

ALABAMA LEGISLATIVE COUNCIL

2997

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SB 387

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SB 466

2997

department or agency head shall grant personal leave for medical reasons if he is satisfied that the officer or employee is absent for medical reasons. The taking of personal leave for medical reasons shall be reduced by the amount of wage continuation payments made under the Alaska Workers' Compensation Act (AS 23.30). The following constitute "medical reasons" and are subject to the conditions noted.

(1) Medical disability of an officer or employee is a medical reason for taking personal leave. A department or agency head may require a doctor's certificate showing the disability if the absence exceeds three consecutive working days.

(2) Medical disability of a member of an officer's or employee's immediate family is a medical reason for taking personal leave if the disability is such that the attendance of the officer or employee is required. A department or agency head may require a doctor's certificate showing the disability if the absence exceeds three consecutive working days.

(3) A medical condition of an officer or employee which makes his presence at work a danger to the health of his fellow employees is a medical reason for taking personal leave. A department or agency head may require a doctor's certificate showing the condition if the absence exceeds three consecutive working days.

(4) Pregnancy and childbirth is a medical reason for a female officer or employee to take personal leave. A female officer or employee, otherwise qualified for a leave of absence, is entitled to take a maximum of nine weeks leave immediately preceding and following childbirth. If the officer's or employee's accrued personal leave is insufficient for this purpose, she is entitled to take leave without pay for the balance of the nine-week period.

(5) Death of a member of an officer's or employee's immediate family is a medical reason for taking personal leave. No more than five days of personal leave may be taken for this purpose.

(c) Each officer and employee shall, during each 12-month period, take at least five days of personal leave. If the officer or employee does not take at least five days of personal leave during a 12-month period, the difference between five days and the amount of personal leave he did take shall be cancelled without pay unless his department or agency head certifies in writing that he was denied the opportunity to take five days of personal leave during the 12-month period. (§ 4 c. 136 SLA 1978; am § 60 ch 94 SLA 1980)

Effect of amendment. — The 1980 amendment substituted "Workers' Compensation Act" for "Workmen's Compensation Act" in the introductory paragraph of subsection (b).

Sec. 39.20.230. When annual leave may be taken.  
Repealed by § 15 ch 136 SLA 1978.

Cross r provisions c the repealed

Sec. 39 provided officer or succeedin SLA 1957 ch 31 SLA

Effect of amendment

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Effect of amendment "A state" in

Sec. 39 personal l payment e have recei the period employee s a period of (b) If th before the leave payr leave payr and the ex him. The l or employe (c) The p or compen 1949; am § SLA 1978;

Sec. 39.05.110. Definitions. In AS 39.05.010 — 39.05.110

(1) "confirmation" means confirmation or approval by the legislature of a name submitted for appointment to a position or membership;

(2) "position or membership" means an executive position or membership on a state board, commission, authority, council, or committee which by law requires appointment by the governor and confirmation by the legislature. (§ 2 ch 64 SLA 1955; am §§ 73, 74 ch 59 SLA 1982)

Effect of amendments. — The 1982 amendment deleted "or either house of the legislature" following "by the legislature" in paragraphs (1) and (2), and, deleted "or other appointing authority" following

"appointment by the governor" in paragraph (2).

Editor's notes. — AS 39.05.010, referred to in the introductory language, was repealed by § 29, ch. 208, SLA 1975.

Chapter 20. Compensation and Allowances.

Article

- 1. Salaries (§ 39.20.100)
- 3. Leaves of Absence (§§ 39.20.245, 39.20.310, 39.20.320, 39.20.340)

Article 1. Salaries.

Section

100. [Repealed]

Sec. 39.20.100. Fees, mileage or compensation.

- Repealed by § 75 ch 59 SLA 1982.

Editor's notes. — The repealed section derived from § 11-3-9 ACLA 1949.

Article 3. Leaves of Absence.

Section

- 245. Donation of personal leave
- 310. Exceptions
- 320. Adoption of regulations

Section

- 340. Leave of absence for reserve or auxiliary members of armed forces

Sec. 39.20.245. Donation of personal leave. (a) An officer or employee may donate one or more days of personal leave a year to the memorial scholarship revolving loan fund, or to a scholarship account in the fund, under AS 14.43.250 — 14.43.325. The commissioner of administration shall pay to the account of the memorial scholarship revolving loan fund, or to a scholarship account in the fund, an amount equal to the value of the day or days of personal leave contributed by the officer or employee.

(b) An employee of the legislature or of a legislative agency with the approval of the person authorizing the employment may donate accrued personal leave to another employee of the legislature or of a

mentation of this chapter. (§ 2 ch 61 SLA 1982)

Sec. 47.90.050. State employment assistance. Contractors operating programs under AS 47.90.010 shall, to the maximum extent possible, provide displaced homemakers with assistance in qualifying on state employment registers under regulations of the commissioner. (§ 2 ch 61 SLA 1982)

Sec. 47.90.060. Regulations. The commissioner may adopt regulations to implement this chapter. (§ 2 ch 61 SLA 1982)

Sec. 47.90.070. Definitions. In this chapter

(1) "commissioner" means the commissioner of community and regional affairs;

(2) "displaced homemaker" means a person who

(A) has worked as a homemaker providing unsalaried services for the family for a period of at least seven years;

(B) faces a significant reduction in family income or support through divorce, death, separation, desertion, or disability; and

(C) has encountered difficulty in finding employment. (§ 2 ch 61 SLA 1932)

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Statutes; c.  
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ACLA 1949

35-1-15 . .

35-2-173 . .

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37-10-41 . .

37-10-42 . .

37-10-43 . .

37-10-44 . .

37-10-45 . .

40-5-11 . .

40-5-12 . .

40-5-13 . .

40-5-14(a)

40-5-14(b)

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1949

c. 59, § 2 . .

c. 59, § 5 . .

c. 59, § 6 . .

1953

c. 86, § 1 . .

1955

c. 32, art. 1,

c. 82, art. 1,

c. 112, § 1 . .

c. 112, § 2 . .

c. 140, § 1 . .

pay, time or efficiency rating on all days during which he or she is ordered to training duty, as distinguished from active duty, with troops or at field exercises, or for instruction, or when under direct military control in the performance of a search and rescue mission. The leave of absence may not exceed 16½ working days in any 12-month period. (§ 1 ch 49 SLA 1976)

Revisor's note. — Chapter 49, SLA 1976 changed "12-month period" back to "calendar year" in the last sentence of subsection (a). As this change was the result of drafting error, "12-month period" has been retained.

Effect of amendment. — The 1976

amendment, in subsection (a), inserted "or auxiliary" following "member of a reserve" and "or she" following "during which he" near the middle of the first sentence and added "or when under direct military control in the performance of a search and rescue mission" to the end of that sentence.

Sec. 39.20.350. Restoration of reserve members to former positions. A member of a reserve component of the United States Armed Forces employed by the state, or a political subdivision or a municipal corporation with the approval of the city council who is ordered to duty by proper authority, shall, when relieved from duty, be restored to the position held by him when ordered to duty. (§ 2 ch 20 SLA 1951)

Article 4. Payments Due to Deceased State Employees.

