

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672

2721 SLC HB 311 - HB 315

200

ALASKA WORKMEN'S COMPENSATION RATE LEVEL HISTORY

Date of Rate Change	Total Change In Rate Level	Portion Due To Experience	Portion Due to Change In Payroll Base	Portion Due To Law Change
08-01-59	+ 6.0%	-14.6%	-	+24.1%
12-01-60	- 1.3%	- 1.4%	-	+ 0.1%
12-31-61	+ 6.2%	+ 6.2%	-	-
12-31-62	- 0.4%	- 0.7%	-	+ 0.3%
12-31-63	- 5.4%	- 5.4%	-	-
10-01-64	+15.1%	+ 9.6%	-	+ 5.0%
09-01-65	- 0.3%	- 0.3%	-	-
10-01-66	-11.8%	-13.0%	-	+ 1.4%
11-01-67	- 3.1%	- 3.1%	-	-
01-01-69	+ 7.2%	+ 4.9%	-	+ 2.2%
* 11-01-69	+ 1.6%	+ 6.1%	- 4.2%	-
10-01-70	+ 5.4%	- 1.2%	-	+ 6.7%
04-01-72	- 5.2%	- 5.2%	-	-
06-15-72	+15.8%	-	-	+15.8%
03-01-73	- 3.1%	- 3.1%	-	-
06-01-74	+34.2%	+20.7%	-	+11.2%
06-01-75	+49.9%	+10.9%	-	+35.2%
** 06-01-75	- 2.4%	-	- 2.4%	-
11-01-76	+ 3.7%	- 8.2%	-	+13.0%
02-01-77	+ 6.0%	-	-	+ 6.0%
09-01-77	-18.6%	-	-	-18.6%
03-01-78	+ 5.0%	+ 4.0%	-	+ 1.0%
* 03-01-78	- 8.2%	-	- 8.2%	-
** 06-01-78	- 0.8%	-	- 0.8%	-
10-01-78	+13.1%	+13.1%	-	-
12-01-79	+ 1.8%	- 1.5%	-	+ 3.5%
*** 04-01-80	- 5.9%	-	-	-
** 06-01-80	0.0%	-	-	-
** 01-01-81	+ 9.8%	+10.0%	- 0.8%	+ 9.6%

NOTES:

- \* The basis of premium is payroll. Effective 11-01-69, the limitation on individual payroll per week was increased from \$300 to \$400.
- \*\* Effective 06-01-75, the limitation on individual payroll per week was increased from \$400 to unlimited. A transition program, part of the filing, scheduled full implementation of the change over a period of three years, later extended to six years. Decreases in the rates were filed effective 06-01-75, 03-01-78, 06-01-78 and 01-01-81. The 06-01-80 change resulted in changes in classification relativity but not in overall premium base.
- \*\*\* The 04-01-80 change did not change the overall rate level. It did change the premium discount entry level from \$1,000 to \$5,000 thus necessitating a compensating change in rates. The expense structure within the rate was also revised.

PREPARED BY: THE ALASKA DIVISION OF INSURANCE

## STATE OF ALASKA

## AVERAGE WEEKLY WAGE AND BENEFIT HISTORY

PREPARED BY: ALASKA DIVISION OF INSURANCE  
SOURCE: RESEARCH AND ANALYSIS DIVISION

TIME PERIOD	STATE AVERAGE WEEKLY WAGE	MAXIMUM WEEKLY WAGE BENEFIT
1-1-70 to 9-30-70	185.58	113.00
9-15-70 to 1-1-71	185.58	127.00
1-1-71 to 1-1-72	202.95	127.00
1-1-72 to 6-1-72	209.08	127.00
6-1-72 to 1-1-73	209.08	175.00
1-1-73 to 1-1-74	218.90	175.00
1-1-74 to 1-1-75	226.00	175.00
1-1-75 to 5-22-75	248.34	175.00
5-22-75 to 1-1-76	248.34	198.40
1-1-76 to 1-1-77	357.59	357.59
1-1-77 to 1-1-78	414.15	554.86
1-1-78 to 1-1-79	456.09	607.85
1-1-79 to 1-1-80	392.73	654.30
1-1-80 to 1-1-81	390.00	649.74
1-1-81 to 1-1-82	429.00	838.00
1-1-82 to 1-1-83	471.00	942.00
1-1-83 to 1-1-84	498.00	996.00

§7 Ch 59 SLA 1981

The division of workers' compensation in the Department of Labor shall undertake a comprehensive study of vocational rehabilitation of injured workers to include the following topics: (1) the organizational planning for a central agency to supervise and control the sequence, timeliness, duration and quality of rehabilitative care; (2) the coordination of programs for the distribution of services with other involved agencies; (3) the determination of the relationship of the obligations of employers and employees in the rehabilitative process as well as the accountability for the performance of rehabilitation facilities; (4) the development of methods to minimize the adversary environment and create an atmosphere conducive to successful reemployment; (5) the development of reemployment programs for disabled workers; (6) the integration of workers' compensation with other programs for the disabled; and (7) a review of incentives and disincentives for employees, employers, and insurers involved in the rehabilitative process. The division of workers' compensation shall report its recommendations for legislation or administrative action by the 30th day of the Second Session of the Twelfth Legislature.

## PART 2

# BENEFITS PROVIDED

Since workers' compensation imposes an absolute (but limited) liability upon the employer for employee disabilities caused by the employment, the benefits payable to the injured employee attempt to cover most of the worker's economic loss. This loss includes both loss of earnings and extra expenses associated with the injury.

Specifically, the benefits provided are:

- **Cash benefits**, which include both impairment benefits and disability benefits. The former are paid for certain specific physical impairments, while the latter are available whenever there is an impairment and a wage loss.
- **Medical benefits**, which are usually provided without dollar or time limits. In the case of most workplace injuries, only medical benefits are provided since substantial impairment or wage loss is not involved.
- **Rehabilitation benefits**, which include both medical rehabilitation and vocational rehabilitation for those cases involving severe disabilities.

### CASH BENEFITS

In considering workers' compensation income or cash benefits—which replace employee lost income or earning capacity due to occupational injury or disease—four classifications of disability are used: (1) temporary total, (2) permanent total, (3) temporary partial, and (4) permanent partial. Permanent partial is divided into "non-scheduled" and "scheduled" disabilities.

Most cases involve temporary total disability. That is, the employee—although totally disabled during the period when benefits are payable—is expected to recover and return to employment. Permanent total disability generally indicates that the employee is regarded as totally and permanently unable to perform gainful employment.

### INCOME BENEFITS FOR PERMANENT AND TEMPORARY TOTAL DISABILITY: CHART V

Income or cash benefits payable under either temporary total or permanent total disability are shown in Chart V. For computing weekly benefit payments, a formula—expressed as a percentage of wage—is used. In most states limitations are placed on maximum and minimum benefits payable weekly; some states also limit the total number of weeks and total dollar amount of benefit eligibility. Where there is permanent total disability most states provide payments extending through the employee's lifetime.

For either temporary total or permanent total disability the wage-replacement percentage in each jurisdiction is the same. However, in permanent total disability cases the time limits tend to be longer and the total dollar amounts higher than in cases of temporary total disability. Some states provide additional amounts for dependents and other benefits. Allowances for dependents are charted as a range in the Maximum Weekly Payment and Notations columns.

### PARTIAL DISABILITY

Most awards and the preponderance of dollars paid out as income benefits are either for temporary total or permanent partial disability. As partial disabilities involve current earnings or wage-earning ability, in many states weekly benefit payments for temporary or permanent partial disabilities of the "non-scheduled" type are based on a wage-loss replacement percentage. The percentage applies to the difference between wages earned before and after injury. In some states "non-scheduled" permanent partial disabilities are compensated as a percentage of the total disability cases.

### INCOME BENEFITS FOR SCHEDULED INJURIES: CHART VI

Chart VI indicates maximum amounts payable in cases of "sched-

uled" injuries. Listed by law, these injuries involve loss—or loss of use of—specific body members, where wage loss based on nature of impairment is presumed. In most jurisdictions the actual amount payable is a specific number of weeks of benefits (based on the member involved) multiplied by the weekly benefit amount (based on earnings at time of injury).

The chart also indicates whether the "scheduled" award is in addition to any payment otherwise payable to the employee while he may be temporarily totally disabled (healing period). Some states limit the amount payable for such periods of temporary total disability.

The Canadian statutes do not provide schedules of specific injuries. Cases are decided individually using medical impairment ratings as guidelines.

### SURVIVOR BENEFITS FOR FATAL INJURIES: CHART VII

Benefits payable in the event of fatal injuries—comprising more than 14 percent of all total income benefits—are shown in Chart VII. The benefits provided include a burial allowance as well as a proportion of the worker's former weekly wages.

Although death is the ultimate work-related tragedy, the economic loss associated with death cases is often less than that of a permanent total disability. Because of these considerations, death benefits are generally paid to the spouse until remarriage and to the children until a specified age. In addition, some laws provide a maximum benefit total expressed as a maximum period for the payment of benefits.

### MEDICAL BENEFITS, WAITING PERIOD: CHART VIII

Medical Benefits—amounting to about 29 percent of all workers' compensation benefits paid—are shown in Chart VIII. In all U.S. jurisdictions and all Canadian provinces unlimited medical benefits are provided either specifically by statute or by administrative discretion.

Waiting Periods.—Statutes provide that a waiting period must elapse during which income benefits are not payable. This waiting period affects only compensation; medical and hospital care are provided immediately. If disability continues for a certain number of days or weeks, most laws provide for payment of income benefits retroactive to the date of injury. Statutory provisions for waiting periods are summarized in Chart VIII.

### REHABILITATION BENEFITS: CHART IX

Mutual interests of disabled employees and employers generally favor starting rehabilitation as soon as possible. Although rehabilitation is considered an integral part of complete medical treatment, its uses may extend beyond this (for example, where it includes vocational rehabilitation and retraining).

Specific rehabilitation provisions now in workers' compensation laws are outlined in Chart IX. However, rehabilitation is provided in all states even if unspecified in the law. Maintenance allowance amounts and special fund sources to finance rehabilitation also are indicated.

Insurance carriers and many employers having medical departments are leaders in carrying on rehabilitation for the industrially injured. Likewise, many major industries have comprehensive programs for employment of the physically handicapped. Smaller industries maintain modified programs for placement of disabled individuals in congenial tasks. All of these private programs help employees and employers alike.

The Federal Vocational Rehabilitation Act is now effective in all states; it includes federal funds to aid states in vocational rehabilitation of the industrially disabled.

CHART V

INCOME BENEFITS FOR TOTAL DISABILITY

January 1, 1982

JURISDICTION	PERCENT OF WAGES	MAXIMUM WEEKLY PAYMENT		MINIMUM WEEKLY PAYMENT		TIME LIMIT	AMOUNT LOST <sup>1</sup>	AUTOMATIC COST OF LIVING INCREASE	OFFSETS <sup>2</sup>	NOTATIONS
		AMOUNT	RATE	AMOUNT	RATE					
ALABAMA	66-23	\$161.00	66-23% SAWW	\$60.00 <sup>1</sup>	25% SAWW <sup>1</sup>	TT-300 weeks PT-Disability	TT-248,200		Social Security	Annual increase in maximum effective July 1. <sup>3</sup>
ALASKA	66-23	942.00	200% SAWW	65.00 <sup>1</sup>		Disability			Social Security	Annual increase in maximum effective January 1. <sup>3</sup>
AMERICAN SAMOA	66-23					Disability				Compensation increased 10% if replacement wages are not updated after 14 days, 20% if replacement wages are not updated after 10 days.
ARIZONA	66-23	203.64				TT-Disability PT-U/S				Benefits payable monthly. Additional \$10 monthly if 1 or more total dependents, not subject to maximum.
ARIZONA	66-23	140.00 <sup>1</sup>		15.00		TT-150 weeks PT-Disability	TT-63,000 <sup>1</sup>		Unemployment compensation	15% penalty for employer's violation of safety laws. Payable to Second Injury Fund. <sup>4</sup>
CALIFORNIA	66-23	173.00		43.00		TT-Disability PT-U/S		TT-after 2 years		Additional \$70 weekly during rehabilitation. 50% increased compensation up to \$10,000 if injury due to employer's serious, willful misconduct.
COLORADO	66-23	251.00	60% SAWW			TT-Disability PT-U/S		October 1	Social Security	Annual increase in maximum effective July 1. Compensation increased 50% if employer failed to comply with insurance provisions. Compensation decreased 50% if injury results from worker's failure to obey safety regulations or from intoxication.
CONNECTICUT	66-23	310.00 to 465.00	100% SAWW	20.00		Disability				Annual increase in maximum effective October 1. Additional \$10 weekly per dependent child under 18, maximum 50% of basic benefit or 75% of wage (whichever is less). Compensation increased to 75% of wages if employer violated OSHA regulation. <sup>5</sup>
DELAWARE	66-23	114.81	60-23% SAWW	64.94 <sup>1</sup>	22-23% SAWW <sup>1</sup>	Disability				Annual increase in maximum effective June 1.
DISTRICT OF COLUMBIA <sup>6</sup>	66-23 up to comparable average <sup>7</sup>	394.78 <sup>1</sup>	100% SAWW <sup>1</sup>	99.20 <sup>1</sup>	25% SAWW <sup>1</sup>	Disability		PT-October 1, maximum 5% <sup>8</sup>		Annual increase in maximum effective October 1. <sup>3</sup>
FLORIDA	66-23	253.00	100% SAWW	20.00		TT-350 weeks PT-Disability	TT-548,550		Unemployment compensation, Social Security	Annual increase in maximum effective January 1. Compensation increased 10% if replacement wages are not updated after 14 days.
GEORGIA	66-23	119.20 <sup>1</sup>		25.00 <sup>1</sup>		Disability				Board may assess \$500 penalty for refusal, unreasonable delay, or willful neglect to make payment. <sup>9</sup>
ILLINOIS	66-23	54.00		28.00 <sup>1</sup>		Disability	20,000			Compensation increased 10% for late payment without award, 20% if award.
INDIANA	66-23	252.00	100% SAWW	TT-63.00 <sup>1</sup> PT-63.00 <sup>1</sup>	TT-25% SAWW <sup>1</sup> PT-25% SAWW <sup>1</sup>	Disability		PT-reviews prior to June 16, 1980		Annual increase in maximum effective January 1. Compensation may be increased 10% for failure to pay within 31 days after decision or award, or within 10 business days for unapproved temporary total disability claim.
IOWA	60	217.00 to 202.50	90% SAWW	108.00	45% SAWW	Disability		After 52 weeks		Annual increase in maximum effective January 1. For first 52 weeks benefit is 60% of worker's wages if there are no dependent children under 18, after 52 weeks benefit is 60% of SAWW. Benefit is increased 7% of SAWW per dependent child (up to 3), but may not exceed 90% of wages. <sup>4</sup>
KANSAS	66-23	403.12	133-113% SAWW	TT-101.00 <sup>1</sup> PT-11.17 <sup>1</sup>	PT-50% SAWW	TT-Disability PT-U/S		PT-July 15 of 2nd year		Annual increase in maximum effective January 15 and July 15. <sup>3</sup>
KENTUCKY	66-23	140.00		50.00 <sup>1</sup>		500 weeks	70,000			After 500 weeks, additional benefits are payable from second injury fund in 150-week increments. <sup>4</sup>
KY	60% of comparable average	501.00	200% SAWW	( )		Disability				Annual increase in maximum effective July 1.
KY	66-23	187.00	75% SAWW	25.00		Disability	TT-75,000 PT-100,000 (includes TT)			Annual increase in maximum effective July 1. Compensation may be increased up to \$100 per week plus due (plus up to \$25 per week plus due for failure to pay medical bill).
KY	66-23	254.33	100% SAWW	50.81 <sup>1</sup>	20% SAWW <sup>1</sup>	Disability				Annual increase in maximum effective January 1. Compensation increased or decreased 15% if injury caused by safety violation. Late payment penalty is 8% per year.
LOUISIANA	66-23	183.00	66-23% SAWW	53.00 <sup>1</sup>	20% SAWW <sup>1</sup>	Disability			PT-Social Security	Annual increase in maximum effective September 1.

<sup>1</sup>Actual weekly wage if less, but no less than \$38.

<sup>2</sup>Amounts known in each state have been calculated.

<sup>3</sup>Social Security offset generally apply by formula up to 50% of basic benefit.

<sup>4</sup>Also, Compensation may be increased up to 10% for failure to pay within 31 days after claim.

<sup>5</sup>Effective 3/1/81, Maximum increases to \$154 and amount limit increased to \$68,200 effective 3/1/82. Amounts over \$73,000 are payable from Death and Permanent Total Disability Data Fund.

<sup>6</sup>Compensation increased 30% if unpaid 30 days after award.

<sup>7</sup>Compensation increased 15% if not paid within 14 days unless claimant covered or Board assesses. Awarded benefits increased 20% if not paid within 20 days unless Board grants review.

<sup>8</sup>Effective 7/1/81.

<sup>9</sup>Compensation increased 20% if not paid within 20 days unless claimant covered or Board assesses. Awarded benefits increased 20% if not paid within 20 days unless Board grants review.

Notes: <sup>1</sup>Actual weekly wage if less, but no less than \$38.

<sup>2</sup>Also, 20% interest on late payments.

<sup>3</sup>Maximum TT benefit is \$100.00 if unmarried and multiple up to \$124.00 if 4 or more dependents. In all cases dependent increase actual weekly wage if less.

<sup>4</sup>TT benefits may be increased \$10 per day, up to \$2,500, for unreasonable delay in payment; 14 days is presumed unreasonable. Compensation may be increased 50% for unreasonable or excessive delay in payments.

Compensation may be increased 25% for employer's willful violation of safety standard.

<sup>5</sup>Also, Award is increased 5% if employer loses an court appeal; court may increase to 10%.

<sup>6</sup>Also, Maximum weekly wage is 25% of SAWW (= \$47.68); benefits determined by worker's last salary.

<sup>7</sup>8% of AWW during rehabilitation.

