

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 86/2

2657 SLC SB 470 - SB 481

2657



Maurice Oaksmith

BOAT INSURANCE

continued from page 31

the company wanted to insure that investment."

However, other surveyors say they are rarely pressured into inflating vessel values. John Adams, for instance, says "Sometimes the vessel owner wants surveyors to deflate the value because he doesn't want to pay the money on high insurance premiums on boats that are fully paid for."

"Most surveyors know what they're doing," says one claims investigator, "but some have great gaps in their experience and training. Some surveyors specialize in cargo only, others in tug boats, others in yachts, and some in crab boats. Frequently their expertise is limited to their specialty class of vessels, and they're not able to adapt well to new classes."

Adams adds, "The jam is that many people will accept a surveyor's

report on a matter for which he is not truly qualified."

Surveyors have already formed their own national association fifteen years ago in an effort to police their own trade. In order to join the National Association of Marine Surveyors an applicant must have at least five years full-time surveying experience and he must pass an exam in his specialty class of vessel. "It's still in its infancy," says one member.

Whether an underwriter or vessel owner decides to hire, fire or believe a surveyor does not diminish the importance of their C & V surveys. When claims are paid, they are the most important records available, because foul play is almost impossible to prove. Underwriters rarely go to the bother and expense of trying to prove arson or intentional sinking; they simply pay the claims based on a vessel's surveyed value. Raising the vessel and re-surveying it is the only way to change the surveyed value.

Adams jogs his memory back to 1958 when a wooden seiner sank in the Puget Sound and the underwriters raised the vessel. "There were funny ax holes in the bottom of the boat that were made from the inside. These rapid termite jobs are good for some people, but when an owner gets caught with evidence like that, it is a federal crime and the punishment can be severe. From an underwriter's standpoint, you have to look at how much a mortgage is on a vessel before thinking about deliberate sinkings.

"It's easy to say that when the mortgage is high and the value are dropping beneath the mortgage, it

becomes advantageous to have an accident. But that's only part of the story," says Adams.

"The other part is that people are working harder and pushing their crews harder and harder trying to make a profit. Everybody gets tired."

Maurice Oaksmith, who grew up on Alaskan fishing boats, says, "I think fishing vessels in many ways are a better risk today than they were four years ago. There are many more alarms, detection devices, and better navigational equipment. But one thing you've got to guard against, as technology advances, is complacency."

Adams blames accidents involving some crabbers on "electronic creature comforts" along with drug use by younger crew members who doze during their wheel watch.

In some cases, though, he says accidents are not due to overwork, drugs, or high-tech instruments. "In Bristol Bay we never have a total loss prior to the season unless it's truly accidental. It always seems to happen just before the end of the season, and "Oh, my god, the fire started," or "I hit a rock." There aren't very many rocks in Bristol Bay, so they either swamp or burn.

"It always happens where it's hard to recover the boat, in the dark of night; a friend just happened to be coming along and he saw the fire, and 'I got off without getting my tennie runners wet.'"

Adams admits that he is speaking somewhat facetiously; he knows that Bristol Bay permits can cost up to \$100,000. Yet he sincerely feels that 'moral hazards'—"sinking the damn boat"—are higher these days,



John Adams

and the way to prevent them is to make sure the owner starts accepting some of the risk.

He looks back to the 1930's during the Great Depression when there were a lot of similar vessel losses occurring. According to Adams, an underwriter would co-insure the vessel, assuming only part of the risk in case of partial losses; the owner would pick up the rest. The other alternative he sees is charging very high deductibles.

Adams thinks strict Coast Guard enforcement of safety regulations helps reduce risk, too. Under Section 46, Parts 24 through 26 of the Code of Federal Regulations, the Coast Guard can board uninspected fishing vessels and check for safety and fire fighting equipment violations. But Coast Guard spokespeople say they do not have the manpower to check fishing vessels unless they receive a specific See **BOAT INSURANCE** page 45

BOAT INSURANCE

continued from page 34
complaint.

Maurice Oaksmith, one of the founders of the National Council of Fishing Vessel Safety and Insurance, says the "industry ought to consider self-regulation. The principal reason for forming this national group was that insurance costs were high, and the only way to bring them down was to decrease the severity and frequency of accidents. I would say that about 90% of all accidents and fatalities are avoidable. Usually they result from somebody doing something they shouldn't do."

There is a general consensus among marine surveyors, underwriters, and claims investigators

that human error, due to lack of adequate training, is responsible for many legitimate accidents. In the case of converted floating processors, however, there are other dangers.

During the conversion process, bulkheads and cofferdams are usually removed to make more room for processing equipment, forklifts, and elevators. "They cut out watertight bulkheads so it's easier to move cargo down to the freezing holds and along the processing deck," explains surveyor Jim Goldade.

"In the case of one processor," says another surveyor, "all three holds had been cut through all the way back to the engine room. You can pump such a vessel full of water,

but you've got no way to pump it out again. There are no subdivisions to control flooding or fire in these vessels."

Highly flammable polyurethane foam is also an acknowledged fire hazard aboard such processors.

"We've glossed over these problems in the last few years because of a very competitive insurance market, due to excess capacity and underwriters seeking premiums at any cost," says one concerned claims investigator. "Now that interest rates are declining and losses are continuing to accelerate, the conditions are set for a scarcity of insurance and possibly a recognition that standards will be necessary if losses are to be controlled." □

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4779

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 479
 Title: Forest Products Business Loan
Guarantee
 Sponsor: Kerttula
 Requestor: Senate Labor & Commerce
 Date of Request: 2-20-84

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected:
Treasury

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 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker *MB*
 Division: Treasury
 Approved by Commissioner: *Robert O. Healy*
 Agency: Revenue

Phone: 465-2350
 Date: 2-23-84
 Date: 2/29/84

Distribution (by Agency preparing fiscal note):

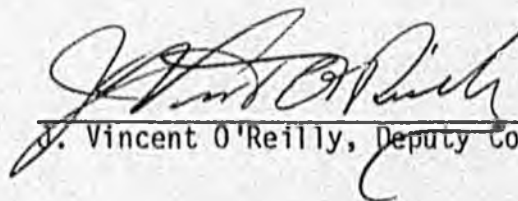
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

TESTIMONY CONCERNING SB 479
SENATE LABOR AND COMMERCE COMMITTEE
MARCH 1, 1984

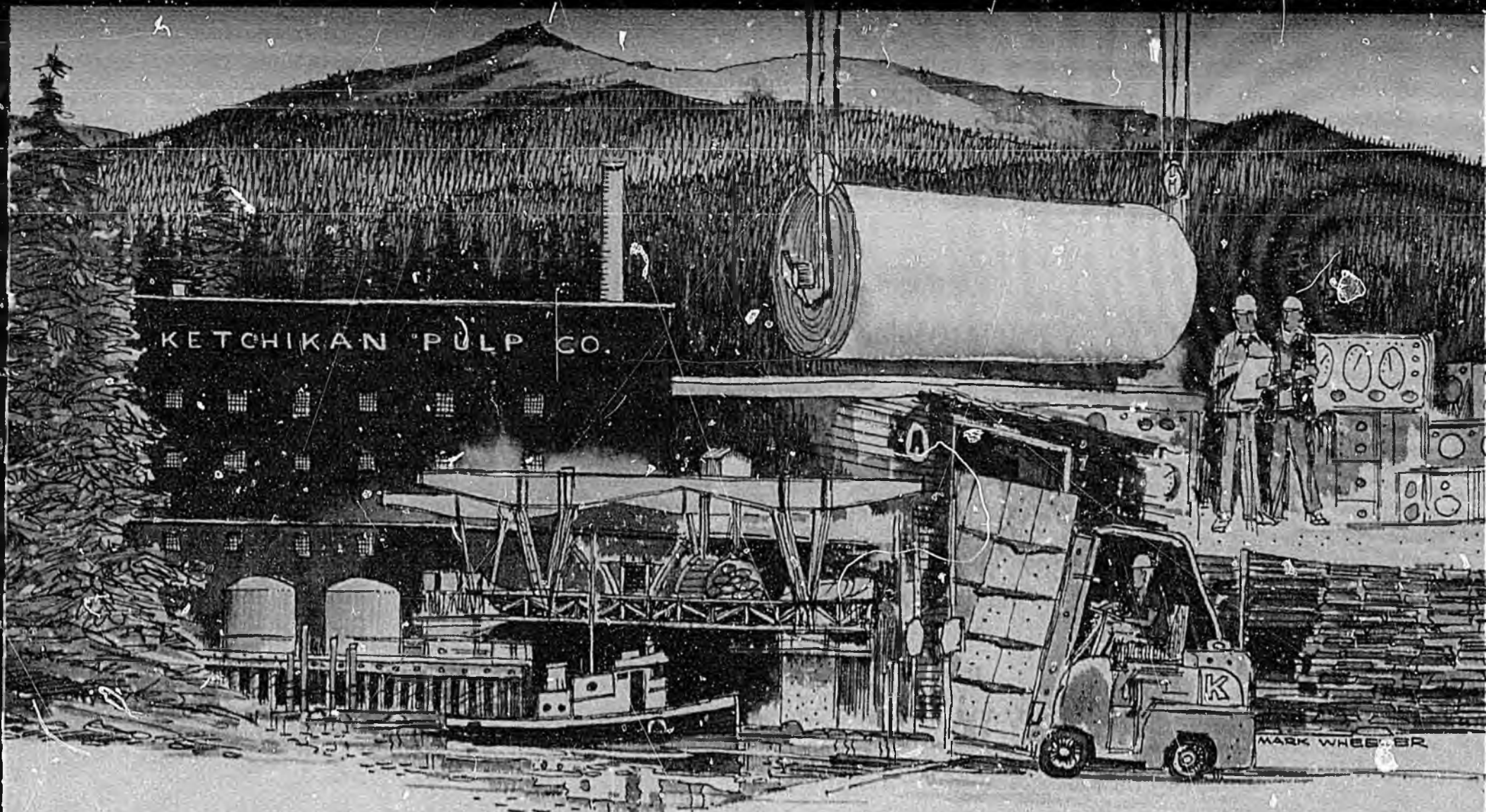
SB 479: "An Act relating to a forest products business loan guarantee program; and providing for an effective date."

- I. We share with you the deep concern over the grave situation facing all aspects of the Southeast timber industry. We are aware the larger mills must operate in order for the economics of the small operators to function. We have evidenced our concern by:
 - A. Meeting with involved parties and participating in their presentations.
 - B. Meeting with other departments and agencies of the State attempting to arrive at mutually agreeable and reasonable environmental controls.
 - C. Causing to be performed overview studies focused on the Southeast timber situation. More studies and solution alternatives will be offered.
- II. Our view on this bill is that it offers a solution, but it may not be aimed at the right problems.
 - A. The problems of the larger mills' operation appear to be:
 1. Markets for their product both as to volume price and stability.
 2. Raw material supply.
 3. Environmental and operating regulations.
 4. Labor costs and efficiency.
- III. This bill offers a means of transfer of ownership, but that may be only a transfer of the problems from one group to another.

Our view is that the State's assets should be used to solve economic problems to the benefit of our citizens. But before we put our citizens and the State more at risk by freezing staff assets in a guarantee, we should perhaps assist in applying the State's assets in solving the major problems.



Vincent O'Reilly, Deputy Commissioner

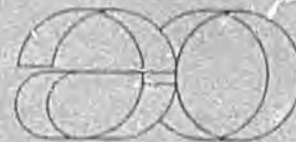


KETCHIKAN PULP CO.

MARK WEBBER

KETCHIKAN PULP COMPANY

... Our First 20 Years



OUR GREAT LAND

The forested mountains and valleys of the Tongass National Forest in Southeastern Alaska are the source of raw material for the dissolving pulp and lumber produced by Ketchikan Pulp Company.

A long-term timber sale, previously bid at public auction, provides eight and one quarter billion board feet of timber on approximately 786,000 acres of Tongass National Forest to be harvested over a fifty year period.

This timber is located on the northern half of Prince of Wales Island and a portion of Revillagigedo island. Western hemlock, Sitka spruce interspersed with western red cedar and Alaska yellow cedar grow in dense wind and rainswept forests.

A pulp mill and sawmill are located at Ward Cove, seven and one half miles north of Ketchikan. Affiliated sawmills are at Ketchikan, Metlakatla, and Klawock. Logging camps are located throughout the richly forested area.



• Ketchikan Pulp Company Logging Operations

KETCHIKAN PULP COMPANY *...Our First 20 Years*

Ketchikan Pulp Company was the dream of many men; men who were deeply interested in encouraging and bringing about a steady industrial development of Alaska; men who recognized that any such project was a pioneer undertaking involving long-term investment accompanied by unusual risks; men who were willing to take the risk of unknown conditions that might be encountered at an isolated site a great distance from markets.

Interest in Alaska pulp opportunities extends back as far as 1910. The Territory needed a stable economic base to supplement the highly seasonal and fluctuating fisheries industry. Virgin growth stands of spruce and hemlock interspersed with cedar offered limitless raw materials and covered all of the countless islands of Southeastern Alaska.

Some of this timber had been utilized. Over the years a number of small sawmills had operated in Southeastern Alaska. Many mining camps were cutting their own lumber, and when the camps were abandoned so were the sawmills. The need for lumber increased as the fishing industry developed and towns began to grow, but little more than lumber for homes and shops was ever produced.

Among those instrumental in encouraging interest in timber as a raw material for pulp was the United States Forest Service. As an incentive,

timber sales were offered in 1913 and 1917, but these attempts were unsuccessful. A small paper pulp mill was built in the early 1920s by Alaska Pulp and Paper Company at Speel River, 30 miles south of Juneau. This mill produced about 15 tons per day of ground wood pulp. Unsatisfactory prices for low grade pulp and a lack of market forced its operators to close in 1923.

During the late 1920s several paper companies investigated the possibilities of establishing processing plants. Two timber sales were advertised and conditionally awarded, but the Great Depression and conditions through World War II discouraged any real interest.

In June 1944 Regional Forester B. Frank Heintzleman had C.W. Archbold, Supervisor of the Southern Division, set up timber cruising parties to

KP 10 Floating construction camp for construction workers at Ward Cove - June 30, 1952



prepare maps and reports to be used as the basis for another sale of timber. This timber was located mainly on Prince of Wales Island, the largest of the cluster of islands making up the Alexander Archipelago in Southeastern Alaska.

During 1945 discussions were held between Heintzlerman and Fred Stevenot and Lawson P. Turcotte of Puget Sound Pulp and Timber Company, Bellingham, Washington. Harold Cavin, engineer, John P. Van Orsdel, consulting engineer, and Wm. D. Shannon, consulting hydroelectric engineer were sent to Ketchikan. They submitted favorable reports on the feasibility of a dissolving pulp mill at Ketchikan. Dissolving pulp is a special grade of chemical pulp for use in the manufacture of rayon and cellophane products.

This study emphasized the heavy financial requirements of the undertaking, and the importance of an assured market for a major part of the plant's output.

In 1948 American Viscose Corporation, a pioneer United States manufacturer of rayon and cellophane, sent a committee to investigate a proposal of Puget Sound Pulp and Timber Company to build a pulp mill in Alaska. As a result of the visit, the two companies formed Ketchikan Pulp Company as a joint venture.

Officers of this new company were chairman of the board, Dr. Frank H. Reichel, president of American Viscose Corporation; president, Lawson P. Turcotte, president of the Puget Sound Pulp and Timber Company; vice-president and treasurer,

William H. Brown, secretary-treasurer of American Viscose Corporation; vice-president and secretary, Robert H. Evans, general counsel of Puget Sound Pulp and Timber Company. Other directors were Henry H. Bitler and John G. Jackson of American Viscose Corporation and Erik T. Ekholm and Fred G. Stevenot of Puget Sound Pulp and Timber Company.

It took three years of preparations before the final timber purchase agreement between Ketchikan Pulp Company and the United States Forest Service was completed on July 26, 1951, on a timber tract previously bid at public auction. The agreement, still in effect, calls for a 50 year, sustained yield, timber harvesting schedule. Ketchikan Pulp has consistently harvested less timber than allowed annually under this agreement.

The decision was made to establish a high grade dissolving pulp mill of 300 tons daily capacity with a proposed increase to 525. This inaugurated a new enterprise to make constructive use of the vast timber resources of the Territory.

The mill site selected is seven miles north of Ketchikan at Ward Cove, a small cove where Russian traders anchored before Alaska was purchased by the United States. In the 1880s when the cove was surveyed by the *U.S.S. Patterson*, it was named for one of the officers on the ship. Later the area was known as Wacker, Alaska, named for the family who owned much of the area.

Here was suitable terrain for the construction of a pulp mill and wharf. The adjacent waters had suffi-



Excavation, clearing, and construction office building at Ward Cove - July 22, 1952

cient depth to accommodate barges and ocean-going vessels and was adequately sheltered for log storage and handling.

Preliminary engineering work was begun on the mill, power and water sites. W.A. Bates, president of the Miners and Merchants Bank in Ketchikan, was given the tremendous task of putting the proposed mill site under option. About 90 owners were involved, many of whom were deceased, thus requiring negotiations with numerous heirs all over the United States. It took Bates nearly three years to complete title searches, obtain options and close purchase transactions and it required him to travel to places such as Moss Landing, California, Fairbanks, Alaska, and Scranton, Pennsylvania.

In the meantime keen interest was shown in a

new magnesium oxide process being developed to make pulp. Through the use of magnesium oxide as a cooking acid base, a mill could operate as a closed system in which the chemicals used in cooking acid would be recovered and reused.

By April 1952 the process proved efficient and economical, so Ketchikan Pulp Company awarded a \$46 million construction contract to Ward Cove Builders, formed jointly by Howard S. Wright Company and Guy F. Atkinson Company. Harold Cavin, Puget Sound Pulp and Timber Company, was in charge of engineering and design of the mill, one of the first in the world built for the magnesium oxide process.

Thousands of tons of heavy equipment and materials were shipped to Prince Rupert, British Columbia by rail from the eastern United States and ferried on 6 and 12-car barges to Ward Cove.

At Ward Cove there was a flurry of activity. Countless bargeloads of building materials were unloaded and gigantic construction equipment moved in. Actual construction started on May 19, 1952 when clearing for the office building began. Then on June 1 ground was broken for the mill itself.

The construction of the mill had a tremendous impact on the city of Ketchikan. The builders hired as many local workers and contractors as possible. In addition, literally thousands of experts in all areas of construction were brought in, all requiring housing, utilities, and community services. The then mayor and still current resident of Ketchikan,

George Beck, recalls, "The building of Ketchikan Pulp had an impact very much like that which the Trans-Alaska Pipeline is experiencing now."