Section	Section
360. Order of payment	390. Employees to be informed
370. Inapplicability of provisions to certain benefits, funds, or interest	400. Definitions
380. Change or revocation of designation	

Sec. 39.20.360. Order of payment. All unpaid compensation due to a deceased employee of the state at the time of his death shall be paid to the person or persons surviving at the date of death, in the following order of precedence, and the payment is a bar to recovery by any other person of amounts so paid:

- (1) to the beneficiary or beneficiaries designated by the employee in writing to receive the compensation filed with Department of Administration at the time of his death; if he designates more than one beneficiary, each shall share equally unless he specifies a different allocation or preference;
- (2) if there is no beneficiary designated, to his surviving spouse;
- (3) if there is no beneficiary or surviving spouse, to his child or children and descendants of deceased children by representation;
- (4) if none of the above, to his parents, or the survivor of them;
- (5) if none of the above, to the legal representative of his estate, or if there is none, to the person determined to be entitled under the laws of his domicile. (§ 1 ch 72 SLA 1964)

Sec. 39.20.370. Benefits, for any benefit Retirement the dispositi (§ 1 ch 72 SLA 1964)

Cross refer Employees' Re 39.35.

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Section 10-130. (Repealed)

Secs. 39.20.370, 39.20.371. Repealed by

Editor's note. derived from § 1 ch. 80, SLA 1978

Article

- 1. Administration (39.25.080)
- 2. Coverage of (39.25.13)
- 3. Personnel R (39.25.155)
- 4. Prohibitions (39.25.155)

**Sec. 39.25.130. Extension of partially exempt and classified services.** (a) After June 30, 1961, the personnel board, upon written recommendation of the commissioner of administration, may extend the partially exempt service to include any position which was in the classified service on April 19, 1960, which, in the judgment of the board:

- (1) involves principal responsibility for the determination of policy;
- (2) involves principal responsibility for the way in which policies are carried out; or
- (3) involves responsibilities and duties of a type not susceptible to the ordinary recruiting and examining procedures.

(b) No positions may be included in the partially exempt service under this section if the inclusion is inconsistent with federal requirements for state agencies supported in whole or in part by federal funds.

(c) After June 30, 1961, the personnel board, upon written recommendation of the commissioner of administration, may extend the classified service to include any position which was in the partially exempt service on April 19, 1960. (§ 7 ch 144 SLA 1960)

Cited in *Hafing v. Inlandboatmen's Union*, Sup. Ct. Op. No. 1743 (File No. 3438), 585 P.2d 870 (1978).

### Article 3. Personnel Rules.

#### Section

- 140. Amendment of personnel rules
- 150. Scope of rules
- 153. Personnel rules for certain departments
- 155. Vocational substitution program

**Sec. 39.25.140. Amendment of personnel rules.** (a) The director of personnel shall prepare and submit to the commissioner of administration any proposed amendments to the personnel rules for all positions and employees subject to this chapter.

(b) The commissioner of administration shall review the amendments and submit them to the personnel board.

(c) At the time he submits the amendments to the personnel board, the commissioner of administration shall, by posting in public buildings throughout the state, give notice that the personnel board has the amendments under consideration. The amendments have the effect of law 30 days after they are submitted to the personnel board if not disapproved by the personnel board. The personnel board, if requested, may hold public hearings on the amendments.

(d) The rules may provide for exemptions and modifications which are necessary to assure the continuity of federal grants to agencies supported in whole or in part by federal contributions.

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

SB3

January 27, 1984

The Honorable Jalmar Kerttula  
President of the Senate  
Pouch V  
Juneau, AK 99811

Dear Senator Kerttula:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to state employment. The bill would also amend the state's leave statutes in three respects, affecting state officers and employees who are not covered by a collective bargaining agreement (see the current AS 39 20.310(9) which is not being amended by this bill).

Section 1 of the bill addresses the requirement that nearly all state officers and employees take at least five days of personal leave per year. See AS 39.20.225(c). The amendment would exempt part-time employees from that requirement.

Section 2 amends state law concerning the donation of sick leave by one state worker for use by another. Currently, the law speaks only to legislative employees. See AS 39.-20.245(b). The amendment would allow the same charitable act to be accomplished by executive and judicial branch workers. State employees covered by a collective bargaining agreement are already allowed to donate sick leave in this same manner.

Section 3 allows the beneficiary of a state worker who dies to collect the monetary equivalent of the decedent's unused, banked sick leave. Currently, unused, banked sick leave is cancelled upon the separation from service of a state worker, regardless of the cause. See AS 39.20.-256(f). Currently, state employees covered by a collective bargaining agreement are provided this benefit.



SB387

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 27, 1984

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President of the Senate  
Pouch V  
Juneau, AK 99811

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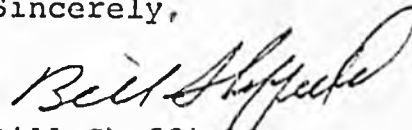
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Section 4 requires the commissioner of administration to submit to the lieutenant governor for publication in the Alaska Administrative Code a list of all positions to which the partially exempt service has been extended by the personnel board under AS 39.25.130. No official, comprehensive list is currently published to inform the public of which positions are included in the partially exempt service.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield  
Governor

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: SB  
Title: An act relating to state employment.

FISCAL DETAIL

Agency Affected: All  
Program Category Affected: All

Sponsor: Rules by request of the Governor  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

BRU, Program of Subprogram(s) Affected:  
All

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	5.3	5.3	5.3	5.3	5.3	5.3
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	5.3	5.3	5.3	5.3	5.3	5.3
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	5.3	5.3	5.3	5.3	5.3	5.3
FEDERAL FUNDS						
OTHER (Specify Source)						
TOTAL	5.3	5.3	5.3	5.3	5.3	5.3

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Personal Services appropriation in existing budgets.

ANALYSIS: Attach a separate page for any analysis

Prepared By: Frank Rave *Frank Rave* Phone: 465-4430  
Division: Personnel Date: 1/16/84  
Approved by Commissioner: Lisa Rudd *Lisa Rudd* Date: 1/17/84  
Department: ADMINISTRATION

4/BDFS2/0111-09/FISCAL NOTE

Distribution:  
Legislative Finance  
Legislative Sponsor  
Registrar  
Office of Management and Budget  
Impacted Agency(ies)

Senate Bill  
Fiscal Note Analysis  
Prepared by Division of Personnel  
Department of Administration

Date:

Section 3 of this bill would extend the payment for unused banked medical leave upon death to employees not covered by collective bargaining. Only employees employed continuously since July 1, 1978 and not covered by a collective bargaining agreement, or employees who change from collective bargaining coverage to coverage of this statute will be eligible. At present, there are only 264 employees to whom this change in statute would apply. The number is likely to decrease over time.