CHART V □ INCOME BENEFITS FOR TOTAL DISABILITY □ January 1, 1982 (continued)

JURISDICTION	PERCENT OF WAGES	MAXIMUM WEEKLY PAYMENT		MINIMUM WEEKLY PAYMENT		TIME LIMIT	AMOUNT LIMIT <sup>2</sup>	AUTOMATIC COST OF LIVING INCREASE	OFFSETS <sup>3</sup>	NOTATIONS
		AMOUNT	RATE	AMOUNT	RATE					
MAINE	66-23	\$367.25	166-2/3% SAWW	\$63.00		Disability		July 1	Unemployment compensation	Annual increase in maximum effective July 1. Compensation may be increased 10% for failure to pay uncontested claim within 10 days.
MARYLAND	66-23	297.00	100% SAWW	TT—50.00 <sup>1</sup> PT—25.00 <sup>1</sup>		Disability		(-)		Annual increase in maximum effective January 1. If permanent disability exceeds 50% of whole body, worker receives additional or pension from Subsequent Injury Fund if completion of payments by employer.
MASSACHUSETTS	66-23	251.93	100% SAWW	40.00 <sup>2</sup>		Disability	TT—147,483 <sup>2</sup>			Annual increase in maximum effective October 1. Additional \$8 weekly per dependent if total benefit does not exceed \$150 or 100% of wages. <sup>2</sup>
MICHIGAN	80% of spendable earnings	300.00	90% SAWW			Disability <sup>1</sup>		PT (injury prior to 1/1/82)	Disability, pension, Social Security retirement	Annual increase in maximum effective January 1. Additional \$53 per day for award unpaid after 30 days, maximum \$1,500.
MINNESOTA	66-23	287.00	100% SAWW	133.50 <sup>1</sup>	50% SAWW <sup>1</sup>	Disability		October 1	Social Security after \$25,000 paid <sup>2</sup>	Annual increase in maximum effective October 1. Late payment increased 10% if irretrievably delayed, plus 12% interest.
MISSISSIPPI	66-23	112.00 <sup>2</sup>		25.00		450 weeks	50,400 <sup>2</sup>			Additional rehabilitation allowance up to \$10 weekly for 52 weeks.
MISSOURI	66-23	174.00 <sup>2</sup>	66-2/3% SAWW	40.00		TT—400 weeks PT—Life	TT—68,600			Annual increase in maximum effective July 1. 6% interest for late payments. <sup>2</sup>
MONTANA	66-23	241.00	100% SAWW			Disability <sup>1</sup>			Social Security	Annual increase in maximum effective July 1. Compensation may be increased 20% for period payment is unreasonably delayed or refused.
NEBRASKA	66-23	180.00		49.00 <sup>1</sup>		Disability				
NEVADA	66-23	269.99	100% SAWW			TT—Disability PT—Life			Social Security	Benefits payable monthly. Annual increase in maximum effective July 1.
NEW HAMPSHIRE	66-23 <sup>1</sup>	234.00	100% SAWW	30.00 <sup>2</sup>		Disability <sup>2</sup>		July 1		Annual increase in maximum effective July 1. Double compensation if employer violated prior recorded safety standard.
NEW JERSEY	70	217.00	75% SAWW	58.00	27% SAWW	TT—400 weeks PT—Life	TT—88,800		Social Security	Annual increase in maximum effective January 1. After 453 weeks at reduced rate if employed; at full rate if not able to be rehabilitated.
NEW MEXICO	66-23	246.44	100% SAWW	38.00 <sup>1</sup>		600 weeks	147,634			Annual increase in maximum effective January 1. 10% additional compensation payable by employer for failure to provide safety devices.
NEW YORK	66-23	215.00		TT—20.00 <sup>1</sup> PT—30.00 <sup>1</sup>		Disability				Persons receiving PT benefits may collect full compensation and wages if working, but not in excess of pre-injury wage.
NORTH CAROLINA	66-23	228.00	100% SAWW	23.00		TT—Disability PT—Life				Annual increase in maximum effective January 1.
NORTH DAKOTA	66-23	233.00 plus dependents	100% SAWW	128.00 <sup>1</sup>	60% SAWW <sup>1</sup>	Disability			Social Security	Annual increase in maximum effective July 1. Additional \$5 weekly per dependent child under 18; total benefit not subject to maximum, but may not exceed pre-injury amount plus wages.
OHIO	72—first 12 weeks 66-23—after 12 weeks	276.00	100% SAWW	TT—92.33 <sup>1</sup> PT—149.00 <sup>1</sup>	TT—33-1/3% SAWW <sup>1</sup> PT—50% SAWW <sup>1</sup>	TT—Disability <sup>1</sup> PT—Life				Annual increase in maximum effective January 1; if PT benefit plus Social Security is less than \$144.80 weekly, Disabled Workers Relief Fund pays difference; amount increased annually by increase in Consumer Price Index.
OKLAHOMA	66-23	173.00	66-2/3% SAWW	30.00 <sup>1</sup>		TT—300 weeks PT—Disability	TT—32,500			Annual increase in maximum effective October 1. TT may be extended to 500 weeks.
OREGON	66-23	259.88 to 311.86	100% SAWW	50.00 <sup>2</sup>		Disability			PT—Social Security	Annual increase in maximum effective July 1. Additional \$5 weekly per dependent (up to 5). <sup>2</sup>
PENNSYLVANIA	66-23	254.00	100% SAWW	142.00 <sup>2</sup>	50% SAWW <sup>2</sup>	Disability				Annual increase in maximum effective January 1.
PUERTO RICO	66-23	TT—45.00 PT—31.25		TT—10.00 PT—12.50		TT—312 weeks PT—Life	TT—14,040 PT—\$18,300			Compensation doubled if due to employer's violation of safety or health law or regulation.
RHODE ISLAND	66-23	238.00 to 283.80	100% SAWW	30.00		Disability				Annual increase in maximum effective September 1. Additional \$8 per dependent child under 18; total benefit may not exceed 80% of pre-injury wages. <sup>2</sup>
SOUTH CAROLINA	66-23	235.00	100% SAWW	25.00		500 weeks	117,500			Annual increase in maximum effective January 1.
SOUTH DAKOTA	66-23	204.00	100% SAWW	104.00 <sup>1</sup>	50% SAWW <sup>1</sup>	TT—Disability PT—Life				Annual increase in maximum effective July 1.
TENNESSEE	66-23	128.00 <sup>2</sup>		15.00		TT—Disability PT—550 weeks <sup>2</sup>	50,400			After 400 weeks PT benefit is reduced to \$18.

Maine: "Carrier may be assessed up to \$25 per day for failure to pay award within 10 days. Added benefits during rehabilitation—\$33 weekly.

Md. "Benefits increased October 1 for persons injured any time during July 1, 1963, through June 30, 1978, and receiving PT benefits in July, 1973.

Mass. "Actual wages if less, but no less than \$20 if working at least 18 hours a week.

"2/3 times SAWW; includes permanent partial disability.

"Double compensation if injury due to employer's serious and willful misconduct. If no benefits are paid prior to final decision of claim, award is based on benefits in effect at time of decision instead of date of injury.

Mich. "Conclusive presumption of PT disability does not extend beyond 800 weeks from injury; thereafter determined in accordance with facts.

Minn. "Actual wages if less, but no less than 20% of SAWW; \$53.40 through 9-30-82. After 104 weeks' total disability, supplementary benefits bring compensation to 65% of SAWW; \$173.58 through 9-30-82.

"Government disability benefits from same injury also offset.

Miss. "Effective 7/1/81.

Mt. "Compensation increased 15% if injury caused by failure to comply with statute of order, decreased 15% if caused by worker's failure to use safety device.

Mont. "Compensation terminates upon receipt of Social Security retirement benefits.

N.H. "If wage is less than \$30, benefit is actual wage; if wage \$30-\$35, benefit is \$30; if wage \$35-\$40, benefit is \$32; benefit increases in \$1 increments per \$5 wage up to \$135; if wage \$135-\$150, benefit is \$37; if wage is over \$150, benefit is 66-2/3% of wage up to maximum.

"After six successive years of payment, additional payments may be made only on order of the commissioner upon application by the employee and to the employer; if employer agrees, a medical panel is provided for.

Ohio "After 300 weeks' payment determined to determine if disability is permanent.

Ore. "20% of actual wages if less.

"Employer may be sued for damages for failure to comply with posted notice of violation of safety code.

Pt. "Actual wages if less, but no less than 33-1/3% of SAWW.

R.I. "No compensation for PT disability if worker is earning pre-injury wages.

Tenn. "Effective July 1, 1981.

"Post date injury is determined to be permanent.

CHART V □ INCOME BENEFITS FOR TOTAL DISABILITY □ January 1, 1982 (continued)

JURISDICTION	PERCENT OF WAGES	MAXIMUM WEEKLY PAYMENT		MINIMUM WEEKLY PAYMENT		TIME LIMIT	AMOUNT LIMIT <sup>2</sup>	AUTOMATIC COST OF LIVING INCREASE	OFFSETS <sup>3</sup>	NOTATIONS
		AMOUNT	RATE	AMOUNT	RATE					
TEXAS	66-2/3	\$154.00		\$23.00		TT—401 weeks PT—Life <sup>4</sup>	\$61,754			Annual increase in maximum effective September 1. <sup>5</sup>
UTAH	66-2/3	TT—258.00 PT—218.00	TT—100% SAWW PT—85% SAWW	45.00 <sup>1</sup>		Disability <sup>6</sup>				An. inc. increase in maximum effective July 1. Additional \$5 if spouse, plus \$5 per dependent child under 18 (up to 4); total benefit may not exceed maximum. <sup>7</sup>
Vermont	66-2/3	225.00 to 337.50	100% SAWW	112.50 <sup>1</sup>	50% SAWW <sup>1</sup>	TT—Disability PT—300 weeks <sup>8</sup>	PT—74,250 <sup>9</sup>	July 1		Annual increase in maximum effective July 1. Additional \$3 per dependent child under 21; total benefits may not exceed pre-injury wages. <sup>10</sup>
Virgin Islands	66-2/3	TT—139.00 <sup>11</sup> PT—123.10 <sup>12</sup>	TT—100% SAWW <sup>13</sup> PT—90% SAWW <sup>14</sup>	60.00 <sup>15</sup>		Disability		After 2 years on January 1		Annual increase in maximum effective January 1. Total disability benefits begin after medical and vocational rehabilitation and. Compensation increased 15% for injury caused by employer's failure to obey safety order. <sup>16</sup>
VIRGINIA	66-2/3	231.00	100% SAWW	57.75 <sup>1</sup>	25% SAWW <sup>1</sup>	TT—500 weeks PT—Disability <sup>17</sup>	TT—112,500	October 1 <sup>18</sup>		Annual increase in maximum effective July 1. Compensation increased 20% for failure to pay within 2 weeks after due. <sup>19</sup>
WASHINGTON	80	223.11	75% SAWW	42.69 <sup>1</sup>		Disability		July 1	Social Security under age 62	Benefits payable monthly. Annual increase in maximum effective July 1. Additional 5% of wages for spouse, plus 2% of wages per dependent child (up to \$1, up to maximum). <sup>20</sup>
WEST VIRGINIA	70	278.25	100% SAWW	92.10	33-1/3% SAWW	TT—208 weeks PT—Life	TT—57,468			Annual increase in maximum effective July 1.
WISCONSIN	66-2/3	292.00	100% SAWW	30.00		TT—Disability PT—Life			Social Security	Annual increase in maximum effective January 1. <sup>21</sup>
WYOMING	TT—66-2/3	TT—415.68 PT—277.12 plus dependents	TT—100% SAWW PT—66-2/3% SAWW	TT—43.33 PT—277.12	PT—66-2/3% SAWW	TT—Disability PT—Life	(-)			Benefits payable monthly. Quarterly increases in maximum effective January 1, April 1, July 1, and October 1. PT benefit based at 66-2/3% of SAWW plus lump sum per child calculated at \$60 per month until age 18 (21 if invalid). <sup>22</sup>
P.E.C.A.	66-2/3	737.18 to 822.33	75% of highest rate for GS-15	155.30 <sup>1</sup>	75% of lowest rate for GS-2 <sup>1</sup>	TT—Disability PT—Life		October 1		Benefits payable monthly. Increase maximum effective 1/1/82, increase in minimum effective 10/4/81. Additional 6-1/3% of AWW payable if 1 or more dependent. <sup>23</sup>
LONGSHORE ACT	66-2/3	426.70 <sup>24</sup>	200% NAWW <sup>25</sup>	114.06 <sup>15</sup>	50% NAWW <sup>15</sup>	Disability		PT—October 1		Annual increase in maximum effective October 1.
ALBERTA	90% of weighted net income	492.21		TT—141.53 <sup>1</sup> PT—141.53		TT—Disability PT—Life				PT payable monthly. Maximum annual earnings at 150% of provincial average industrial earnings (\$40,000). Annual increase in maximum effective January 1. <sup>26</sup>
BRITISH COLUMBIA	75	358.25		149.80 <sup>1</sup>		TT—Disability PT—Life		January 1 and July 1	Canada Pension	PT payable monthly. Maximum annual earnings \$24,700. Annual increase in maximum effective January 1. <sup>27</sup>
MANITOBA	75	331.73		TT—109.62 <sup>1</sup> PT—109.62		TT—Disability PT—Life			Canada Pension	PT payable monthly. Maximum annual earnings \$23,000. Annual increase in maximum effective January 1. <sup>28</sup>
NEW BRUNSWICK	90% of weighted net income	304.78 to 341.17 <sup>29</sup>		TT— 90.00 <sup>1</sup> PT—115.38		TT—Disability PT—Life				PT payable monthly. Maximum annual earnings at 150% of provincial average industrial earnings (\$23,200). Annual increase in maximum effective January 1. <sup>30</sup>
NEWFOUNDLAND	75 <sup>31</sup>	302.88		TT—122.40 <sup>1</sup> PT—122.40		TT—Disability PT—Life				PT payable monthly. Maximum annual earnings \$21,000, effective 1/1/81. Board may raise compensation as it deems equitable. <sup>32</sup>
NORTHWEST TERRITORIES	75	334.62		147.23 <sup>1</sup>		TT—Disability PT—Life				Benefits payable monthly. Maximum annual earnings \$20,400, effective 1/1/81. <sup>33</sup>
NOVA SCOTIA	75	274.04 plus dependents		99.00 <sup>15</sup>		TT—Disability PT—Life		PT—January 1		PT payable monthly. Maximum annual earnings \$19,000, effective 1/1/82. Additional \$23.02 weekly per child; total benefit may exceed maximum. <sup>34</sup>
ONTARIO	75	320.12		158.00 <sup>1</sup>		TT—Disability PT—Life		TT—after 12 months		PT payable monthly. Maximum annual earnings \$22,200, effective July 1, 1981. <sup>35</sup>
PRINCE EDWARD ISLAND	75	216.34		60.00 <sup>1</sup>		TT—Disability PT—Life				Maximum annual earnings \$15,000, effective April 1, 1980. <sup>36</sup>
QUEBEC	90% of weighted net income	309.66 to 346.12		35.00 <sup>1</sup>		TT—Disability PT—Life		January 1		Maximum annual earnings is 30% of provincial average industrial earnings (\$28,000). Annual increase in maximum effective January 1. <sup>37</sup>
SASKATCHEWAN	75	375.00		120.66 <sup>1</sup>		TT—Disability PT—Life			Canada Pension after 1 year	PT payable monthly. Maximum annual earnings \$26,000, effective 1/1/82. After 2 years disability, an amount equal to 10% of compensation is set aside to purchase annuity for benefits after age 65. <sup>38</sup>
YUKON TERRITORY	75	345.21		( <sup>1</sup> )		TT—Disability PT—Life		January 1		Maximum annual earnings \$24,000. Annual increase in maximum effective January 1. <sup>39</sup>
CANADIAN MERCHANT SEAMEN'S ACT	75	245.19		90.00		TT—Disability PT—Life				Benefits payable monthly. Maximum annual earnings \$17,000. Gov.-in-Council may raise benefits to level paid in maritime provinces. <sup>40</sup>

Texas "In case of amputation or loss of two limbs, loss of vision in both eyes, or permanent insanity. <sup>1</sup>Maximum increased \$7 and minimum increased \$1 per \$10 increase in SAWW.

Utah "Disability beyond 312 weeks is payable from Second Injury Fund, minimum \$100 weekly.

Vt. "From date disability is determined to be permanent.

"Benefits may be disability if injury results from worker's failure to use safety device.

Vt. "During vocational rehabilitation, income benefits are 75% of AWW, maximum SAWW, minimum 87% of actual wages if less. 1982 data not available in time for publication.

Va. "300-week limit for certain PT cases.

"Threshold of Social Security eligible for cost of living non-acc.

Wa. "Plus \$4.53 for first child, \$7.19 for second child, \$5.30 each for third through fifth children, and \$4.92 for spouse.

"30% penalty payable to Accident Fund for dependent children, minimum is amount of death benefit payable to spouse first receipt.

Wa. "Compensation may be adjusted up or down by 15% (up to \$10,000) for failure to use safety device or obey code of order, 10% interest payable on late payments. Employer, insurer, or both may be assessed penalty up to double the amount of compensation (not to exceed \$13,000) for bad faith failure to make payments.

Wyo. "Court must approve PT payments after \$75,000 (257 times 66-2/3% SAWW).

Longshore "For Non-appropriated Fund Insurers/Seamens Act, maximum is \$470.81 (66-2/3% of GS-12, step 10), and minimum is \$120.27 (66-2/3% of GS-2, step 11, effective October 4, 1981.

Ala. "Employer must pay half of "costs of the claim" to Accident Fund if injury caused by safety violation.

B.C. "On application for review, Board may award benefits based on current levels.

Man. "Maximum earning ceiling increased by \$1,000 if 10% of workers injured in preceding year earn in excess of maximum.

N.B. "Board must review maximum at least biennially. Higher figure is for married claimant with 3 dependents.

Nfld. "100% of wages if injury incurred in mine or with same number of children.

N.S. "If 2 or more dependent children, minimum is amount of death payment to spouse with same number of children.

Ont. "No less than award if worker had been fatally injured.

P.E.I. "Actual wages if less, but Board may set minimum at \$15.

Sask. "Actual wages if less for first 2 years' disability.

"Maximum earning ceiling increased by \$1,000 if 10% of workers injured in preceding year earn in excess of maximum.

Yukon "Benefits increased annually based on Consumer Price Index, and based on 90% of territory's average wages, effective January 1. Minimum weekly benefit for 1981—\$92.00, actual wages if less.

The Report of  
The Comprehensive Study of  
Vocational Rehabilitation in  
The Alaska Workers'  
Compensation Program



PREVIOUSLY DISTRIBUTED .

(Additional Copies Available from State of Alaska  
Division of Workers Compensation)

JUNEAU, ALASKA  
March 12, 1982

EXHIBIT #5

ZEE PAMPLIN JACKSON  
Rehabilitation Consultant  
P. O. Box 3130  
Anchorage, AK 99510  
(907) 264-2460

March 12, 1982

To the Legislature:

A Preliminary Report was delivered to you on January 26, 1982.

I have the honor to submit to you the Final Report of the Comprehensive Study of Vocational Rehabilitation in the Alaska Workers' Compensation Program in accordance with House Bill 94, effective July 11, 1981. Corrections and minor changes which do not alter the essence of the Preliminary Report have been made.

Findings of the study have led to general conclusions regarding the delivery system of vocational rehabilitation benefits to injured workers. The State Workers' Compensation system has the potential to fulfill its obligations to injured workers and employers through the provision of properly structured and managed rehabilitation services. These services are presently inadequate, however, for a substantial number of injured workers. Recommendations for change and major improvements are offered for consideration in developing an effective delivery system of rehabilitation benefits to injured workers in Alaska.