To provide a fresh water supply a gigantic 85-foot high dam was built at the outlet of Lake Connell. A wooden stave pipeline five feet in diameter and three miles long was built to bring fresh water to Ward Cove. Because the water contains impurities such as dissolved organic matter, it was necessary to build a filter plant to filter and chemically treat the water before its use in the pulp making process.

Meanwhile on Prince of Wales Island at Hollis a logging camp was set up with operations beginning in July 1953. This logging camp, built near the site of an abandoned gold mining town, contained company-built homes, buildings for meetings and weekly moving pictures, a recreation hall and schoolhouse in which the first eight grades were taught. It was the largest logging operation in the Territory of Alaska. Today, Hollis is again a timbered area with second growth trees standing 30 to 40 feet high.

In May 1954 the first finished pulp rolled off the machine. Alaska's dream of a wood pulp industry had become a reality. At that time the completed mill, costing \$55 million, represented the largest single industrial investment ever made in the Territory of Alaska.

On July 14, 1954, a formal dedication was held. Industry dignitaries from New York, Philadelphia, the West Coast, and Tokyo came to see the world's most modern dissolving pulp mill in operation.



Powerhouse stack, machine shop, dock, pulp preparation building, pulp storage building and sulfur silos taking shape - May 21, 1953.

Among the honored guests who spoke at the ceremonies were Governor B. Frank Heintzleman, who as Regional Forester 10 years before, was instrumental in the inception of the mill, Alaska's Congressional Delegate E. L. Bartlett, and Chief U. S. Forester R. E. McArdle.

"We now see the establishment of a major enterprise which will provide year round employment, based upon a renewable natural resource offering a supply of raw material in perpetuity under proper scientific management," Governor Heintzleman stated in his dedication message.

In June 1954 the freighter *P & T Trader* lifted the first shipment of pulp which was destined for Buenos Aires, Argentina. The first shipment to Europe was made in September 1954 on the Nor-

wegian freighter *Risanger*, destined for Belgium, Holland, and Germany. Since then "Tongacell", the brand name for Ketchikan Pulp Company's pulp, has been shipped all over the world although 75 per cent goes to United States markets.

Ketchikan Pulp Company has *continuously* upgraded the manufacturing plant. Additional digesters were installed in 1957, 1964 and 1969. Additional recovery and acid manufacturing facilities were added in 1957 and 1966. In 1971 a new power plant generator was installed as well as a second woodroom. In 1973 \$6.35 million of environmental projects were completed including an elevated log deck and bundle handling crane. These improvements have resulted in increased production and better utilization of the raw material. The production surpassed the rated 525 tons per day in 1959 with the current mill capacity now at 650 tons per day.

To increase utilization of forest resources Ketchikan Pulp Company acquired Ketchikan Spruce Mills in 1967 and leased Annette Hemlock Mills at Metlakalla in 1971. The Company financed the construction of a sawmill at Klawock which is leased to an independent operator. In 1973 construction was completed on a sawmill as part of the new log deck and existing woodrooms at the Ward Cove plant. This is one of the few sawmills built into the woodroom of a pulp operation.

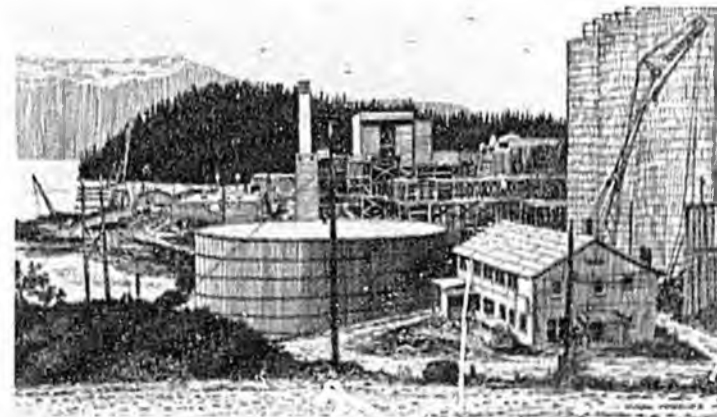
At present Ketchikan Pulp Company is jointly owned by FMC Corporation and Louisiana-Pacific Corporation. In 1963 American Viscose Corpora-

tion was purchased by FMC, and Puget Sound Pulp and Timber merged with Georgia-Pacific Corporation. On January 5, 1973 Georgia-Pacific's interest in Ketchikan Pulp Company was transferred to Louisiana-Pacific Corporation.

Today nearly 1200 people are directly employed by Ketchikan Pulp Company on a year round basis. Six hundred men and women are employed at Ward Cove while another 190 are at Ketchikan Spruce Mills, 150 at Annette Hemlock Mills and 250 at Thorne Bay. Another 750 independent loggers and construction workers supply logs and other needed services bringing the total to nearly 2000 jobs. Local spending for supplies and wages, largely spent in Ketchikan, amounts to over three million dollars a month.

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Chip silos, oil storage, woodroom, powerhouse, machine shop, and pulp press building nearing completion - Dec. 7, 1953





WE START IN THE WOODS...

Before actual harvesting begins in the woods, Ketchikan Pulp Company's forestry and engineering department cruises the timber in the proposed logging site. The method of harvest is determined, and timber to be logged is laid out. After a camp is set up and roads are constructed, logging begins.

Logs are loaded upon trucks and hauled to the log dump where they are sorted and bundled. Quality logs are stored on the Thorne Bay dry deck for winter use. Other logs are placed into the water, made into bundle rafts, then towed to Ward Cove and other storage areas.

Approximately one-fourth of the log needs are supplied from the company logging camp at Thorne Bay. Additional logs are secured from logging contractors operating on the Company pulp sale and from independent timber sales acquired from the U.S. Forest Service.

WE BUILD ROADS...

Road building is an expensive part of harvesting Alaska's timber. Over the past 20 years approximately 500 miles of road have been constructed on Prince of Wales Island for the harvest of timber. These roads have been built to Forest Service standards and many will provide a network of roads to be used by the Forest Service and the public for transportation, recreation, reforestation, and forest protection.

Newly inaugurated ferry service for Prince of Wales Island with the ferry CHILKAT provides the people of this vast island with their first road tie with Ketchikan and the Marine Highway. The Craig-Klawock-Hollis road is an extension of the company-constructed logging road system up the Harris River from the original Hollis logging site. Eventually the road systems of many logging camps will be tied into this transportation system.

With the annual timber harvest road construction programs, a new airport and sawmill at Klawock, the new ferry terminal at Hollis and a whole new area of recreational possibilities, this is one of the fastest developing areas in Southeastern Alaska.



THORNE BAY...

Company logging operations started in 1953 at Hollis on Prince of Wales Island and were moved to Thorne Bay in 1962. Thorne Bay is the largest logging camp in the United States. Active logging is generally carried on during nine or ten months of the year, but most families stay year around.

The camp is a complete community with all modern conveniences such as lights, television, water, sewers, and streets. There are the customary bunkhouses and mess halls as well as houses for the 60 families who make Thorne Bay home. There is a store, restaurant, movie hall, snack bar, and employee-built church. The Thorne Bay school has all grades including a four year high school. Its basketball team competes with teams from comparable sized schools in Southeastern Alaska. Employees and their families actively participate in a Community Club, Garden Club, and an annual salmon derby.

Until summer 1974 all transportation to and from Thorne Bay has been by air or water. The camp is now connected by road to Craig, Klawock, and the Hollis ferry terminal.

WE PROTECT THE LAND...

Trees are harvested today with tomorrow in mind. In close cooperation with the U.S. Forest Service a sound program of forest management includes the sustained yield principle. Full consideration is given to the multiple use concept including programs of water use, wildlife and fish conservation as well as recreational facilities.

Protection of all natural resources is planned. Road construction and timber harvest is designed for minimum impact on fish and wildlife habitats. When logging roads are no longer needed they are "put to bed." Bridges are removed and the drainage is returned to its original form. In some areas grass is planted to stabilize fragile soil.

Ketchikan Pulp Company cooperates fully with the U. S. Forest Service and other governmental agencies on environmental impacts. The Maybeso Experimental Forest at Hollis, and the program conducted by the Fisheries Research Institute of the University of Washington have studied forest regeneration and the effects of logging on salmon streams. Results show that the responsible logging operator can be beneficial to the spawning salmon.

AFTER WE LEAVE THE WOODS...

Early logging areas at Hollis and elsewhere in Southeastern Alaska show remarkable regrowth with strong indications that the second crop of timber will yield double the volume per acre of the present over-mature forest.

Southeastern Alaska is fortunate that nature has provided it with a remarkable natural seeding ability. The seeds of the Sitka spruce, western hemlock, western red cedar and Alaska yellow cedar are all light and are easily borne for long distances by frequent high winds. Annual rainfall of between 150 and 200 inches provides ample moisture so that each acre reseeds to its full potential. A new crop of trees is started and the visible effects of the harvest soon disappear. As this new forest takes over, it is protected from fire by the same abundant rainfall that encourages its rapid growth.

HOW WE USE OUR RESOURCE...

Today's fully integrated utilization of Alaskan forests is being achieved because of industrial development and improvements. Of today's log acquisitions 50 per cent are sawed into high quality lumber and cants and 50 per cent are used to make high grade dissolving pulp. In contrast twenty years ago practically all of the logs became pulp.

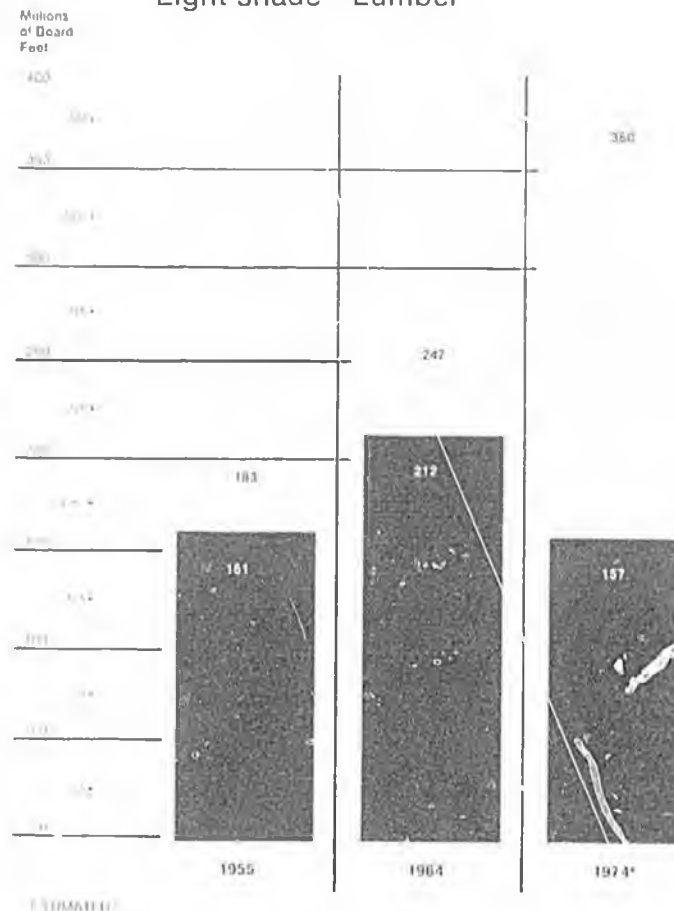
Our goal is the complete utilization of the raw material. Saw logs are towed to one of the sawmills, where the portion suitable for lumber is sawed from the log. The other portion is converted to wood chips for pulp use. The four sawmills have complete waste wood recovery systems producing chips. The pulp mill produces pulp from low grade logs not suitable for sawing and from these sawmill waste-wood recovery chips.

Bark waste and sawdust from the sawmills and pulp mill are utilized for fuel at Ward Cove. This is burned in two power boilers which produce steam for process heating and driving three turbine generators.

Ketchikan Pulp Company and its affiliated sawmill's have been industry leaders in Alaska in working toward total utilization of our forest resources. Improved utilization conserves our vital forest resources and guarantees that every tree harvested will provide a full measure of prosperity for Alaska.

Graph shows utilization of whole log for
lumber and pulp.

Dark shade - Pulp
Light shade - Lumber



All Residuals Are Used As Fuel

All Sawmills Ship Their Hog Fuel To Ward Cove

OUR SAWMILL OPERATIONS...

Ketchikan Spruce Mills, a Ketchikan landmark since 1903, is Alaska's oldest manufacturer. During early years its production of spruce was used for fishboxes, railroad ties, common lumber and airplane stock.

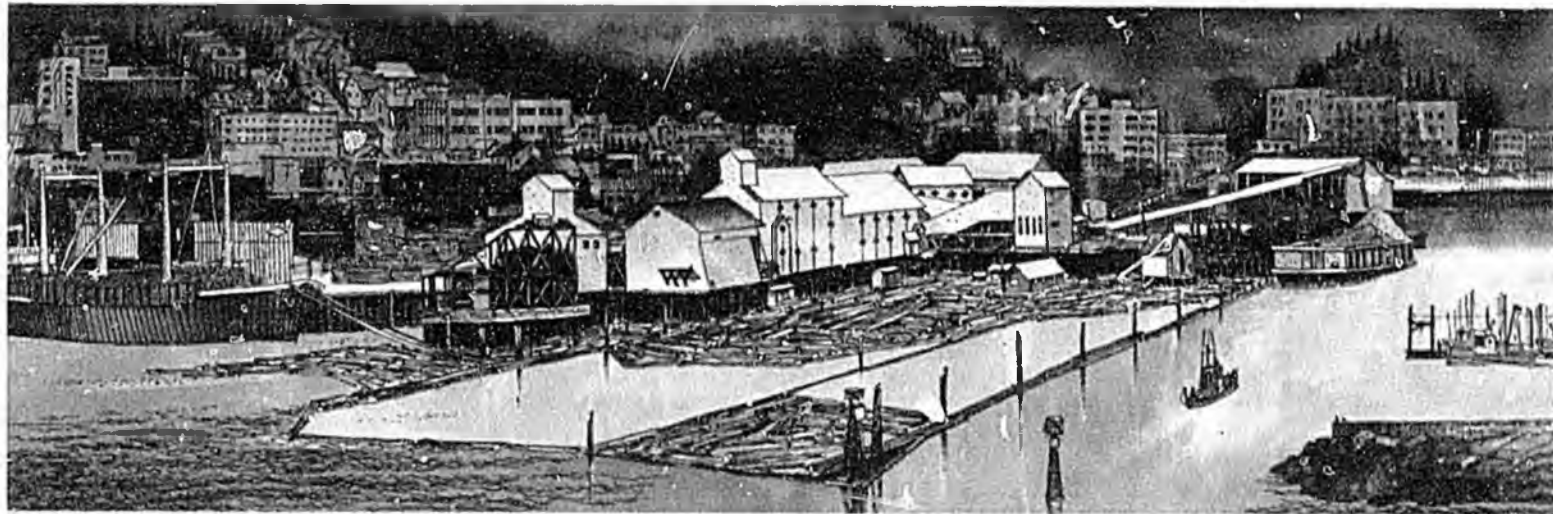
Today the lumber Ketchikan Spruce Mills produce for Japanese, Pacific Northwest and local markets is used for helicopter blades, piano and organ sounding boards, guitar stock, scaffold planks, quality ladders, masts and spars, internal

parts for rocket engines and residential and commercial construction.

Annette Hemlock Mills is operated under lease and located in the Indian community of Metlakatla. Our sawmill located at the Indian village of Klawock is leased to Alaska Timber Corporation. These mills cut high grade, old growth hemlock logs into lumber and cants for export and Northwest markets where cants are resawn into sizes conforming to customer building requirements.

A new sawmill, integrated into the woodrooms at Ward Cove, recovers segments of lumber from lower grade logs formerly used for chips.

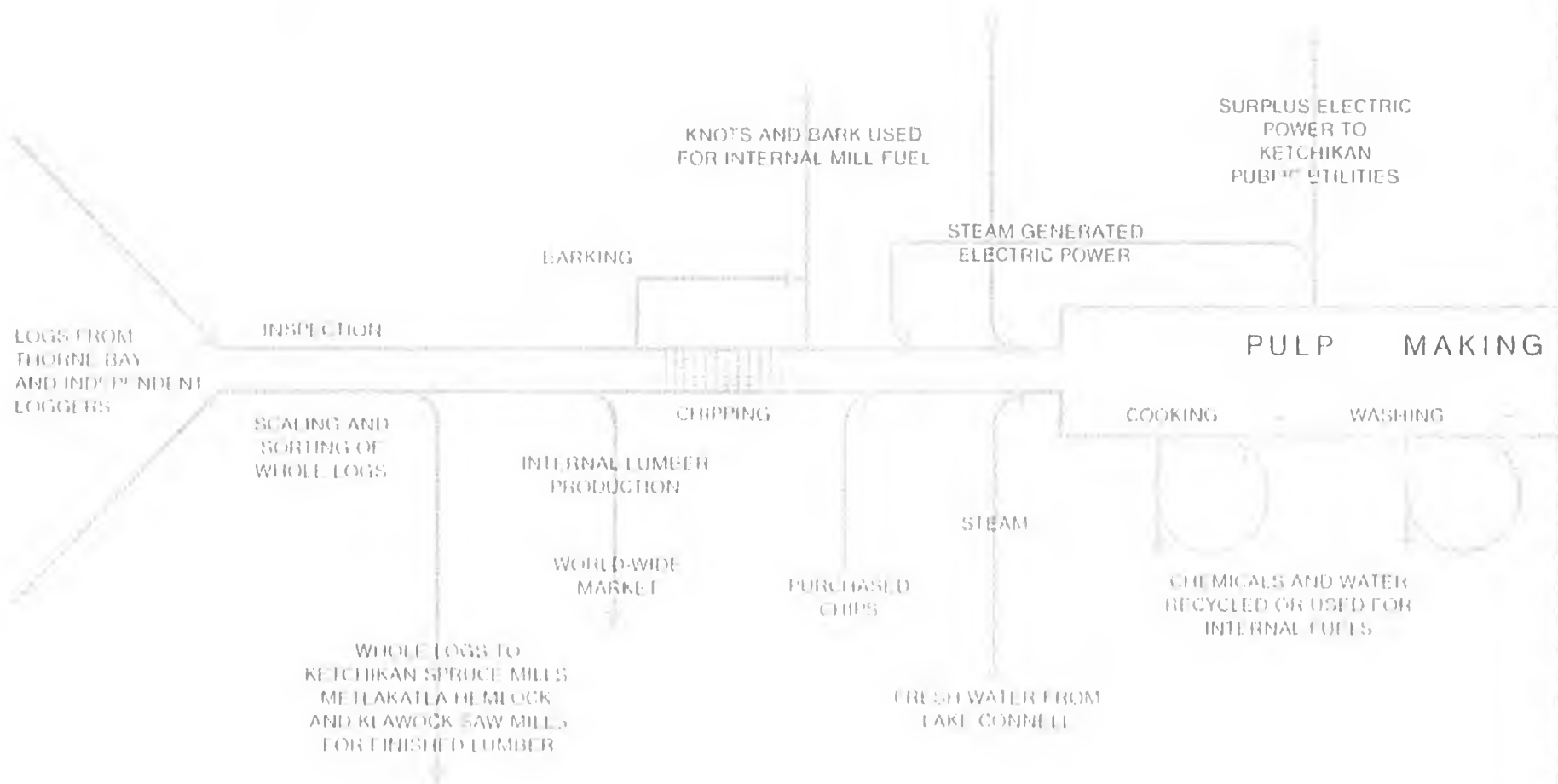
Ketchikan Spruce Mills acquired by Ketchikan Pulp Company in 1967 to produce lumber for domestic and export markets.