Data from the Division of Retirement and Benefits indicates a death rate among state employees of 1.4 per thousand per year. Therefore for the potentially eligible employees, the annual death rate is less than .4 employees per year. For purposes of calculation, one death per year is used.

The average hours of banked medical leave for potentially eligible employees is 207 hours. The average pay range is range 23.

The estimated annual costs are:

$$1 \text{ employee} \times 207 \text{ hours} \times \$25.66 \text{ per hour} = \$5,312.$$

While this fiscal note shows the \$5.3 thousand annual expense, the actual costs will be borne from existing budgets in a similar manner as payments for sick or terminal leave.

Section 3 of this bill has the potential of shifting the expense associated with use of personal leave to an earlier period. For example, an employee who might separate in FY86 and be paid for unused personal leave may donate leave to another employee who uses it in FY85. There is no net effect in the present value cost to the state for such transfers.

4/BDGSF2/0111-09/2

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: January 10, 1984

Page 1 of 2

REQUEST

Bill/Resolution No.: SB 387  
Title: An act relating to state employment.

Sponsor: Rules by request of the Governor  
Requestor: Senate State Affairs  
Date of Request: January 9, 1984

FISCAL DETAIL

Agency Affected: A11  
Program Category Affected: A11

BRII, Program of Subprogram(s) Affected:  
A11

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Source)						
TOTAL	0	0	0	0	0	0

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Personal Services appropriation in existing budgets.

ANALYSIS: Attach a separate page for any analysis

Prepared By: Frank Rave *Frank Rave*  
Division: Personnel

Phone: 465-4430  
Date: 2/10/84

Approved by Commissioner John L. Rudd *John L. Rudd*  
Department: ADMINISTRATION

Date: 2/10/84

4/BDGSF2/0111-09/FISCAL NOTE

Distribution:

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

12/1/83

Senate Bill 387  
Revised Fiscal Note Analysis  
Prepared by Division of Personnel  
Department of Administration

Date: January 10, 1984

Section 3 of this bill would extend the payment for unused banked medical leave upon death to employees not covered by collective bargaining. Only employees employed continuously since July 1, 1973 and not covered by a collective bargaining agreement, or employees who changed from collective bargaining coverage to coverage of this statute will be eligible. At present, there are only 264 employees to whom this change in statute would apply. The number is likely to decrease over time.

Data from the Division of Retirement and Benefits indicates a death rate among state employees of 1.4 per thousand per year. Therefore for the potentially eligible employees, the annual death rate is less than .4 employees per year. For purposes of calculation, one death per year is used.

The average hours of banked medical leave for potentially eligible employees is 207 hours. The average pay range is range 23.

The estimated annual costs are:

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The actual costs will be borne from existing budgets in a similar manner as payments for sick or terminal leave.

Section 2 of this bill has the potential of shifting the expense associated with use of personal leave to an earlier period. For example, an employee who might separate in FY86 and be paid for unused personal leave may donate leave to another employee who uses it in FY85. There is no net effect in the present value cost to the state for such transfers.

4/RDGSF2/0111-09/2



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415

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

(Page 1 of 2)

REQUEST

(State) FISCAL DETAIL

Bill/Resolution No.: CSSB 415 - Affairs Agency Affected: All State Agencies  
Title: "An act relating to PERS" Program Category Affected: PERS

Sponsor: Ray BRU, Program or Subprogram(s) Affected:  
Requester:  
Date of Request:

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 Personal Svcs						
100 Rtmnt & Bnfts		392.6	424.0	457.9	494.6	534.1
200 Travel						
300 Contractual						
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
800 TRS Match		379.3	409.6	442.4	477.8	516.0
TOTAL OPERATING	-0-	771.9	833.6	900.3	972.4	1050.1
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

General Fund		734.2	792.9	856.3	921.0	988.8
Federal Funds		18.1	19.5	21.1	22.8	24.5
Other		19.6	21.2	22.0	24.7	26.7
Total	-0-	771.9	833.6	900.3	972.4	1050.1

POSITIONS: NONE

Full-Time						
Part-Time						
Temporary						

SOURCE OF FUNDS TO OFFSET IMPACT OF BILL:

Prepared based on 2/27/84 draft CSSB 415 (State Affairs) passed out 2/27/84.

ANALYSIS: Attach a separate page for analysis

Prepared By: J.K. Humphreys, Director *J.K. Humphreys* Phone: 465-4460  
Division: Retirement & Benefits Date: 3-1-84

Approved by Commissioner: Lisa Rudd *Lisa Rudd* Date: 3-1-84  
Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

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

CSSB 415 (state affairs)  
Fiscal Note Analysis  
Prepared by the Division of Retirement & Benefits  
Department of Administration

March 1, 1984

IV Analysis: Passage of this bill would allow retirees in the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) to be reemployed with a participating employer and use the highest salaries over their entire period of service under the PERS or the TRS respectively for calculating their additional benefit. We have estimated that approximately 2 1/2% of all retirees would exercise this option and that it would result in an average increase of 20% in their benefit.

This is estimated to result in a .07% increase in the PERS employer contribution rate and a .1% increase in the TRS employer contribution rate. The PERS state salaries for FY 85 are estimated to be \$469,878,512.00 and the TRS state salaries for FY 85 are estimated to be \$63,713,497.00. The FY 85 TRS State Match salaries are estimated to be \$379,349,180.00.

This would result in an increase in Political Subdivision contributions of the following.

<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>
\$549.6	\$593.6	\$641.1	\$692.3	\$747.7

The present value of the cost of this bill in PERS is \$2,380,000.00 resulting in a .29% decrease in the funding ratio. The present value of the cost of this bill in TRS is \$1,900,000.00 resulting in a .20% decrease in the funding ratio.

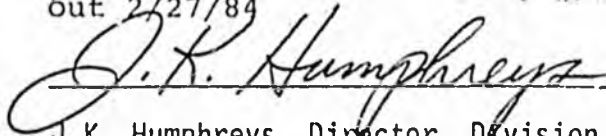
Position Paper

CSSB 415 (State Affairs)

The Department of Administration supports this legislation. Passage of this bill would allow retirees in the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) to be reemployed with a participating employer and use the highest salaries over their entire period of service under the PERS or the TRS respectively in calculating their benefit upon subsequent retirement. It also provides for an equitable actuarial adjustment of benefits in certain cases involving reemployed early retirees or those who chose a level income option.

Passage of this bill would be consistent with the statutory purpose of both retirement systems which is to attract and retain qualified employees. Retired employees who are still ready, willing and able to work are a valuable resource to employers and this bill would remove an impediment to their rehire.


Prepared based on 2/27/84 draft CSSB 415 (State Affairs) passed out 2/27/84



J.K. Humphreys, Director, Division of Retirement & Benefits

3/1/84

Date



Lisa Rudd, Commissioner, Department of Administration

3/1/84

Date

SB 415

The State Affairs Committee considered SENATE BILL NO. 415 (employee benefits under the Alaska Employees' Retirement System) and recommended it be replaced with

CS FOR SENATE BILL NO. 415 (SA), entitled:

"An Act relating to employee benefits under the Public Employees' Retirement System and the Teachers' Retirement System; and providing for an effective date."

with a majority do pass. The report was signed by Senator Vic Fischer, Chairman and concurred in by Senators Sturgulewski and Ray.