Sincerely,

Zee Pamplin Jackson  
Rehabilitation Consultant

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(Additional Copies Available from State of Alaska  
Division of workers Compensation)

# An Analysis of the Alaska Workers Compensation System

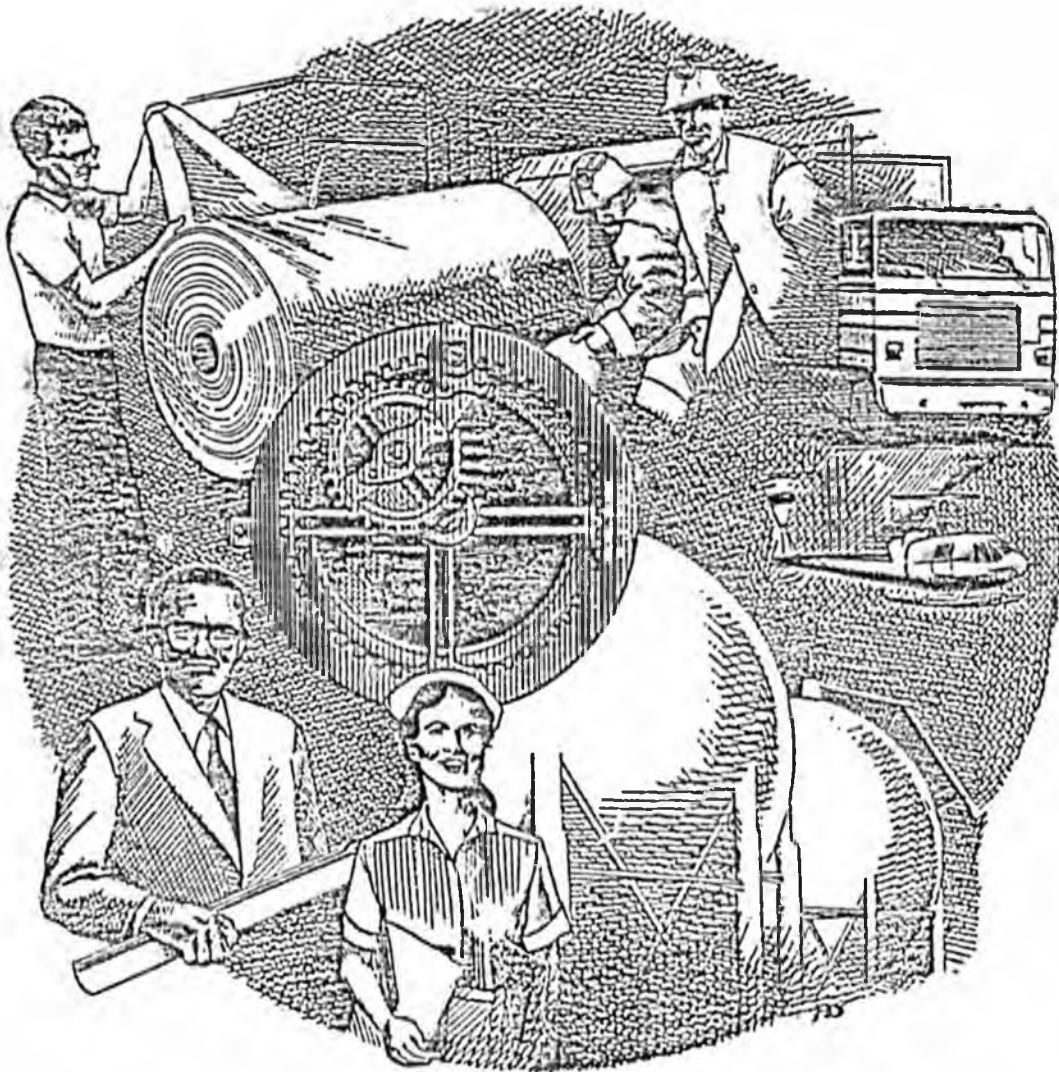


John H. Lewis  
P.O. Box 330550, Coconut Grove,  
Florida 33133  
June 30, 1982

EXHIBIT # (

# Analysis of Workers' Compensation Laws 1982

Prepared and  
Published Annually  
By the  
U.S. Chamber  
of Commerce





# LAWS OF ALASKA

..1981

Source

CSHB 24(Min) am

Chapter No.

59

## AN ACT

Relating to workers' compensation; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 9

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

SCOTT WEITZEL  
SERVICES, INC.

SEP 25 1981

ANCHORAGE, AK

Approved by the Governor: July 10, 1981  
Actual Effective Date: July 11, 1981

1 dependent relative eligible to receive death benefits under AS 23.-  
2 30.215, the employer or insurance carrier shall pay \$10,000 to the  
3 second injury fund.

4 (d) The board may refund a payment made into the second injury  
5 fund if the employer or insurance carrier shows that it made the pay-  
6 ment by mistake or inadvertence, or if it shows there existed at the  
7 time of the death of the employee a beneficiary entitled to benefits  
8 under AS 23.30.215.

9 (e) The board may direct and provide the vocational retraining  
10 and vocational rehabilitation of a permanently disabled person whose  
11 condition is a result of an injury compensable under this chapter by  
12 making cooperative arrangements with insurance carriers, private organ-  
13 izations and institutions, or state or federal agencies. The person  
14 being retrained or rehabilitated is entitled to receive additional  
15 compensation from the second injury fund for maintenance during the  
16 period of retraining and rehabilitation in the sum the board considers  
17 necessary, not to exceed \$200 a month. The total expenditures for  
18 maintenance, retraining, rehabilitation, and necessary transportation  
19 may not exceed \$10,000 for one person.

20 (f) All amounts collected as civil penalties under AS 23.30.-  
21 155(c) shall be paid into the second injury fund.

22 (g) The attorney general may investigate claims and hire expert  
23 witnesses necessary to prevent fraudulent or excessive claims for money  
24 in the second injury fund.

25 (h) Administration expenses of the state under this section and  
26 AS 23.30.205 shall be paid from the general fund.

27 \* Sec. 3. AS 23.30.155 is amended to read:

28 Sec. 23.30.155. PAYMENT OF COMPENSATION. (a) Compensation  
29 under this chapter shall be paid periodically, promptly, and directly

Chapter 59

to the person entitled to it, without an award, except where liability to pay compensation is controverted by the employer. To controvert a claim the employer must file a notice, on a form prescribed by the board, stating

(1) that the right of the employee to compensation is controverted;

(2) the name of the employee;

(3) the name of the employer;

(4) the date of the alleged injury or death; and

(5) the type of compensation and all grounds upon which the right to compensation is controverted.

(b) The first installment of compensation becomes due on the 14th day after the employer has knowledge of the injury or death. On this date all compensation then due shall be paid. Subsequent compensation shall be paid in installments, every 14 days (SEMI-MONTHLY), except where the board determines that payment in installments should be made monthly or at some other period.

(c) Upon making the first payment, and upon an increase, reduction, termination, suspension, resumption or a change in rate or type of compensation paid (OF PAYMENT FOR ANY CAUSE), the employer shall (IMMEDIATELY) notify the board within 14 days, on (IN ACCORDANCE WITH) a form prescribed by the board, that payment of compensation has begun or has been increased, reduced, terminated, resumed, changed, or suspended, as the case may be. If the employer fails to notify the board within 14 days, the board shall assess against the employer a civil penalty of \$100 plus \$25 for each day in excess of 14 days that the employer fails to give notice. Total penalties under this section may not exceed \$2,500 for each failure to file a required report.

(d) If the employer controverts the right to compensation he

SECTION BY SECTION ANALYSIS

HB311

Section 1. This section increases the minimum compensation from \$65 to \$110 per week and reflects changes necessary because of the reenactment of AS 23.30.220 found in section 10 which makes the spendable weekly wage of an employee the basis of compensation.

Section 2. and 3. See comments to Section 1.

Section 4. This section changes the manner of determining compensation consistent with the repeal and reenactment of AS 23.30.220 found in section 11 which makes the employee's spendable weekly wage the basis for determining compensation.

Eighty percent of the employee's spendable weekly wage minimizes the possibility of an employee receiving more in workers' compensation than his take home pay while working. The change is consistent with recommendations of the 1972 Report of the National Commission on State Workers' Compensation Law which states at page 19:

The decision fixing the proportion of lost wages to be replaced must balance incentives to employers to improve safety within incentives to the disabled to take full advantage of rehabilitation services and to return to work.

We recommend that cash benefits for [disability compensation] be at least two-thirds of the worker's gross weekly wage. The two-thirds formulation should be used only on a transitional basis until the State adopts a provision making payments at least 80 percent of the workers' spendable weekly earnings.

Section 5. See comments to section 4.

Section 6. See comments to section 4.

Additionally, this section provides for inflationary increases in the maximum paid for "scheduled" and permanent partial disabilities.

Section 7. See comments to section 4.

Section 8. This section reflects changes consistent with the repeal and reenactment of AS 23 30.220 found in section 11.

Section 9. See comments to section 4.

Additionally, this section provides for inflationary increases in funeral expenses on death claims. The current limit for reasonable and necessary funeral expenses are not adequate and result

in a ship to the family of the deceased or the employer for payment of the additional costs.

Section 10. This section reflects changes consistent with the repeal and reenactment of AS 23.30.220 found in section 11. Additionally, the minimum weekly compensation for a widow or widower is increased from \$45 to \$75 per week.

Section 11. This section adopts a new basis for computing compensation known as the "spendable weekly wage". The spendable weekly wage is the employee's gross weekly earnings, minus payroll tax deductions, which are defined in section 13. The change is consistent with the 1972 report of the National Commission on State Workers' Compensation Laws.

It is an administratively feasible procedure which can simultaneously take into account the difference between gross and spendable earnings, the virtues of dependents' allowances and the impact of the progressive income tax. This procedure first determines the worker's gross earnings prior to disability (which must be determined under the present Act) and the number of his dependents. The gross earnings and dependency data are then inserted into a formula prepared and published by the Department of Labor to determine the worker's spendable earnings. Once spendable earnings are calculated, workers' compensation benefits for all sizes of families can be calculated as a fixed proportion of spendable weekly earnings. No further allowances for dependents for tax considerations are necessary or appropriate.

This section also adopts a new basis for determining the gross earnings of an injured worker. An injured worker's gross weekly earnings are computed by dividing by 100 the gross earnings of the employee in the two calendar years immediately preceding the injury. Utilizing the preceding two years tends to eliminate the cyclical nature of many industries. Dividing by 100 instead of 104 tends to adjust previous years' earnings for inflation. This section also allows the Board to adjust the average weekly wage calculation if it is unfair to the employee or employer.

Section 12. This section reflects changes consistent with the repeal and reenactment of AS 23.30.220 found in section 11.

Section 13. This section provides for new definitions.

"Gross earnings" includes payments before any authorized or lawfully required deduction such as credit union, dues check off, social security, federal withholding, or deferred compensation which is optional to the employee at the time of his injury. Specifically, deferred compensation which is optional at the time of injury refers to those employees of government and non-profit corporations and associations which may elect to defer income from a particular pay period or pay periods but have the option of terminating the deferral of that income at any time during their employment. Excluded from gross earnings are irregular bonuses, reimbursement of expenses, expense allowances and any benefits not taxable to the employee during the pay period. "Any

benefit not taxable to the employee during the pay period" would include the general items referred to as "fringe benefits" such as: payments providing for health, welfare, retirement, vacation or annual leave and other similar benefits received by the employee for which he is not taxed other than deferred compensation which is optional to the employee at the time of this injury.

The value of room and board may be considered in gross earnings only for those injured workers whose gross weekly earnings otherwise computed are less than the Alaska average weekly wage at the time of injury. The value of room and board may be included only to raise the gross weekly earnings up to the level of the Alaska average weekly wage. The value of room and board that would raise an employee's gross weekly earnings above the Alaska average weekly wage is excluded.

"Payroll taxes" are defined to exclude the amount that would be withheld from an employee's gross weekly earnings under the Internal Revenue code as though he had claimed the maximum number of dependents per actual dependency, blindness, and old age. Also deducted is the amount of earnings subject to the Social Security Act irrespective of whether the employee may have paid the maximum Social Security for the year at the time the injury occurs.

Section 14. This section repeals provisions that are unnecessary or inconsistent with proposed legislation.

Section 15. This section provides that . . . . . the Act apply only to injuries sustained after the effective date of this Act.

Section 16. This section provides that the Act takes effect January 1, 1984.

# WCCA<sup>®</sup>

## NEWSLETTER

### HELPING ALL ALASKANS THRU A BETTER WORKERS COMPENSATION LAW

April 12, 1983

A joint Management-Labor taskforce has just completed its ongoing work on proposed amendments to the Alaska Workers' Compensation Statutes.

The result is HB 311, introduced April 4, 1983, by Representative Walter Furnance. WCCA once again acted as Management's Representative on the task force and recommends support for the bill. As with amendments passed last session, this bill reflects a compromise between Management and Labor.

The primary elements of the proposed Legislation can be briefly described as follows:

1. The initial weekly rate of compensation is raised from \$65 to \$110 per week. This rate is then normally adjusted to spendable weekly wages when sufficient information is obtained to make such a determination.
2. The method of calculating the Employee Compensation is changed. Under present law, an injured employee is entitled to 66 2/3 percent of his average weekly wage during the continuance of the disability. HB 311 would change this calculation to 80 percent of spendable wages for the same period.
3. The concept of spendable weekly wage is incorporated in HB 311 as a replacement for average weekly wage. An injured employee's gross weekly wage is first calculated by adding the gross earnings for the previous two calendar years and dividing by 100. The gross weekly wage is then reduced by an estimated amount for payroll taxes and then derived value is the spendable wage.
4. The limits for the permanent partial disabilities will be increased by approximately 35 percent if HB 311 is passed. The current limits have been in effect since the mid-1970's and the proposed limits represent an attempt to minimize somewhat the devastating effects of inflation that have occurred since the present limits were established.
5. The limit for reasonable and necessary funeral expenses will be increased from \$1,000 to \$2,500 if HB 311 is passed.

**" OUR SUPPORT DEPENDS ON YOUR SUPPORT "**

# MEMORANDUM

# State of Alaska

AWCS  
JUNEAU APR 1 1983

TO: Jackie McClintock, Director  
Workers Compensation Division  
Thru: *John E. Post*  
John Post, Director  
Administrative Services Division

DATE: April 1, 1983

FILE NO:

TELEPHONE NO: 465-4514

Thru: Chuck Caldwell, Chief *CAC*  
Research and Analysis

SUBJECT: Comparison Tables for 80%  
of Net Spendable vs. Current  
Schedule of Workers  
Compensation

From: Elfrieda Mullin, Labor Economist *EM*  
Research and Analysis

Attached are tables comparing 80 percent of spendable wage and the current schedule of weekly worker's compensation. These tables are quite similar to the ones we provided you last year except that we have used the new table of payroll deductions for income tax. The payroll deductions are in effect only until July 1, 1983. At that time further reductions in the payroll tax will occur.

Last year's comparison used 80 percent of spendable as was provided in HB 159. Since that law had a minimum of \$110 and provided for 100% of spendable wages when weekly wages were less than \$110, you will notice a significant difference at the low range. We have just observed the 80% of spendable declaration in this year's comparison.

These tables do not take into consideration the Alaska U.I. tax in calculating spendable wage (50 cents per \$100 in payroll this year). Additionally, the lack of state income tax in Alaska put spendable wages higher in Alaska than would occur in states with income tax law.

Compared to last year the spendable wage formula is slightly improved in relation to the comparable compensation for that gross wage under the current law. The low ranges of earnings would receive greater compensation under the spendable wage formula, particularly those with several dependents. On the other hand, the cost to insurance companies would be reduced since high wage earners would receive less than they currently do.

With the absence of state income tax and the reducing federal income taxes a person is less likely to be receiving more in Workers Compensation under the current law than in take home pay, however, it still can occur. Note that a single person with no dependents earning \$800 a week or more would receive more in workers compensation than in normal take home pay. (These tables assume standard deduction. In actuality, higher wage earners tend to use itemized deductions and may use additional "dependents" to prevent having too much deducted from wages.)

Using the spendable wage formula would make it difficult for any claimant to be eligible for the maximum of \$996. Continuing the attached tables, a single with no dependents would have to have weekly wages of \$2,065.54 in order to receive the maximum. A married claimant with two children would have to have weekly wages of \$1,966.79. Under the current program the maximum can be reached by any individual earning \$1,494 per week.

Attachments

<u>COLUMN NUMBER</u>	<u>HEADING</u>	<u>DESCRIPTION</u>
1	AVERAGE WEEKLY WAGE	Self explanatory
2	FICA	The FICA tax rate for 1983 is 6.7%. The maximum taxable wage is \$35,700, however, no adjustments are made for this maximum in these tables.
3	TAXABLE WAGE	This is the average weekly wage in column 1 reduced by \$19.23 times the total number of dependents applicable. The amount \$19.23 is \$1,000/52 (the annual exemption per dependent).
4	1983 TAX DEDUCTION	This column is the amount of Federal income tax an employer will deduct in 1983 (first six months) using the Federal Percentage Method for weekly payroll. The Internal Revenue Service provides specific instructions in Circular E - Employer's Tax Guide - Publication 15. The rates used are in effect until July 1, 1983.
5	SPENDABLE INCOME	This is the Average Weekly Wage in column 1 reduced by FICA and the 1983 tax deduction.
6	80% of SPENDABLE WAGE	Self explanatory.
7	CURRENT LAW	Current law provides that the claimant receive compensation in the amount of two-thirds of his average weekly wage up to a maximum of twice the state average weekly wage (\$498 x 2 = 996).
8	80% of SPENDABLE WAGE AS % of CURRENT	Self explanatory.

