicle owners and collection of the proper forms would require a special mailing and individual handling. Most of these vehicles are commercial vehicles registered during December, so one position working four months, October through January, would be able to accomplish most of the work and the rest would be absorbed by existing positions.

Cost detail for the program is as follows:

100	Motor Vehicle Representative I, Range 8 4 months	8.8
300	Mailing Cost	1.4
	Forms	1.0
	Data Processing	
	Programming	2.0
	Maintenance	<u>3.0</u>
	Total	16.2

An inflation factor of 6% has been applied to costs beyond FY 85.

1.	POSITION TITLE Motor Vehicle Rep. I			RANGE/STEP 8B	BARG. UNIT G	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION Seasonal	STAFF MONTHS 4	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT	LEG.	
3.	CONTINUATION LEVEL	ADDITION	JUSTIFICATION						
4.	TYPE OF EXPENDITURE		AMOUNT			<p>This position will perform the additional tasks associated with identifying vehicles, notifying owners, and updating records of those vehicles subject to the heavy vehicle tax. Annual volume of vehicles subject to this tax is expected to be approximately 2500 to 3500 and being commercial vehicles, the majority of these will register in December on a regular basis or in February on a pro-rate basis, depending on their use. The position will be used during the November through February time period to handle this workload.</p>			
	1	2	3						
	PERSONAL SERVICES								
5.	Salary	6,392							
6.	Benefits	392							
7.	Supplemental Benefits	1,146							
8.	Fixed Benefits	909							
9.	TOTAL PERSONAL SERVICES	01	8,839						
10.	Travel	02							
11.	Contractual	03	7,400						
12.	Commodities	04							
13.	Equipment	05							
14.	Other								
15.	TOTAL COST		16,239						
	RECEIPT CODE	FUNDING SOURCE							
16.		Federal Receipts	1002						
17.		G.F. Match	1003						
18.		General Funds	1004	16.2					
19.		I-A Receipts	1005						
20.		Program Receipts	1028						
21.		Other							
FOR B&M USE ONLY									
4A KEY NUMBER _____									

13 REQUEST FOR
NEW POSITION

AGENCY Department of Public Safety
PROGRAM Life & Property Protection
BRU Division of Motor Vehicles
COMPONENT Vehicle Services

Page _____ of _____
Revised Date _____

FY 85

SB 433

SB 433 ENABLES THE DIVISION OF MOTOR VEHICLES IN THE DEPARTMENT OF PUBLIC SAFETY TO REQUIRE PROOF-OF-PAYMENT OF THE FEDERAL HEAVY VEHICLE USE TAX BEFORE REGISTERING HEAVY VEHICLES IN THE STATE OF ALASKA. THE HEAVY VEHICLE USE TAX IS ONE OF A NUMBER OF USER FEES THAT FUND HIGHWAY IMPROVEMENTS THROUGH THE FEDERAL "HIGHWAY TRUST FUND." THE STATE OF ALASKA RECEIVES A VERY FAVORABLE DISTRIBUTION FROM THE "HIGHWAY TRUST FUND". THIS DISTRIBUTION IS OVER EIGHT TIMES THE AMOUNT COLLECTED THROUGH FEDERAL TAXES ON HIGHWAY USE IN ALASKA.

IF SB 433 IS NOT ENACTED, ALASKA WILL BE SUBJECT TO A REDUCTION IN ALASKA'S INTERSTATE APPORTIONMENTS FROM THE "HIGHWAY TRUST FUND". THE DEPARTMENT OF TRANSPORTATION ESTIMATES THAT OVER \$10 MILLION PER YEAR MAY BE LOST IF SB 433 IS NOT ENACTED.


THE ADMINISTRATION IS IN SUPPORT OF THIS LEGISLATION. I RECOMMEND PASSAGE OF SB 433.



Dept. of Transportation & Public Facilities

Position Paper

BILL NO: Senate Bill 433

APPROVED: 
R. J. Knapp
Commissioner

TITLE: An act relating to the registration of heavy vehicles; and providing for an effective date

DATE:

The Alaska Department of Transportation and Public Facilities urges speedy passage of Senate Bill (SB) 433. SB 433 enables the Division of Motor Vehicles in the Department of Public Safety to require proof-of-payment of the federal heavy vehicle use tax before registering heavy vehicles in the State of Alaska. The heavy vehicle use tax is one of a number of user fees that fund highway improvements through the federal Highway Trust Fund. The State of Alaska receives a very favorable distribution from the Highway Trust Fund; this distribution is over eight times the amount collected through federal taxes on highway use in Alaska.