HOW KETCHIKAN PULP WORKS...

In pulp making the glue holding wood together, known as lignin, is dissolved and the fibers chemically purified. The fibers are then formed into sheets and dried, cut and baled for shipping.

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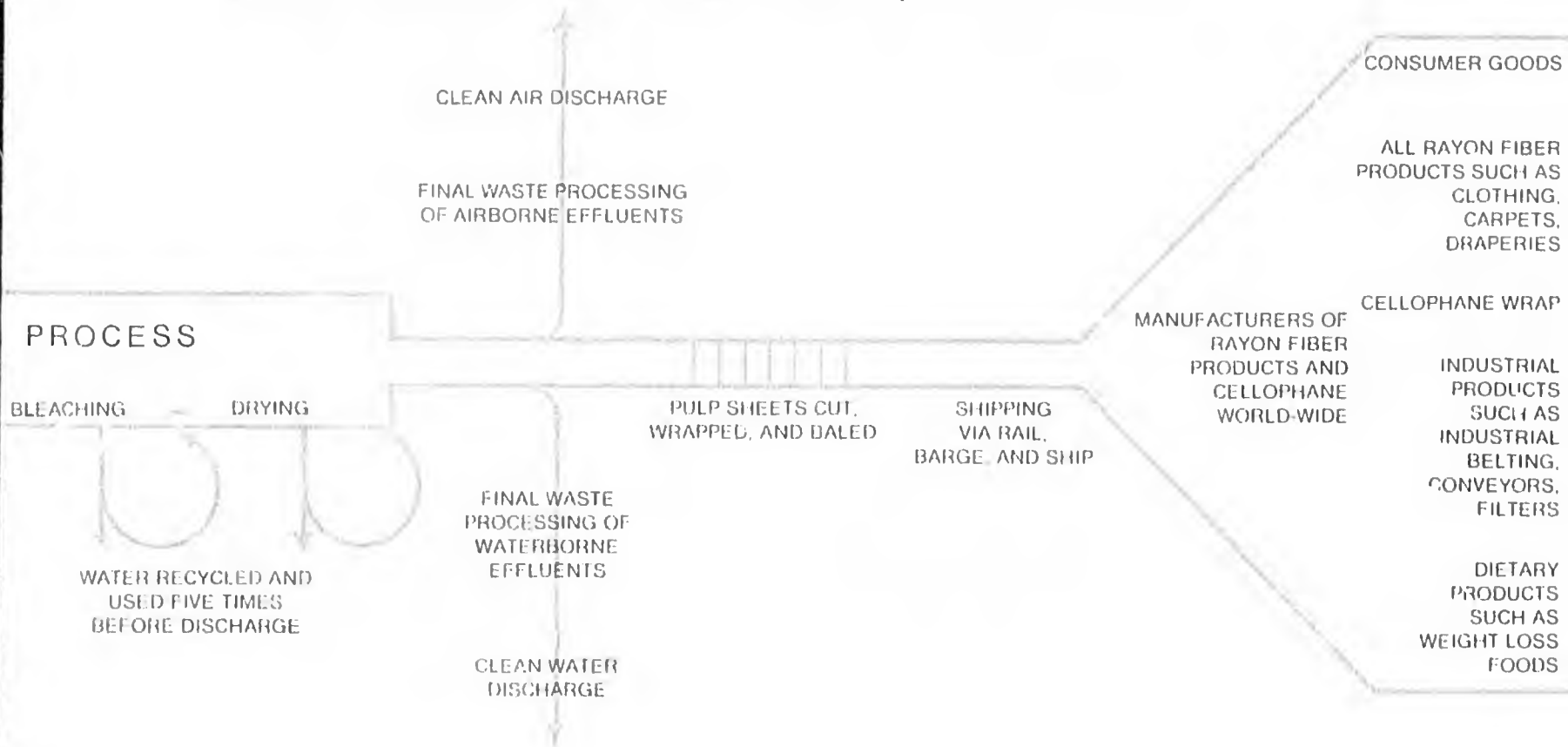
CONSUMER PRODUCTS...

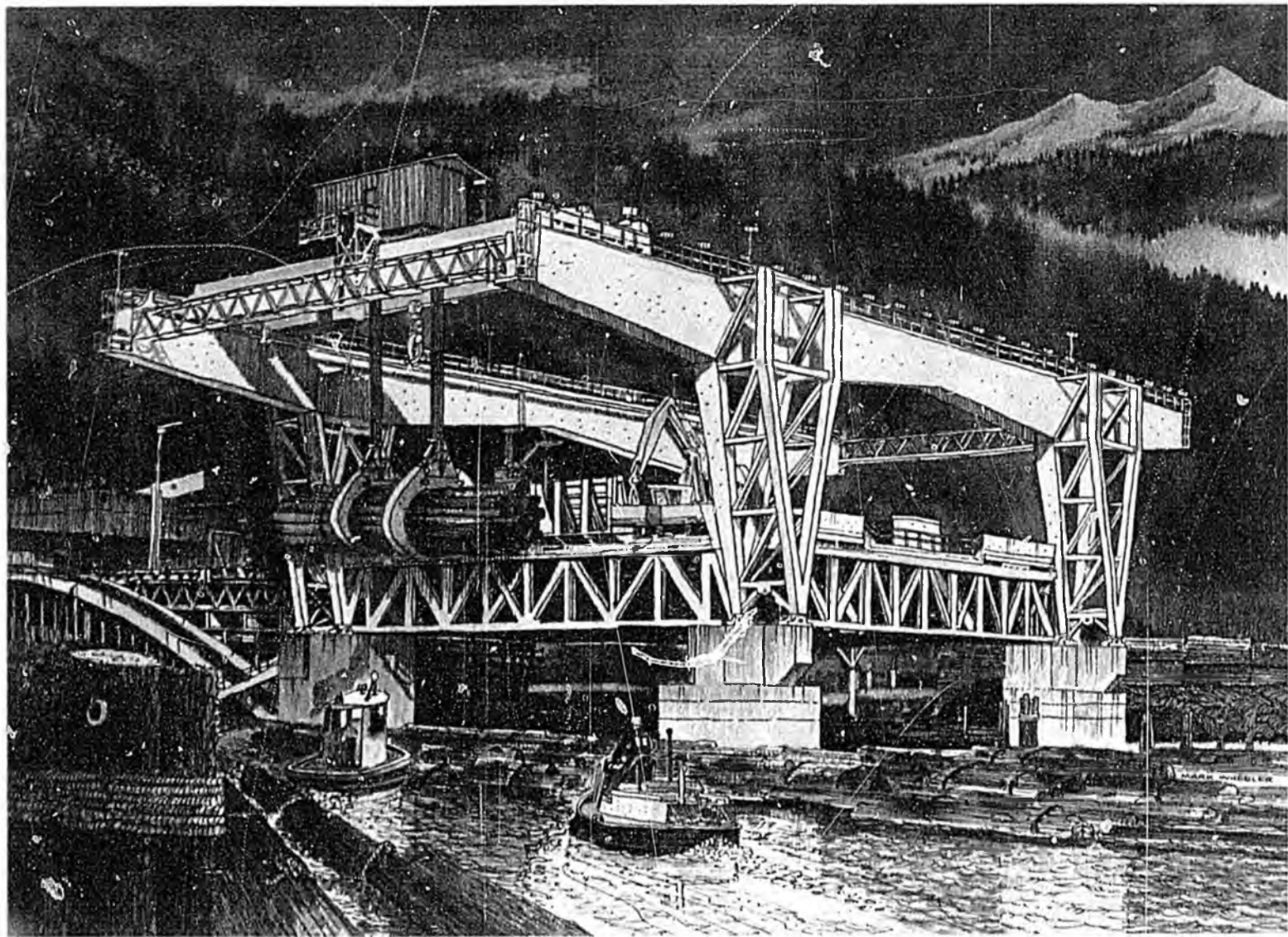
"Tongacell" high quality dissolving pulp is the raw material used for the manufacture of rayon and cellophane. Rayon is manufactured into woven and non-woven fabrics for apparel, draperies, and upholstery. Other non-woven items include disposable diapers and such disposable medical supplies as masks, gowns, drapes, and caps. Rayon is used extensively in industrial products such as tire cord, rope, twine, industrial belting, hose, braids, bris-

ties, insulation and other products. There are applications for rayon fibers in the plastics, rubber, paper, paint, electrical, chemical and other non-textile industries.

Cellophane has found widespread use as a clear packaging material for a multitude of consumer products.

Another derivative of dissolving pulp is "Avicel" which is used in diet foods, pharmaceutical and cosmetic products.





TOWING AND SORTING...

Rafts of bundled logs are towed by tug boat from logging camps as far away as 200 miles. In the log pond at Ward Cove, the rafts are opened and bundles lifted to the log deck. The log bundle handling crane raises bundles of logs weighing up to 90 tons from the water to the log deck where steel bands are cut and logs sorted by species and grade for best utilization. Here high grade sawlogs and cedar go back to the pond to be rerafted and sent to sawmills.

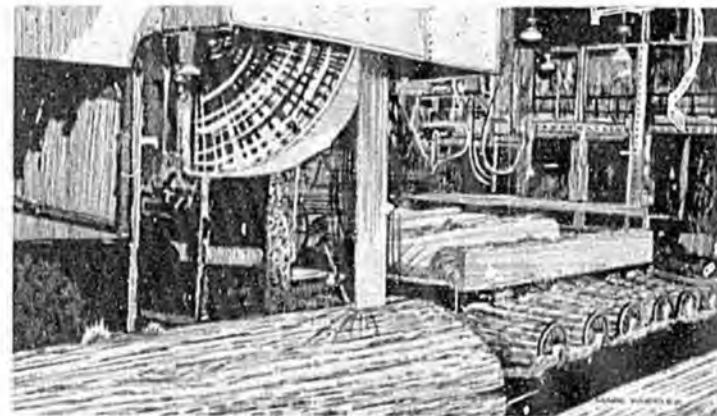
BARKING...

In the #1 woodroom logs are first cut into 20 foot lengths. Bark is blasted loose by water discharged from a nozzle at the tremendous pressure of 1400 pounds per square inch. The #2 woodroom barks and chips logs up to 30 inches in diameter in one continuous straight line. The bark is drained and pressed to remove water and is then burned to make steam which drives the electric turbines.

CUTTING LUMBER AND CANTS...

Logs which contain quality lumber and cants move to a sawmill integrated with both woodrooms. Here the logs go through a headrig which cuts the portion of the log suitable for lumber. This lumber is cut to precision dimensions, graded, strapped and stored until shipment. It is lightered by barge to ocean-going vessels for loading in Ward cove or at the Ketchikan Spruce Mills dock. Chips from slabs and woodscraps are conveyed to the silos.

This bandsaw in the woodroom is used for breakdown of large logs prior to chipping.

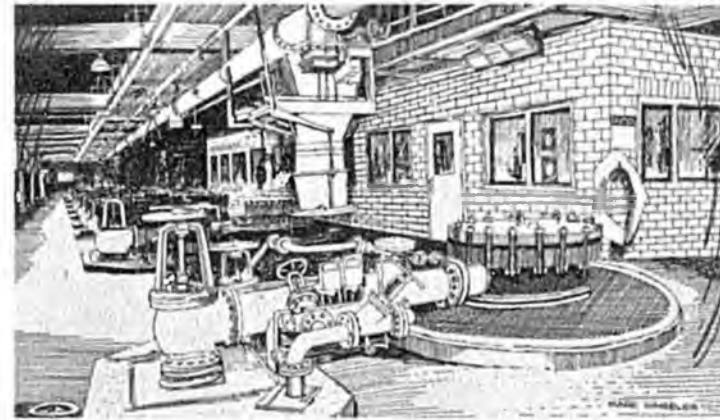
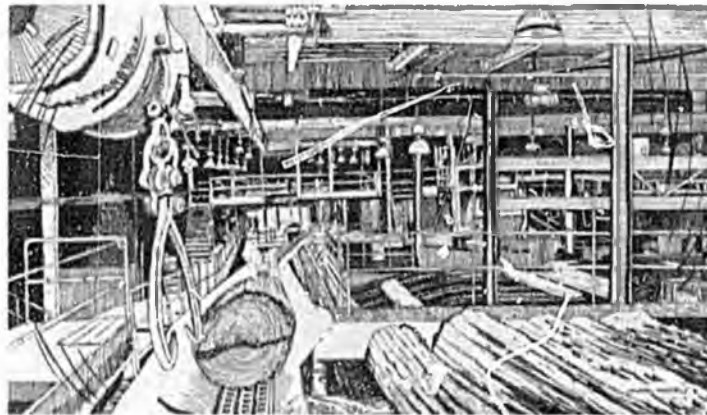


CHIPPING...

Debarked logs not suitable for lumber enter the whole log chipper. Here an average 20 foot log is reduced to 3/4 inch chips in approximately twelve seconds. A belt conveyor moves the chips to silos for storage. Size uniformity is assured by chip screens while fines and sawdust are conveyed to the power house to be used as fuel. Chips made at sawmills are shipped to the pulp mill in barges. These are unloaded by a dock crane and blown by a pneumatic conveying system to the storage silos.

20

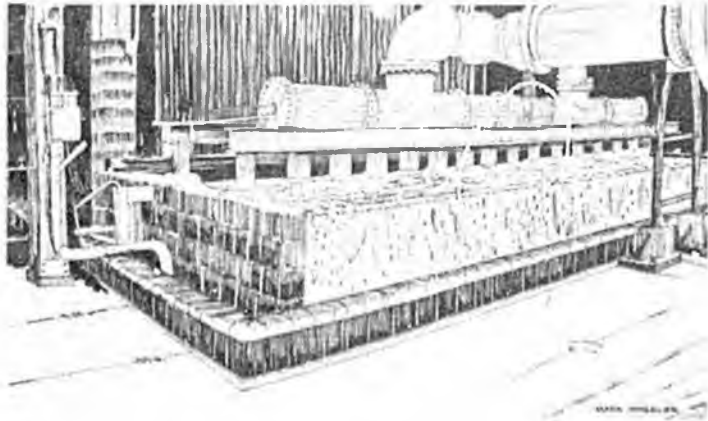
The logs enter woodroom no. 1 through the barker and are either reduced to chips or are conveyed to bandsaw and edger for lumber manufacture.



Chips enter the top of these nine digesters where they are cooked in batches for 5 hours and reduced to pulp.

MAKING PULP...

Wood chips must be dissolved to obtain the individual cellulose fibers. This is done by cooking the chips with steam and chemicals to release the fibers from the lignin or natural binder. There are nine digesters. Each is 53 feet high and 17 feet in diameter. The digester is filled with 110 tons of chips and 55,000 gallons of cooking liquor. The digester is sealed, the temperature rises to 300 degrees F. under a pressure of 120# per square inch for five hours. The pressure is then reduced and the cooked chips are dumped into a large tank.



Sulfur gases from the sulfur burner are cooled by water in the first stage of the acid making process.

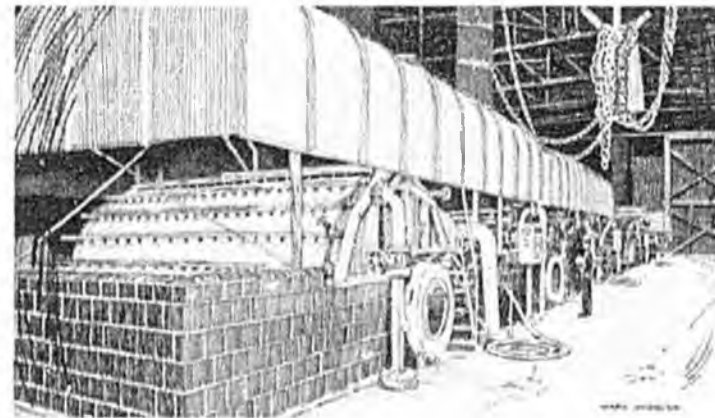
RECOVERING COOKING LIQUOR...

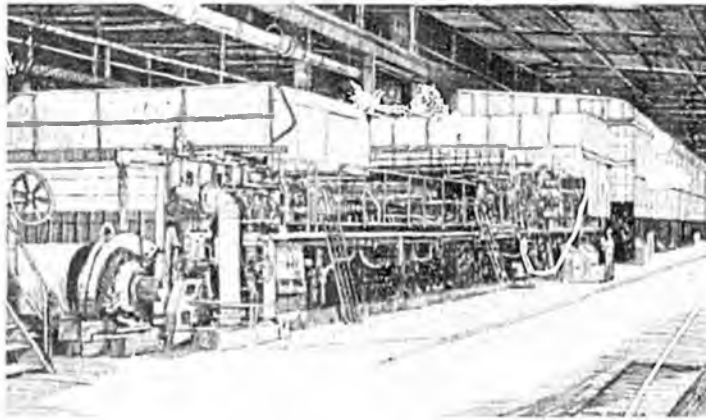
The cooking acid is first washed out of the pulp and then concentrated by evaporation. This spent acid or "red liquor" contains the basic chemicals, magnesium and sulfur, plus the lignins from the wood. After evaporation the red liquor is used as fuel in recovery furnaces. The combustion is self-supporting, and resultant fly-ash and flue gas contains magnesium oxide and sulfur dioxide which are again utilized in the preparation of cooking acid. Sixty per cent of mill power comes from the recovery furnaces.

PROCESSING THE PULP...

The next phase in the preparation of pulp is to remove uncooked knots and wood chunks. Smaller particles of wood, bark and dirt not removed by the deknottling operation are separated out by screens which rotate and vibrate simultaneously. Then the pulp is washed. After this the pulp is ready for bleaching. The continuous bleaching process takes five hours and is done in six stages using varying quantities of chlorine, caustic, and bleach liquor according to the grade of pulp being produced.

Cooked raw pulp passes through a series of washers where spent chemicals are removed and the pulp is bleached in six stages, prior to drying.





Bleached pulp, suspended in water is spread into sheet form where it is dewatered, dried and rolled.

22

DRYING THE PULP...