TABLE 1

## MARRIED WITH TWO CHILDREN

AWW	FICA	TAXABLE WAGE	1983 TAX DED	SPENDABLE WAGE	80 % OF SPENDABLE WAGE	CURRENT LAW	80 % OF SPENDABLE AS % OF CURRENT
\$ 100	\$ 6.70	\$ 23.08	\$ 0.00	\$ 93.30	\$ 74.64	\$ 66.67	111.56
150	10.05	73.08	3.80	136.15	108.92	100.00	108.92
200	13.40	123.08	10.30	176.30	141.04	133.33	105.78
250	16.75	173.08	18.30	214.95	171.96	166.67	103.18
300	20.10	223.08	26.30	253.60	202.88	200.00	101.44
350	23.45	273.08	35.70	290.85	232.68	233.33	99.72
400	26.80	323.08	45.20	328.00	262.40	266.67	98.40
450	30.15	373.08	55.80	364.05	291.24	300.00	97.08
500	33.50	423.08	67.80	398.70	318.96	333.33	95.69
550	36.85	473.08	80.50	432.65	346.12	366.67	94.40
600	40.20	523.08	94.00	465.80	372.64	400.00	93.16
650	43.55	573.08	108.60	497.85	398.28	433.33	91.91
700	46.90	623.08	124.60	528.50	422.80	466.67	90.60
750	50.25	673.08	141.70	558.05	446.44	500.00	89.29
800	53.60	723.08	160.20	586.20	468.96	533.33	87.93
850	56.95	773.08	178.70	614.35	491.48	566.67	86.73
900	60.30	823.08	195.30	644.40	515.52	600.00	85.92
950	63.65	873.08	213.80	672.35	538.04	633.33	84.95
1,000	67.00	923.08	232.30	700.70	560.56	666.67	84.08
1,100	73.70	1023.08	269.30	757.00	605.60	733.33	82.58
1,200	80.40	1123.08	306.30	813.30	650.64	800.00	81.33
1,300	87.10	1223.08	343.30	869.60	695.68	866.67	80.27
1,400	93.80	1323.08	380.30	925.90	740.72	933.33	79.36
1,500	100.50	1423.08	417.30	982.20	785.76	996.00	78.89
1,600	107.20	1523.08	454.30	1038.50	830.80	996.00	83.41

TAXABLE WAGE = AWW LESS \$76.92

SPENDABLE WAGE = AWW LESS FICA AND 1983 TAX DEDUCTION

MARRIED WITH NO CHILDREN

AWW	FICA	TAXABLE WAGE	1983 TAX DED	SPENDABLE WAGE	80 % OF SPENDABLE WAGE	CURRENT LAW	80 % OF SPENDABLE AS % OF CURRENT
\$ 100	\$ 6.70	\$ 61.54	\$ 2.10	\$ 91.20	\$ 72.96	\$ 66.67	109.44
150	10.05	111.54	3.40	131.55	105.24	100.00	105.24
200	13.40	161.54	4.70	170.20	136.16	133.33	102.12
250	16.75	211.54	6.00	208.85	167.08	166.67	100.25
300	20.10	261.54	7.30	246.40	197.12	200.00	98.56
350	23.45	311.54	8.60	283.55	226.84	233.33	97.22
400	26.80	361.54	9.90	320.20	256.16	266.67	96.06
450	30.15	411.54	11.20	354.85	283.88	300.00	94.63
500	33.50	461.54	12.50	389.10	311.28	333.33	93.38
550	36.85	511.54	13.80	422.25	337.80	366.67	92.13
600	40.20	561.54	15.10	454.90	363.92	400.00	90.98
650	43.55	611.54	16.40	485.55	388.44	433.33	89.64
700	46.90	661.54	17.70	515.70	412.56	466.67	88.41
750	50.25	711.54	19.00	543.85	435.08	500.00	87.02
800	53.60	761.54	20.30	572.00	457.60	533.33	85.80
850	56.95	811.54	21.60	600.15	480.12	566.67	84.73
900	60.30	861.54	22.90	630.20	504.16	600.00	84.03
950	63.65	911.54	24.20	658.35	526.68	633.33	83.16
1,000	67.00	961.54	25.50	686.50	549.20	666.67	82.38
1,100	73.70	1061.54	28.35	742.80	594.24	733.33	81.03
1,200	80.40	1161.54	31.20	799.10	639.28	800.00	79.91
1,300	87.10	1261.54	34.05	855.40	684.32	866.67	78.96
1,400	93.80	1361.54	36.90	911.70	729.36	933.33	78.15
1,500	100.50	1461.54	39.75	968.00	774.40	996.00	77.75
1,600	107.20	1561.54	42.60	1024.30	819.44	996.00	82.27

TAXABLE WAGE = AWW LESS \$38.46

SPENDABLE WAGE = AWW LESS FICA AND 1983 TAX DEDUCTION

SINGLE WITH NO CHILDREN

AWW	FICA	TAXABLE WAGE	1983 TAX DED	SPENDABLE WAGE	80 % OF SPENDABLE WAGE	CURRENT LAW	80 % OF SPENDABLE AS % OF CURRENT
\$ 100	\$ 6.70	\$ 80.77	\$ 7.60	\$ 85.70	\$ 68.56	\$ 66.67	102.84
150	10.05	130.77	16.00	123.95	99.16	100.00	99.16
200	13.40	180.77	24.60	162.00	129.60	133.33	97.20
250	16.75	230.77	34.60	198.65	158.92	166.67	95.35
300	20.10	280.77	46.40	233.50	186.80	200.00	93.40
350	23.45	330.77	59.10	267.45	213.96	233.33	91.70
400	26.80	380.77	74.10	299.10	239.28	266.67	89.73
450	30.15	430.77	89.20	330.65	264.52	300.00	88.17
500	33.50	480.77	106.20	360.30	288.24	333.33	86.47
550	36.85	530.77	123.20	389.95	311.96	366.67	85.08
600	40.20	580.77	141.70	418.10	334.48	400.00	83.62
650	43.55	630.77	160.20	446.25	357.00	433.33	82.38
700	46.90	680.77	178.70	474.40	379.52	466.67	81.33
750	50.25	730.77	195.40	504.35	403.48	500.00	80.70
800	53.60	780.77	213.90	532.50	426.00	533.33	79.88
850	56.95	830.77	232.40	560.65	448.52	566.67	79.15
900	60.30	880.77	250.90	588.80	471.04	600.00	78.51
950	63.65	930.77	269.40	616.95	493.56	633.33	77.93
1,000	67.00	980.77	287.90	645.10	516.08	666.67	77.41
1,100	73.70	1080.77	324.90	701.40	561.12	733.33	76.52
1,200	80.40	1180.77	361.90	757.70	606.16	800.00	75.77
1,300	87.10	1280.77	398.90	814.00	651.20	866.67	75.14
1,400	93.80	1380.77	435.90	870.30	696.24	933.33	74.60
1,500	100.50	1480.77	472.90	926.60	741.28	996.00	74.43
1,600	107.20	1580.77	509.90	982.90	786.32	996.00	78.75

TAXABLE WAGE = AWW LESS \$19.23

SPENDABLE WAGE = AWW LESS FICA AND 1983 TAX DEDUCTION

alaska  
state  
hospital  
association

319 Seward St., Juneau, Alaska 99801 • (907) 586-1790

REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

April 13, 1983

The Honorable Walt Furnace  
State Capitol  
Pouch V  
Juneau, Alaska 99811

Subject: HB 311

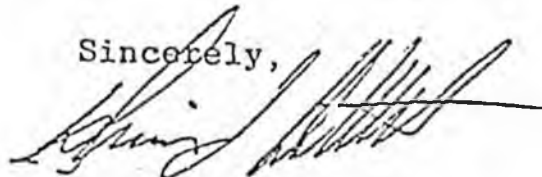
Dear Walt:

The Alaska State Hospital Association has reviewed House Bill 311 and wishes to inform you of our support.

This measure restructures the workers compensation program to more adequately compensate those receiving compensation at the lower end of the pay scale while curing an incentive to remain on compensation at the other end of the scale. This is done by increasing the minimum benefit and changing the basis of calculation to 80% of the spendable weekly earnings. There are other changes in the bill which in our judgement add to the merits of this legislation.

We are convinced that the structure proposed in HB 311 will increase real benefits to the injured as well as offer the potential for a reduction in premiums for the employer. This makes HB 311 indeed a unique bill which should be moved quickly through the legislative process.

Sincerely,



Dennis L. DeWitt  
President

DLD:lf

cc:Alaska State Chamber of Commerce  
Associated General Contractors

Chairman of the Board  
Ronald A. Pavillas  
Humana Hospital Alaska  
Anchorage

Chairman-Elect  
Mark Hawkins  
Sitka Community Hospital  
Sitka

Immediate Past Chairman  
Tom Mingen  
Fairbanks Memorial  
Hospital  
Fairbanks

Secretary/Treasurer  
Edward Zeine  
Cordova Community  
Hospital  
Cordova

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Hospital Association  
Al M. Camosso  
Providence Hospital  
Anchorage

Alternate Delegate to the  
American Hospital Assoc.  
Michael Lockwood  
Central Peninsula Hospital  
Soldotna

Delegate to the American  
Health Care Association  
Jack Buck  
St. Ann's Nursing Home  
Juneau

Alternate Delegate to the  
American Health Care  
Association  
Enima G. Ivy  
Wrangell General Hospital  
Wrangell

Delegate to the Association  
of Western Hospitals  
Michael Herring  
South Peninsula Hospital  
Homer

Alternate Delegate to the  
Association of Western  
Hospitals  
Daniel Van Wieringen  
Kodiak Island Hospital  
Kodiak

Trustee Delegate to the  
American Hospital Assoc.  
Moe Kadish  
Trustee, Providence  
Hospital  
Anchorage

Alternate Trustee Delegate  
to American Hospital  
Association  
Robert Jensen  
Central Peninsula Hospital  
Soldotna

Physician Member of  
the Board  
Keith Brownsberger, M.D.  
Anchorage

President  
Dennis L. DeWitt  
Juneau

PERSPECTIVE ON THE PROPOSED 1983 AMENDMENTS  
TO THE WORKERS' COMPENSATION ACT

Prepared by the Joint Labor/Management Ad Hoc Committee  
March, 1983

BACKGROUND

In 1968 the Alaska weekly maximum workers' compensation benefit was \$113.00. By 1974, the maximum weekly compensation rate rose to \$175.00. During this period of time, Congress established the National Commission on State Workmen's Compensation Laws to "undertake a comprehensive study and evaluation of State workmen's compensation laws, in order to determine if such laws provide an adequate, prompt, and equitable system of compensation." In 1972 the National Commission recommended to the President and Congress:

[T]hat, subject to the State's maximum weekly benefit, temporary total disability benefits be at least 80% of the worker's spendable weekly earnings. This formula should be used as soon as feasible or, in any case, as soon as the maximum weekly benefit in a state exceeds 100% of the state's average weekly wage. (R 3.6; p 60)

[T]hat...the maximum weekly benefit for temporary total disability...[gradually increase so that] after July 1, 1981, the maximum should be at least 200% of the state's average weekly wage. (R 3.9; p 62) (See Exhibit 1)

In a pro-labor atmosphere and in reaction to some of the National Commission's findings the Alaska Legislature in 1975 amended the Alaska Workers' Compensation Act (Act) by providing a gradual phase-in of the 200% of state average weekly wage maximum, doubling the scheduled permanent partial disability maximum in the Act, and eliminating the \$30,000 limit on unscheduled permanent partial disability (see ch 83 SLA 1975).

Management bitterly contested the 1975 labor-sponsored amendments. As a result, little thought was given by labor, management or the legislature to workers' compensation as an effective delivery system. Only a portion of the 1972 Commission's recommendations were enacted, i.e., the portion recommending the phase-in to 200% of the state average weekly wage. The recommendation for implementing the 80% of spendable weekly earnings formula was omitted by the legislature. Due to the law change, workers' compensation premium rates increased 35.2% in 1975, 13.0% in 1976, and 6% in 1977 (see Exhibit 2).

Contributions to Worker's Compensation Committee of Alaska

Clary Agency	Stephen's Bros. Plumbing
Industrial Indemnity	Parker, Smith & Feek, Inc.
J.B. Gottstien & Company	Fessler Equipment Co.
Nabors Alaska Drilling	Alaska Airlines
Air Van Lines	Sea-Air, Inc.
Northern Adjusters	Schlumberger Offshore
SOHIO	Food Services, Inc. (McDonalds)
Reliable Transfer	KNA Oilfield Services
Frontier Equipment	Tesoro Alaska
Arco	Alaska Cleaners
Alyeska Pipeline Service Co.	Sealand Industries
Wein Air Alaska	Construction Industry Advancement Fund
Sourdough	Parker, Smith & Feek, Inc.
World Wide Movers	Corroon & Black/Dawson
AAA Delivery	Enstar
Alaska Trucking Association	Douglas Trucking
Alexander and Alexander	Frontier Companies of Ak
Scott Wetzell Services	Leonard McLean
Evergreen Helicopter Inc.	Herman Bros.
Denali Transportation	
Avis Rent-a-Car	
H & S Warehouse Inc.	
Alaska Pacific Assurance Co.	
Lynden Transport Inc.	
Bristol Bay Contractors	
K & W Trucking	
Harold's Rent-A-Truck (Anchorage)	
Seward Service (ATA)	
Hermon Brothers Construction (Palmer)	
Alascom	
Alaska Gas & Service Co.	
Kenworth Northwest Inc.	
Kodiak Oil Sales	
Alaska Chapter of CPCU	
Bekins	
Four Star Terminals	
Northwest Gas	
Pictures, Inc.	
Redi Electric	
Strano Steel & Feek, Inc.	
Denali Trucking	

In 1977, management successfully sponsored legislation reimposing a limit on "unscheduled" permanent partial disability -- this time at \$60,000 (see ch 75 SLA 1977). The 1977 amendments reduced workers' compensation premium rates by 18.6% (see Exhibit 2).

As a result of the 1975 amendments the maximum weekly compensation rate continues to increase. The maximum rate depends upon the state average weekly wage and the percentage multiplier contained in AS 23.30.175(a). The state average weekly wage and maximum workers' compensation rate for injuries occurring in the years indicated are contained in Exhibit 3.

Presently the maximum weekly workers' compensation benefit is \$996.00 per week. Of course, the maximum benefit is limited by a recipient's average weekly wage. Accordingly, a recipient must have earned an average of \$1,494.00 per week during one of the three years preceding his injury to be eligible for the maximum weekly workers' compensation benefit.

#### LEGISLATIVE TASK FORCE

The Alaska Legislature passed a resolution in 1980 establishing a task force to study the Alaska workers' compensation system and to recommend changes in response to Richard Fineberg's report, "Workers' Compensation Problems in Alaska". The committee, co-chaired by Senator Terry Stimson and Representative Brian Rogers, included representatives from labor, management, and the insurance industry. Fact finding hearings were held in Anchorage, Fairbanks and Juneau. Ultimately, the joint effort failed at the close of the 1981 legislative session and little corrective legislation was recommended.

Despite the joint task force demise, a few changes were jointly recommended and implemented including: increasing employer's contribution to the second injury fund, new reporting requirements to allow effective monitoring of the system; and a directive to undertake a study of vocational rehabilitation of the injured worker (see ch 59 SLA 1981 and Exhibit 4). Funds were also made available to further study the Alaska workers' compensation system. These studies, presented to the legislature in 1982, are: "The Report of the Comprehensive Study of Vocational Rehabilitation in the Alaska Workers' Compensation Program" by Zee Jackson (Exhibit 5); and "An Analysis of the Alaska Workers' Compensation System" by John H. Lewis (Exhibit 6).

Coinciding with the efforts of the legislatively created task force was the formation of two employer oriented groups, the Workers' Compensation Committee of Alaska (WCCA) and the Alaska Conference of Employers (ACE). In 1980, ACE commissioned a study by Richard Block and Associates entitled "Identification and Elimination of the Causes of the High Cost of Workers' Compensation Insurance to Alaska Employers" which includes 34 recommendations for the Alaska workers' compensation laws. In 1982 ACE commissioned another study which recommended specific changes to the Alaska Workers' Compensation Act. This study, prepared by Edward Hite, was presented to the House Labor and Commerce Committee in 1982.

In the summer of 1981, House Labor and Commerce Chairman Terry Martin held additional hearings in Anchorage, Fairbanks and Juneau on the Alaska workers' compensation system. More hearings were held on workers' compensation during the early portion of the second session.

Legislators, consultants and others repeatedly recommended that labor and management representatives jointly agree on a workers' compensation bill and present it to the legislature for passage. In February, 1982 that process was initiated.

#### THE LABOR/MANAGEMENT AD HOC COMMITTEE

Following a February 5, 1982 meeting in Anchorage which over 50 representatives of labor and management attended, a joint ad hoc committee was formed to discuss the possibility of proposing workers' compensation legislation. The labor/management ad hoc committee formulated several objectives which included:

- (1) providing an effective system for the delivery of benefits and services;
- (2) discouraging fraudulent claims and fraudulent statements to obtain or deny workers' compensation benefits;
- (3) providing an effective deterrent for those employers failing to provide required workers' compensation insurance;
- (4) increase incentives and decrease disincentives for returning to work after an injury;
- (5) encourage safety;
- (6) provide for effective rehabilitation of an injured worker;
- (7) redistribute dollars from those workers not severely injured to those seriously injured workers who have lost the ability to be gainfully employed as a result of their injury;
- (8) reduce or minimize the impact of workers' compensation premiums on the employer;
- (9) continue studying the Alaska workers' compensation system to identify problems and recommend solutions; and
- (10) stabilizing the atmosphere for discussing proposed changes to the Alaska Workers' Compensation Act.

Time was obviously limited if the legislation was to be introduced during the 12th Legislature. Accordingly, the ad hoc committee agreed to limit their efforts towards:

- (1) Technical changes to the Act necessary for more effective administration;
- (2) Implementing a system which:
  - (A) Provides for the early identification of injured workers who potentially need rehabilitation;
  - (B) Provides for the early return to direct employment;
  - (C) Provides incentives to return to work and reduces disincentives to return to work;
  - (D) Provides for appropriate criminal penalties for willful misrepresentation of facts for the purpose of obtaining or denying benefits; and
  - (E) Provides a mechanism for cease and desist orders to be issued against uninsured employers.

The ad hoc committee found that the existing method of determining weekly compensation benefits (66-2/3% of gross wages: see AS 23.30.185) created a disincentive to return to work especially for the high wage earner. For example, a single worker earning \$1,494.00 per week takes home approximately \$915.75 per week (subtracting \$477.75 in income tax withholding and \$100.50 in FICA withholding). The same worker could receive \$996.00 per week in workers' compensation. There is little incentive to return to work under these and similar circumstances.

Reducing the amount of workers' compensation an injured worker receives relative to his income increases the incentive the return to work. In examining other states' laws, the committee noted that only one other state (Iowa) and the federal Longshoremen's and Harbor Workers' Compensation Act (L & H Act) base the maximum benefit on 200% of the state average weekly wage. The overwhelming majority of states limit weekly benefits to 100% of the state average weekly wage (see Exhibit 7, Chart V, p 15-17). In Alaska, a maximum benefit of 100% of the state average weekly wage would presently limit benefits to a maximum of \$498.00 per week. This alternative is not looked upon favorably by labor.

A second alternative was to implement that portion of the 1972 National Commission's findings which was omitted in the 1975 amendments to the Act, i.e., benefits based upon 80% of spendable earnings. The ad hoc committee noted that Iowa, the only other state basing the maximum rate upon 200% of the state average weekly wage, utilizes the 80% of spendable income formula. Similarly, the United States Comptroller General in his report entitled "Longshoremen and Harbor Workers' Compensation Act Needs Amending", found at p. 15 that:

[T]he current level of benefits provides compensation that comes closer to full replacement of net earnings than to the 66-2/3% replacement anticipated when the Act was passed. In addition to minimizing incentives to return to work, compensation that approaches take-home pay gives little recognition to a basic concept of workers' compensation, that there should be some sharing of risk between employer and employee for work-related illness or injury. (See Exhibit 8 for further discussion.)