Fiscal note appears in Senate Supplement No. 60.

SENATE BILL NO. 415 was referred to the Finance Committee.

SB 439

The Labor and Commerce Committee considered SENATE BILL NO. 439 (extending the termination date of the Board of Chiropractic Examiners) and a majority of the committee recommended do pass. The report was signed by Senator Eliason, Chairman and concurred in by Senators Pettyjohn and Mulcahy.

SENATE BILL NO. 439 was referred to the Rules Committee.

HB 31

The Finance Committee submitted a fiscal note for CS FOR HOUSE BILL NO. 31 (C&RA) am (certain tax benefits for disabled veterans and senior residents) which appears in Senate Supplement No. 59.

HB 426

The Labor and Commerce Committee considered CS FOR HOUSE BILL NO. 426 (L&C) (group life insurance) and a majority of the committee recommended do pass. The report was signed by Senator Eliason, Chairman and concurred in by Senators Pettyjohn and Mulcahy.

CS FOR HOUSE BILL NO. 426 (L&C) was referred to the Rules Committee.

SJR 42

The Rules Committee considered SENATE JOINT RESOLUTION NO. 42 (Environmental Protection Agency regional office in Alaska) and a majority of the committee recommended calendar March 2. The report was signed by Senator Faiks, Chairman and concurred in by Senators Bennett, Ferguson and Kelly.

SENATE JOINT RESOLUTION NO. 42 appears on the calendar.

SB 320

The Rules Committee considered SENATE BILL NO. 320 (dissolution of marriage) and recommended calendar March 2 and the Judiciary Committee Substitute be adopted. The report was signed by Senator Faiks, Chairman and concurred in by Senators Ray, Bennett, Kelly and Ferguson.

SENATE BILL NO. 320 appears on the calendar.

SB 397

The Rules Committee considered SENATE BILL NO. 397 (extending the termination date of the Alcoholic Beverage Control Board) and recommended calendar March 2. The report was signed by Senator Faiks, Chairman and concurred in by Senators Kelly, Ray, Bennett and Ferguson.

SENATE BILL NO. 397 appears on the calendar.

CONSIDERATION OF THE CALENDAR

SECOND READING OF SENATE BILLS

SB 320

SENATE BILL NO. 320 (dissolution of marriage) was read the second time.

SB 407

The Resources Committee considered SENATE BILL NO. 407 (prevention and abatement of water pollution) and recommended it be replaced with

## CS FOR SENATE BILL NO. 407 (RES)

with a majority do pass. The report was signed by Senator Fahrenkamp, Chairman and concurred in by Senators Sturgulewski, Ziegler and Paul Fischer. Senator Mulcahy signed "no recommendation".

## Letter of Intent

## CS FOR SENATE BILL NO. 407 (RES)

It is the intent of the legislature that the Department of Environmental Conservation make a conscientious and diligent effort to implement Section 5 of this bill. The Department should utilize all available information on past and present uses, existing water quality and in-stream data in determining which streams are suitable for a placer mining classification.

/s/ Bettye Fahrenkamp  
Bettye Fahrenkamp, Chairman

SENATE BILL NO. 407 was referred to the Rules Committee.

SB 415

The Finance Committee considered SENATE BILL NO. 415 (employee benefits under the Alaska Employees' Retirement System; efd) and recommended the State Affairs Committee Substitute be adopted. The report was signed by Senator Bennett, Co-Chairman and concurred in by Senators Vic Fischer and Sackett. Senators Josephson, Mulcahy, Ferguson and Faiks signed "no recommendation".

SENATE BILL NO. 415 was referred to the Rules Committee.

SB 417

The Finance Committee considered SENATE BILL NO. 417 (establishing the Kenai River Special Management Area; efd) and a majority of the committee recommended the Resources Committee Substitute and Letter of Intent be adopted.

SB 417 cont'd

Senator Bennett, Co-Chairman and Senators Faiks and Ferguson signed "no recommendation". Senators Mulcahy, Josephson, Vic Fischer and Sackett signed "do pass".

Fiscal note is the same as fiscal note dated 2/3/84 in Senate Supplement No. 49 with the exception that the Resources Committee Substitute fiscal note deletes "\*\*\*0" in "CAPITAL", "\*\*\*Note: \$160.0 for the Kenai River Comprehensive Plan is in the Governor's FY 85 Capital budget"

SENATE BILL NO. 417 was referred to the Rules Committee.

SB 424

The Finance Committee considered SENATE BILL NO. 424 (recovery of medical assistance expenses; efd) and a majority of the committee recommended do pass. The report was signed by Senator Bennett, Co-Chairman and concurred in by Senators Mulcahy, Josephson, Ferguson, Faiks and Vic Fischer.

SENATE BILL NO. 424 was referred to the Rules Committee.

SB 533

The Finance Committee considered SENATE BILL NO. 533 (supplemental appropriation to the Department of Health and Social Services for residential care facilities for children; efd) and a majority of the committee recommended do pass. The report was signed by Senator Bennett, Co-Chairman and concurred in by Senators Mulcahy, Josephson, Ferguson, Faiks and Vic Fischer.

SENATE BILL NO. 533 was referred to the Rules Committee.

HB 510

The Labor and Commerce Committee considered CS FOR HOUSE BILL NO. 510 (FIN) (accidents involving state or municipal aircraft; efd) and a majority of the committee recommended do pass. The report was signed by Senator Eliason, Chairman and concurred in by Senators Rodey and Pettyjohn. Senator Mulcahy signed "no recommendation".

CS FOR HOUSE BILL NO. 510 (FIN) was referred to the Judiciary Committee.

HB 258 cont'd

## CONFERENCE CSHB 258

Yeas: 14 Bennett, Fahrenkamp, Faiks,  
Ferguson, Fischer Paul, Gilman,  
Halford, Kelly, Moss, Mulcahy,  
Pettyjohn, Rodey, Sturgulewski,  
Ziegler

Nays: 6 Eliason, Fischer Vic, Josephson,  
Kerttula, Ray, Sackett

and so, CONFERENCE CS FOR HOUSE BILL NO. 258 passed the Senate.

Senator Ray moved and asked unanimous consent that the roll call on the passage of the bill be considered the roll call on the effective date clause. Without objection, it was so ordered.

The Secretary was requested to notify the House.

## INTRODUCTION AND REFERENCE OF SENATE BILLS

SB 551

SENATE BILL NO. 551 by the Finance Committee, entitled:

"An Act authorizing the expenditure of more than \$1,000,000 from the disaster relief fund for water and sewer system failures; and providing for an effective date."

was read the first time and referred to the Finance Committee.

## CONSIDERATION OF THE CALENDAR

## SECOND READING OF SENATE BILLS

SB 415

SENATE BILL NO. 415 (employee benefits under the Public Employees' Retirement System; efd) was read the second time.