Bleached pulp is metered to the headbox of the pulp machine. Here it is evenly distributed on a moving wire screen. As the pulp moves through the machine, water is removed by gravity, next by suction, then by pressure and finally by heat as it passes over 140 steam heated dryer rolls. After drying, the pulp is wound onto jumbo-sized rolls weighing 20 tons each. These are stored while each is thoroughly tested for quality by the laboratory.

SHIPPING TO CONSUMERS...

The pulp is cut into sheets of various sizes depending upon the customer's specifications and made into bales weighing up to 700 pounds. Shipments to domestic customers travel by rail car barge to Seattle and are then routed over major rail lines. Export pulp is loaded aboard ocean-going vessels from the Company dock. Domestic rayon and cellophane plants are the major customers but pulp has been exported to Mexico, Colombia, India, and other countries.

Dried pulp is cut, baled, and loaded into box cars for shipment to conversion plants.



WE PROTECT AIR QUALITY...

The original design of the pulping and spent liquor recovery systems at Ward Cove emphasized maximum air and water protection. Furnaces fired by oil and waste wood contained cyclonic units for fly ash separation. Spent liquor recovery furnaces were constructed with four tower cooling and absorption wet scrubbers to remove sulfure dioxide and particulate material from the flue gases.

The pulp mill is presently in compliance with their state air quality control permit, issued June 18, 1973 and is continuing to test more comprehensive control techniques to further enhance air quality.

Clean air is also a concern at our sawmills. In November 1973 the State of Alaska issued an air quality control permit to Ketchikan Spruce Mills for operation of their waste wood boiler. This was the first sawmill boiler in Alaska to comply with air quality requirements. Previously, in 1969 the tepee burner at Ketchikan Spruce Mills was retired from service. It was the first burner in Alaska and one of the first in the nation to be taken out of use. Waste wood formerly burned in this unit was then routed to the pulp mill for incineration and power generation. In 1973 use of the wigwam burner at Annette Hemlock Mills was discontinued. Barging of its waste to Ward Cove for power generation was initiated in June, 1974.

WE PROTECT WATER QUALITY...

Clean water is important to Ketchikan Pulp Company and our employees. Every week water samples are collected from twelve stations in and near Ward Cove to provide information on water quality control.

Last year \$6.35 million of environmental controls were completed. The log deck and bundle handling crane minimizes log handling and storage in the water as well as keeping loose bark and debris out of the water.

Emergency storage capacity for sulphite waste liquors is being provided. In event of equipment failure these waste liquors will not be discharged into the bay. A new sanitary waste treatment plant has also been installed.

The new clarifier is an open circular concrete tank 190 feet in diameter and 12 feet deep. The waste water from barking, pulp washing, and floor drains is pumped to the clarifier. The solids are raked to the center and pumped to the hog house, filtered, pressed, and burned with the hog fuel.

All of these projects meet the present requirements of the Federal Environmental Protection Agency and the State of Alaska.

OUR PEOPLE OUR COMMUNITY...

Company employees deserve much of the credit for making these twenty years possible. The high quality of our pulp, lumber, and cants is the result of the skill and conscientious endeavors on the part of our people who have made Alaska their home and who have created a social environment of which they can be proud.

Ketchikan is home to 10,000 Alaskans and is shopping headquarters for 4,000 more. Ketchikan is the Gateway to Alaska with a frontier feeling and a pioneer spirit. Ketchikan is an All-American-City and has been listed as one of the ten most liveable cities in America. Just 90 jet-minutes from Seattle and 45 jet-minutes from our state capitol in Juneau, Ketchikan is also the Salmon Capitol of the World.

Ketchikan Pulp Company is proud to be a part of the Ketchikan community and the State of Alaska.

Ketchikan is the third largest city in the State of Alaska with main industries being timber, fishing and tourism.

24



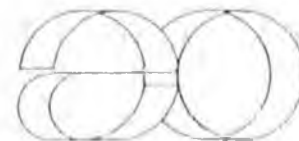
CHALLENGES AND OPPORTUNITIES...

Many challenges faced Ketchikan Pulp Company as they pioneered the pulp industry in Alaska. Today with the ever increasing demands for wood products, new and exciting challenges still exist.

New and competitive products from forest resources are constantly being developed with advancing technology. New markets, and the rapidly changing economic conditions in the United States and world markets present unlimited challenges.

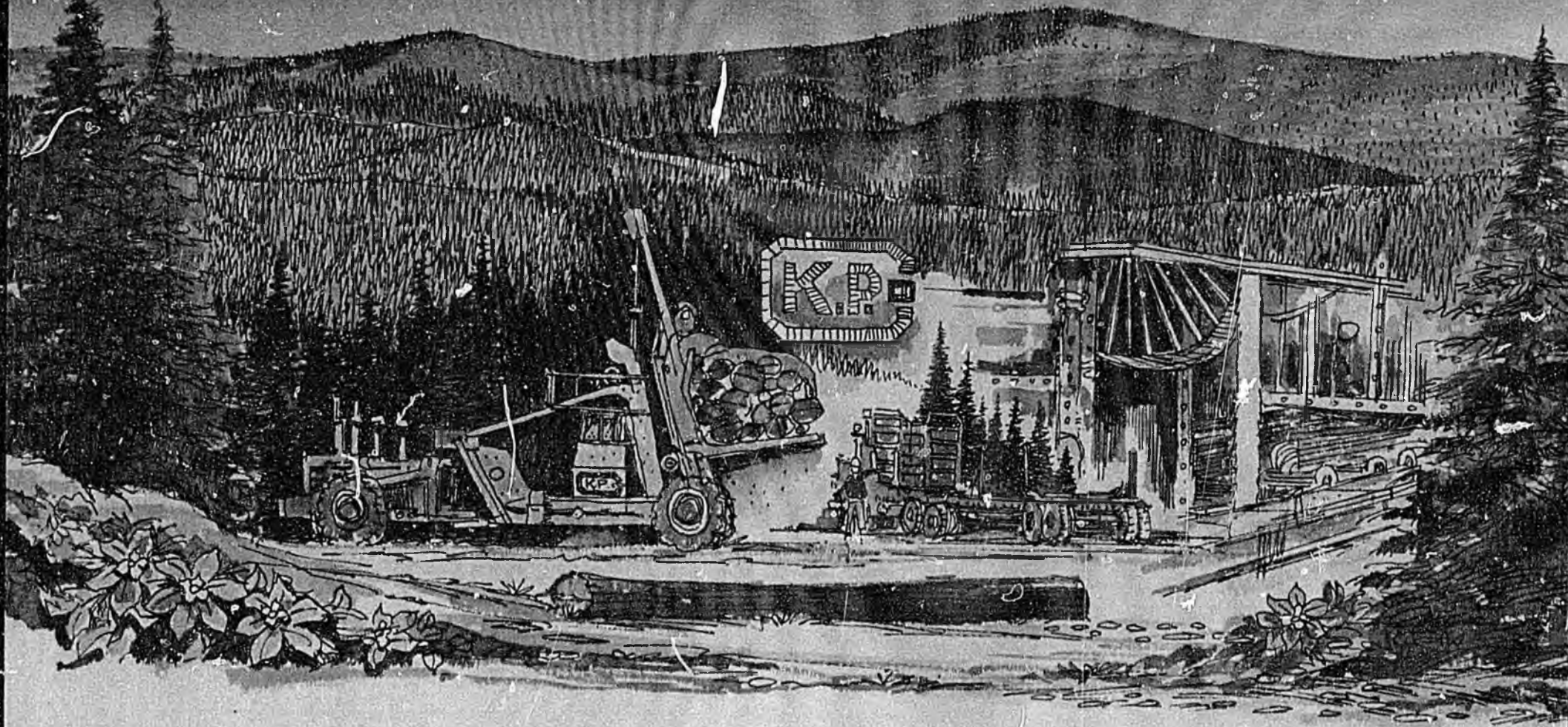
Efficient utilization for the best use of the raw material will continue to be developed thru advancing expertise, knowledge and past experience. Experiments have only begun on the practicability of balloon and helicopter logging in Southeastern Alaska. These methods will have a minimal impact on the environment and make timber, now inaccessible, economically feasible to harvest.

The Forest Products industry is a mainstay in Alaska and the Ketchikan economy, and is expected to become increasingly important in the years to come. The realization that wood is the only renewable construction resource insures a secure future for the timber industry and Alaska.



Art by Mark Wiese — Ketchikan, Alaska

Lithography at U.S.A. IV Offset Printing Co. — Bellingham, Washington



KETCHIKAN PULP COMPANY

KETCHIKAN, ALASKA 99901

had from the early 1800s plus an antique baby carriage and cradle.

There are full sets of antique dishes, old fur coats and several choices of art nouveau light fixtures. In addition to the antiques, there are handmade dolls from Petersburg and soapstone

que tail coats and Victorian vests available. A full tuxedo set can be bought for about \$150 while the tail coats range from \$125 to \$300.

"We have the only tuxes in town," said Bradner. "There are places where they can be rented but they have to be ordered from Seattle, which

can cost \$75 or so plus shipping."

In addition to antiques, Snowgoose offers a limited amount of antique furniture refinishing and re-upholstering. Also Bradner offers design consulting for restoring older homes or adding a

historic touch to an office. She can order "architectural antiques" such as antique doorknobs, sinks, bathtubs and lighting fixtures and has the resources to find matching items for older motifs.

The three biggest issuers of Government National Mortgage federal agency whose bonds at U.S. government; the Federal (Freddie Mac), and the Federal (Fannie Mae), which are based on full federal backing.

Ginnie Mae bonds, enjoyir safety, pay a commensurately Fannie Mae securities. For as GNMA mutual fund or unit trust managers and brokerage firms.

Freddie Mac securities, issued available in smaller units through Valley Forge, Pa., and Federal Fannie Mae issues its own characteristics similar to Freddie Mac, cost \$25,000 and up.

Monthly cash flows and his biggest drawing cards for most they can also be the biggest draw.

That's because mortgages payments can vary, there's no way your monthly check will be. Prudent return of the principal you

On the plus side, if interest money at the higher rate. On the long-term, high-yield investment could turn out to be short-lived.

The bad news would be premium for the security. Because you'd take a capital loss. And calculated on the basis of 12-year you bargained for.

Sealaska Corp. objects to LPK loan guarantee plan

By KIRK McALLISTER
The Juneau Empire

Sealaska Corp., in a letter to Gov. Bill Sheffield, has objected to proposed legislation that would establish a timber industry loan guarantee program which could help the Louisiana Pacific Ketchikan mill sell its operation to an employees group.

The proposed involvement of the state in guaranteeing loans for the Employee Stock Ownership Trust raises some "fundamental philosophical public policy questions," said Byron I. Mallott, president and chief executive officer of Sealaska in a letter to Sheffield. If such a state program is established, it should benefit the entire timber industry not just the LPK mill, he said.

Companion bills (CSSB 479 & CSHB 627) sponsored by Ketchikan Democrats Sen. Bob Ziegler and Reps. Ron Wendte and Jack McBride, would establish the forest products business loan guarantee fund in the Department of Revenue.

The department could use money in the in the fund to guarantee a loan for purchase of 35 percent or more of the stock or assets of a forest products business.

"Whenever government becomes involved in specifically underwriting a single or limited portion of an industry, it can unknowingly affect the competitive balance in that industry in some largely unforeseen ways," said Mallott's letter.

Mallott said that times are tough for everyone in the timber industry right now including Native corporations and Alaska Lumber and Pulp Co. Just about any company involved in the timber industry in Alaska could use some help from the state and by only helping LPK, government is only scratching the surface of problems in the ailing industry, he said.

If the legislation to help LPK is the beginning of a comprehensive state program to support the entire timber industry then Sealaska could support it but if it is only going to be a loan guarantee for a single company then he questions if the move was good public policy, Mallott wrote.

Vince O'Reilly, deputy commissioner of the Department of Commerce and Economic Development said that the department would like have a comprehensive program to aid the timber industry in marketing, environmental concerns, dealing with federal agencies and other non-monetary ways.

"I agree with Mallott that we can't band-aid it," O'Reilly said. "This law could help Alaskanize the timber industry and if successful, it could be applied to other industries."

However, Rep. Jack McBride, D-Ketchikan, said that although Mallott brought up some good points in his letter to Sheffield, Sealaska was being "short-sighted" in its opposition to the loan guarantee bill. There are large numbers of corporation

shareholders who work at the mill or belong to the longshoreman's union that supplies the mill, McBride said.

Because the sale of the mill is to a group of employees, the debt service for financing the transaction is paid out of operating expenses not profits so less taxes will have to be paid, said McBride. This makes the loan and the ultimate success of the mill more likely, he said.

Under the bill, which would need about \$30 million to set up the fund, Sealaska employees or ALP employees could conceivably use the program to guarantee loans to buy into company timber operations, McBride said. However, McBride warned that having to set up a fund for industrywide loan guarantees would be too costly.

But McBride said he supports industry and government cooperation and has sponsored a bill (HB 677) that would set up a forest products marketing association similar to the Alaska Seafood Marketing Institute.

The marketing association would help get government involved in the timber industry without interfering with competition and industry problems could be dealt with faster and more efficiently, McBride said.

"The timber industry is just too important in this state for government not to work with and understand it better," he said.

Juneau Empire 3/30/84

Briefly

Business

Big Brothers-Big Sisters gets donation from Sohio Alaska

Sohio Alaska Petroleum Company recently donated \$5,000 to Juneau's Big Brothers-Big Sisters program, according to Ken McQuade, executive director for the local youth program.

"We are excited about continuing our long-standing relationship with Sohio to help provide services, recruit volunteers, and raise funds in our community," said McQuade.

The donation is targeted towards the program's Bowl For Bucks fundraiser and volunteer recognition and recruitment of

"We are pleased to be able to provide the full level of funding requested by Big Brothers-Big Sisters," explained Caroline Dowling, who is a community relations specialist with Sohio.

"These funds will serve two programs, partial funding for the volunteer recognition and recruitment activities and partial funding of fundraising expenses associated with the Bowl For Bucks fundraiser in May," she said.

Dowling will travel to Juneau to help with the organization's Bowl For Bucks event on

Without AlaskaNet, you can't even compete with the kid next door.



Legislative Digest

A Forecast and Review

OFFICE COPY

March 7, 1984

No. 13/84

MORE MONEY FOR PROJECTS ???

March revenue forecasts are in and reflect an increase of \$180 million in revenue for fiscal year 1985, and \$171 million from FY84. With the addition of funds carried forward from last fiscal year, about \$3.88 billion is available to be spent by lawmakers this year. The operating budget is estimated to run about \$2 billion for FY85, with an additional \$430 million to be appropriated for loans, new legislation and debt service. With approximately \$700 million in capital projects having been approved by the Governor to date this session, the legislature has almost \$750 million left to spend, assuming none of the funds are used to pay off the \$300 million debt still due the Permanent Fund.

After gubernatorial vetoes last week, the capital budget bills now total about \$700 million, the figure originally proposed in the administration's capital budget. Although the vetoes are hotly contested by several legislators, a deal cut with the House minority may well prevent override of the appropriations cuts. The Governor announced last week that he agreed to retain House Minority capital projects if the Minority would vote to sustain the Governor's vetoes. A joint session is being planned for mid-week to address the vetoes.

The Governor not only vetoed 31 percent of Anchorage's projects and 22 percent of Fairbanks, but also slashed some of his own. Deleted from capital bills were Administration appropriations for Susitna Dam and the Anchorage-Fairbanks Intertie. The Governor's veto message stated that he wanted all energy projects to be funded in the same capital bill to achieve an overall picture. But the administration may well be using these vetoes as bargaining chips to insure that the Alaska Power Authority four-dam pool project is bailed out of before the legislature adjourns this session.

State Pulp Mill Loan Guarantee

Fourteen hundred jobs may be at stake if action is not taken by the legislature this session to aid employees of Louisiana Pacific to purchase the Ketchikan pulp mill. Unemployment benefits alone would cost the state \$20 million in the first year, which is the amount requested by Louisiana Pacific-Ketchikan (LPK) employees that the state guarantee on their loan package, and about one half of the employee purchase price.

The \$90 million deal made between LPK and the employees will consist of a \$50 million buyout by the ESOP (Employee Stock Ownership Program) which will then own 55.6 percent of the stock, with LPK retaining 44.4 percent. Legislation to aid the buyout has been moving in both houses. (Continued on page eight)

-- Inside --

Rural Affairs.....	2
Permanent Fund.....	3
Status of Bills....	4/5
Local Gov.....	5
Rural Projects.....	6
University Budget....	6
Resources.....	7

. . . Rural Affairs . . .

Health Corporation Grants

The House has passed HB-548 which would grant qualified health corporations \$30,000 yearly for expenses incurred in conducting community health aide programs. An additional \$8,000 grant would be available for each primary health aide employed averaging over 20 hours a week service.

Rural Power Cost Assistance

SB-376, aimed at helping rural residents receive power cost assistance has passed the Senate and now rests in House Finance. The bill provides a method for customers of a regulated utility, when the utility operator has not applied for assistance, to petition the APA to receive current and past benefits of the Power Cost Assistance program. The House has proposed an additional \$10 million be added to the Power Cost Assistance Program in HB-634. Sources say there will be a move in the Senate to increase that figure to \$26 million. If approved, the fund will total \$35 million (including operating budget funding) and will result in subsidizing rural power rates down to 6.4 cents per kilowatt hour.

Rural Power Loans

House Special Loans Committee will hold hearings this week on HB-689, amending the Rural Electrification Loan Fund passed in 1981. The bill is intended to provide loan monies for pioneering new power lines in rural areas where there currently is no service.

Rural Teacher Scholarships

Senate Judiciary held hearings last week on HB-504, creating a teacher scholarship loan program for native students pursuing careers in education. Loans, made from this program, plus interest would be forgiven for borrowers who teach over four years in an Alaskan school with a high percentage of native students. The bill is still under discussion by the committee.