The ad hoc committee agreed that labor and management are better served by a system that provides increasing benefits for workers above the 100% of state average weekly wage because of the arbitrary nature of that ceiling. On the other hand, the benefit level should not exceed nor approximate the take-home pay of an injured worker. The committee recommended a system whereby the injured worker receive 80% of spendable weekly earnings as it appeared to achieve both goals.

The ad hoc committee also examined the compensation paid to injured workers for "scheduled" permanent partial disabilities (see AS 23.30.190(a)(1-18)). The current maximums for scheduled injuries have not been changed since 1975. One-half of the states pay scheduled benefits equal to or higher than Alaska (see Exhibit 7, Chart VI, p.18). An increase of 35% in the scheduled permanent partial disability maximums was agreed upon by the ad hoc committee as a fair adjustment. Similarly, the ad hoc committee agreed to increase the unscheduled permanent partial disability maximum contained in AS 23.30.190(b) from \$60,000 to \$75,000.

Other minor changes were agreed to, such as: limiting the adjustment for the value of room and board on gross income to those persons whose incomes are below the state average weekly wage; insuring that workers' compensation benefits are based upon taxable income; increasing the injured worker's minimum compensation; excluding from coverage activities of a personal nature away from employer-provided facilities at remote job sites; increasing the penalties for misrepresentation; providing for the issuance of a stop-order against an uninsured employer.

Additionally, a new method of computing the wage or gross earnings was proposed instead of the presently existing highest of the preceding three calendar year. The new method would base gross earnings on the most recent quarters' earnings if a worker were continuously employed by an employer and base earnings on an average of the preceding two years if not continuously employed in the preceding calendar quarter. Finally, legislation was proposed to provide for the prompt identification, evaluation and rehabilitation of injured workers whose disability precludes their return to work.

This legislative package, HB 159 (1982), passed the House unanimously. While awaiting hearing in Senate Labor and Commerce, information was circulated concerning the anticipated cost of this proposed legislation.

Although no official notice or document has been found to exist, it is believed that the National Council on Compensation Insurance (NCCI) preliminarily rated this legislation as potentially increasing workers' compensation rates by approximately 9%. Many employers who had not participated in drafting the legislation and were unfamiliar with the method by which NCCI rates workers' compensation laws, became apprehensive. Ultimately, those items to which NCCI had affixed a cost were removed from the bill and the remaining legislation, primarily providing for vocational rehabilitation, passed the Senate and became law (see ch 93 SLA 1982).

#### 1983 PROPOSED LEGISLATION

The legislation proposed by the Labor/Management Ad Hoc Committee this year is in essence the legislation removed from HB 159 (1982) in the Senate with a few minor changes<sup>1</sup>. In essence, the bill provides for:

1. Increasing the minimum compensation from \$65.00 to \$110.00 per week.
2. Increasing the maximum paid for scheduled permanent partial disabilities contained in AS 23.30.190(a).
3. Increasing the funeral expenses for death claims.
4. Increasing the minimum compensation for a widow or widower from \$45.00 to \$75.00 per week.
5. Basing weekly benefits upon 80% of the spendable weekly earnings.
6. Computation of gross weekly earnings will be based upon an average of the two preceding calendar years.
7. Definitional changes necessary to effectuate the above changes.

NCCI preliminarily rates these changes as increasing the compensation rates by 3%. The process of rating workers' compensation legislation allows for input from the local insurance community or committee to specifically adjust the preliminary NCCI estimate and allow for the "Alaska" experience. We believe the local committee will reduce this preliminary rating by NCCI by at least one or two percent. The remaining increase, if any, the committee believes will not be justified in the long run. The reduced weekly benefit rates coupled with the previously enacted changes to vocational rehabilitation should decrease the incentive to stay on workers' compensation and increase the incentive to return to work. This decreased utilization of the system

<sup>1</sup>No increase in unscheduled permanent partial disability compensation, AS 23.30.190(b); and the spendable weekly wage is not based on the previous reporting quarter's earnings.

should result in reduced workers' compensation rates. We believe that this assumption of decreased utilization of the workers' compensation system is a valid assumption; however, we recognize the difficulty in inserting such an assumption in the actuarial projections made by NCCI.

The ad hoc committee remains a viable entity at the present time and hopes to continue providing a stable, rational forum for the discussion of Alaska's Workers' Compensation Act. The committee notes that in 1981 the average workers' compensation premium per worker in Alaska was \$594.98; the State of Washington per worker premium was \$185.50; and the national average was \$189.57 (see Exhibit 9). Many believe these rates must be reduced if Alaska expects to attract industry to broaden its economic base and provide a more stable labor market. On the other hand, the committee believes that legitimately injured workers should continue to timely receive compensation and rehabilitation in accordance with the philosophy of the Workers' Compensation Act.

WORKERS' COMPENSATION COMMITTEE OF ALASKA

BOARD OF DIRECTORS

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Unit Company

Associated General Contractors

Jack Thompson  
Vice President  
Air Van Lines

Alaska Trucking Association

Thomas O'Keefe  
President  
Industrial Indemnity Co. of Alaska

Insurance Companies

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Risk Manager  
Alyeska Pipeline Co

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Joe Heinz  
Managing Partner  
Peat, Marwick & Mitchell

Anchorage Chamber of Commerce

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Broker  
James of Alaska

Insurance Brokers

P. Dennis Maloney  
Attorney

Legal Profession



National  
Council  
on Compensation  
Insurance

1 Penn Plaza  
New York, New York 10119  
Tel. (212) 560-1000

Michael Camilleri  
Assistant Vice President  
Director of National Affairs

March 22, 1983

Mr. William Reeves  
Associated General Contractors  
of Alaska  
3201 Spenard Road  
Anchorage, Alaska 99503

Dear Mr. Reeves:

This is to confirm our telephone conversation regarding the pricing of certain proposed changes in the Alaska workers' compensation law.

The first change requested to be priced was the effect of increasing the maximum aggregate payable for scheduled permanent partial injuries by 35% and converting the benefit formula from 66 2/3% of gross wages to 80% of spendable earnings on all injuries. We calculated that the effect of such changes would increase costs by approximately 3%.

The second pricing request involved increasing the minimum weekly benefit from \$65.00 to \$110.00. We assumed this change to take effect commensurate with the change to a spendable earnings formula. Since the recipients of benefits receive actual gross or spendable earnings if less than the minimum, our evaluation of such a change is that it would have little or no effect on overall costs.

Finally, it should be noted that our calculations were made with respect to costs only and are independent of any possible rate indications.

I hope that this proves to be of assistance and if you have any additional questions, please feel free to contact me.

Very truly yours,

Michael Camilleri  
Assistant Vice President  
Director of National Affairs

MC:mh

cc: Mr. Don Koch, Alaska Insurance Dept.

RECEIVED

MAR 28 1983

ASSOC. GENERAL CONT.

March 11, 1983

Mr. Jim Robison  
Commissioner,  
Department of Labor  
State of Alaska  
P. O. Box 1149  
Juneau, AK 99811

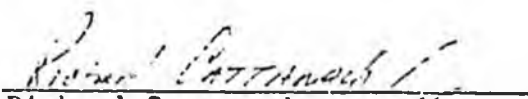
Commissioner Robison:

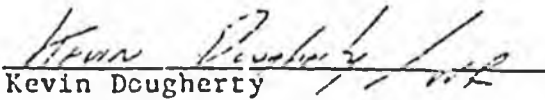
Pursuant to our discussion on February 15, 1983 attached you will find a memorandum by the Joint Labor/Management Ad Hoc Committee. As you are aware, the NCCI finally issued a preliminary "rating" of the agreed upon amendments to the Act. Furthermore, two changes were made to the legislative proposal dated December 30, 1982: The increase in "unscheduled" permanent partial disability benefits was deleted, and the determination of gross weekly wage is based on the two previous years earnings divided by 100, although the board may adjust the weekly wage determination if it is unfair to the employee or employer.

Please transfer this information to Mr. Bloom at your earliest possible opportunity. Thank you for the continued support of our efforts.

Sincerely,

Ad Hoc Committee Co-Chairmen

  
Richard Cattanach  
President, Alaska Conference of Employers

  
Kevin Doughterty  
District Council of Laborers

**WORKERS' COMPENSATION COMMITTEE  
OF ALASKA**

PO BOX 1647 ANCHORAGE , AK. 99501

WORKING FOR AN EQUITABLE WORKERS COMPENSATION LAW FOR ALL ALASKANS

February 28, 1983

Mr. James Robison, Commissioner  
Department of Labor  
State of Alaska  
PO Box 1149  
Juneau, Alaska 99811

-Dear Commissioner Robison:

The Directors of the Workers' Compensation Committee of Alaska recently adopted the following Resolution:

Whereas workers' compensation is a significant expense for Alaskan employers which, because of the existing statutes, will most assuredly increase annually; and

Whereas the current law may actually encourage malingering and the filing of questionable claims; and

Whereas the benefits for certain permanent injuries have not been increased since 1975; and,

Whereas a joint committee of concerned citizens representing the Alaskan labor movement and significant sectors of the Alaska business community have jointly proposed statutory changes to address these and other issues;

Therefore, be it resolved that the Board of Directors of the Workers' Compensation Committee of Alaska respectfully requests Governor Sheffield's sponsorship of these proposed changes.

It is our belief that solutions to workers' compensation are best derived through an ongoing dialogue between management and labor rather than solely through the legislative process. We encourage and appreciate the Administration's support of these efforts.

Sincerely,



Richard Cattanach  
President

RC/pc

Bill Fact Sheet

Date Received \_\_\_\_\_

Bill Number HB311 Title Worker's Comp

Fiscal Note - Date Requested \_\_\_\_\_ Date Received \_\_\_\_\_

- Of Whom \_\_\_\_\_

Dept. Position Paper - Date Requested \_\_\_\_\_ Date Received \_\_\_\_\_

- Of Whom \_\_\_\_\_

Resource People

Initial Hearing - Date \_\_\_\_\_

People Contacted

Judy - 5/12

Res9 - 5/13

Wes - 5/13

Ginny - 5/13

Follow-up Hearing - Date \_\_\_\_\_



RESA KING  
BRANCH MANAGER

ALASKA CHAPTER  
ASSOCIATED GENERAL  
CONTRACTORS

134 NORTH FRANKLIN, SUITE A  
JUNEAU, ALASKA 99801  
(907) 586-1740

Final Action \_\_\_\_\_ Date \_\_\_\_\_

HB

313



OFFICIAL BUSINESS

# ALASKA STATE LEGISLATURE - SENATE

## COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON  
CHAIRMAN

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

6/16/83

### LETTER OF INTENT FOR SCS CSHB 313(L&C)

During the scheduled hearings in which the Alaska Transportation Commission (A.T.C.) was discussed and reviewed, many problem areas were identified. The Performance Review of the Alaska Transportation Commission conducted by the Division of Legislative Audit, April 1, 1982, concluded that the functions of A.T.C. could be better performed if A.T.C. were to merge with the Alaska Public Utilities Commission.

However, several questions were raised which remain unanswered:

- 1) Is State involvement in the Essential Air Service Program required?
- 2) Does the State want to deregulate surface and air transportation within Alaska?
- 3) What method does the State wish to employ to assure the public that air and motor carriers have sufficient insurance coverage to protect the public's interest?
- 4) What is the role of the Alaska Transportation Commission in regard to a commercial vehicle safety program?
- 5) Would a citizen's board be an appropriate mechanism to perform the oversight functions which are currently the responsibility of the Commissioners of the Alaska Transportation Commission.
- 6) Do the Alaska Transportation Commission's policies regarding light aircraft ensure that innovative competition which could be beneficial to the public is not eliminated?

With the passage of this legislation, it is the intent of the Senate Labor and Commerce Committee that the Office of Management and Budget conduct a thorough performance review of the functions of A.T.C. The review will include, but will not be limited to, the scope of areas previously outlined.

Letter of Intent  
SCS CSHB 313(L&C)  
page 2

The Office of Management and Budget will report back to the Thirteenth Legislature within ten days after the second session convenes in 1984. The report shall outline the findings of the audit as well as specific actions to implement any changes recommended.

Respectfully submitted,

Sen. Dick Eliason, Chair

COMMITTEE REPORT

SENATE

FURTHER:

6/21/63

Date: 1-16

Mr. President:

The Committee on LABOR & COMMERCE has had CONF. STB (10-1)

Wages Administration Commission Bill, 1963.

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

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for SCS CONF 10-1 (10-1)  same title  new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

[Signature]

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[Signature]

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[Signature]  
CHAIRMAN



OFFICIAL BUSINESS

# ALASKA STATE LEGISLATURE - SENATE

## COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON  
CHAIRMAN

POUCH V • JUNEAU, ALASKA 99811  
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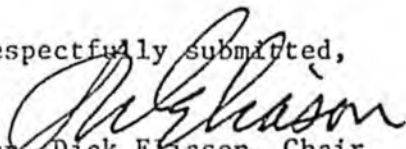
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Letter of Intent  
SCS CSHB 313(L&C)  
page 2

The Office of Management and Budget will report back to the Thirteenth Legislature within ten days after the second session convenes in 1984. The report shall outline the findings of the audit as well as specific actions to implement any changes recommended.

Further, it is the intent of the Senate Labor and Commerce Committee that during the interim the Alaska Transportation Commission fulfill its statutory responsibility with concentration on protection of the public.

Respectfully submitted,

  
Sen. Dick Eliason, Chair



OFFICIAL BUSINESS

# ALASKA STATE LEGISLATURE - SENATE

## COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON  
CHAIRMAN

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

### MEMORANDUM

TO: Pete Jeans, Senior Adviser  
Senate Advisory Council

FROM: Sen. Dick Eliason *Dick Eliason*

DATE: June 10, 1983

RE: Research request relating to impact of failure to pass  
legislation extending the termination date of the Alaska  
Transportation Commission

Please consider this a request for a memorandum from the Senate Advisory Council research staff addressing the following.

There are currently two bills before the legislature which extend the termination of the Alaska Transportation Commission: SB 184, and HB 313. The language now on the books provides for the termination of the ATC June 30, 1983. If the Legislature were to fail to pass a measure extending this termination date, it is my understanding that from July 1, 1983 to June 30, 1984, (sometimes referred to as the "grace year" of a commission subject to sunset provisions) the Commission would have the statutory authority only to conclude its affairs.

I am curious to know what the effect would be on the ATC if the Legislature fails to act on a measure extending the ATC's termination date. They would, of course, be legally terminated on June 30, 1983. What sort of activities would they conduct under the aegis of "concluding their affairs"? What functions performed by ATC would be assumed by other agencies, if any, and how would the transition be executed? If the ATC is allowed to terminate this June, a bill re-creating the Commission would have to be introduced at a future legislative session in order to have ATC resume its activities, correct? If there any instances of boards and commissions in Alaska which were subject to termination under sunset provisions and then re-created, and you feel they are pertinent to this discussion, please touch upon them in the memorandum.

Pete Jeans, Senior Adviser  
Senate Advisory Council  
June 10, 1983  
page two

As you are aware, we are very near the end of session, and I would appreciate a response at your earliest convenience. In light of time constraints imposed by this eleventh hour request and our nearness to adjournment, I hope you understand that I am seeking a brief memo addressing these issues, and not an in-depth study.

Please contact my office if you have any questions, and thank you for your assistance.

# Alaska State Legislature

## Advisory Council Members

Senator Kerttula, Chairman  
Senator Bennett  
Senator Vic Fischer  
Senator Fahrenkamp



Pouch V  
State Capital  
Juneau, Alaska 99811  
Phone: (907) 465-3114

## SENATE ADVISORY COUNCIL

### MEMORANDUM

TO: Senator Eliason  
FROM: Pete Jeans *PJ*  
DATE: June 10, 1983  
RE: CSSB184 (L&C)

"An Act Extending the Termination of the Alaska  
Transportation Commission."

You have asked us to comment on the ramifications of this bill not passing the Legislature this session.

As you know, this bill has passed the Senate and is currently in the House Labor and Commerce Committee. If this bill does not pass and become law, the Alaska Transportation Commission is terminated June 30, 1983. Under AS44.66.010(b), upon termination, the A.T.C. shall continue in existence until June 30 of the next succeeding year for the purpose of concluding its affairs.

It appears that this provision does allow somewhat of a grace period. The Commission should be able to review all of its functions and be prepared to present to the Legislature in early January of next year alternatives for transferring the functions that should be continued to other agencies or be able to make a strong case to the Legislature for reestablishing the Commission. If this was an early priority for the Legislature next session, the proper action could be taken for continuation of the Commission.

In reality, no action by the Legislature this year will force the Commission to develop a plan for concluding its affairs and have the plan implemented prior to June 30, 1984, if the Legislature does not step in and reestablish the Commission.

You requested these comments today and I have not requested a review by Legal Services. I do recommend you have them comment.

Attached are comments from Commissioner Lyon that you may not have.

# MEMORANDUM

# State of Alaska

TO: Ben Harding  
Special Assistant  
Office of the Governor

DATE: April 7, 1983

FILE NO:

TELEPHONE NO:

FROM: Richard A. Lyon  
Commissioner  
Department of Commerce and  
Economic Development

SUBJECT: Alaska Transportation  
Commission - Sunset

The Alaska Transportation Commission (ATC) was statutorily scheduled for sunset in 1979. However, an extension was granted by the Legislature continuing the Commission to 1983. The question of sunset is now before the Legislature for the second time. An audit performed by the Division of Legislative Audit dated April 1, 1982 did not recommend sunset, but did recommend the Alaska Transportation Commission become a section within the Alaska Public Utilities Commission. Should sunset be recommended, several functions performed by or which are the responsibility of the ATC will require serious consideration:

1. Regulation of surface and air transportation.
2. Essential Air Service Program.
3. Requirement that air and motor carriers have sufficient insurance coverage to protect the public's interest.
4. Commercial Vehicle Safety Program.

The State currently monitors the essential air service program which is administered by the Civil Aeronautics Board. The program was provided for in the Federal Air Deregulation Act of 1978. Federal subsidies under this program will cease in 1988. A determination must be made as to whether the State finds it necessary to continue the subsidy or whether sufficient competition exists without the subsidy to adequately serve the remote areas.

Deregulation of surface and air transportation has taken place in the "Lower 48" states. It does not appear to have a negative effect on the transportation of goods or people. However, Alaska is unique in that the vast majority of this State is not connected by road and covers vast areas. The option of driving from one location to another versus flying does not exist. Consideration must be given to the effect of controlling transportation by competition only.

Both the ATC and the Department of Public Safety are statutorily assigned the responsibility for commercial vehicle safety inspections. However, the Department of Public Safety is the only one currently conducting inspections. The Division of Measurement Standards did temporarily take over the responsibility from the Department of Public Safety when the

permit and scale house program was transferred in FY '83 under a federally funded program which ended March 11, 1983. This authority was delegated by letter from the Commission to the Division of Measurement Standards. The program is not presently funded in the Division of Measurement Standards or ATC in FY '84.