SB 415 cont'd

Senator Vic Fischer moved and asked unanimous consent for the adoption of the State Affairs Committee Substitute and title change offered on page 2238. Without objection, CS FOR SENATE BILL NO. 415 (SA) (employee benefits under the Public Employees' Retirement System and the Teachers' Retirement System; efd) was adopted.

CS FOR SENATE BILL NO. 415 (SA) was read the second time.

Senator Ray moved and asked unanimous consent that CS FOR SENATE BILL NO. 415 (SA) be considered engrossed, advanced to third reading and placed on final passage. Without objection, it was so ordered.

CS FOR SENATE BILL NO. 415 (SA) was read the third time.

Senator Fahrenkamp moved and asked unanimous consent that she be allowed to abstain from voting because of a conflict of interest. Senator Kelly objected.

Senator Vic Fischer moved and asked unanimous consent that he be allowed to abstain from voting because of a conflict of interest. Senator Halford objected.

The question being: "Shall CS FOR SENATE BILL NO. 415 (SA) (employee benefits under the Public Employees' Retirement System and the Teachers' Retirement System; efd) pass the Senate?" The roll was taken with the following result:

CSSB 415 SA 3RD

Yeas: 16 Bennett, Fahrenkamp, Faiks,  
Ferguson, Fischer Paul, Fischer Vic,  
Halford, Josephson, Kerttula, Moss,  
Mulcahy, Ray, Rodey, Sackett,  
Sturgulewski, Ziegler

Nays: 4 Eliason, Gilman, Kelly, Pettyjohn

and so, CS FOR SENATE BILL NO. 415 (SA) passed the Senate.

SB 415 cont'd

Senator Ray moved and asked unanimous consent that the roll call on the passage of the bill be considered the roll call on the effective date clause. Without objection, it was so ordered.

Senator Gilman gave notice of reconsideration on CS FOR SENATE BILL NO. 415 (SA).

SB 445

SENATE BILL NO. 445 (child abuse) was read the second time.

Senator Ray moved and asked unanimous consent that SENATE BILL NO. 445 be considered engrossed, advanced to third reading and placed on final passage. Without objection, it was so ordered.

SENATE BILL NO. 445 was read the third time.

Senator Ray moved that SENATE BILL NO. 445 be held until Thursday's calendar. Without objection, it was so ordered and the bill will appear on the May 10 calendar in third reading.

SB 472

SENATE BILL NO. 472 (preliminary examinations in prosecutions for sexual assault and sexual abuse of a minor) was read the second time.

Senator Josephson moved and asked unanimous consent for the adoption of the Health, Education and Social Services Committee Substitute offered on page 2620. Without objection, CS FOR SENATE BILL NO. 472 (HESS) (admissibility of certain hearsay evidence in grand jury proceedings for certain sexual offenses and amending Rule 6(r), Alaska Rules of Criminal Procedure) was adopted.

CS FOR SENATE BILL NO. 472 (HESS) was read the second time.

SB 472 cont'd

Senator Ray noted the title change.

Senator Ray moved and asked unanimous consent that CS FOR SENATE BILL NO. 472 (HESS) be considered engrossed, advanced to third reading and placed on final passage. Without objection, it was so ordered.

CS FOR SENATE BILL NO. 472 (HESS) was read the third time.

Senator Kelly moved and asked unanimous consent that CS FOR SENATE BILL NO. 472 (HESS) be returned to second reading for the purpose of a specific amendment. Without objection, it was so ordered.

Senator Kelly offered Amendment No. 1:

Page 1, line 15: After "child" insert "younger than" and after "age" delete "or younger"

Senator Kelly moved Amendment No. 1. Senator Ziegler asked unanimous consent. Senator Josephson objected, then withdrew his objection. There being no further objection, Amendment No. 1 was adopted.

CS FOR SENATE BILL NO. 472 (HESS) am was before the Senate in third reading.

The question being: "Shall CS FOR SENATE BILL NO. 472 (HESS) am (admissibility of certain hearsay evidence in grand jury proceedings for certain sexual offenses and amending Rule 6(r), Alaska Rules of Criminal Procedure) pass the Senate?" The roll was taken with the following result:

S

B

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INTERIM OFFICE:  
1024 WEST SIXTH AVENUE  
ANCHORAGE, ALASKA 99501  
(907) 274-2843

IN SESSION:  
POUCH V  
JUNEAU, ALASKA 99811  
(907) 485-4963

# Alaska State Legislature



Representative Mitch Abood  
CHAIRMAN

## House Committee on State Affairs AGENDA

DATE: April 30, 1984

TIME: 1:00 P.M., ROOM 102

I. CALL THE MEETING TO ORDER

A. NOTE THE COMMITTEE MEMBERS PRESENT AND WELCOME THOSE OBSERVING THE MEETING.

B. REMIND THOSE WHO HAVE NOT SIGNED-IN TO DO WHO WISH TO TESTIFY, AND REMIND THOSE GIVING TESTIMONY TO SPEAK UP AND STATE THEIR NAME, ADDRESS AND PHONE NUMBER BEFORE TALKING.

II. ANNOUNCE LEGISLATION UNDER CONSIDERATION:

CSSB 447 (am) SA:

Training Program on Abuse of Miners

OTHER NOTES OR REMINDERS:

COPY OF HB 508 (Wagner's bill) for book  
also inserted in files. Apparently, an appropriation  
for different needs

A large, stylized handwritten signature or initials in the bottom right corner of the page.

Offered: 2/27/84  
Referred: Finance

Original sponsors: Kerttula and V.Fischer

Funding Information

General Fund	\$200,000
Other Funds	-0-
	<u>\$200,000</u>

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 447 (State Affairs) am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-  
7 ment of Public Safety, Council on Domestic Violence  
8 and Sexual Assault, for a training program on the  
9 prevention, investigation, and treatment of sexual  
10 and physical abuse of minors; and providing for an  
11 effective date."

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

13 \* Section 1. The sum of ~~(\$200,000)~~<sup>4250,000</sup> is appropriated from the general fund  
14 to the Department of Public Safety, Council on Domestic Violence and Sexual  
15 Assault, for a program to train teams of community professionals and others  
16 on the prevention, investigation, and treatment of sexual and physical  
17 abuse of minors.

18 \* Sec. 2. The unexpended and unobligated portion of the appropriation  
19 made by this Act lapses into the general fund June 30, 1985.

20 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
21 10.070(c).



Official Business

# Alaska State Legislature

Senate

Office of the President

Pouch V  
State Capitol  
Juneau, Alaska 99811

MEMORANDUM

TO: Rep. Mitch Abood, Chair  
House State Affairs Committee

FROM: Senator Jay Kerttula

DATE: April 18, 1984

SUBJECT: SB 447, "An act making a special appropriation to the Department of Public Safety, Council on Domestic Violence and Sexual Assault, for a training program on the prevention, investigation and treatment of sexual and physical abuse of minors; and providing for an effective date."