Rural Projects Escaping Veto

Listed below are several key rural projects that have been funded in three capital bills dealing with transportation, development and general capital appropriations.

t=thousands m=millions

Transportation: HB-636

Manokotak- Airstrip	\$ 285-t
Akutan -Public dock study	90-t
Iliamna -breakwater/dock	648-t
King Cove - Dock/haulout eng.	300-t
Nome - Port facility	2.0-m
Buckland - Dump site road	300-t
Kiana - Beach access road	300-t
Noorvik - Road to dump site	500-t
North Slope Bor.- Anaktuvik Pass	750-t
North Slope Bor. - Atqasuk Rd	300-t
North Slope Bor.- Wainwright Rd	300-t
Chevak - Road Extension	400-t
Kotlik - Airport improvements	2.5-m
Sheldon Point - Airport imp.	600-t
Shishmaref - Road imp.	275-t
Toksook Bay - Roads	220-t
Naknek - Phase 2 dock	400-t

Development Projects: HB-635

Craig - Emergency facilities	\$ 165-t
Take - Public safety projects	162-t
Ambler - Community building	200-t
Anaktuvuk Pass - Rec. center compl.	100-t
Atqasauk - Comm. rec. completion	200-t
Kobuk - Multipurpose office	200-t
Point Hope - Comm. rec. center	1.5-m
NSB. - Barrow Gov. Facs.	3.0-m
Quinkagak - Clinic	150-t
Ekwok - Electrical System	300-t
Selawik - Agricultural farm	396-t
Tuntutuliak - Community hall	225-t
Pedro bay - Electrification	400-t

General Capital Projects: HB-691

Facility Construction

Bethel - Receiving home	510-t
Norton Sound Treatment Center	600-t
Hoonah - Multi-purpose Ed. fac.	2.0-m
Take - Health clinic const.	480-t
St. Michael - Comm. health clinic	200-t
Barrow - Administration bldg.	1.8-m
Kivalina - Heavy Equip. bldg.	250-t

(Continued on page six)

The Evolving Permanent Fund

To what extent could the Alaska Permanent Fund be able to provide ongoing revenues to the general fund as oil income winds down in the late 1980's? This chart, developed recently by the Alaska Permanent Fund staff, shows the latest projections for each year of earnings, dividends, inflation-proofing, and fund totals. The chart also shows, at the far left column, the special legislative appropriations into the fund, but assumes no further appropriations. The chart was developed before last week's \$100 million special deposit by Governor Sheffield.

FY	Spec. Approp. (in 000s)	Const. Dedic.	Infl. Proof	End Bal.	Annual Earn	Div. Prog.	Infl. Proof
79		83.8		138.3	8.0		
80		345.0		483.3	32.2	11.9	
81	\$900	385.3		1,768.6	149.8	27.5	
82	800	400.5		2,969.1	368.4	71.2	
83	400	420.9	231.2	4,021.2	471.1	107.9	231.2
84	200	319.2	146.2	4,686.6	507.0	172.8	146.2
85		383.7	304.2	5,374.5	487.8	198.4	304.2
86		536.4	354.7	6,265.6	555.3	239.0	354.7
87		748.1	420.8	7,434.5	641.5	266.3	420.8
88		804.4	494.3	8,733.2	745.2	293.7	494.3
89		897.6	577.8	10,208.6	862.4	329.2	577.8
90		849.1	663.5	11,721.2	989.0	379.3	663.5
91		790.3	750.7	13,262.2	1,117.6	435.6	750.7
92		781.2	842.6	14,886.0	1,249.7	496.4	842.6
93		607.4	929.6	16,423.0	1,380.0	559.9	929.6

Using The Permanent Fund's Income ???

In an effort to locate more money for major projects, such as Susitna Dam or the APA bailout, the Legislature is again this year eying the \$487 million undistributed income of the Alaska Permanent Fund. The undistributed income can be withdrawn by the Legislature, but many are worried that use of that money would reduce the value of the Fund.

The undistributed income account comes from earnings that are not needed to pay dividends or to inflation proof the Fund. Half of the earnings of the Permanent Fund are used to pay dividends, which are based on a formula which averages income for five years. All or part of the other half of PF earnings are used to inflation proof the Fund. The dollars that are not used for inflation proofing are deposited in the undistributed income account.

Legislators opposing use of the account, fear that if there is a slip in earnings, there may not be enough revenue to pay dividends and inflation proof the fund without dipping into the undistributed income account. This raises an important question. Which comes first, the payment of dividends or inflation proofing of the fund? The Permanent Fund Corporation has concluded that dividend payments come first, and that inflation proofing will be paid from the remaining half of earnings and the undistributed account if necessary. According to current state law, dividends cannot be reduced to pay for inflation proofing. Under that premise, if inflation proofing was more than half the earnings and the undistributed income account was insufficient to cover the shortfall, the result would be a decline in real value of the assets of the Fund. Eventually, that would result in lower dividends.

... Status Of Bills ...

House Bills Introduced

--HB-711, Term. Bd. Pub. Accountancy,
(by L&C).....to L&C
--HB-712, Medical Assistance Program
(by L&C).....to HESS & FIN
--HB-713, Practice of Physical Therapy
(by L&C).....to HESS
--HB-715, Penalties, Bad Checks
(by L&C).....to JUD

House Committee Action

--HJR-75, Crude Oil Exports,
RES "DO PASS".....to RLS
--HB-172, Municipal Government,
JUD "DO PASS".....to FIN
--HB-347, Licensing Naturopathic Prac.,
L&C "DO PASS".....to FIN
--HB-396, Audit/Fin. Statement Reqs.,
FIN "MIX REC".....to RLS
--HB-412, Adoption Medical Records,
HESS "DO PASS".....to JUD
--HB-494, State Office Facs/Capitol
FIN "DO PASS".....to RLS
--HB-505, Insurance,
L&C "MIX REC".....to JUD
--HB-509, Aviation Fuel Refiners,
L&C "DO PASS".....to JUD
--HB-510, Accidents, State/Mun. Aircraft,
FIN "DO PASS".....to RLS
--HB-517, State Personnel Records, Conf.
SA "MIX REC".....to FIN
--HB-548, Community Health Aide Programs
FIN "DO PASS".....to RLS
--HB-558, Local Service Roads/Trails,
CRA "DO PASS".....to RLS
--HB-577, Awards Superior Accomplishmts,
SA "DO PASS".....to FIN
--HB-590, State Aid Indian Tribes/Res
CRA "MIX REC".....to JUD
--HB-596, Public Construction,
HESS "MIX REC".....to SA
--HB-605, GO Bonds, Leg. Fac. Anchorage
FIN "MIX REC".....to RLS
--HB-609, Debt of State/Agencies/Mun,
FIN "DO PASS".....to RLS
--HB-610, Construction Contractors,
L&C "MIX REC".....to FIN
--HB-625, Mun. Tax Agriculture,
CRA "MIX REC".....to RES
--HB-626, Crime of Conspiracy,
JUD "DO PASS".....to FIN
--HB-629, Native Gov/Corp. State Aide,
CRA "MIX REC".....to JUD

House Committee Action (Cont'd)

--HB-645, Comp. Board of Fisheries,
HSF "MIX REC".....to RES
--HB-650, Approp. State Loans/Grants,
FIN "DO PASS".....to RLS
--HB-663, AHFC,
HSL "MIX REC".....to FIN
--HB-665, AHFC Veterans Bonds,
HSL "DO PASS".....to FIN
--HB-681, Default/Coll. Student Loans,
HSL "DO PASS".....to FIN
--HB-685, Alaska Resources Corporation,
HSL "MIX REC".....to FIN
--HB-705, Real Estate Surety Fund,
L&C "DO PASS".....to FIN
--HB-711, Term, Bd of Public Accountancy
L&C "DO PASS".....to RLS

House Floor Action

--HJR-53, Reapportionment Legislature
HOUSE FAILED.....
--HJR-57, Major Projects Fund,
HOUSE FAILED.....
--HB-225, Practice Optometry
HOUSE P/SSSED.....to SENATE
--HB-548, Comm. Health Aide Programs,
HOUSE PASSED.....to SENATE
--HB-589, Alaska Power Authority,
HOUSE PASSED.....to SENATE
--HB-609, Debt. State/Agencies/Mun.,
HOUSE PASSED.....to SENATE
--HB-650, State Loan/Grant Programs,
HOUSE PASSED.....to SENATE
--HB-680, Rec/Prod. Oil/Natural Gas,
HOUSE PASSED.....to SENATE
--HB-684, Approp. Alaska Power Authority
HOUSE PASSED.....to SENATE
--SB-67, Relocation Utility Facilities,
HOUSE FAILED.....Rtn to RLS

Senate Bills Introduced

--SCR-44, Man. State Const. Materials,
(by RES).....to RES & FIN
--SB-538, Man. Saf/Inspections Comm MV's
(by TRANS).....to TRANS & JUD
--SB-539, Comm. Work Criminal Sentence
(by JUD).....to JUD
--SB-540, Child Support Enforcement,
(by SA).....to SA & JUD
--SB-541, Child Support Enf/Reporting,
(by SA).....to SA & JUD
--SB-542, Exposure Mic. Radiation/Work
(by HESS).....to HESS & L&C

... Status ...

Senate Committee Action

--SCR-42, Sport Fishing Salmon, etc.,
RES "DO PASS".....to RLS
--SB-45, Ag Land Sale Moratorium,
RES "DO PASS".....to FIN
--SB-369, Const. AG/Forestry Facilities
RES "DO PASS".....to TRANS
--SB-382, Payment Post Mortem Exams,
FIN "DO PASS".....to RLS
--SB-426, UA Scholarships Natives,
HESS "DO PASS".....to FIN
--SB-432, Am. Alaska Securities Act,
JUD "MIX REC".....to FIN
--SB-456, Embalmer/Funeral Dir. Trainees
L&C "DO PASS".....to RLS
--SB-461, Man/Use Water in Mining
RES "DO PASS".....to FIN
--SB-462, Approp. Mining Water Use Board
RES "DO PASS".....to FIN
--SB-466, Leases by State,
SA "DO PASS".....to FIN
--SB-472, Hearsay Evidence/Sexual Off.
HESS "DO PASS".....to JUD
--SB-477, Arrests/Def. Domestic Violence
JUD "DO PASS".....to RLS
--SB-496, Commercial Fishing Loan Fund,
L&C "MIX REC".....to FIN
--SB-514, Married Persons' Rt/Fam. Home,
HESS "MIX REC".....to JUD
--SB-515, Prop. Rts. Death/Disposition
HESS "MIX REC".....to JUD
--SB-531, Comm. Alaska's Future,
SA "DO PASS".....to FIN
--SB-533, Approp. Res. Care Facs/Child
HESS "DO PASS".....to FIN
--SB-542, Leasing Land Refuse Disposal,
RES "MIX REC".....to FIN

Senate Floor Action

--SJR-30, Enforcement Child Support,
SENATE PASSED.....to HOUSE
--SCR-38, Out-of-court Settlements/state
SENATE PASSED.....to HOUSE
--SB-272, Approp. Anch. Eklutna, Kotz.,
SENATE PASSED.....to HOUSE
--SB-319, Fairbanks/Mat Su Act. Centers,
SENATE PASSED.....to HOUSE
--SB-346, Treatment Mentally Ill,
SENATE PASSED.....to HOUSE
--SB-389, Kenai River Bridge Approp.
SENATE PASSED.....to HOUSE
--SB-402, Exemptions Tax/Credit,
SENATE PASSED.....to HOUSE

... Local Gov't ...

Relocation Of Utilities

SB-67, dealing with relocation of utilities failed to pass the House last week and was returned to the Rules Committee. Currently when relocation of utilities is required due to state state highways construction, the state pays the cost of relocation. In municipalities, the cost of relocation is still the responsibility of the utility. This bill was patterned after the state law and would have forced municipalities to pay the cost of relocation. The bill passed the Senate with strong support, and supporters will try to garner the additional votes needed for passage before session ends.

Teacher Binding Arbitration

The Senate has passed the HESS version of SB-78 allowing binding arbitration for teachers. The bill would give local school boards the option of offering school district certified employees "last best offer mediated arbitration" or the right to strike. An Educational Employees Labor Relations Agency consisting of the current state Labor Relations Board and two additional members representing NEA and the Association of Ak. School Boards would be created under this bill to determine the bargaining unit and would supervise elections. If an impasse was reached an independent private mediator from the the U.S. Federal Mediation Conciliation Service would be called in. Chances of passage in the House are unlikely this year due to adverse feelings by house members generated by an NEA evaluation of legislators that was made public early in the session.

Senate Floor (Cont'd)

--SB-491, Weights and Measures,
SENATE PASSED.....to HOUSE
--SB-519, State Support for Education,
SENATE PASSED.....to HOUSE
--HB-31, Tax Benefits/Vets/Srn. Citizens
SENATE PASSED.....to HOUSE

Rural Projects (from page 2)

(Continued from page two)

Facility Construction

Nome - Correctional center	2.5-m
Ft. Yukon - Day care center	200-t
Dillingham - Jail	258-t
Chevak - Community hall	300-t
Golovin - Equipment garage	234-t

Development

ANF - Cape Beaufort Coal Dev.	2.0-m
Kotzebue - Waste heat recovery	420-t
Kotzebue - Vortax res. imp.	210-t
Shungnak - Sewer system imps.	300-t
Shungnak - Heavy equipment	250-t
Gambell - Water/sewer project	1.0-m
Golovin - Water/sewer/waste heat	625-t
Koyuk - Water and sewer	750-t
Fort Yukon - Water/sewer Phase II	1.0-m
Akiak - Riverbank erosion control	400-t
Mekoryuk - Water/sewer Phase II	760-t
Chefornak - Electric. upgrade	500-t
Aniak - Erosion control	1.4-m
Emmonak - Water/sewer project	1.6-m
Nikolai - Timber development	200-t
Deering - Electric project	250-t
Diomede - Heavy equipment	320-t

Transportation

Point Hope - Runway	1.3-m
Nome - Port Facility	2.0-m
Bethel - Roads	500-t
Nondalton - Road	500-t
Akhiok - Dock fac. access road	560-t
Kotzebue - Armory	3.2-m
Kotzebue - Airport Imps.	900-t
Nome - Runway rehab. Phase II	2.1-m
Shungnak - Airport Imps.	1.3-m
Nome - Port facility	4.0-m
Ruby - Runway improvements	350-t
Diomede - Breakwater project	300-t

Education

Kake - School design/phase I	\$ 1.9-m
Brevig Mission - School Imps.	2.6-m
Stevens Village - School Imps.	1.3-m
Grayling - School Imps.	1.5-m
Chalkyitsik - School Imps.	1.0-m
Napaskiak - School Imps.	2.8-m
Mekoryuk - School Imps.	1.9-m
Dillingham - Elementary school	\$ 1.4-m
Chuathbaluk - Elem. addition	1.0-m
Quinhagak - School Phase I	1.0-m
Mt. Village - School Phase I	1.0-m
Galena - Elem. school add.	490-t
Fort Yukon - Voc. Ed. housing	450-t

University Budget

The House Finance committee has completed a preliminary operating budget for the University of Alaska which shows a seven percent increase over last year's budget. General fund revenue appropriations are running at \$167.7 million, up from last years appropriation of \$157 million.

The House Finance committee approved virtually all the instructional increments requested by the University, but other cuts may influence whether the units are fully funded. Left unfunded was an across the board 2.5 percent cost of living increase for University employees. The University has instituted a new compensation plan under which employees are given increases based on their performance. Without funding, if the University implements this plan, cuts will have to come in other areas. The Finance committee has asked the University to report this week on the impacts of this cut, and what action they will take concerning this program.

There were also several cuts in University capital projects. Listed below are a few of the major capital projects funded to date.

University of Alaska, Fairbanks

Duckering Building Add. Compl	\$ 5.0-m
Statewide Admin Bldg.	5.0-m
Essential Equipment	665-t
Housing Phase I completion	400-t
Patty Bldg. Addition Design/Eng	600-t
Power Plant Expansion	4.0-m
Lathrop/Sttevens Hall Renovations	1.8-m
Statewide Services Building	400-t

UAA/Anchorage Comm. College

UAA/ACC Student Housing	\$ 11.8-m
Alterations/Renovations	500-t
Instruct/Admin/Phy. Ed. Equip	500-t
UAA Classrm/Lab Bldg. Phase II	16.6-m
ACC Classrm/Admin. Building	1.1-m
ACC/Alterations/Renovations	500-t

UAJ

Physical Ed. Fac. Planning/Des	\$ 400-t
Voc. Ed/Fisheries Equipment	450-t
Student Housing Phase I	8.5-m
Campus Access Road	1.0-m

. . . Resources . . .

Mining Law Amendments

House Resources is considering several technical amendments to SB-371, relating to state mining laws. The committee met on the bill last week to hear testimony and will resume work this Wednesday. Amendments include extending the time period of offshore mineral prospecting leases from 10 to 20 years, clarifying the bill so that partnerships and joint-ventures can hold mining claims (the bill as written would allow only corporations or persons), and giving the Commissioner of Natural Resources authority to allow conversion of federal mining claims to state claims on newly-selected state lands. DNR supports these three amendments, but opposed a fourth proposal that would, in effect, reduce annual rental rates on offshore mineral leases.

Standardizing Wellhead Price

Revenue Commissioner Bob Heath was to meet with representatives of Arco, Sohio, and Exxon on Monday to discuss oil pricing issues with the three major North Slope producers. Heath appears to be hoping that he can convince the oil companies to accept some standard method for establishing wellhead values for severance tax purposes. The state believes that some companies, notably Arco, are using an assessment method that undervalues North Slope oil.

Royalty Oil Subcommittee

House Finance Chairman Al Adams has appointed himself, Rep. Fred Zharoff and Rep. Jerry Ward to a subcommittee to deal with HB-600, legislation establishing new procedures for negotiating royalty oil contracts (Rep. John Cowdery is the prime sponsor). Adams is interested in rewriting criteria for royalty oil sales to make sure that local fuel availability, a particular concern of his rural constituents, are considered in sales negotiations. Finance will probably report out a substitute in a week.

Mining Water Standards

Senate Resources held a teleconference on SB-407, requiring reclassification of water quality standards for Alaska streams. Departments of Natural Resources and Environmental Conservation testified, and by teleconference placer miners voiced their concerns over EPA water standards that may shut down the placer gold mining industry. The bill itself, if it passes, would only affect state classifications of streams. Federal EPA standards are the miners' real problem, but the bill could give the state leverage to negotiate changes in federal regulations. The bill has a tough road ahead in the legislature. Rural lawmakers will look critically at anything that establishes placer mining as an approved "use" of state waters. The problem is in the precedent of approving specific uses in statute.

Meanwhile, there appears to be no progress being made in easing the EPA standard. No placer mining operation in the state can meet the water quality standard to be enforced by EPA, and the agency is showing no signs of backing off.

NPRA Revenue Sharing

House Judiciary will take up HB-298 soon; the bill was scheduled for hearing last week when committee meetings were cancelled due to floor action. The bill sets out procedures for sharing oil and gas bonus and royalty income from the federal National Petroleum Reserve on the North Slope. Federal law returns 50 percent of lease income to Alaska and stipulates that part of the money will go to affected municipalities.

Fish Board Appointees

Controversy over confirmation of the Governor's appointees to the Fish Board may have died down a bit. The board gained new support from sportsmen when they delayed set gill net openings in Cook Inlet, a move to make more kings available for sportsfishing this year.

The Ketchikan Pulp Loan Guarantee

(Continued from page one) SB-479 and HB-627 (Senator Kerttula and Rep. Wendte, sponsors) now rest in the Finance Committees. If passed, the bills would provide a state guarantee of 50 percent of the loan needed by the ESOP to secure financing for purchase of the mill. The employees intend to borrow \$40 million and sell stock to provide the additional \$10 million needed. Some legislators have expressed concern that the employees of other troubled Alaska firms may request similar assistance under the precedent set by an LPK loan guarantee.