Property and liability insurance is presently required of all common air and motor carriers before they are issued a permit to operate in Alaska. Consideration must be given to continue this requirement if a decision is made to sunset the Alaska Transportation Commission.

The following are several options for your consideration:

1. Continue all operations as presently structured. Monitor the essential air service programs, certificate all air and motor carriers requiring minimal economic analysis, provide for insurance coverage for all carriers, provide for no commercial vehicle safety program. Total cost \$1,500,000.
2. Continue the Alaska Transportation Commission with reorganization. Reorganize the Alaska Transportation Commission's program to more properly prioritize their responsibilities. Legislation should be introduced to completely deregulate dump trucks, except for providing insurance coverage. Absent passage of legislation, this deregulation could be accomplished by permitting all applicants. Sound economic analysis should be performed on all admitted carriers. This analysis' capability could be provided by reclassification of the employees currently regulating dump trucks. A safety program could be added at an additional cost of \$350,000 for a total cost of \$1,900,000.
3. Sunset ATC, transfer required function to other State agencies. The essential air service program could be run with monitoring by the Department of Transportation and Public Facilities. They currently provide input into the recommendations made by ATC. The Department of Public Safety could assume full responsibility for the safety program. Since the Alaska State Troopers are now providing a minimal safety program, consideration should be given to expanding their capability to also conduct inspections at the scale houses in cooperation with the scale house operators. Implement a registration program under either the Division of Occupational Licensing or the Division of Insurance to register and assure insurance filings by all air and motor carriers. Deregulate all transportation services. Cost of this option would be probably under \$100,000 for the registration program and whatever additional cost required by the Department of Public Safety and the Department of Transportation and Public Facilities.

4. Transfer essential functions to the Alaska Public Utilities Commission. This option was recommended by Legislative Audit as a means of continuing essential functions of the Commission. While I feel the regulation of utilities are very different than regulation of the transportation industry and that economics gained by combining the two may be to the detriment of APUC, the option should be analyzed.

The best means to address the above would be to extend the ATC one year and call for an OMB performance audit to be presented to the Legislature when they convene in 1984.

RAL/wfs 4/34

cc: Kevin Bruce  
Commissioner Sundberg  
Commissioner Casey

Pursuant to your March 26 request, I have identified a number of laws which specifically and/or generally relate to Alaska Transportation Commission public health and safety functions. This list has been prepared in consultation with Mr. Chuck Schmidt of the Attorney General's office (Anchorage). The term "Specific" as used below means statutory provisions which directly refer to public health and safety including insurance requirements. The term "General" refers to provisions which are generally applicable to health, safety and other Commission responsibilities. Depending on how you structure the ATC safety component, these provisions may or may not have to be retained in some form. That decision should be made by Legal Services once ground rules have been established:

I. Alaska Transportation Commission Enabling Act (AS 42.07.011-191):

A. Specific

AS 42.07.136 - Requirements for Exempt Carriers; AS 42.07.171(3) - Enforcement Authority; AS 42.07.181(b) and (d) - Stop Orders.

B. General

AS 42.07.011 - Creation of Commission; AS 42.07.021 - Term of Office; AS 42.07.031 - Quorum; AS 42.07.041 - Qualifications; AS 42.07.061 - Restrictions; AS 42.07.071 - Compensation of ATC Members; AS 42.07.081 - Principal Office and Seal; AS 42.07.091 - Legal Counsel; AS 42.07.101 - Employment of Personnel; AS 42.07.111 - Annual Report

AS 42.07.121 - General Powers and Duties; AS 42.07.141 - Administrative Authority Regulations and Hearing Procedures; AS 42.07.151 - Applicability of Administrative Procedures Act; AS 42.07.161 - Investigations and Hearing

II. Motor Carriers (AS 42.10.010-430)

A. Specific

AS 42.10.010 - Declaration of Policy; AS 42.10.070(3) - Regulatory Power of Commission Over Common Carriers; AS 42.10.080(3) - Regulatory Power Over Contract Carriers; AS 42.10.090(1) - Regulation of Private and Exempt Carriers; AS 42.10.190 - Insurance or Deposit of Security; AS 42.10.200 - Conditions May Be Attached to Permits; AS 42.10.400 - Hours of Operators

B. General

AS 42.10.010 - Declaration of Policy; AS 41.10.020 - Exempt Vehicles; AS 42.10.030 - Compliance Enjoined; AS 42.10.070 - Regulatory Powers of Commission Over Common Carriers; AS 42.10.080 - Regulatory Powers of Over Contract Carriers; AS 42.10.090 - Regulation of Private and Exempt Carriers; AS 42.10.100 - Bond to Protect Shippers and Consignees; AS 42.10.110 - Regulations; AS 42.10.120 - Investigations and Enforcement of Chapter; AS 42.10.130 - Grant or Denial of Permit; AS 42.10.140 - Application for Permits; AS 42.10.150 - Form of Application and Regulations for Filing; AS 42.10.160 - Fees; AS 42.10.170 - Form and Contents of Permits; AS 42.10.180 - Limitation on Renewal of Application; AS 42.10.200 - Conditions May Be Attached to Permits; AS 42.10.210 - Temporary Permits; AS 42.10.220 - Transfer of Permits; AS 42.10.225 - Discontinuance, Abandonment and Temporary Suspension of Permitted Operations; AS 42.10.230 - Modification, Suspension or Revocation of Permits; AS 42.10.391 - Effect of Regulations and Orders, Review Enforcement; AS 42.10.393 - Violation a Misdemeanor; AS 42.10.394 - Civil Penalties for Violation or Noncompliance; AS 42.10.395 - Each Violation a Separate Offense; AS 42.10.398 - Penalties Cumulative, Nonexclusive, Recovery; AS 42.10.399 - Joinder of Actions

III. Air Carriers (AS 02.05.010-250) - For your information, it is my understanding that safety jurisdiction of the ATC is unclear due to questions concerning FAA preemption. Apparently, the ATC exercises safety jurisdiction only in worst case situations leaving the rest to the FAA.

A. Specific

AS 02.05.010(4) - Declaration of Policy; AS 02.05.080(d) - Issuance of Certificates; AS 02.05.130 - Accident Liability Protection Required; AS 02.05.135 - Evidence of Protection;

Deposit of Insurance Policy, Bond or Other Security; AS 02.05.136 - Duration of Protection, Cancellation of Insurance, Bond or Other Security; AS 02.05.137 - Fiduciaries, Insured and Principle

B. General

AS 02.05.030 - General Powers and Duties of the Commission; AS 02.05.040 - Certificates Required; AS 02.05.050 - Authority to Engage in Air Commerce; AS 02.05.060 - Temporary Exemption of Air Carriers; AS 02.05.070 - Applications for Certificates; AS 02.05.075 - Application Fees; AS 02.05.080 - Issuance of Certificates; AS 02.05.090 - Terms and Conditions of Certificates; AS 02.05.100 - Modification, Suspension and Revocation of Certificates; AS 02.05.110 - Transfer or Lease of Certificates; AS 02.05.190 - Complaints to and Investigations by the Commission; AS 02.05.200 - Orders, Notice and Service; AS 02.05.210 - Judicial Enforcement; AS 02.05.230 - Violation a Misdemeanor; AS 02.05.231 - Civil Penalties for Violation; AS 02.05.232 - Each Violation a Separate Offense; AS 02.05.233 - Penalties Cumulative, Actions to Recover Penalties; AS 02.05.234 - Joinder of Actions; AS 02.05.240 - Public Disclosure of Information

IV. Buses/Ferries - As you may know, buses and ferries are exempt from ATC jurisdiction (see AS 47.07.128). The only statutory provision which applies to health and safety matters is AS 42.07.136 - Requirements for Exempt Carriers.

Sorry about the delay. If we can be of further assistance, please let us know.

H B

3/5



Official Business

# Alaska State Legislature

## Senate

Pouch V  
State Capitol  
Juneau, Alaska 99811

Proposed Amendment: by Sen Mulcahy

CSHB 315 (Finance)

Page 1, line 19, after "fund" insert the following:

"for senior citizen housing facilities and for nonhousing facilities that are incidental or appurtenant to senior citizen housing".

Offered: 5/5/83  
Referred: Finance

Original sponsor: House Special Committee  
on State Loans

Funding Information

General Fund	\$249,989,900
Other Funds	850,000
	<u>\$250,839,900</u>

BY THE HOUSE SPECIAL  
COMMITTEE ON STATE LOANS

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 315 (Loans)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making special appropriations for certain  
7 state loan and grant programs; and providing for an  
8 effective date."

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

10 \* Section 1. The sum of \$19,500,000 is appropriated from the general  
11 fund to the Alaska Housing Finance Corporation for the special mortgage  
12 loan purchase program (AS 18.56.098).

13 \* Sec. 2. The sum of \$50,000,000 is appropriated from the general fund  
14 to the Alaska Housing Finance Corporation for the home ownership assistance  
15 program (AS 18.56.091).

16 \* Sec. 3. The sum of \$19,530,000 is appropriated from the general fund  
17 to the division of housing assistance in the Department of Community and  
18 Regional Affairs for grants made from the senior citizens housing develop-  
19 ment fund. \* →

20 \* Sec. 4. The sum of \$45,000,000 is appropriated from the general fund  
21 to the housing assistance loan fund in the Department of Community and  
22 Regional Affairs for non-conforming, rural, and non-owner occupied housing  
23 loans (AS 44.47.360 - 44.47.560).

24 \* Sec. 5. The sum of \$15,000,000 is appropriated from the general fund  
25 to the housing assistance loan fund in the Department of Community and  
26 Regional Affairs for nonconforming and rural housing loans that are sub-  
27 sidized from the home ownership assistance fund.

28 \* Sec. 6. The sum of \$650,000 is appropriated from the general fund to  
29 the home ownership assistance fund in the Department of Community and

**Sec. 44.47.583. When boundary change takes effect.**

Stated in State, Dep't of Nat'l Resources  
v. City of Haines, Sup. Ct. Op. No. 2342  
(File No. 5067), 627 P.2d 1047 (1981).

**Article 11. Senior Citizens Housing Development Fund.****Section**

610. Declaration of purpose

620. Senior citizens housing development

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Effective dates. — Section 78, ch. 113, June 25, 1982, in accordance with AS  
SLA 1982, makes this article effective 01.10.070(c).

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**Sec. 44.47.610. Declaration of purpose.** There exists in the state a serious shortage of decent, safe and sanitary residential housing available at low or moderate prices or rentals to persons 60 years of age or older. There also exists in the state organizations whose purposes are to provide the kinds of housing needed to alleviate this shortage. Development work to provide such housing involves substantial expense that is often beyond the resources of the organizations. (§ 51 ch 113 SLA 1982)

**Sec. 44.47.620. Senior citizens housing development.** (a) There is created in the Department of Community and Regional Affairs a senior citizens housing development fund. Subject to direct appropriation or through proceeds of a bond issue the department shall make grants to municipalities or public or private nonprofit corporations designated as tax exempt under sec. 501(c)(3) and (4) of the Internal Revenue Code of 1954 for the purpose of developing senior citizen housing. A grant from the proceeds of a bond issue may be made only to municipalities.

(b) Application for a grant under (a) of this section shall be in the form prescribed by the department. The application shall demonstrate the need for senior citizen housing in the area to be served, the feasibility of the proposed project, and an adequate management plan that shall demonstrate the ability of the eligible recipient to sustain the proposed project.

(c) All projects under this section shall be in accordance with facility procurement policies developed under AS 35.10.160 — 35.10.200 and are public facilities under those sections.

(d) The department shall adopt regulations to carry out the purposes of this section. The provisions of the Administrative Procedure Act (AS 44.62) apply to regulations adopted under this section.

§ 44.47.620

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*Appurtenant*

§ 44.50.070

STATE GOVERNMENT

§ 44.53.020

(e) In this section "senior citizen housing" means a specific work or improvement undertaken primarily to provide dwelling accommodations for persons 60 years of age or older, including but not limited to conventional housing, housing for the frail elderly, group homes, congregate housing, and other housing that meets special needs of the elderly; senior citizen housing includes the acquisition, construction, or rehabilitation of land, buildings, improvements, and other nonhousing facilities that are incidental or appurtenant to the housing. (§ 51 ch 113 SLA 1982) *Such facilities must relate to existing senior citizen projects, whether or not such projects have been originally constructed through state financing.*

### Part 3. Administrative Officers.

#### Chapter

53. Foreign Commissioners for Acknowledgments (Repealed)

#### Chapter 50. Notaries Public.

Sec. 44.50.070. Presence and identification required.

Applied in Anchorage Sand & Gravel  
Co. v. Wooldridge, Sup. Ct. Op. No. 2213  
(File No. 4765), 6/19/2d 10/14 (1980).

#### Chapter 53. Foreign Commissioners for Acknowledgments.

##### Section

10 — 20. (Repealed)

Secs. 44.53.010 — 44.53.020. Foreign commissioners for acknowledgments.

Repealed by § 6 ch 37 SLA 1981.

Cross references. — For Uniform Recognition of Acknowledgments Act, see AS 09.63.050 — 09.63.100.

Editor's notes. — The repealed chapter derived from §§ 10-6-1, 10-6-2, ACIA 1949.

### Part 4. Administrative Procedure.

#### Chapter

62. Administrative Procedure Act (§§ 44.62.130, 44.62.190, 44.62.240, 44.62.330)

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**

HOUSE FINANCE BUDGET HEARING  
SCHEDULE OF INFORMATION PRESENTED

\$7 Million Capital Budget Request - Special Mortgage Loan Purchase Program

Introductory Presentation	Exhibit A
Summary of Mortgage Demand and Proposed Bond Financings	Exhibit B
Reasonableness Test for Estimated FY 84 Mortgage Loan Demand	Exhibit C
Housing Units Authorized by Building Permits: Anchorage	Exhibit D
Summary of First Mortgage Applications by Program	Exhibit E
Summary of State Financial Support	Exhibit F
Program Brochures	Exhibit G

\$50 Million Capital Budget Request - Home Ownership Fund/Mobile Home Loan Program

Introductory Presentation	Exhibit H
Program Brochures:	
Home Ownership Assistance Program	Exhibit I
Mobile Home Loan Program	Exhibit J
Summary of Applications - Mobile Home Loan Program	Exhibit K
Loan Summary:	
Home Ownership Assistance Program	Exhibit L
Mobile Home Loan Program	Exhibit M
Summary of Projected Demand and Proposed Sources of Funding Mobile Home Loan Program	Exhibit N

## ALASKA HOUSING FINANCE CORPORATION

FY 84 Capital Budget Request  
Special Mortgage Loan Purchase Loan Program

The Corporation's original FY 84 capital budget request for the Special Mortgage Loan Purchase Program prepared in September 1982, was for \$200 million. The request has been revised several times as the Corporation nears the end of the current fiscal year and can better estimate the amount of subsidy funds available to be carried over into FY 84.

As finally prepared and presented in Exhibit B, the capital budget request stands at \$7 million. This amount, combined with an estimated \$249 million in carry forward funds and \$8 million in FY 84 subsidy funds earnings will enable the Corporation to meet in excess of \$1.3 billion in total mortgage demand.

There are several factors which have resulted in the substantial funds available for carry forward into the next fiscal year including:

- 1) Total mortgage demand for FY 83 will be approximately \$200 million below the level reflected in the FY 83 budget.
- 2) The FY 83 budget assumed a 5.75% level of subsidy for the taxable program. That level has gradually been reduced down to a current 2.11 percent.
- 3) State Veterans G.O. funded activity was estimated at \$82 million but should total close to \$150 million for FY 83 resulting in a substantial reduction in required subsidy.

ALASKA HOUSING FINANCE CORPORATION  
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM  
SUMMARY OF MORTGAGE DEMAND AND PROPOSED BOND FINANCINGS  
Fiscal Year 1984

(In Millions)

	Estimated Carry-Over From FY '83	Program Repayments And Earnings	Bond Proceeds	Sales Costs	Subsidy Subsidy	Subsidy Allocation	Estimated Carry-Over To FY '85	Estimated FY '84 Mortgage Demand
Taxable First Mortgage Program								
State Assisted Mortgage Bonds -								
Single-Family and Duplex	\$ 80	\$ 40	\$ 550	\$ (6)	\$ 183	\$ 54	\$ 50	\$ 851
Triplex and Four-plex	5	20					5	20
First Mortgage Veterans' Program -								
State Guaranteed Veterans' Bonds	60		100	(5)	22		10	267
Tax-Exempt First Mortgage Program -								
Home Mortgage Bonds	30		200	(5)	32	(27)	50	180
Taxable Second Mortgage Program -								
Second Mortgage Bonds	12							12
Reserve to Complete Open Series	—	—	—	—	27	(27)	—	—
<b>TOTAL</b>	<u>\$ 187</u>	<u>\$ 60</u>	<u>\$ 950</u>	<u>\$(16)</u>	<u>\$ 264</u>	<u>\$ -</u>	<u>\$ 115</u>	<u>\$1,330</u>

April 28, 1983

ALASKA HOUSING FINANCE CORPORATION

SCHEDULE OF SUBSIDY FUNDS  
(in Millions)

Assumes General Obligation Fund Asset  
Transfer to the SAM Fund

Second Half of FY 83

Subsidy funds available 1/1/83		\$ 19.611
Reverted assets to be used for subsidy		
Cash (102.516 plus 11.023)	\$ 113.540	
(1) Mortgages (136.762 plus 50.062)	<u>186.824</u>	<u>300.364</u>
Total		319.975
Subsidy required January 1 through June 30, 1983		<u>70.776</u>
Subsidy funds available for FY 84		<u>\$249.199</u>

Fiscal Year 1984

Estimated Subsidy		\$264.000
Estimated Earnings on SAM Fund (Avg. Bal. of 100m at 8%)		(8.000)
Subsidy Funds Carried Forward from FY 83		<u>(249.199)</u>
Estimated FY 84 Subsidy Requirement		<u>\$ 6.801</u>

	<u>NON-DVA</u>	<u>DVA (GOF)</u>
(1) Mortgages Reverted	\$172.512	\$ 77.562
Utilized to fill outstanding non-ABE bond issues	(17.000)*	
Discount on \$75 million mortgage to an approximate yield of 13.50%	(18.750)	
Discount on \$70 million (DVA) mortgage to an approximate yield of 13.5%		(27.500)
	<u>\$136.762</u>	<u>\$ 50.062</u>

\*Series B & C \$18.5  
Series D & E 6.5  
Series 81- 1 (8.0)  
\$17.0

Note: Mortgage loans remaining in the SAM Fund at June 30, 1983 will consist only of those originally appropriated to the Corporation.