Senate Bill 447 is intended to create sexual assault prevention teams across the state, by bringing groups of professionals from a single geographic area of Alaska to a central training facility. Troopers, district attorneys, judges, social workers and public health nurses can be trained as a team, with cross-training by team experts from Alaska and Outside.

Currently, the identification, prosecution and treatment of sexual assault and abuse cases may be hindered when there is no unified approach among the professionals who deal with abuse of children.

Examples: a district attorney who is reluctant to prosecute incest cases,

a social worker who doesn't like a trooper's approach to a victim,

a women's center worker who discourages reporting of the crime ...

In addition to the state employees who would receive sexual assault prevention training, teams would be encouraged to recruit doctors, teachers and women's/children's center workers to participate in the team training.

This team approach has been used successfully in Fairbanks and the Matanuska-Susitna Valley.

# Alaska State Legislature

Advisory Council Members  
Senator Kerttula, Chairman  
Senator Bernett  
Senator Fahrenkamp  
Senator Vic Fischer



1024 W. 6th Avenue, Suite 203  
Anchorage, Alaska 99501  
Phone: (907) 274-1426

## SENATE ADVISORY COUNCIL

### MEMORANDUM

TO: SENATOR JALMAR KERTTULA

FROM: ELIZABETH J. HICKERSON

RE: SB 447, an act making a special appropriation to the Department of Public Safety, for a training center for the prevention of sexual abuse of minors and providing for an effective date.

DATE: FEBRUARY 20, 1984

The intent of SB 447 is to fund a child sexual abuse training program at the Alaska State Troopers' training academy in Sitka. With the recent increased reporting of child sexual assault and abuse in Alaska, it is critical that professionals who work with children be properly trained in the recognition, identification and referral of abused children.

The National Center on Child Abuse and Neglect (U. S. Department of Health, Education and Welfare) advocates a multidisciplinary training and response approach. Coordinated community training and planning in this area is efficient, cost effective and avoids duplication of effort which operate to the advantage of the families it is designed to serve. The Center recommends that teams include representatives from child protective services, health, mental health, law enforcement and education agencies.

In Alaska the team approach is being utilized in Fairbanks and the Mat-Su Valley. Both are relatively new, but appear to be working.

### Mat-Su Valley

The following professionals have developed a cooperative team approach in the identification, investigation, prosecution and treatment of sexual assault and abuse of minors:

District Attorney's Office,  
Alaska State Troopers,  
Division of Family and Youth Services,  
Private Physicians and  
Valley Women's Resource Center.

According to Sergeant Rollie Port, the advantages of the team approach include: nonduplication of legal processes involving the child, better follow through on individual cases and a better quality of services delivered to the victim. Also the team approach creates an accountability among the professionals involved by establishing a communication network that is utilized from identification of sexual abuse or assault to prosecution of the offender and treatment of the victim.

### Fairbanks

The Interagency Child Sexual Abuse Task Force was created to respond to this problem in Fairbanks. The Task Force has been in operation since June, 1981. The following professionals work together in addressing child sexual assault:

District Attorney's Office,  
Alaska State Troopers,  
Division of Family and Youth Services,  
Women in Crisis-Counseling and Assistance (WIC-CA),  
Resource Center for Parents and Children,  
Fairbanks Community Mental Health,  
Family Focus,  
Youth Corrections,  
Juvenile Intake,  
Public Defender's Agency,  
Attorney General Office and  
Fairbanks Police Department.

The Task Force members were trained at Harborview in Seattle, Washington and Santa Fe, New Mexico. Funding for this training was provided by the Division of Family and Youth Services. Ms. Ruth Lister, Director of WIC-CA, advocates multidisciplinary training with a strong treatment component at regional centers: Fairbanks, Anchorage and Juneau. This would enhance the opportunity for rural participation.

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# MEMORANDUM

# State of Alaska

TO: Captain John Lucking  
Commander, B Detachment

DATE: 2/17/84

thru: Lt. J. McConnaughey  
Deputy Commander, B Detachment

FILE NO:

TELEPHONE NO:

FROM: Sgt. Rollie A. Port, #10  
G.I.U., Palmer  
Alaska State Troopers

SUBJECT: Sexual Assault Team

In 1980 As a result of numerous sexual assaults in the Matanuska Valley, the Alaska State Troopers and Dr. Carolyn Brown, Chief of Staff at Valley Hospital, met to formulate a Sexual Assault Protocol in reference to hospital procedures. This meeting was held at the hospital with nurses, administration and doctors attending. At that time it was agreed that the Alaska State Troopers would provide sexual assault physical evidence kits and an instamatic camera and film. The procedure for the collection of physical evidence, i.e. clothing and sexual assault kit was discussed and incorporated into the hospital's Sexual Assault Protocol.

Later, that same year, a working relationship with D.F.Y.S. was initiated through Jenny Durkin and Charm Mastriano, case workers and supervisor, Mary Savage. The relationship set up was that if a D.F.Y.S. case worker suspected the sexual abuse of a minor child, contact was made with AST and the situation evaluated. If it was not deemed a criminal matter, D.F.Y.S. continued along their Departmental guidelines. If it was determined that the information provided by D.F.Y.S. personnel could lead to criminal prosecution, an investigation from G.I.U. (General Investigations Unit) jointly, with a D.F.Y.S. case worker would interview the minor child.

The interview could be conducted along the guidelines of strengthening the relationship between the investigator and the child with general conversation and questions. After that period, if it appears the information provided to D.F.Y.S. was not born out, the interview is stopped and the parents are contacted and advised of why their child was interviewed. In most cases, the parents are understandable and the investigation is over.

In the event the general interview leads us to believe there is a possibility of criminal abuse, the interview switches to a more direct type of questioning to establish who, what, where, when and how. If the child stated that a parent is the offending party, AST would immediately contact the parent for interview purposes. The D.F.Y.S. person, if appropriate, would take the victim to the hospital where the sexual assault protocol would be followed. From this point on, AST, D.F.Y.S. and a Valley Hospital doctor would coordinate all the information.

5

In 1980, a representative from the Valley Women's Resource Center, Susan Lombardi, was added to the team. AST has given numerous classes in the investigative procedures for troopers working sexual assault cases in the Valley. The Women's Resource Center has provided quality assistance to adult victims of sexual assault during the course of many investigative cases.

The last member of the team is Mike White, Palmer District Attorney. Mike has attended sexual assault seminars in the past and is very knowledgeable. Mike White had assisted the other team members greatly in our effort to identify, investigate, substantiate and convict sexual assault offenders.

The Mat Su Valley Sexual Assault Response Team is informal, with no one person as its head. WE are all professional people whom share our individual knowledge and expertise in our chosen field with each other for the betterment of the victim and for the successful prosecution of the defendant.