Employees of LPK have formed a committee of 28 members to represent them in negotiations. The committee has hired Salomon Brothers, a New York investment firm to determine the feasibility of the project and find bank financing. Salomon Brothers has secured six banks (National Bank of Alaska included) to finance the \$40 million loan needed. Bank financing is contingent upon state guarantee of 50 percent of the loan package, \$20 million. Guarantee by the state will insure the marketability of the loan and result in an interest savings of one to two percent, \$800,000 yearly.

Lawmakers are looking at an administration plan to use the existing Fish Pack Loan program as a method to guarantee the financing needed by LPK employees. The Fisheries Business Loan statute, passed in 1980, guarantees up to 50 percent of a processor's loan directly to the lender. Sources say a move may be underway to amend that statute to include forest business products. Currently the fish pack loan program has approximately \$43 million available for loans.

The economic viability of the plant is a question that must be considered by lawmakers. LPK estimates that annual operating costs of the plant must be cut by about \$10 million a year to break even. To achieve this employees have agreed to take a 25 percent cut in pay and benefits over the next five years, producing annual savings of \$6.7 million. Employees are also hoping the U.S. Forest Service will grant timber industry cost relief requests that could reduce the price of building roads and harvesting timber. A final ruling on LPK's request for a variance from new federal wastewater treatment standards is due in May. LPK estimates that cost of complying with the EPA standards could cost up to \$10 million, which has been included in the cost of takeover.

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STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 27, 1984

SUBJECT: Sectional analysis of
SB 479

TO: Senator Jalmar Kerttula

FROM: *LH* Linn H. Asper
Legislative Council

You have asked for a sectional analysis of SB 479, relating to a forest products business loan guarantee program.

*Section 1 establishes the forest products business loan guarantee program and sets conditions for the loan guarantees.

Sec. 45.94.010 establishes the forest products business loan guarantee fund in the Department of Revenue

Sec. 45.94.020 allows the Department of Revenue to use fund money to guarantee a loan for the purchase of 35 percent or more of the stock or assets of a forest products business by the employees of that business.

Sec. 45.94.030 grants the department the powers necessary to administer loan guarantees under the forest products business loan guarantee program, and requires that a loan guaranteed must be secured by adequate collateral.

Sec. 45.94.040 directs the department to invest money from the loan guarantee fund that is not being used to guarantee loans in investments allowed under AS 37.10.070.

Sec. 45.94.050 establishes conditions on a loan guarantee, including maximum and minimum amounts that may be guaranteed, terms of loans guaranteed, security for guaranteed loans, state financial institution participation in the guaranteed loan, and other terms applicable to guaranteed loans.

Senator Kerttula
Page 2
February 27, 1984

Sec. 45.94.055 allows the department to guarantee additional loans for a borrower under the terms of the chapter.

Sec. 45.94.060 provides definitions of terms used in the chapter.

Section 2 of the Act provides an immediate effective date.

LHA:csh
C2/137

POTENTIAL UNEMPLOYMENT PAYMENTS TO DIRECT/INDIRECT & SERVICE RELATED EMPLOYEES IN
THE EVENT OF A LOUISIANA PACIFIC AND ALASKA LUMBER & PULP CLOSURE

UNEMPLOYMENT CLAIMANTS	AVERAGE PAYMENT & DURATION	EXHAUST BENEFITS	
		39 WEEKS	52 WEEKS
3,000	\$6,245,580	\$14,952,600	\$19,936,800
6,000	\$12,491,160	\$29,905,200	\$39,873,600
10,000	\$20,818,600	\$49,842,000	\$66,456,000

ADMINISTRATIVE COSTS OF MAKING PAYMENTS

CLAIMANTS	AVERAGE PAYMENT & DURATION	39 WEEKS	52 WEEKS
3,000	\$189,296	\$384,296	_____
6,000	\$396,596	\$769,452	_____
10,000	\$659,711	\$1,281,289	_____

* AVG. PAYMENT & DURATION = \$127.80 per week for 16.29 weeks

LOUISIANA PACIFIC EMPLOYMENT INFORMATION

		<u>PAYROLL</u>	<u>WAGES & BENEFITS</u>
DIRECT EMPLOYMENT	800	\$22.6 million	\$28 - 30 million
SECONDARY EMPLOYMENT	<u>600</u>		
TOTAL EMPLOYMENT	1400		

LOUISIANA PACIFIC CORPORATION
KETCHIKAN DIVISION

MR PHL
2/24/84

A. HISTORY OF OWNERSHIP
KETCHIKAN PULP COMPANY

MAY 1954 START OF PULP MILL OPERATION

JOINT VENTURE 50% OWNED EACH BY
AMERICAN VISCOSE CORPORATION, PHILADELPHIA PENN
(PROVIDING MARKET FOR 70-80% OF PRODUCTION)
PUGET SOUND PULP AND TIMBER COMPANY, BELLINGHAM
WASHINGTON
(PROVIDING OPERATING MGMT TO VENTURE)

1963

FMC CORPORATION PURCHASES AMERICAN
VISCOSE CORP
and
GEORGIA-PACIFIC CORPORATION PURCHASES
PSP & T

1/1/73

LOUISIANA-PACIFIC CORPORATION IS FORMED BY
SPIN-OFF FROM G-P AND KPC IS
INCLUDED AS A DIVISION OF L-P.

11/1/76

L-P PURCHASES REMAINING INTEREST IN
KPC FROM FMC.

KETCHIKAN PULP COMPANY CONTINUES AS
A CORPORATE ENTITY THROUGHOUT, IS NOW A
WHOLLY OWNED SUBSIDIARY OF L-P, AND
OPERATES AS THE KETCHIKAN DIVISION
OF LOUISIANA-PACIFIC CORPORATION.

LOUISIANA PACIFIC CORPORATION
KETCHIKAN DIVISION

M.R. PAHL
2/24/84

B. HISTORY OF OPERATIONS
KETCHIKAN PULP COMPANY

MAY 1954 BEGINNING OF OPERATIONS, LOGGING
AND PULP MILL OPERATIONS

1967 GEORGIA-PACIFIC CORPORATION PURCHASES
KETCHIKAN SPRUCE MILLS FROM DALY FAMILY
AND CONTRIBUTES KSM TO KETCHIKAN PULP
COMPANY. FMC CONTRIBUTES EQUAL
AMOUNT OF CASH TO KPC TO MAINTAIN
EQUAL JOINT VENTURE IN KPC.

PURPOSE DEVELOP INTEGRATED OPERATION AND
IMPROVE FOREST UTILIZATION.

1971 KPC (KSM) ACQUIRES INTEREST OF
ALASKA PRINCE TIMBER IN OPERATING
LEASE OF SAWMILL AT ANNETTE ISLAND
FROM COMMUNITY OF METLAKATLA.

1981 LOUISIANA-PACIFIC CORPORATION ASSIGNS
OPERATING MANAGEMENT RESPONSIBILITY FOR
SEWARD ALASKA SAWMILL (KENAI LUMBER
COMPANY) TO KETCHIKAN DIVISION OF
KPC.

LOUISIANA-PACIFIC CORPORATION
 KETCHIKAN DIVISION

MRPLH
 2/24/84

C. EMPLOYMENT DATA
 KETCHIKAN PULP COMPANY

	<u>1984</u>	<u>PLAN</u>	<u>No. EMP</u>
	<u>No.</u>	<u>ANNUAL</u>	<u>PEAK</u>
	<u>EMP</u>	<u>PAYROLL</u>	<u>EMPLOYMENT</u>
			<u>(BETTER MARKETS)</u>
1. KPC DIRECT LOGGING SAWMILLS, PULP, SALARIED	800	\$ 24 MILLION	1,200
2. KPC CONTRACTORS, LOGGING, ROADBUILDING, TOW BOATS ETC	<u>600</u>		<u>800</u>
	1,400		2,000

Forest
Products Loan
Program

SENATE BILL NO. 479, by Senators Kerttula and Ziegler.
Establishes a Forest Product Business Loan Guarantee Program in the Dept. of Revenue. Money in the loan fund could be used to guarantee a loan for the purpose of financing the purchase of 35 percent or more of the stock or assets of a forest products business by, on behalf of, or for the benefits of the employees of that business. The Commissioner must require that a loan guaranteed by the fund be secured by adequate collateral.

page 306

Money in the fund that is not being used for loan guarantees must be invested under laws governing investment of the Permanent Fund

(AS 37.10.070). Income from the investment would be transferred to the General Fund.

The following conditions must be met before the Dept. of Revenue could guarantee a loan: (1) the term of the loan cannot exceed 10 years; (2) the loan must be secured by real or personal property, inventory or accounts receivable of the forest products business, or by other collateral acceptable to the department; (3) the loan must be originated with and serviced by the Alaska Commercial Fishing and Agriculture Bank, or by a state or federally chartered financial institution located in Alaska; and (4) the loan must be made to the employees of the forest products business, to an employee stock ownership trust, or to one or more corporations or other business associations or entities in which the employees of the business hold an interest that is equal to or greater than the interest held by the seller of the business.

The Department could guarantee up to 50 percent of a loan, but could not guarantee less than \$5 million or more than \$30 million per borrower, and could not guarantee the payment of annual interest on the guaranteed portion of a loan.

Upon default by a borrower, the amount of the maximum liability of the fund for a loan guarantee is the percentage of the amount in default specified by the Department in the guarantee agreement.

Allows the Department to grant additional guarantees to the same borrower if 30 days have elapsed since the date the first guarantee contract was signed.

Effective immediately. Identical to HB 627.

S B

481

Alaska State Legislature

IN SESSION:
POUCH V
JUNEAU ALASKA 99811
(907) 465-4949



BOX 142
EAGLE RIVER, ALASKA
99577
(907) 694-4949

Representative Randy Phillips

HOUSE DISTRICT # 15

TO: The Honorable Dick Eliason
Chairman, Senate Labor & Commerce Committee

FROM: Representative Randy Phillips *R.E.P.*

DATE: March 14, 1984

RE: House Bill 569 - cemetery associations

Sheila Peterson of your office has requested information concerning the captioned bill, which is presently before the Senate Judiciary Committee and has a further referral to your committee.

Attached are the following:

- a. Copy of a letter I received from the Chairman of the Special Committee of Angelus Memorial Park Association in Anchorage. As you can see from this letter, the Association wishes to build a building to house much-needed administrative and service-related activities. Under present law, the Association could only accomplish the building of such a structure by selling off a portion of the land it owns; in other words, present statutes prohibit the Association from financing such structures. Additionally, under present statutes, a cemetery association cannot incorporate as a non-profit corporation. CSHB 569 (L&C) would permit this.
- b. Memorandum from Connie Sipe, Assistant Attorney General, Chief, Consumer Protection Section, to Representative Cowdery. The suggestion in Ms. Sipe's memorandum was incorporated into CSHB 569 (L&C) -- see Section 14.
- c. A sectional analysis of my original bill. This analysis was done by Ed Hein of Legislative Legal Affairs.

There were minor differences between the original version of my bill (HB 569) and Senator Kerttula's bill (SB 481) and I

The Honorable Dick Eliason
March 14, 1984
Page 2

believe that, with the exception of the Consumer Protection amendment, CSHB 569 (L&C) and SB 481 contain the same provisions.

If you have any questions, please do not hesitate to contact me.

Attachments

PS: In addition to the attachment listed above, I am also attaching a copy of Ms. Sipe's February 3, 1984 letter addressed to Speaker Hayes. This letter also concerns items contained in the cemetery association bills.

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 13, 1984

SUBJECT: Sectional analysis of HB 569

TO: Representative Randy Phillips

FROM: Edward H. Hein *EHA*
Legislative Counsel

Section 1 allows a nonprofit cemetery to incorporate under AS 10.20 as an alternative to forming as a cemetery association.

Section 2 adds clean-up provisions necessitated by section 1.

Section 3 expands to which a cemetery's endowment fund may be put to include improvement of the grounds, buildings, and lots, and the repayment of debts.

Section 4 adds clean-up provisions necessitated by section 1.

Section 5 expands a nonprofit cemetery's authority ^{to} borrow money to construct and repair buildings and mausoleums, to purchase or lease equipment, and other purposes. Such debts may be secured by mortgages on the cemetery's land, except those burial lots in which association members or corporate officers, trustees, or employees have more than a one-half interest.

Sections 6 - 11 add clean-up language necessitated by section 1.

Section 12 adds a definition ^{of} for the term "cemetery lot".

EHH:ojb
J3/089

ALASKA STATUTES

CHAPTER 30. Cemetery Associations

Sec. 10.30.070. Creation of irreducible fund. The association may by its bylaws provide that a stated percentage of the money realized from the sale of lots and donations (AND OTHER SOURCES OF REVENUE) constitutes an irreducible fund, which may be invested in the manner or loaned upon the securities the association or the trustees consider proper. The interest or income from the irreducible fund provided for in any bylaw or as much as may be necessary shall be devoted exclusively to the preservation and embellishment of the (CEMETERY) grounds, buildings and property of the association and or corporation and the lots and space in buildings or grounds sold to the members of the association and or corporation, or to the payment of the interest or principal of the debts authorized by the association for the purchase of land, equipment, erecting buildings and improvements. Where a bylaw has been enacted for the creation of an irreducible fund, (IT) the set amount or percentage stated in the bylaw, may not be amended except for the purpose of increasing the fund. (36-5-5 ACLA 1949)

I was told to use caps &
put in brackets those
words to be deleted and
to underline all new
wording.

Office

ALASKA STATUTES

CHAPTER 30. Cemetery Associations

Sec. 10.30.090. Debts of association and or corporation. A cemetery association and or corporation may (NOT) contract debts in anticipation of future receipts, (EXCEPT) for the (ORIGINAL) purchase of cemetery land and or for other cemetery purposes, the laying out and embellishment of the grounds and avenues of the cemetery, repairing their buildings, erection of new buildings, mausoleums, columbariums, and purchasing necessary equipment, for which debts the association may issue bonds or notes. The association may secure these debts by mortgage upon its lands, except lots which have been conveyed to the members of the Association, or by security interest in no more than 50% of the irreducibl fund. (36-5-5 ACLA 1949).

ALASKA STATUTES

CHAPTER 30. Cemetery Associations.

Sec. 10.30.125 Definition of "Cemetery Lot", one or more than one adjoining, lot, plot, space, grave, nich, mausoleum crypt, vault, and columbarium, for the interment of human remains.

the bank or trust company shall be governed by the provisions of ORS 128.067 and shall not be required to invest the money according to the list approved by the State Treasurer. An officer of the corporation shall file with the Secretary of State on or before April 15 of each year a verified statement in duplicate containing the same information pertaining to the irreducible fund as provided in ORS 97.810 (2) regarding endowment care funds. The Secretary of State may require the corporation to file, as often as he considers it to be necessary, a detailed report of the conditions and assets of the irreducible fund.

(3) The interest or income arising from the irreducible fund provided for in this section or by any bylaws, or so much thereof as is necessary, shall be devoted exclusively to the preservation and embellishment of the grounds, buildings and property of the corporation and the lots and space in buildings or grounds sold to the members of the corporation, or to the payment of the interest or principal of the debts authorized by subsection (5) of this section for the purchase of land, erecting buildings, and improvements. Any surplus thereof not needed or used for such purposes shall be invested as provided in this section and shall become part of the irreducible fund.

(4) After paying for the land and the erection of the original buildings and improvements thereon, all the future receipts and income of the corporation subject to the provisions in this section relating to the creation of an irreducible fund, whether from the sale of lots and burial space, cremation of bodies, donations, gifts and other sources, shall be applied exclusively to laying out, preserving, protecting, embellishing and beautifying the cemetery or the crematory and grounds thereof, and the avenues leading thereto, and to the erection of such buildings and improvements as may be necessary or convenient for cemetery or crematory purposes, and to pay the necessary expenses of the corporation.

(5) No debts shall be contracted by such corporation in anticipation of any future receipts, except for originally purchasing the lands authorized to be purchased by it, laying out and embellishing the grounds and avenues, erecting buildings and vaults on such land, and improving them for the purposes of the corporation. The corporation may issue bonds or notes for debts so contracted and may secure them by way of mortgage upon any of its lands, buildings, property and improvements excepting lots or space conveyed to the

members. (1969 c.580 §96; 1971 c.225 §11)

61.765 Selling land unsuited for burials. If in the board of directors' opinion, any portion of the lands of a nonprofit corporation organized and existing solely for the purposes of either owning or operating a cemetery or the cremation of dead bodies and the burial and care of incinerate remains is unsuitable for burial purposes or other purposes of the corporation, the board of directors may sell such portion and apply the proceeds to the general purposes of such corporation in the same proportion and manner as provided by ORS 61.005 to 61.125, 61.131 to 61.370, 61.375 to 61.481 and 61.505 to 61.950. (1969 c.580 §97)

61.770 Burial lots or space; use, exemption from taxation, execution and liens; lien for purchase price of gravestone. Burial lots or space for burial of incinerate remains in buildings or grounds sold by a nonprofit corporation organized and existing solely for the purposes of either owning and operating a cemetery or cremating dead bodies and burying and caring for incinerate remains shall be for the sole purpose of interment or deposit and safekeeping of incinerate remains. Such lots or space shall be exempt from taxation, execution, attachment or other lien or process, if used as intended by the purchaser thereof from such corporation, or his assigns or representatives, exclusively for burial purposes, and in no wise with a view to profit. The vendor of any gravestone, however, shall not be prevented from having and enforcing a lien thereon for all or part of its purchase price. If a suit is brought to enforce such a lien, the decree therein is enforceable thereafter; and, for the purpose of enabling the lien to be had and enforced, the gravestone shall be deemed personal property and may be severed and removed, under execution and order of sale, from the lot where it is situated and may be sold in the same manner as any other personal property. (1969 c.580 §98)

61.775 Recording plan; power to improve and regulate grounds. A nonprofit corporation organized and existing solely for the purposes of owning and operating a cemetery or cremating dead bodies and burying and caring for incinerate remains shall cause a plan of its land and grounds and of the lots laid out by it and of the niches or burial space in the buildings erected thereon to be made and recorded in the county in which such grounds and land are located, such lots or

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**SPECIAL PROVISIONS
RELATING TO ORS 97.010 TO
97.040, 97.110 TO 97.450, 97.510
TO 97.730, 97.810 TO 97.920 and
97.990**

97.010 Definitions for ORS 97.010 to 97.040, 97.110 to 97.450, 97.510 to 97.730, 97.810 to 97.920 and 97.990. As used in ORS 97.010 to 97.040, 97.110 to 97.450, 97.510 to 97.730, 97.810 to 97.920 and 97.990:

(1) "Human remains" or "remains" means the body of a deceased person in any stage of decomposition or after cremation.