ALASKA HOUSING FINANCE CORPORATION  
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

SUMMARY OF MORTGAGE DEMAND AND PROPOSED BOND FINANCINGS  
Fiscal Year 1984  
<Attachment>

Assumptions

- Continued availability of credit facilities enabling the Corporation to issue intermediate term securities
- Level of subsidy for taxable first mortgage program at 3.00 percent. No modification to the ratchet and mortgage rates totally dependent upon the Corporation's cost of funds.
- Tax exempt interest rates not substantially higher than current levels.
- Federal tax exempt mortgage bond authorization terminating December 1983 (other than authorization for qualified veterans bonds which continues indefinitely). The \$200 million in bond sales reflected in the Schedule would be the last issue sold pursuant to the Mortgage Subsidy Bond Tax Act of 1980.
- Mortgage demand maintained at current levels with seasonal adjustments. Allocation between Taxable First Mortgage Program and State Guaranteed Veterans' Program based upon a reduction in Qualifying Veterans activity to the previous levels experienced under the definition of "State Veteran."
- Legislation received in 1983 authorizing a special general state election approving additional State Guaranteed Bonds for the Veterans Mortgage Program.
- Mortgage loans held in the SAM Fund and reverting from a previous pledge sold to yield approximately 13.50%. If possible, a separate mortgage backed bond issue will be utilized as opposed to a whole loan sale.
- Home Improvement Loan Bonds 1982 Series A called on June 1, 1983 releasing approximately \$7 million back to the Special Mortgage Loan Purchase Program.

April 28, 1983

State Assisted Mortgage Bonds Series G funds "warehoused" during FY 84 and available for mortgage purchases only if the Corporation's cost of funds increase to a level which allows adherence to the legislatively established rate for the issue.

NOTE: Activity in the Mobile Home Loan Purchase Program is not reflected in the schedule as funding is from appropriations to the Home Ownership Fund with the earnings on the loans used to meet obligations of the Corporation under assistance contracts entered into under the Home Ownership Assistance Program. The Corporation's capital budget request for the Home Ownership Fund for FY 84 is \$50 million which will be used to purchase mobile home loans.

April 28, 1983

ALASKA HOUSING FINANCE CORPORATION

SCHEDULE OF PROPOSED FINANCINGS  
(in Millions)

	<u>Bond Issue</u>	<u>Required Subsidy</u>	<u>Mortgage Loan Pool</u>
<u>January through June 30, 1983</u>			
Taxable First Mortgage Bonds			
SAM Series I	1/83	\$ 50,000	\$ 15,175
SAM Series J	3/83	50,000	14,410
SAM Series K	5/83	75,000	21,500
Sam Series L	6/83	75,000	21,500
	<u>250,000</u>	<u>72,585</u>	<u>310,500</u>
State Guaranteed Veterans Bonds			
SGB 1983 First Series	1/83	50,000	1,681
SGB 1983 Second Series	5/83	125,000	3,750
SGB 1983 Third Series	6/83	75,000	2,250
	<u>250,000</u>	<u>7,681</u>	<u>250,100</u>
Other Items Effecting Subsidy:			
Subsidy Reversion upon			
HIL Call	6/83	(7,000)	
Interest Earned on SAM Fund		(8,000)	
Reserve for ABE Bond Issues Completed		12,500	12,500
Cash from SAM Mortgage Loan Fund for Series B & C		(7,000)	
	<u>-</u>	<u>(9,500)</u>	<u>12,500</u>
TOTALS 1/1/83 to 6/30/83	<u>\$500,000</u>	<u>\$ 70,766</u>	<u>\$ 573,100</u>
<u>July 1, 1983 through June 30, 1984</u>			
Taxable First Mortgage Bonds	\$550,000	\$183,000	\$ 727,000
Tax-Exempt First Mortgage Bonds	200,000	32,000	227,000
State Guaranteed Veterans Bonds	200,000	22,000	217,000
Reserve to Complete Open Series		27,000	27,000
TOTALS 7/1/83 to 6/30/84	<u>\$950,000</u>	<u>264,000</u>	<u>\$1,198,000</u>

## ALASKA HOUSING FINANCE CORPORATION

Reasonableness Test for Estimated FY '84  
Mortgage Loan Demand

	<u>Non-Seasonally Adjusted</u>	<u>Seasonally Adjusted</u>
<u>All First Mortgages</u>		
Four weeks from 3/07, to 4/01/83	\$ 105,022,050	\$ 105,022,050
Acceptance Rate	<u>90%</u>	<u>90%</u>
	94,519,845	94,519,845
Seasonal Adjustment		-84%*
	<u>94,519,845</u>	<u>112,523,625</u>
	+ 4	+ 4
	x 52	x 52
Annualized Previous Four Week Activity	<u>\$1,228,757,985</u>	<u>\$1,462,807,125</u>

\* March 1982 activity was 78 percent of the average monthly activity for FY '82.

Factors Which May Affect FY 84' Mortgage Loan Demand:

May be Even Higher as a Result of:

- 1) Sustained AHFC Mortgage Rates at their current relatively low levels.
- 2) Fears of future rate increases.
- 3) Even greater demand in the State Veterans Program as individuals take advantage of the building season and construct their homes and access the very attractive rates.

Note: Building permits for the Municipality of Anchorage through March for Calendar Year 1983 were 2,315 compared to 1,064 for the same period in 1982.

May be Lower as a Result of:

- 1) Increasing rental vacancy rates.
- 2) Saturation of the low-end market.
- 3) Overbuilt situation resulting in a buyers market with consumer expectations that home prices will not be rising in the near future so "why buy now."
- 4) Lengthened transaction times in a slower market.
- 5) A slowdown in the employment growth.

## EXHIBIT D

ANCHORAGE AREA  
OFFICEHOUSING UNITS AUTHORIZED BY BUILDING PERMITS  
LOCALITY: ANCHORAGE

20 APRIL 1983

YEAR	SINGLE FAMILY	2-TO-4 FAMILY	5 OR MORE FAMILY	MOBILE HOMES	TOTAL UNITS	CONVERSIONS + DEMOLITIONS
1970	1,400	(- - - - 1,600 - - - -)		NA	3,000	-59
1971	1,385	(- - - - 1,665 - - - -)		NA	3,050	-39
1972	1,415	(- - - - 1,506 - - - -)		NA	2,951	-63
1973	1,402	(- - - - 684 - - - -)		NA	2,086	-54
1974	1,798	(- - - - 1,024 - - - -)		NA	2,822	-41
1975	1,827	(- - - - 2,183 - - - -)		NA	4,010	-12
1976	1,269	(- - - - 2,216 - - - -)		453	3,938	-46
1977	1,955	1,070	1,432	420	4,877	-22
1978	1,492	751	675	371	3,289	-12
1979	588	270	369	232	1,469	10
1980	897	186	115	190	1,397	9
1981	2,100	483	522	315	3,432	12
1982	<u>2,083</u>	<u>992</u>	<u>2,206</u>	<u>392</u>	<u>6,689</u>	<u>16</u>
1ST 3 MTH 1982 TOTAL	347	141	521	55	1,064	0
1ST 3 MTH 1983						
JAN	60	64	48	16	189	1
FEB	192	101	454	26	773	0
MAR	<u>375</u>	<u>346</u>	<u>599</u>	<u>23</u>	<u>1,353</u>	<u>10</u>
1ST 3 MTH 1983 TOTAL	627	511	1,101	65	2,315	11

ALASKA HOUSING FINANCE CORPORATION  
SUMMARY OF ALL APPLICATIONS - MONTHLY  
ALL CONVENTIONAL AND FHA/VA FIRST MORTGAGES  
(EXCLUDING RURAL PROGRAMS)

		Received		Approved		%	Denied		%
		No.	AMT.	No.	AMT.		No.	AMT.	
January	1982	594	51,059,000	446	38,791,500	75.08	148	12,267,500	24.92
February	1982	619	53,993,250	411	36,773,300	66.40	208	17,219,950	33.60
March	1982	700	62,136,400	476	43,885,950	68.00	224	18,250,450	32.00
April	1982	814	71,741,500	585	52,651,550	71.87	229	19,089,950	28.13
May	1982	924	82,224,400	686	62,095,600	24.24	238	20,128,800	25.76
June	1982	885	80,012,300	680	62,354,600	75.84	205	17,657,700	23.16
July	1982	971	86,966,850	743	66,860,650	76.21	228	20,106,200	23.48
August	1982	1,026	92,246,700	843	77,626,050	82.16	182	16,514,250	17.74
September	1982	957	85,572,150	782	70,300,150	81.71	174	15,112,000	18.18
October	1982	976	87,644,500	768	68,641,250	78.59	208	19,003,250	21.31
November	1982	928	83,319,850	770	69,376,600	82.97	158	13,943,250	17.03
December	1982	1,048	98,282,900	856	81,208,750	81.68	192	17,074,150	18.32
January	1983	905	85,809,300	740	70,602,750	81.77	163	15,056,550	18.01
February	1983	886	85,531,450	734	71,186,550	82.84	152	14,344,900	17.16
March	1983	1,169	116,429,350	1,015	102,012,750	86.83	137	12,675,500	11.72
April	1983	565	55,298,750	274	28,031,000	48.50	35	3,234,200	6.19

Month Appl. Rec.	Pending			In Process		
	No.	AMT.	%	No.	AMT.	%
January	2	140,000	.22		-0-	
March	13	1,304,800	1.11	4	436,300	.34
April	50	5,116,350	8.85	206	18,917,200	36.46

ALASKA HOUSING FINANCE CORPORATION  
SUMMARY OF APPLICATIONS - MONTHLY  
FIRST MORTGAGES UNDER THE MORTGAGE BOND SUBSIDY TAX ACT LOAN PROGRAM

		Received		Approved		%	Denied		%
		No.	AMT.	No.	AMT.		No.	AMT.	
January	1982	144	10,779,050	103	7,644,300	71.53	41	3,134,750	28.47
February	1982	173	13,176,800	75	5,667,100	43.35	98	7,509,700	56.65
March	1982	289	22,005,400	151	11,614,500	52.25	138	10,390,900	47.75
April	1982	284	21,424,450	172	13,011,300	60.56	112	8,413,150	39.44
May	1982	349	27,005,050	229	17,408,750	65.56	120	9,596,750	34.38
June	1982	293	23,398,850	210	16,839,400	71.67	83	6,559,450	28.33
July	1982	382	29,809,300	292	22,798,500	76.44	90	7,010,800	23.56
August	1982	406	32,832,600	337	27,243,200	83.00	69	5,589,400	17.00
September	1982	445	35,525,500	369	29,683,050	82.92	76	5,842,450	17.08
October	1982	491	39,236,550	387	31,070,150	78.82	104	8,166,400	21.18
November	1982	506	40,727,350	427	34,279,900	84.39	79	6,368,100	15.61
December	1982	458	37,349,400	351	28,871,200	76.64	107	8,478,200	23.36
January	1983	319	25,998,350	242	19,888,350	75.86	77	6,110,000	24.14
February	1983	248	19,166,600	203	15,759,150	81.85	45	3,407,450	18.15
March	1983	181	13,329,800	143	10,539,900	79.01	37	2,715,800	20.44
April	1983	115	8,548,550	35	2,609,550	30.43	6	374,500	5.22

Month Appl. Rec.	Pending			In Process		
	No.	AMT.	%	No.	AMT.	%
March	1	74,100	.55	-0-		
April	8	618,200	6.96	66	4,946,300	57.39

ALASKA HOUSING FINANCE CORPORATION  
 NON-QUALIFIED FIRST MORTGAGES UNDER THE STATE  
 ASSISTED MORTGAGE LOAN PROGRAM

	Received		Approved		%	Denied		%
	No.	AMT.	No.	AMT.		No.	AMT.	
January 1982	450	40,279,950	343	31,147,200	76.22	107	9,132,750	23.78
February 1982	446	40,816,450	336	31,106,200	75.34	110	9,710,250	24.66
March 1982	411	40,131,000	325	32,271,450	79.08	86	7,859,550	20.92
April 1982	530	50,317,050	413	39,640,250	77.92	117	10,676,800	22.08
May 1982	575	55,219,350	457	44,687,300	79.48	118	10,532,050	20.52
June 1982	592	56,613,450	470	45,515,200	79.39	122	11,098,250	20.61
July 1982	589	57,157,550	451	44,062,150	75.57	138	13,095,400	23.43
August 1982	620	61,414,100	507	50,489,250	81.77	113	10,924,850	18.23
September 1982	512	50,046,650	414	40,777,100	80.86	98	9,269,550	19.14
October 1982	485	48,417,950	381	37,581,100	76.56	104	10,836,850	21.44
November 1982	422	42,590,800	345	34,871,750	81.75	77	7,719,050	18.25
December 1982	590	60,933,500	505	52,337,550	85.59	85	8,595,950	14.41
January 1983	583	59,433,100	495	50,336,550	84.91	86	8,956,550	14.75
February 1983	420	42,533,150	335	34,039,650	79.76	85	8,493,500	20.24
March 1983	631	63,280,000	548	55,010,950	86.85	73	7,247,400	11.57
April 1983	354	36,067,100	164	17,019,800	46.33	20	1,860,750	5.65

Month Appl. Rec.	Pending			In Process		
	No.	AMT.	%	No.	AMT.	%
January	2	140,000	.34	-0-		
March	7	695,650	1.11	3	326,000	4.75
April	32	3,407,650	9.04	138	13,778,900	38.98

ALASKA HOUSING FINANCE CORPORATION  
SUMMARY OF APPLICATIONS - MONTHLY  
VA GENERAL OBLIGATION

	Received		Approved		%	Denied		%
	No.	AMT.	No.	AMT.		No.	AMT.	
January 1983	3	377,850	3	377,850	100.00	-0-		
February 1983	218	23,831,700	196	21,387,750	89.91	22	2,443,950	10.09
March 1983	357	39,819,550	324	36,461,900	90.76	27	2,712,300	7.56
April 1983	96	10,683,100	75	8,401,650	78.12	9	998,950	9.38

Month Appl. Rec.	Pending			In Process		
	No.	AMT.	%	No.	AMT.	%
March	5	535,050	1.40	1	110,300	.28
April	10	1,090,500	10.42	2	192,000	2.08

## ALASKA HOUSING FINANCE CORPORATION

## SUMMARY OF STATE FINANCIAL SUPPORT

Special Mortgage Loan Purchase Program

FY 81		
	Appropriation	
	Mortgage Loans	\$236,000,000
	Cash	238,000,000
FY 82		222,000,000
FY 83		105,000,000

Mobile Home Loan Purchase Program

See Notes 1 and 2 for additional funds appropriated to purchase loans under this program.

FY 80		
	Loans Through Department of Revenue	(\$10,000,000 at 9.5%)
FY 81	Appropriation	12,500,000

Rural Non-Owner Occupied Mortgage Purchase Program

See Note 1 for additional funds appropriated to purchase loans under this program.

FY 79		
	Loans Through Department of Revenue	(\$2,600,000 at 8.5%)
FY 81	Appropriation	4,500,000

Rural Mortgage Loan Purchase Program

See Note 1 for additional funds appropriated to purchase loans under this program.

FY 79		
	Appropriation - Training Costs	100,000
	Hazard Insurance Fund	250,000
	Title Insurance Fund	250,000
	Mortgage Insurance Account	500,000
FY 80		
	Bond Sale to State of Alaska	(\$5,600,000 at 7 1/2%)
FY 81		
	Bond Sale to State of Alaska	(\$4,400,000 at 7 1/2%)
	Appropriations	
	Mortgage Purchases	6,500,000
	Title Insurance Fund	130,000
	Mortgage Insurance Fund	325,000

ALASKA HOUSING FINANCE CORPORATION

SUMMARY OF STATE FINANCIAL SUPPORT  
(Continued)

Home Ownership Assistance Program ("HOF" Fund)

FY 81		
	Appropriation	
	Mortgage Loans	\$50,000,000
	Cash	2,500,000
FY 82		43,000,000 (1)
FY 83		45,000,000 (2)

State Mortgage Insurance Fund

Prior to FY 80	7,950,000
FY 80	3,000,000*
FY 81	12,500,000 (3)

* Total Appropriation	\$ 6,000,000
Less Amount Unavailable From Veterans Revolving Loan Fund	2,000,000
Less Amount For Mobile Home Insurance Funds Only	<u>1,000,000</u>
	<u>\$ 3,000,000</u>

Other State Loans

Loan For Multi-Family Project	(\$4,420,000 at 3.47%)
Loan For Rural Mortgages	(\$5,250,000 at 6.00%)
Loans To Fund Capital Reserve Requirement For Insured Mortgage Bond Program	(\$12,800,000) (4)

(1) Home Ownership Assistance Program appropriation to be utilized to purchase mortgages as follows:

Mobile Home Loans	\$18,000,000
Rural	20,000,000
Rural Non-Owner Occupied	5,000,000

(2) To be utilized to purchase Mobile Home loans.

(3) An additional \$5,860,000 remains available from the FY 81 appropriation.

(4) Interest rates on loans are equal to the earnings of the investments made with the loans.

# Special Mortgage Loan Purchase Program Conventional Loan



*Alaska*  
HOUSING  
FINANCE  
CORPORATION

*The largest and most commonly utilized program  
is AHFC's Conventional or Regular Program.*

## Features

### Maximum Loan Amount

Single-Family  
Residence . . . . . \$160,500  
Two-Family Residence . \$205,200

Minimum Down Payment . . . . . 5%

### Eligible Property

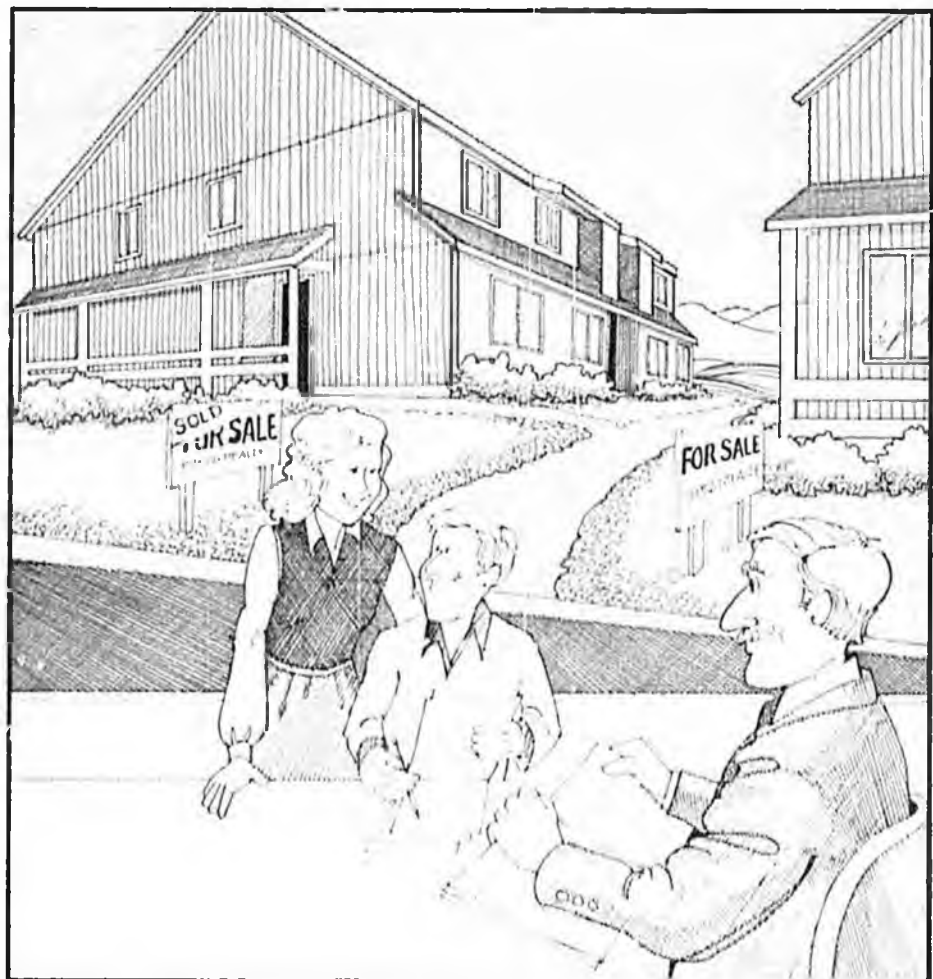
Owner occupied single-family or duplex dwelling, including owner-occupied condominium units or units in a planned unit development (PUD).