RAP

TO: Advisory Council  
Anchorage

DATE: February 17, 1984

Attn: Elizabeth Hickerson

FOR: Debra Heidecker 274-1426

SUBJECT: Senate Bill #447

I wish to state my support for Senate Bill #447 as a person actively involved in the investigation of child sexual assault cases in the Fairbanks area. I feel this type of training is imperative to insure the least amount of trauma to the child victims of sexual abuse. This is a very serious problem throughout the State of Alaska. The concept of bringing together District Attorneys, Intake Social Workers, Assistant Attorney Generals and State Troopers, along with other educators, is necessary.

In order to effectively deal with this topic, we have to insure that all aspects of the State agencies involved with these type crimes be trained with the same information.

Paul E. Bartlett  
P.O. Box 60  
Ester, Alaska 99725

473 3810

# STATE OF ALASKA

## DEPARTMENT OF LAW

CRIMINAL DIVISION/THIRD JUDICIAL DISTRICT  
OFFICE OF THE DISTRICT ATTORNEY

February 23, 1984

The Honorable Jalmar Kerotula  
Pouch V  
Juneau, Ak 99811

Subject: SB 447

Dear Senator Kerottula:

For a number of years now, I have advocated the creation of a training center for the prevention of sexual abuse of minors, and your efforts to do so in Senate Bill No. 447 are to be commended.

Attacking the problem of child sexual abuse will require intensive and ongoing interdisciplinary training and cooperation. Developing expertise in law, medicine and social sciences, is essential.

It needs to be recognized that the legal system cannot, by itself, effectively combat this scourge. Only a tiny percentage of child abuse is reported to authorities and only a fraction of that percentage is realistically prosecutable.

A comprehensive, coherent system needs to be developed that provides an umbrella of safety for actual and potential victims. Child protection laws (Title 47) need to be addressed; effective medical, psychiatric, and counselling treatment modes need to be developed.

I do not know whether that comprehensive approach is envisioned in the bill, but if it is, I suggest that a child sexual assault training and research center might be more aptly centrally located in Anchorage as an adjunct to a major hospital, along the lines of the Harborview Sexual Assault Center in Seattle.

BILL SHEFFIELD, GOVERNOR

REPLY TO:

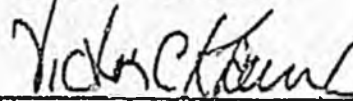
- 1031 WEST 4th AVENUE, SUITE 520  
ANCHORAGE, ALASKA 99501  
PHONE: (907) 277-4622
- DRAWER 1180  
KENAI, ALASKA 99611  
PHONE: (907) 283-3131
- 326 CENTER AVE, 2ND FLOOR  
KODIAK, ALASKA 99615  
PHONE: (907) 486-5744
- P.O. BOX 1070  
PALMER, ALASKA 99645  
PHONE: (907) 745-5027
- P.O. BOX 671  
VALDEZ, ALASKA 99686  
PHONE: (907) 835-2462

The Honorable Jalmar Kerttula  
February 23, 1984  
Page two

Wherever such a center is located, however, it will  
provide a much needed public service.

Very truly yours,

NORMAN C. GORSUCH  
ATTORNEY GENERAL



---

Victor C. Krumm  
District Attorney

VCK/pjb

4.

# ALASKA NETWORK ON DOMESTIC VIOLENCE AND SEXUAL ASSAULT

110 SEWARD #13 JUNEAU ALASKA 99801

(907)535-3550

## POSITION PAPER

SB 447: An Act making a special appropriation to the Department of Public Safety, Council on Domestic Violence and Sexual Assault, for a training center for the prevention of sexual abuse of minors.

The Alaska Network on Domestic Violence and Sexual Assault, representing 20 programs statewide that provide services to victims of domestic violence and sexual assault, supports SB 447 to establish and provide funding for a training center for the prevention of sexual abuse of minors.

Fifteen of the Network's 20 programs are currently addressing the issue of child sexual assault by providing direct services to child victims and non-offending parents; conducting education and prevention programs in communities; developing and presenting curricula dealing with sexual assault to school districts; coordinating service provision with other helping agencies; and developing protocols for inter-agency use in cases of child sexual assault.

Reporting of cases of child sexual assault, both assault by strangers and assault by family members and friends, has increased dramatically. The increase in the reporting rate is due to the success of community education and awareness efforts by domestic violence and sexual assault programs, and presentations on sexual assault prevention to children in school settings. While it is critical that these efforts continue, it must be realized that they will result in disclosures of incidences of sexual assault, and individuals and agencies involved in dealing with child victims must be trained to respond.

Child victims often disclose incidences of sexual assault to the non-offending parent. Parents must know how to talk to their children about this issue, to believe them and assure them that they will be safe. Because disclosure, especially in cases of incest, is also severely traumatic for the non-offending parent, helping agencies must be trained to recognize that parent's need for counseling and the need to strengthen the bond between that parent and the child.

Children will also disclose to teachers and day care providers. Educators and care givers must be trained to recognize behavioral and other symptoms and patterns of a child suffering abuse, and how to sensitively handle a disclosure. They must also be aware of legal reporting requirements of such cases to the Division of Family and Youth Services.

Division of Family and Youth Services' case workers are required to take action after such a report, either to prevent further harm

to the child or to insure the child's proper care and protection, and so brings them into immediate contact with the child victim. Consequently, case workers require training in dealing sensitively with the child in the interviewing process.

Because child sexual assault is a felony crime, the Division of Family and Youth Services is required to report such cases to law enforcement agencies. Training needs to be provided to peace officers in conducting interviews with child victims.

In order to avoid additional trauma to the child and to insure that the child is protected from further abuse, all these agencies and individuals need to work cooperatively, comprehensively, and efficiently in developing a sensitive and effective approach to handling cases of child sexual assault. The provision of training to all professionals who are likely to come into contact with a child victim is a necessary and logical step. The Network feels that the establishment of a Training Center, utilizing a training team composed of service providers from all disciplines who provide training in the dynamics of child sexual assault; prevention strategies; investigation techniques; and development of inter-agency protocols is crucial to impacting the high incidence of child sexual assault in our State.

T. FEB. 21-23  
COUNCIL MEETING

DeDorah  
DEPARTMENT OF PUBLIC SAFETY  
POSITION PAPER



SB 447

"An Act making a special appropriation to the Department of Public Safety, Council on Domestic Violence and Sexual Assault, for a training center for the prevention of sexual abuse of minors."

The Council on Domestic Violence and Sexual Assault supports SB 447 to establish and fund a training center for the prevention of child sexual assault. This legislation would enable the state to develop core child sexual assault response teams in different communities.

Cases of child sexual assault are very complicated because of the need to balance protection of the victim, and the emotional needs of victim and her/his family with society's and the criminal justice system's need to prosecute the offender. Most professionals, including peace officers, are required by law, to report to the Division of Family and Youth Services if they believe a "child has suffered harm as a result of abuse. Family and Youth Services is required to take action to prevent further harm to the child or to insure the proper care and protection of the child. Since child sexual assault is a felony, Family and Youth Services is required to report the alleged abuse to the police. The district attorney's office needs to be informed also, for purposes of criminal investigation. There is then potential for all three agencies to carry out investigations which will require interviewing the victim.