(2) "Cemetery" means any place dedicated to and used, or intended to be used, for the permanent interment of human remains.

(3) "Burial park" means a tract of land for the burial of human remains in the ground used, or intended to be used, and dedicated for cemetery purposes.

(4) "Mausoleum" means a structure for the entombment of human remains in crypts or vaults in a place used, or intended to be used, and dedicated for cemetery purposes.

(5) "Crematory" means a structure containing a retort for the reduction of bodies of deceased persons to cremated remains.

(6) "Columbarium" means a structure or room containing niches for permanent inurnment of cremated remains in a place used, or intended to be used, and dedicated for cemetery purposes.

(7) "Interment" means the disposition of human remains by cremation, inurnment, entombment or burial.

(8) "Cremation" means the reduction of a body of a deceased person to cremated remains in a crematory.

(9) "Inurnment" means placing cremated remains in an urn and depositing it in a niche.

(10) "Entombment" means the placement of human remains in a crypt or vault.

(11) "Burial" means the placement of human remains in a grave.

(12) "Grave" means a space of ground in a burial park used, or intended to be used, for burial of the remains of one person.

(13) "Crypt" or "vault" means a space in a mausoleum of sufficient size used, or intended to be used, to entomb uncremated human remains.

(14) "Niche" is a recess in a columbarium used, or intended to be used, for the interment

of the cremated remains of one or more persons.

(15) "Cemetery authority" includes cemetery corporation, association, corporation sole or other person or persons owning or controlling cemetery lands or property.

(16) "Cemetery association" means any corporation or association authorized by its articles to conduct any or all the businesses of a cemetery, but does not include a corporation sole or a charitable, eleemosynary association or corporation.

(17) "Cemetery business," "cemetery businesses" and "cemetery purposes" are used interchangeably and mean any business and purpose requisite or incident to, or necessary for establishing, maintaining, operating, improving or conducting a cemetery, interring human remains, and the care, preservation and embellishment of cemetery property.

(18) "Directors" or "governing body" means the board of directors, board of trustees, or other governing body of a cemetery association.

(19) "Lot," "plot" or "burial space" means space in a cemetery owned by one or more individuals, an association or fraternal or other organization and used, or intended to be used, for the permanent interment therein of the remains of one or more deceased persons. Such terms include and apply with like effect to one, or more than one, adjoining grave, crypt, vault or niche.

(20) The term "plot owner" or "owner" means any person in whose name a burial plot stands as owner of the right of sepulture therein in the office of the cemetery authority, or who holds from such cemetery authority a conveyance of the right of sepulture or a certificate of ownership of the right of sepulture in a particular lot, plot or space.

(21) "Endowment care" means the general care and maintenance of developed portions of a cemetery and memorials erected thereon financed from the income of a trust fund established and maintained pursuant to the provisions of ORS 97.810 to 97.860. Endowment care cemeteries owned by a city or a county may supplement their general care and maintenance trust funds from general revenues.

(22) "Special care" is any care in excess of endowed care in accordance with the specific directions of any donor of funds for such purposes. (Amended by 1955 c 545 §1; 1965 c 396 §1)

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61.736 Procedure for revoking certificate of authority. ORS 57.735, relating to revocation of certificate of authority, is applicable to nonprofit corporations. [1963 c.492 §36 (enacted in lieu of 61.735)]

61.740 [Re-numbered 61.984]

61.741 Application to corporation authorized to transact business in this state on December 31, 1959. Foreign corporations which are duly authorized to transact business in this state on December 31, 1959, for a purpose or purposes for which a corporation might secure such authority under ORS 61.005 to 61.125, 61.131 to 61.370, 61.375 to 61.481 and 61.505 to 61.950, shall, subject to the limitations set forth in their respective certificates of authority, be entitled to all the rights and privileges applicable to foreign corporations procuring certificates of authority to transact business in this state under ORS 61.005 to 61.125, 61.131 to 61.370, 61.375 to 61.481 and 61.505 to 61.950, and from December 31, 1959, such corporations shall be subject to all the limitations, restrictions, liabilities and duties prescribed herein for foreign corporations procuring certificates of authority to transact business in this state under ORS 61.005 to 61.125, 61.131 to 61.370, 61.375 to 61.481 and 61.505 to 61.950. 1959 c.580 §801

61.745 Transacting business without certificate of authority. (1) No foreign corporation transacting business in this state without a certificate of authority shall be permitted to maintain any action, suit or proceeding in any court of this state, until such corporation shall have obtained a certificate of authority. No action, suit or proceeding shall be maintained in any court of this state by any successor or assignee of such corporation on any right, claim or demand arising out of the transaction of business by such corporation in this state, until a certificate of authority shall have been obtained by such corporation or by a corporation which has acquired all or substantially all its assets.

(2) The failure of a foreign corporation to obtain a certificate of authority to transact business in this state shall not impair the validity of any contract or act of such corporation, and shall not prevent such corporation from defending any action, suit or proceeding in any court of this state. [1959 c.580 §81]

CEMETERIES AND CREMATORIES

61.744 Lands of cemetery or crematory corporation; exemption from execution, taxation and condemnation. A nonprofit corporation organized and existing solely for the purposes of either owning and operating a cemetery or cremating dead bodies and burying and caring for incinerate remains, may purchase or take, by gift or devise, and own and hold lands for the sole purpose of either a cemetery or a crematory and burial place for incinerate remains. Such lands shall be exempt from execution and taxation, and from any appropriation for public purposes, and lots or portions of such land and space in any buildings thereon may be sold, if intended to be used exclusively for burial purposes, and in no wise with a view to the profit of the members of such corporation. The land so held for cemetery purposes shall not exceed 600 acres, but if the land already held for such purpose by the corporation is all practically used, the amount thereof may be increased by adding thereto not more than 20 acres at any one time. The land so held for the purposes of a crematory and the burial of incinerate remains shall not exceed 30 acres, but if the land already held for such purpose by the corporation is all practically used, the amount thereof may be increased by adding thereto not more than 10 acres at any one time. [1959 c.586 §95]

61.760 Revenues; restrictions on uses thereof. (1) A nonprofit corporation organized or existing solely for the purposes of either owning and operating a cemetery or cremating dead bodies and burying and caring for incinerate remains may, by its bylaws provide that a stated percentage of the money received from the sale of lots and burial space, cremation of bodies, donations, gifts or other sources of revenue shall constitute an irreducible fund. Any bylaw enacted for the creation of the irreducible fund cannot be amended to reduce the fund.

(2) The board of directors may direct the investment of the money in the irreducible fund, but all investments of money deposited in the fund on or after January 1, 1972, shall be in securities in classes and amounts approved by the State Treasurer and published in a list pursuant to ORS 97.820. If a bank or trust company qualified to engage in the trust business is directed by the board of directors to invest the money in the irreducible fund,

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HEALTH AND SAFETY CODE
DIVISION 7. DEAD BODIES
PART 1. GENERAL PROVISIONS

CHAPTER 1. DEFINITIONS

7000. The definitions in this chapter apply to this division and to Divisions 8 and 9 of this code.

7001. "Human remains" or "remains" means the body of a deceased person, and includes the body in any stage of decomposition and cremated remains.

7002. "Cremated remains" means human remains after incineration and necessary processing under Section 7054.1 in a crematory.

7003. "Cemetery" means any one, or a combination of more than one, of the following, in a place used, or intended to be used, and dedicated, for cemetery purposes:

- (a) A burial park, for earth interments.
- (b) A mausoleum, for crypt or vault interments.
- (c) A crematory, or a crematory and columbarium, for cinerary interments.

7004. "Burial park" means a tract of land for the burial of human remains in the ground, used or intended to be used, and dedicated, for cemetery purposes.

7005. Except in Part 5 of Division 8 of this code, "mausoleum" means a structure or building for the entombment of human remains in crypts or vaults in a place used, or intended to be used, and dedicated, for cemetery purposes.

7006. "Crematory" means a building or structure containing one or more furnaces for the reduction of bodies of deceased persons to cremated remains.

7007. Except in Part 5 of Division 8 of this code, "columbarium" means a structure, room, or other space in a building or structure containing niches for inurnment of cremated human remains in a place used, or intended to be used, and dedicated, for cemetery purposes.

7008. "Crematory and columbarium" means a building or structure containing both a crematory and columbarium.

7009. "Interment" means the disposition of human remains by inurnment, entombment, or burial in a cemetery or, in the case of cremated remains, by inurnment, entombment, burial, or burial at sea as provided in Section 7117.

7010. "Cremation" means the reduction of the body of a deceased person to cremated remains in a crematory and the placement of the cremated remains in a grave, vault or niche or burial at sea as provided in Section 7117 of this code.

7011. "Inurnment" means placing cremated remains in an urn and placing it in a niche.

7012. "Entombment" means the placement of human remains in a crypt or vault.

7013. "Burial" means the placement of human remains in a grave.

7014. "Grave" means a space of ground in a burial park, used, or intended to be used, for burial.

7015. "Crypt" or "vault" means a space in a mausoleum of sufficient size, used or intended to be used, to entomb uncremated human remains.

7016. "Niche" means a space in a columbarium used, or intended to be

used, for inurnment of cremated human remains.

7017. "Temporary receiving vault" means a vault used or intended to be used for the temporary placement of human remains.

7018. "Cemetery authority" includes cemetery association, corporation sole, or other person owning or controlling cemetery lands or property.

7019. "Cemetery corporation," "cemetery association," or "cemetery corporation or association" mean any corporation now or hereafter organized which is or may be authorized by its articles to conduct any one or more or all of the businesses of a cemetery, but do not mean or include a corporation sole.

7020. "Cemetery business," "cemetery businesses," and "cemetery purposes" are used interchangeably and mean any and all business and purposes requisite to, necessary for, or incident to, establishing, maintaining, operating, improving, or conducting a cemetery, interring human remains, and the care, preservation, and embellishment of cemetery property, including, but not limited to, any activity or business designed for the benefit, service, convenience, education, or spiritual uplift of property owners or persons visiting the cemetery.

7021. "Directors" or "governing body" means the board of directors, board of trustees, or other governing body of a cemetery association.

7022. "Lot," "plot," or "interment plot" means space in a cemetery, used or intended to be used for the interment of human remains. Such terms include and apply to one or more than one adjoining graves, one or more than one adjoining crypts or vaults, or one or more than one adjoining niches.

7023. "Plot owner," "owner," or "lot proprietor" means any person in whose name an interment plot stands of record as owner, in the office of a cemetery authority.

7024. "Permit for Disposition of Human Remains" includes "burial permit" and is a permit, issued pursuant to law, for the interment, disinterment, removal, reinterment or transportation of human remains.

DIVISION 8. CEMETERIES

PART 1. GENERAL PROVISIONS

CHAPTER 1. CEMETERY DEFINED

8100. Six or more human bodies being buried at one place constitute the place a cemetery.

CHAPTER 2. VANDALISM

8101. (a) Every person is guilty of a misdemeanor and punishable by a fine of not less than two hundred fifty dollars (\$250) nor more than one thousand dollars (\$1,000), or by imprisonment in the county jail for not exceeding one year, or by both, who maliciously does any of the following:

(1) Destroys, cuts, mutilates, effaces, or otherwise injures, tears down, or removes any tomb, monument, memorial, or marker in a cemetery, or any gate, door, fence, wall, post or railing, or any inclosure for the protection of a cemetery or any property in a cemetery.

(2) Obliterates any grave, vault, niche, or crypt.

(3) Destroys, cuts, breaks or injures any building, statuary, ornamentation, tree, shrub, or plant within the limits of a cemetery.

Offered: 3/19/84
Réferred: Finance

Original sponsor: Kerttula

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BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE SENATE

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CS FOR SENATE BILL NO. 481 (L&C)

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IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to cemetery associations, nonprofit

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cemetery corporations and cemetery lots."

8

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

9

* Section 1. AS 10.30 is amended by adding a new section to read:

10

Sec. 10.30.055. FORMATION OF NONPROFIT CEMETERY CORPORATION. As

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an alternative to the provisions of AS 10.30.010 - 10.30.050, a ceme-

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tery may be incorporated under AS 10.20. A nonprofit cemetery corpo-

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ration is subject to the provisions of AS 10.20 except to the extent

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that those provisions conflict with the provisions of this chapter

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relating to cemetery corporations.

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* Sec. 2. AS 10.30.060 is amended to read:

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Sec. 10.30.060. POWER TO ACQUIRE AND DISPOSE OF LANDS, AND

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EXEMPTION FROM EXECUTION, TAXATION AND PUBLIC APPROPRIATION. A ceme-

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tery association or nonprofit cemetery corporation may buy or take by

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gift or devise, and hold, land not exceeding 80 acres, for the sole

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purpose of a cemetery. The land is exempt from execution, and from

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any appropriation to public purposes, and from taxation if intended to

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be used exclusively for burial purposes and in no way for the profit

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of the members of the association or trustees, officers or employees

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of the corporation.

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* Sec. 3. AS 10.30.070 is amended to read:

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Sec. 10.30.070. CREATION OF IRREDUCIBLE FUND. A cemetery [THE]

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association or nonprofit cemetery corporation may by its bylaws pro-

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vide that a stated percentage of the money realized from the sale of

1 cemetery lots and [,] donations [, AND OTHER SOURCES OF REVENUE]
2 constitutes an irreducible fund, which may be invested in the manner
3 or loaned upon the securities the association or corporation considers
4 [THE TRUSTEES CONSIDER] proper. The interest or income from the
5 irreducible fund provided for in a [ANY] bylaw, or as much as may be
6 necessary, shall be devoted exclusively to (1) the preservation and
7 embellishment of the grounds, buildings and property of the associa-
8 tion or corporation that are related to the operation of a cemetery;
9 (2) the preservation and embellishment of cemetery lots and space in
10 buildings or on grounds sold to the association or corporation; or (3)
11 the payment of interest and principal of debts authorized by the
12 association or corporation for the purchase of land or equipment or
13 for the construction or improvement of buildings [CEMETERY]. Where a
14 bylaw has been enacted for the creation of an irreducible fund, the
15 percentage stated in the bylaw [IT] may not be reduced [AMENDED EXCEPT
16 FOR THE PURPOSE OF INCREASING THE FUND].

17 * Sec. 4. AS 10.30.080 is amended to read:

18 Sec. 10.30.080. DISPOSITION OF INCOME FROM CEMETERY LAND. After
19 paying for the land, the future receipts and income of a cemetery
20 [THE] association or nonprofit cemetery corporation, subject to the
21 creation of an irreducible fund, whether from the sale of lots, from
22 donations, rents, or otherwise, shall be applied exclusively to laying
23 out, preserving, protecting, and embellishing the cemetery and the
24 avenues leading to it, the erection of buildings necessary or conven-
25 ient for the cemetery purpose, and to paying the necessary expenses of
26 the association or corporation.

27 * Sec. 5. AS 10.30.090 is amended to read:

28 Sec. 10.30.090. DEBTS OF ASSOCIATION. A cemetery association or
29 nonprofit cemetery corporation may [NOT] contract debts in

1 anticipation of future receipts[, EXCEPT] for the original purchase of
2 cemetery land, the laying out and embellishment of the grounds and
3 avenues of the cemetery, the construction and repair of a building,
4 mausoleum or columbarium, the purchase or lease of necessary equip-
5 ment, or other cemetery purposes, for which debts the association or
6 corporation may issue bonds or notes. An [THE] association or corpo-
7 ration may secure these debts by mortgage upon its lands, except ceme-
8 tery lots that [WHICH] have been conveyed to the members of the asso-
9 ciation or to trustees, officers or employees of the corporation, or
10 by a security interest in not more than 50 percent of the irreducible
11 fund.

12 * Sec. 6. AS 10.30.100 is amended to read:

13 Sec. 10.30.100. TRANSFER OF CEMETERY [BURIAL] LOTS. A cemetery
14 [THE] association or nonprofit cemetery corporation may adopt [RULES
15 AND] regulations they consider expedient for disposing of and convey-
16 ing cemetery [BURIAL] lots.

17 * Sec. 7. AS 10.30.110 is amended to read:

18 Sec. 10.30.110. SALE OF UNSUITABLE LAND [LANDS]. The trustees
19 of a cemetery association or nonprofit cemetery corporation may,
20 whenever in their opinion a portion of cemetery land is unsuitable for
21 burial purposes, sell the portion and apply the proceeds to the gen-
22 eral purposes of the association or corporation.

23 * Sec. 8. AS 10.30.120 is amended to read:

24 Sec. 10.30.120. PURPOSE OF SALE BY LOTS, AND EXEMPTIONS. Ceme-
25 tery [BURIAL] lots sold by a cemetery [THE] association or a nonprofit
26 cemetery corporation are for the sole purpose of interment and are
27 exempt from taxation, execution, attachment, or any other claim, lien,
28 or process, if used exclusively for burial purposes without an inten-
29 tion to obtain a profit.

1 * Sec. 9. AS 10.30.130 is amended to read:

2 Sec. 10.30.130. PLANS OF GROUNDS AND CEMETERY LOTS. A cemetery
3 association or nonprofit cemetery corporation shall have a plan of its
4 [THEIR] grounds and cemetery lots as laid out [BY THEM] made and
5 recorded in a book kept for that purpose by the clerk of the associa-
6 tion or the secretary of the corporation. The cemetery lots shall be
7 numbered by consecutive numbers.

8 * Sec. 10. AS. 10.30.140 is amended to read:

9 Sec. 10.30.140. MAINTENANCE OF CEMETERY LAND. A cemetery asso-
10 ciation or nonprofit cemetery corporation may enclose, improve, and
11 adorn the grounds and avenues, erect buildings for the use of the
12 association or corporation, prescribe rules for the designation and
13 adornment of cemetery lots and for erecting monuments in the cemetery,
14 and prohibit any use, division, improvement, or adornment of a ceme-
15 tery lot that the association or corporation considers [WHICH THEY
16 CONSIDER] improper.

17 * Sec. 11. AS 10.30.150 is amended to read:

18 Sec. 10.30.150. ANNUAL FINANCIAL STATEMENT. An annual statement
19 of the financial affairs of a cemetery [THE] association or a nonpro-
20 fit cemetery corporation shall be made by the clerk of the association
21 or the secretary of the corporation.

22 * Sec. 12. AS 10.30 is amended by adding a new section read:

23 Sec. 10.30.155. DEFINITION. In this chapter, "cemetery lot"
24 means a lot, plot, space, grave, niche, mausoleum, crypt, vault or
25 columbarium, used or intended to be used for the interment of human
26 remains.

27 * Sec. 13. AS 45.50.561 is amended by adding a new paragraph to read:

28 (9) "cemetery lot" means a lot, plot, space, grave, niche,
29 mausoleum, crypt, vault or columbarium, used or intended to be used

1 for the interment of human remains.