VA guaranteed loans are allowed; however, down payments and maximum loan amounts will vary. The current maximum loan amount is \$135,000. Check with your lender for details.

## Type of Loan

Alaska Housing Finance Corporation utilizes a mortgage loan referred to as the Alaska Building Equity (ABE) Mortgage. There are many positive features to the ABE mortgage. The interest rate remains fixed for the entire life of the mortgage. Although there are moderate increases to the mortgage payment during the years four through nine, the borrower knows exactly what the monthly payments will be for the entire life of the mortgage. Since the interest rate remains fixed, all increases are applied to the principal balance, thus increasing the borrower's equity and repaying the loan within approximately sixteen years.

A detailed description of the ABE mortgage is available in AHFC's pamphlet entitled "Buying A Home In The Future?"



## Interest Rates

Interest rates charged by AHFC have been established by the Legislature and these rates will fluctuate according to the cost AHFC pays to obtain its funds. By law, AHFC is required to provide below market or subsidized rates to eligible borrowers on the first \$90,000 of the mortgage loan. For any portion above \$90,000, the borrower

is required to pay the cost AHFC pays to obtain its funds. Since AHFC interest rates are directly tied to the cost the Corporation must pay to obtain the funds, interest rates are SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. Consult your lender for the current AHFC interest rate for this program.

# Veterans Mortgage Program

*Alaska*  
HOUSING  
FINANCE  
CORPORATION

**To apply under this program, federal regulations require that individuals must be veterans as defined by the United States code**

## Features

### Maximum Loan Amount

Single-Family Residence	\$160,500
Duplex	205,200
Triplex	247,650
Four-Plex	307,950

### Minimum Down Payment

Single-Family and Duplexes Residences	5%
Triplexes and Four-Plexes Residences	10%

### Eligible Properties

Owner-occupied single-family dwellings (including condominiums and units in a PUD) and multi-family dwellings up to and including four-plexes. If the residence is a multi-family dwelling, then all units must have been occupied as such for at least 5 years. For example, if the dwelling is a four-plex, it must have been occupied as a four-plex for 5 years.

VA guaranteed loans are allowed. However, down payments and maximum loan amounts will vary. Check with your lender for details.

### Type of Loan

The ABE mortgage structure applies to the Veterans Program. Under this type of mortgage, the interest rate is fixed, however, there are moderate increases to the mortgage payment in years four through nine. These increases are applied to the principal balance on the loan. Therefore, the loan is repaid in approximately 18 years. A detailed description of the ABE mortgage is available in AHFC's pamphlet entitled "Buying a Home in the Future?"

### Other Criteria

In November of 1982, the voters passed a constitutional amendment and a



bond proposition that allowed AHFC to issue tax-exempt bonds for the purpose of financing homes for qualified veterans. Since this program is regulated by the U.S. Department of Treasury, IRS, the borrower(s) must meet certain criteria to qualify.

1. The borrower(s) must be a qualified veteran. Temporary regulations of the IRS have implemented the meaning of "veteran" as defined in 38 U.S.C. 101(2). In order to apply under this program, the borrower(s) must submit documentation that they are a veteran under the federal definition.

A Certificate of Eligibility or a letter from the Federal Veterans Administration will be accepted as evidence of meeting this requirement. In some instances, it may take thirty (30) to sixty (60) days to obtain the Certificate of Eligibility. Therefore, if you are planning on applying under this program, you may want to start the process beforehand, as AHFC will not process any applications without the appropriate documentation.

2. Not more than 15% of the dwelling may be used for business or trade

(other than for renting one of the units, if the residence is a multi-family dwelling) and no portion of the property may be specifically designed for commercial use.

3. The borrower must occupy the residence or one unit of the residence as their primary dwelling. In addition, the loan must be paid in full, if you cease to occupy the residence or sell or transfer your ownership interest in the property.

4. Refinancing is prohibited under the Program. The proceeds of the loan must be used for new financing.

5. Excess land may not be financed. The real estate upon which the residence is located must be reasonably required to maintain the basic livability of the residence.

### Interest Rates

Mortgage interest rates are based on the interest rate for AHFC bonds plus the Corporation's operating costs and will vary from time to time. INTEREST RATES ARE SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. Consult your lender for the current AHFC rate on the Veterans Program.

# Mortgage Subsidy Tax Act Tax-Exempt Program



**Loans offered under the Tax-Exempt Program are subject to regulations and guidelines that have been developed by the U.S. Department of Treasury.**

## Features

### Acquisition Cost Limits\*

Single-Family - Existing Dwelling . . . . .	\$104,986
Single-Family - New Construction . . . . .	\$128,143
Duplex - Existing Dwelling (5 years) . . . . .	\$122,829

**Minimum Down Payment . . . . . 5%**

### Eligible Property

Owner-occupied single family dwellings, including condominiums and units in a PUD, and duplexes.

VA guaranteed loans are allowed. However, down payments and maximum loan amounts will vary. Check with your lender for details. In addition, a borrower may combine this program with the Pledged Account Mortgage Program (PAM) or the Homeownership Assistance Program (HOF). IF THE TAX-EXEMPT PROGRAM IS COMBINED WITH EITHER THE PAM OR THE HOF, THE REQUIREMENTS OF BOTH PROGRAMS MUST BE MET.

\*Federal regulations require that the purchase price not exceed 110% of the average area purchase price. AHFC conducts studies on a periodic basis to determine the average area purchase prices for Alaska; therefore, the acquisition cost limit is subject to change.

### Type of Loan

The ABC mortgage payment structure applies to the Tax-Exempt Program. Refer to AHFC's pamphlet entitled "Buying A Home In The Future?" for a detailed description of the ABE mortgage.



## Eligibility Criteria

Since this is a federally regulated program, there are several criteria a borrower must meet in order to qualify:

1. Ninety percent (90%) of the funds under this program will be allocated to borrowers who *have not* owned a home or had an ownership interest in a home, which was used as the borrower's primary residence, for the three years prior to the date of application. Ownership in rental property (as long as the borrower did not reside in the property) or vacation property is permitted.

The remaining 10% of the funds under this program will be allocated to HOF applicants who have previously owned or had an ownership interest in a home within the three years prior to the date of application.

2. Not more than 15% of the dwelling may be used for business or trade and no portion of the property may be specifically designed for commercial use.

3. All improvements, additions or alterations that the borrower(s) plans to make to the residence at the time of ownership, or within one year after the loan closes, must be reported. The cost of those improvements, when added to the original cost of the dwelling, may not exceed the maximum acquisition cost limits above.

4. All borrowers will be required to submit copies of their original tax returns which cover the past three years prior to date of application.

## Interest Rates

Mortgage interest rates are based on the interest rate for AHFC bonds plus the Corporation's operating costs and will vary from time to time. INTEREST RATES ARE SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. As of the date of printing of this pamphlet, the interest rate on the first \$90,000 is 10% (9% for eligible state veterans). Consult your lender for the current AHFC rate on the Tax-Exempt Program.

# Triplex/Four-plex Mortgage Loan Purchase Program



*In 1982, the State enacted legislation that gave AHFC the authority to implement a loan purchase program for triplexes and four-plexes.*

## Features

### Maximum Loan Amount

Triplex . . . . .	\$247,650
Four-plex . . . . .	\$307,950

**Minimum Down Payment** . . . . . 10%

### Occupancy

The owner must occupy one unit of the mortgaged premises as his/her primary residence.

### Type of Loan

The ABE Mortgage payment structure applies to the triplex and four-plex program. Refer to the AHFC's pamphlet entitled "Buying A Home In The Future?" for further details.

### Qualifying for a Triplex - Four-Plex Mortgage Loan

When determining the individual's ability to pay the mortgage debt, AHFC, as a guideline, uses ratios of 28/36. The total monthly payment generally should not exceed the net monthly operating income plus twenty-eight percent (28%) of the borrower's gross stable monthly income. In addition, the overall debt obligation, which is the total monthly payment plus all other obligations of the borrower should not exceed the net monthly operating income plus thirty-six percent (36%) of the borrower's gross stable monthly income. The example illustrates how the ratios are utilized in determining if the borrower qualifies for the mortgage loan.

### Interest Rates

Mortgage interest rates are based on the cost the Corporation must pay to obtain its funds and will vary at times. Interest rates are SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. Consult your lender for the current AHFC interest rate for this program.



### Loan Characteristics

Total mortgage payment . . .	\$1,800	Monthly net operating income . . . . .	\$1,100
Borrower's monthly income . . . . .	\$3,200	(Rental income less operating expenses)	
Borrower's other obligations . . . . .	\$ 400		

### Borrower's Qualifications

1. 28% of borrower's stable monthly income $\$3,200 \times 28\%$	=	\$ 896
2. Monthly net operating income	=	\$1,100
3. Total lines 1 and 2	=	\$1,996
4. Proposed mortgage payment	=	\$1,800

Line four (4) should not exceed line three (3)

1. 36% of borrower's stable monthly income $\$3,200 \times 36\%$	=	\$1,152
2. Monthly net operating income	=	\$1,100
3. Total lines 1 and 2	=	\$2,252
4. Proposed mortgage payment	=	\$1,800
5. Borrower's other obligation	=	\$ 400
6. Total lines 4 and 5	=	\$2,200

Line six (6) should not exceed line three (3).

# Pledged Account Mortgage (PAM)



**The Pledged Account Mortgage is designed for those individuals who have ample savings yet their present monthly income does not yet meet the minimum monthly income requirements.**

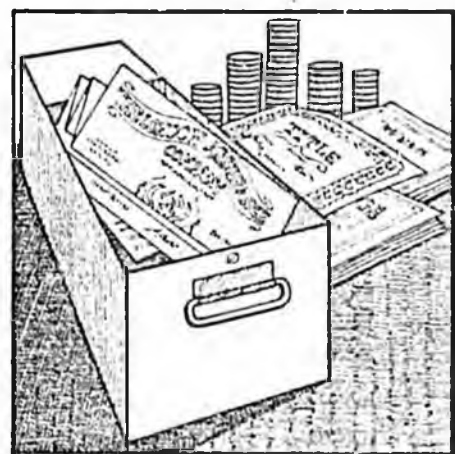
### Features

**Maximum Loan Amount:**  
 Single-Family Residence . . . . . \$160,500  
 Two-Family Residence . . . . . \$205,200

**Eligible Property:**  
 Owner-occupied single-family dwellings, including condominiums and units in a PUD, and duplexes.

### Type of Loan

The ABE mortgage payment structure applies to the PAM Program. Refer to AHFC's pamphlet entitled "Buying A Home In The Future?" for a detailed description of the ABE Mortgage.



When combined with the Alaska Building Equity (ABE) Mortgage, the PAM offers the benefits of early loan retirement with the additional advantage of lower first year payments. The example demonstrates how the PAM benefits the borrower.

### Interest Rates

Mortgage interest rates are based on the interest rate for AHFC bonds plus the Corporation's operating costs and will vary from time to time. Consult your lender for the current AHFC rate on the Pledged Account Mortgage.

### How Does the PAM Work?

The program allows the borrower to purchase a home based upon potential earnings rather than solely what is earned at present. Generally speaking, it is anticipated that the borrower making application under this program would typically be in a line of employment which demonstrates upward mobility. For some, the PAM means the ability to buy a more expensive home than they would normally qualify for.

The key to the PAM program is the unique use of the borrower's down payment. Rather than using the down payment solely to create equity, a portion is placed into a pledged savings account. Money is drawn out of the pledged account each month for the length of the pledged plan to supplement the out-of-pocket monthly payments. At the same time, the pledged account earns interest at the regular savings rate.

### Loan Characteristics

	PAM	CONVENTIONAL LOAN
Value of Property . . . . .	\$85,000	\$85,000
Mortgage Amount . . . . .	79,850	77,000
Down Payment . . . . .	8,000	8,000
To Equity . . . . .	5,150	8,000
To Pledged Savings . . . . .	2,850	-0-
Interest Rate . . . . .	12.375	12.375

Year	Out-of-Pocket Borrower's Portion	Amount From Pledge Savings	Total Payment	Standard ABE Loan
1	\$ 758.69	85.78	\$ 844.47	\$ 814.35
2	775.12	69.35	844.47	814.35
3	791.91	52.56	844.47	814.35
4	851.29	35.41	886.70	855.07
5	913.14	17.89	931.03	897.82
6	977.58	-0-	977.58	942.71
7	1,026.46	-0-	1,026.46	989.85
8	1,077.78	-0-	1,077.78	1,039.34
9-Life of Mortgage	1,131.67	-0-	1,131.67	1,091.31

With a PAM/ABE Mortgage, the borrower's first year out-of-pocket expense for principal and interest is \$758.69 per month. If the entire \$8,000.00 down payment was applied towards only the equity, the borrower's first year out-of-pocket expense for principal and interest would be \$814.35 per month.

# Second Mortgage Loan Purchase Program



*In 1982, AHFC implemented its Second Mortgage Loan Purchase Program. The program can be divided into three categories:*

- 1) Second Mortgages for the purchase of a residence;*
- 2) Home Improvement Loans (HIL) financed through the sale of tax-exempt bonds; and*
- 3) Home Improvement Loans (HIL) financed through the sale of taxable bonds.*

## 1. Seconds for Purchase

Proceeds of a second mortgage must be used for the purchase of an owner-occupied single-family residence or duplex, where the dwelling is subject to an existing first mortgage.

### Maximum Loan Amount

The total-financing-to-value may not exceed 90% of the market value or sales price—whichever is less—and the sum of the first when combined with the second may not exceed AHFC's current loan maximums of \$160,500 for a single family dwelling and \$205,200 for a duplex.

### Eligible Property

Owner-occupied single-family dwellings (including condominiums or PUDs) and duplexes. Mobile homes, vacation or rental properties are NOT eligible.

### Loan Terms

Up to \$6,450 ..... 5 years  
\$ 6,500 - \$12,450 ..... 10 years  
\$12,500 - and up ..... 15 years

## 2. Home Improvement Loan Tax-Exempt Program

The HIL tax-exempt program is regulated by the federal government. Guidelines for the program have been developed by the U.S. Department of Treasury.

### Maximum Loan Amount

\$15,000. However, the total-financing-to-value may not exceed 90% of the completed market value and the sum of the first and second may not exceed AHFC's loan maximums of \$160,500

for a single family dwelling and \$205,200 for a duplex.

### Eligible Improvements

Those which improve the basic livability or energy efficiency of the dwelling including modernization and additions. Recreational or entertainment facilities are prohibited.

### Eligible Property

Owner-occupied single-family dwellings (including condominiums or PUDs) and duplexes. Mobile homes, vacation or rental properties are NOT eligible.

### Loan Terms

Up to \$6,450 ..... 5 years  
\$ 6,500 - \$12,450 ..... 10 years  
\$12,500 - \$15,000 ..... 15 years

## 3. Home Improvement Loan Taxable Program:

### Maximum Loan Amount

The total-financing-to-value may not exceed 90% of the market value—as completed—and the sum of the first and the second may not exceed AHFC's loan maximums of \$160,500 for a single-family dwelling and \$205,200 for a duplex.

### Eligible Improvements

Those which improve the basic livability or energy efficiency of the dwelling, including completions or additions.

### Eligible Property

Owner-occupied single-family dwellings (including condominiums or PUDs) and duplexes. Mobile homes, vacation or rental properties are NOT eligible.

### Loan Terms

Up to \$6,450 ..... 5 years  
\$ 6,500 - \$12,450 ..... 10 years  
\$12,500 - and up ..... 15 years

### Interest Rates

As with AHFC's first mortgage program, the interest rate is governed by the Legislature and may fluctuate depending on the cost the Corporation must pay to obtain its funds. Interest rates are SUBJECT TO CHANGE WITHOUT PRIOR NOTICE.

By Law, AHFC is allowed to loan up to \$90,000 under the first mortgage program at a subsidized rate. For any portion above \$90,000, the borrower is required to pay an interest rate equal to the cost of funds. The Seconds Program works in the same manner. However, please remember, if the existing first mortgage is a subsidized AHFC loan, the outstanding principal balance of the first mortgage must be subtracted from the \$90,000 to determine the amount of the second that will be eligible for the subsidized rate. This formula applies to all three categories of the Second Mortgage Loan Program.

As of the date of printing of this pamphlet, a second mortgage loan under the tax-exempt program could be as low as 10% (9% for eligible State veterans). Under the taxable home improvement loan program and the seconds for purchase program, the lowest possible rate is 12-3/8% (11-3/8% for eligible State veterans). Consult your lender for the current interest rates for these programs.

Alaska

HOUSING



FINANCE CORPORATION

EXHIBIT G.7

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# BUYING A HOME IN THE FUTURE?

**Alaska Housing Finance Corporation wants you to know the facts about the Alaska Building Equity (ABE) Mortgage.**

**This pamphlet explains how the ABE mortgage works and how you, the home buyer, will benefit from this financing method.**

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## FEATURES

The interest rate remains fixed for the entire life of the mortgage. The initial monthly payments are the same as those which would be required for a 30 year level monthly payment fixed rate mortgage. The monthly payments are increased by 5% for each year at the beginning of years four through nine. Since the interest rate is fixed, the increased portion of the monthly payment is applied to the outstanding principal of the mortgage loan. As a result, the loan is fully repaid within 16 years. Additionally, the amount of total interest paid during the life of the mortgage is approximately half of that paid were the same loan to be repaid over a 30 year period.

## ADVANTAGES TO THE BORROWER

**LOWER MORTGAGE RATE:** Mortgages in excess of \$90,000 will immediately benefit from the reduction in the borrowing costs of AHFC. When AHFC's costs of funds are reduced to a level within 3% of the interest rate previously in effect for the first \$90,000 of a mortgage loan, all borrowers will benefit from the reduction.