If SB 433 is not enacted, Alaska will be subject to a reduction in our Interstate apportionments from the highway trust fund. This reduction in funds will hurt the Department's efforts to improve Alaska's Interstate System, consisting of the Parks, Alaska, Glenn and Tok Cut-off highways and portions of the Richardson, Seward, and Sterling highways. The Department estimates that withholding, when applied, will cost the state over \$10 million a year in Interstate apportionments. Assuming \$1 million a mile for reconstruction of substandard highway, a \$10 million cut translates into a ten mile reduction in highway miles improved each year.

For more information, contact Paula Ramsey, 465-3900.

COMMITTEE REPORT

SENATE

FURTHER: REPORT

1936

Date 4/12/36

Mr. President

The Committee on SALES & CONSUMPTION considered SR 43

Registration of heavy vehicles, etc.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

W. G. ...
Chairman

D. ...
Chairman recommendation

DEPARTMENT OF PUBLIC SAFETY

POSITION PAPER - SB 433

SUPPORT

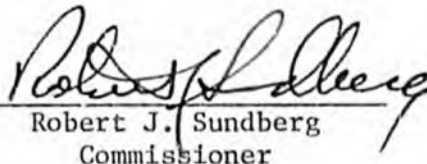
February 17, 1984

SB 433, An Act relating to the registration of heavy vehicles; and providing for an effective date.

The United States Congress has amended the United States Code to reflect the Secretary of Transportation shall reduce the State's apportionment of Federal-aid highway funds in any fiscal year beginning after September 30, 1984, if a heavy vehicle subject to the use tax may be lawfully registered in the State without having presented proof of payment of the use tax.

Enforcement of a federal law by state registration processes is not a desirable use of state resources. However, the alternative, a loss of 25% of federal highway funds leaves the state little choice. The State is not required to enforce or collect the Federal tax, but only to verify it has been paid before the vehicle is registered.

Therefore, it is felt this bill should be passed this session to bring Alaska into compliance with the Federal requirement and avoid loss of the Federal-aid highway funds.


Robert J. Sundberg
Commissioner

S

B

434



ALASKA STATE LEGISLATURE - SENATE
COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON
CHAIRMAN

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

OFFICIAL BUSINESS

March 8, 1984

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

Dear Mr. President:

The Senate Labor and Commerce Committee has had under consideration for "Sunset Review" the Board of Pharmacy pursuant to your referral under AS 44.65.050 and AS 08.03.010.

In accordance with the statutory requirement, a public hearing was held on the review of the Board. The Committee considered the proposed budget of the Board and examined the performance audit of the activities of the Board prepared by the Legislative Audit Division.

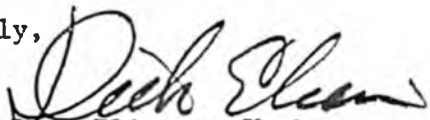
Guided, in part, by the report prepared by the Legislative Audit Division, the Committee took into consideration the factors required to be considered under AS 44.66.050(c). The Board of Pharmacy has protected the public's health, safety, and welfare by licensing only qualified professionals. The Board has passed regulations concerning dangerous drugs, continuing education as proof of continued competency, false or misleading advertisement of drugs, and prepackaging of drugs in hospital drug rooms.

The Board announces meetings and proposed regulation changes in newspapers according to the Administrative Procedures Act.

The Board of Pharmacy is directed under AS 17.30.010 to adopt regulations for the administration of the Controlled Substance Act. The Board will be working closely with the Division of Occupational Licensing to accomplish this goal.

The Senate Labor and Commerce Committee has introduced legislation that would extend the Board for another four years.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dick Eliason".

Senator Dick Eliason, Chair
Senate Labor and Commerce Committee

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 434
 Title: An Act extending the term
date of the Board of Pharmacy;
 Sponsor: Labor & Commerce Committee
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Dept. of Commerce & Econ. Dev.
 Program Category Affected: Public Protection
 BRU, Program or Subprogram(s) Affected: _____
Division of Occupational Licensing

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-	
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

No additional fiscal impact is expected to incur with this Senate Bill.

Funding to be continued and provided for in the Department's FY '85 budget.

ANALYSIS: Attach a separate page for analysis

Prepared By: Jennifer Strickler, Management Analyst Phone: 465-2144
 Division: Occupational Licensing Date: February 15, 1984

Approved by Commissioner: Richard A. Lyon Date: 3/12/84
 Agency: Dept. of Commerce & Economic Development

Distribution (by Agency preparing fiscal note):

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

12/1/83