2 * Sec. 14. This Act applies to all assets and funds, including an
3 irreducible fund, in the possession or control of a cemetery association or
4 nonprofit cemetery corporation on the effective date of this Act. This Act
5 does not impair or abrogate any obligation of a cemetery association or
6 nonprofit cemetery corporation under a contract entered into before the
7 effective date of this Act.

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Referred: Rules

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1 IN THE SENATE

BY THE FINANCE COMMITTEE

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CS FOR SENATE BILL NO. 481 (Finance)

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to cemetery associations, nonprofit
cemetery corporations and cemetery lots."

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

9

* Section 1. AS 10.30 is amended by adding a new section to read:

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Sec. 10.30.055. FORMATION OF NONPROFIT CEMETERY CORPORATION. As

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an alternative to the provisions of AS 10.30.010 - 10.30.050, a ceme-

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tery may be incorporated under AS 10.20. A nonprofit cemetery corpo-

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ration is subject to the provisions of AS 10.20 except to the extent

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relating to cemetery corporations.

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* Sec. 2. AS 10.30.060 is amended to read:

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Sec. 10.30.060. POWER TO ACQUIRE AND DISPOSE OF LANDS, AND

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EXEMPTION FROM EXECUTION, TAXATION AND PUBLIC APPROPRIATION. A ceme-

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tery association or nonprofit cemetery corporation may buy or take by

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gift or devise, and hold, land not exceeding 80 acres, for the sole

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purpose of a cemetery. The land is exempt from execution, and from

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any appropriation to public purposes, and from taxation if intended to

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be used exclusively for burial purposes and in no way for the profit

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of the members of the association or trustees, officers or employees

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of the corporation.

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* Sec. 3. AS 10.30.070 is amended to read:

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Sec. 10.30.070. CREATION OF IRREDUCIBLE FUND. A cemetery [THE]

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1 cemetery lots and [,] donations [, AND OTHER SOURCES OF REVENUE]
2 constitutes an irreducible fund, which may be invested in the manner
3 or loaned upon the securities the association or corporation considers
4 [THE TRUSTEES CONSIDER] proper. The interest or income from the
5 irreducible fund provided for in a [ANY] bylaw, or as much as may be
6 necessary, shall be devoted exclusively to (1) the preservation and
7 embellishment of the grounds, buildings and property of the associa-
8 tion or corporation that are related to the operation of a cemetery;
9 (2) the preservation and embellishment of cemetery lots and space in
10 buildings or on grounds sold to the association or corporation that
11 are related to the operation of a cemetery; or (3) the payment of
12 interest and principal of debts authorized by the association or
13 corporation for the purchase of land or equipment or for the
14 construction or improvement of buildings that are related to the
15 operation of a cemetery. Where a bylaw has been enacted for the
16 creation of an irreducible fund, the percentage stated in the bylaw
17 [IT] may not be reduced [AMENDED EXCEPT FOR THE PURPOSE OF INCREASING
18 THE FUND].

19 * Sec. 4. AS 10.30.080 is amended to read:

20 Sec. 10.30.080. DISPOSITION OF INCOME FROM CEMETERY LAND. After
21 paying for the land, the future receipts and income of a cemetery
22 [THE] association or nonprofit cemetery corporation, subject to the
23 creation of an irreducible fund, whether from the sale of lots, from
24 donations, rents, or otherwise, shall be applied exclusively to laying
25 out, preserving, protecting, and embellishing the cemetery and the
26 avenues leading to it, the erection of buildings necessary or conven-
27 ient for the cemetery purpose, and to paying the necessary expenses of
28 the association or corporation.

29 * Sec. 5. AS 10.30.090 is amended to read:

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1 Sec. 10.30.090. DEBTS OF ASSOCIATION. A cemetery association or
2 nonprofit cemetery corporation may [NOT] contract debts in
3 anticipation of future receipts[, EXCEPT] for the original purchase of
4 cemetery land, the laying out and embellishment of the grounds and
5 avenues of the cemetery, the construction and repair of a building,
6 mau_oleum or columbarium, the purchase or lease of necessary equip-
7 ment, or other cemetery purposes, for which debts the association or
8 corporation may issue bonds or notes. An [THE] association or corpo-
9 ration may secure these debts by mortgage upon its lands, except ceme-
10 tery lots that [WHICH] have been conveyed to the members of the asso-
11 ciation or to trustees, officers or employees of the corporation, or
12 by a security interest in not more than 50 percent of the irreducible
13 fund.

14 * Sec. 6. AS 10.30.100 is amended to read:

15 Sec. 10.30.100. TRANSFER OF CEMETERY [BURIAL] LOTS. A cemetery
16 [THE] association or nonprofit cemetery corporation may adopt [RULES
17 AND] regulations they consider expedient for disposing of and convey-
18 ing cemetery [BURIAL] lots.

19 * Sec. 7. AS 10.30.110 is amended to read:

20 Sec. 10.30.110. SALE OF UNSUITABLE LAND [LANDS]. The trustees
21 of a cemetery association or nonprofit cemetery corporation may,
22 whenever in their opinion a portion of cemetery land is unsuitable for
23 burial purposes, sell the portion and apply the proceeds to the gen-
24 eral purposes of the association or corporation.

25 * Sec. 8. AS 10.30.120 is amended to read:

26 Sec. 10.30.120. PURPOSE OF SALE BY LOTS, AND EXEMPTIONS. Ceme-
27 tery [BURIAL] lots sold by a cemetery [THE] association or a nonprofit
28 cemetery corporation are for the sole purpose of interment and are
29 exempt from taxation, execution, attachment, or any other claim, lien,

1 or process, if used exclusively for burial purposes without an inten-
2 tion to obtain a profit.

3 * Sec. 9. AS 10.30.130 is amended to read:

4 Sec. 10.30.130. PLANS OF GROUNDS AND CEMETERY LOTS. A cemetery
5 association or nonprofit cemetery corporation shall have a plan of its
6 [THEIR] grounds and cemetery lots as laid out [BY THEM] made and
7 recorded in a book kept for that purpose by the clerk of the associa-
8 tion or the secretary of the corporation. The cemetery lots shall be
9 numbered by consecutive numbers.

10 * Sec. 10. AS. 10.30.140 is amended to read:

11 Sec. 10.30.140. MAINTENANCE OF CEMETERY LAND. A cemetery asso-
12 ciation or nonprofit cemetery corporation may enclose, improve, and
13 adorn the grounds and avenues, erect buildings for the use of the
14 association or corporation, prescribe rules for the designation and
15 adornment of cemetery lots and for erecting monuments in the cemetery,
16 and prohibit any use, division, improvement, or adornment of a ceme-
17 tery lot that the association or corporation considers [WHICH THEY
18 CONSIDER] improper.

19 * Sec. 11. AS 10.30.150 is amended to read:

20 Sec. 10.30.150. ANNUAL FINANCIAL STATEMENT. An annual statement
21 of the financial affairs of a cemetery [THE] association or a nonpro-
22 fit cemetery corporation shall be made by the clerk of the association
23 or the secretary of the corporation.

24 * Sec. 12. AS 10.30 is amended by adding a new section read:

25 Sec. 10.30.155. DEFINITION. In this chapter, "cemetery lot"
26 means a lot, plot, space, grave, niche, mausoleum, crypt, vault or
27 columbarium, used or intended to be used for the interment of human
28 remains.

29 * Sec. 13. AS 45.50.561 is amended by adding a new paragraph to read:

1 (9) "cemetery lot" means a lot, plot, space, grave, niche,
2 mausoleum, crypt, vault or columbarium, used or intended to be used
3 for the interment of human remains.

4 * Sec. 14. This Act applies to all assets and funds, including an
5 irreducible fund, in the possession or control of a cemetery association or
6 nonprofit cemetery corporation on the effective date of this Act. This Act
7 does not impair or abrogate any obligation of a cemetery association or
8 nonprofit cemetery corporation under a contract entered into before the
9 effective date of this Act.

SB 481 TITLE & SPONSOR SUMMARY

16:42 6/04/84 PAGE 1 OF 3

RENDED TITLE: CSSE 481(FIN)
AN ACT RELATING TO CEMETERY ASSOCIATIONS, NONPROFIT CEMETERY
CORPORATIONS AND CEMETERY LOTS

GENERAL DOLLARS: 40 (F. NOTE)

PRIME SPONSOR: KERTTULA.

OTHER DOLLARS: \$0

CO-SPONSORS:

CURRENT STATUS: 5/26/84 TRANSM TO GOVERNOR

SB 481 SENATE ACTION

16:42 6/04/84 PAGE 2 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
02/13/84	01	2048	FIRST READING -- COMMITTEE REPORTS
03/19/84	02	2389	L&C -- CS04, NR01
03/19/84	03	2389	L&C F/NOTE EQUALS ZERO
05/11/84	04	3048	FIN -- CS06
05/18/84	05	3154	RLS -- FIN CS04, OTHER04 TAKEN UP IMMEDIATELY
05/18/84	06	3154	SECOND READING
05/18/84	07	3154	FIN CS ADOPTED BY UNAN CONSENT
05/18/84	08	3154	ADVANCED TO 3RD READING BY UNAN CONSENT
05/18/84	09	3154	THIRD READING
05/18/84	10	3154	PASSED BY DIV 17-00-03
05/26/84	17	3302	TRANSMITTED TO GOVERNOR
XXXX	XX	XX	XXX XXX XXX

SB 481 HOUSE ACTION

16:42 6/04/84 PAGE 3 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
05/19/84	11	3927	FIRST READING -- COMMITTEE REPORTS
05/22/84	12	3762	L&C -- DP06
05/24/84	13	4015	SECOND READING
05/24/84	14	4015	ADVANCED TO 3RD READING BY UNAN CONSENT
05/24/84	15	4015	THIRD READING
05/24/84	16	4015	PASSED BY DIV 36-00-04
XXXX	XX	XX	XXX XXX XXX

SB 481

THE ~~LEGISLATION PRESENTLY BEFORE THE SENATE~~ WILL MODERNIZE AND CLARIFY THE 1949 NONPROFIT CEMETERY ASSOCIATION STATUTE PRESENTLY IN EFFECT. THE BILL WOULD ALLOW NONPROFIT CEMETERY ASSOCIATIONS TO BE INCORPORATED AS NONPROFIT CORPORATIONS.

NONPROFIT CEMETERY ASSOCIATIONS OR CORPORATIONS WOULD HAVE MORE FLEXIBILITY IN HOW TO INVEST THE MONIES IN ITS IRREDUCIBLE FUND, HOW TO SPEND ITS OTHER REVENUES, AND HOW AND FOR WHAT PURPOSES IT MAY CONTRACT DEBTS.

UNDER THE CURRENT STATUTE, THE WAY TO FINANCE CONSTRUCTION IS BY SELLING ASSETS WHICH IN MOST CASES IS NOT FEASIBLE.

THIS LEGISLATION IS SUPPORTED BY THE DEPARTMENT OF COMMERCE AND HAS A ZERO FISCAL NOTE.

I RECOMMEND PASSAGE OF THIS LEGISLATION.

FURTHER INFORMATION

1) THE CHANGES ADDED BY LABOR AND COMMERCE WERE RECOMMENDED BY CONSUMER PROTECTION.

SECTION 14 WAS ADDED TO INSURE THAT THE CEMETERY ASSOCIATION IS NOT LEFT WITH AN UNWORKABLE DIVISION AMONG ALL ITS ASSETS: THOSE ASSETS COVERED BY THE PRIOR LAW AND THOSE ASSETS COVERED BY THE BILL'S AMENDMENTS. THIS IS NOT A RETROSPECTIVE ENACTMENT BUT REALLY A GRANT OF PROSPECTIVE POWERS TO THE ASSOCIATION OR CORPORATION TO MANAGE ALL OF ITS ASSETS IN ACCORDANCE WITH THE NEW STATUTE. (THIS SECTION WILL, OF COURSE, ALSO PROVIDE FOR ORDERLY APPLICATION OF ANY FUTURE AMENDMENTS.)

P.O. BOX 883
Palmer, AK 99645
May 7, 1984

To: Senator Bill Ray
Chairman Senate Judiciary Committee

From: Harry L. Wimmer
President of the Board
Angelus Memorial Park Cemetery and
Valley Memorial Park Cemetery

Subject: House Bill 569

Action on H.B. 569 is urgently needed. Until it passes, Angelus Memorial Park Cemetery cannot proceed with construction necessary to assure storage space for remains that must be stored until the ground thaws. It is imperative that we complete this construction before freezing.

The Municipality of Anchorage has used all of their storage space and are now using ours. This places an increasingly heavy burden on Angelus Memorial Park Cemetery. Angelus is already close to reaching their present storage capacity and the pressure for storage space is increasing as the population increases.

I know you are extremely busy with a number of very pressing matters, but if you could find a few minutes to get this bill on its way, it would help us immensely and would be greatly appreciated. Thank you.

Sincerely,

Harry L. Wimmer

Copies to:

Senator Joe Josephson
Senator Richard I. Eliason
Senator Fritz Pettyjohn
Senator Robert H. Ziegler, Sr.

SB 481 "An Act relating to cemetery associations, nonprofit cemetery corporations and cemetery lots."

The Division of Banking, Securities and Corporation does not oppose passage of SB 481 including the amendment recommended by the Consumer Protection Agency.

The bill if passed would have minimal effect on our program and would bring an old law forward into present times.



Richard A. Lyon, Commissioner

DATE:

3/16/84

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: March 21, 1984

REQUEST

Bill/Resolution No.: CSSB 481 (L&C)
Title: An act relating to Cemetary Associations

Sponsor: Senator Kerttula

Requestor: _____

Date of Request: _____

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						
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 -
REVENUE	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

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

Phone: 465-2521

Date: March 21, 1984

Approved by Commissioner: Richard A. Lyon

Agency: Commerce and Economic Development

Date: 3/22/84

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

12/1/83

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU ALASKA 99801
907-465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 8, 1984

SUBJECT: Sectional analysis of SB 481

TO: Senator Jalmar Kerttula
President of the Senate

FROM: Edward H. Hein *E.H.*
Legislative Counsel

Section 1 allows a nonprofit cemetery to incorporate under AS 10.20 as an alternative to forming as a cemetery association.

Section 2 adds clean-up provisions necessitated by section 1.

Section 3 expands to which a cemetery's endowment fund may be put to include improvement of the grounds, buildings, and lots, and the repayment of debts.

Section 4 adds clean-up provisions necessitated by section 1.

Section 5 expands a nonprofit cemetery's authority borrow money to construct and repair buildings and mausoleums, to purchase or lease equipment, and other purposes. Such debts may be secured by mortgages on the cemetery's land, except those burial lots in which association members or corporate officers, trustees, or employees have more than a one-half interest.

Sections 6 - 11 add clean-up language necessitated by section 1.

Section 12 adds a definition of the term "cemetery lot" for purposes of AS 10.30.

Section 13 adds a definition of the term "cemetery lot" for purposes of the consumer protection statutes in AS 45.50.

EHH:ojb
J4/054

SECTIONAL ANALYSIS

MEMORANDUM

State of Alaska

TO: Representative John Dowdery
Chairman, House Labor & Commerce
Committee
Pouch V
Juneau, Alaska 99811

DATE: February 15, 1984

FILE NO:

TELEPHONE NO: 279-0428

FROM: NORMAN C. GORSUCH
ATTORNEY GENERAL

SUBJECT: HB569 Nonprofit
cemetery
associations

By: *C. J. Sipe*
Connie J. Sipe
Assistant Attorney General
Chief, Consumer Protection Section
1031 W. 4th, Suite 110
Anchorage, Alaska 99501

As per the testimony at the teleconference, I suggest the committee include in its Committee Substitute on this bill the following language (as you may choose to re-draft it):

* Sec. 13. AS 10.30 is amended by adding a new section to read:

Sec. 10.30.160. EFFECT OF AMENDMENTS. As this chapter is from time to time amended, all powers or obligations granted to or imposed upon the non-profit cemetery association or non-profit cemetery corporation shall apply to all assets and funds, including the irreducible fund, in the possession or control of the association or corporation at the time of the effective date of any amendment to this chapter.

*C/S HB 569
Sec. 14*

As discussed in the hearing, such an addition is necessary so ~~that the cemetery association~~ is not left with an unworkable division among all its assets: those assets covered by the prior law and those assets covered by the bill's amendments. This is not a retrospective enactment but really a grant of prospective powers to the association or corporation to manage all of its assets in accordance with the new statute. (This section will, of course, also provide for orderly application of any future amendments.)

CJS/aw

cc Representative Joe Hayes (Jeff Day)
Representative Randy Phillips
Art Peterson, Ago/Juneau

CONSUMER PROTECTION AMENDMENT

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

Date 3/12/84

February 13, 1984
Mr. President

The Committee on LABOR AND COMMERCE considered SB 481

"An Act relating to cemetery associations, nonprofit cemetery corporations and cemetery lots."

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 SB 481(LH)
- 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

[Handwritten signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Handwritten signature]

[Handwritten signature]
Chairman

[Handwritten signature]
Chairman recommendation

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: February 14, 1984

REQUEST

Bill/Resolution No.: SB 481
Title: An Act relating to Cemetery Associations
Sponsor: Senator Kerttula
Requestor: _____
Date of Request: _____

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						
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 -
REVENUE	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

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

Phone: 465-2521

Date: 2/14/84

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

Date: 2/21/84

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

FISCAL NOTE

12/1/83

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

Bill Sheffield, Governor

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

February 3, 1984

FEB 03 1984

The Honorable Joe Hayes
Speaker of the House
Alaska State House of
Representatives
Pouch V
Juneau, AK 99811

Re: House Bill _____
relating to nonprofit
cemetery corporations

Dear Representative Hayes:

You have asked the Consumer Protection section of the Attorney General's office to review House Bill _____ regarding nonprofit cemeteries, and to inform you whether the Department of Law has any difficulties with the overall concept behind the bill, specifically whether it would pose a threat of injury to the consuming public dealing with nonprofit cemeteries in the state.

My understanding of the intent behind the bill is to modernize and clarify the 1949 Nonprofit Cemetery Association statute presently in effect. The bill would allow nonprofit cemetery associations to be incorporated as nonprofit corporations under AS 10.20 and would generally give the nonprofit cemetery association or corporation more flexibility in how it invests the monies in its irreducible fund, how it spends its other revenues and how and for what purposes it may contract debts. The crucial part of this updating was to add a definition of "cemetery lot" to include not only grave spaces but also mausoleum crypts, or crematory niches, since those items are often the preferred choice of modern consumers.

The Consumer Protection section in the Attorney General's office is not opposed to this bill and does not think that it will cause any harm to the public. If anything, the bill will allow those nonprofit cemetery associations operating in the state to better serve their own membership. Since these associations are like cooperatives, owned and controlled by the members, there is little danger of overreaching or abuse of the corporation's cemetery assets. The changes in this statute will only further the worthy purposes of the cemetery associations as