Since the topic is so sensitive and young children need to be treated in a different way than adults, investigations must be done very carefully and must

be coordinated. It is crucial that representatives from these agencies are trained specifically in child sexual assault investigations and more importantly how to be sensitive in working with the victim. The training center could be used to develop child sexual assault teams in each community with representatives from the above mentioned agencies serving as core members. Other members of a team of agency personnel could represent: schools, domestic violence/sexual assault programs, mental health programs and other child protective agencies.

It is important that school personnel also be trained because children often disclose to their teachers that they are victims. School personnel should be knowledgeable about legal reporting requirements, physical and behavioral symptoms of child sexual abuse and how to respond to children that disclose child sexual abuse. The Council on Domestic Violence and Sexual Assault funds nineteen programs. Fourteen Council funded programs work with child sexual assault victims directly, conduct prevention/education programs in the schools and communities and/or are involved in child sexual assault coordination efforts. These domestic violence/sexual assault programs as well as child abuse programs funded by the Division of Family and Youth Services and mental health programs would be appropriate representatives on the team.

Child sexual assault has been receiving a great deal of notice by the public as more victims disclose sexual abuse. The best source of data about the increased reporting of child sexual assault is from the Division of Family and Youth Services which had 142 suspected cases of child sexual assault in FY 80 and 529 in FY 83. These data do not reflect actual incidences because victims continue to fear disclosure, but the increasing trend experienced in the past years is

DRAFT

significant. The Alaska State Troopers also report dramatic increases in sex offenses against juveniles. In 1980, there were 48 reported incidents, 109 in 1981 and 177 in 1982. Data from 1983 is still being compiled.

There is every indication that reporting will continue to increase. Communities that have implemented child sexual assault programs in the schools have already experienced dramatic increases in disclosures. As community awareness increases, more reportings will occur. A sensitive, effective approach to child sexual assault needs to be developed. This legislation could sponsor a community based group of professionals who could work with victims and provide expertise to other professionals in their community.

Some suggestions for training are: to have a one week training session possibly four times per year (or as much as funds allow) for four or five community teams. Training, at a minimum, should include dynamics of child sexual assault including information about victims, non offending parents and perpetrators; child sexual assault prevention efforts; investigation techniques and team building.

POSITION PAPER  
SENATE BILL 447

"An Act making a special appropriation to the Department of Public Safety, Council on Domestic Violence and Sexual Assault, for a training center for the prevention of sexual abuse of minors; and providing for an effective date."

This Bill makes a special appropriation to the Department of Public Safety, Council on Domestic Violence and Sexual Assault for a training center for the prevention of sexual abuse of minors.

The Department of Health and Social Services supports efforts to address this serious problem. The Division of Family and Youth Services has experienced a significant increase in the number of reports of sexual abuse. In FY 83 the Division served 619 children who were suspected or actual victims of sexual abuse. By comparison, 185 children were served in FY 80. This increase of 434 child sexual abuse cases represents a 235% increase in four years.

The Department supports the appropriation of training funds to the Council on Domestic Violence and Sexual Assault. In the Department's view, however, it would be more advantageous to have such training occur in various communities throughout the State rather than having trainees flown to another location. If training is conducted in this manner, it can be tailored to meet the needs of trainees in each community and would permit more people to be trained. It would be, therefore, less costly. With the turnover rate in human service agencies, it would be advantageous to train as many people as possible.

Should this Bill pass, the Department of Health and Social Services will be available to coordinate with the Council on Domestic Violence and Sexual Assault in planning and conducting the training.

RECOMMENDED BY: Michael L. Price  
Michael L. Price, Director  
Division of Family and  
Youth Services

DATE: 3/9/84

APPROVED BY: Robert London Smith  
Robert London Smith, Ph. D.  
Commissioner  
Department of Health and  
Social Services

DATE: 3/19/84

PROPOSED BUDGET FOR CSSB 447

"Training Program on the prevention, investigation and treatment of sexual and physical abuse of minors."

The focus of the training will be to develop community based teams that can appropriately respond to child sexual assault in their communities. At a minimum, the teams will include local police and state troopers, prosecutors, social workers and educators. Depending on the community and its resources, teams would also include sexual assault program people, mental health and alcoholism program personnel, medical people, including health aides, and day care personnel.

The training shall focus on the prevention, investigation and treatment of sexual and physical abuse of minors. Specific topics to be included are: dynamics of sexual and physical abuse of minors including information about victims, non-offending parents and perpetrators; the laws in Alaska relating to sexual and physical abuse of minors; methods for meeting the child's emotional needs during investigation and prosecution; families' roles in investigation and prosecution; investigation techniques including knowledge about child development and team building.

In order to assure continuation of the training effort, an ongoing system must be developed within the Departments of Law, Public Safety, Health and Social Services and Education. This will require coordination with these agencies as well as the development of training materials that can be used in future years.

PROPOSED BUDGET:

(1) Coordinate and plan the training in conjunction with involved state agencies and community based sexual assault programs; develop training materials that can be used for the training and in the future, determine training locations and schedules; identify participants and set up training.

\$45,000

(2) Funds for the Departments of Law, Health and Social Services, Public Safety and Education, police academies in Anchorage and Fairbanks for expenses in coordinating and implementing training system.

\$50,000

(3) Hire trainers and pay consultant fees and travel and per diem for five training sessions.

\$55,000

(4) Miscellaneous costs (facility, advertising, printing, office supplies, etc.)

\$5,000

(5) Travel for participants to attend five training sessions. Approximately 125 people.

\$45,000

TOTAL \$200,000

ALASKA STATE LEGISLATURE - SENATE

SENATOR RICHARD I. ELIASON

LABOR AND COMMERCE COMMITTEE, CHAIRMAN  
RESOURCES COMMITTEE  
JUDICIARY COMMITTEE  
FISHERIES SUB-COMMITTEE



P.O. BOX 143  
SITKA, ALASKA 99835

POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-4916

MEMORANDUM

TO: Senator Vic Fischer, Chair  
Senate State Affairs Committee

FROM: Senator Dick Eliason *Dick*

DATE: February 17, 1984

RE: SB 447

This memo is to express my full support for SB 447 - a bill which funds a training center for the prevention of sexual abuse of minors at the State Trooper's Academy in Sitka. I certainly am in favor of reducing and preventing this appalling type of abuse of children.

MSG BA-00015096 PRTY 1 02/17/84 17:03:26 ORIG: LFCO IN= 0005 OUT= 01  
FROM: TRACIE/FBX TO: JUN INFO  
TARGET: LJKH SUBJ: POM

17

TO: SEN KERTTULA  
SEN STURGULEWSKI  
SEN V. FISCHER  
INT. DELAGATION: REFS DAVIS, BETTISWORTH, KOPONEN, RINGSTAD,  
M.W. MILLER  
SEMS BENNETT, FAHRENKAMP, MOSE  
SEN FINANCE COMTE: SENS SACKETT, FERGUSON, MURPHY, FAIKS,  
JOSEPHSON

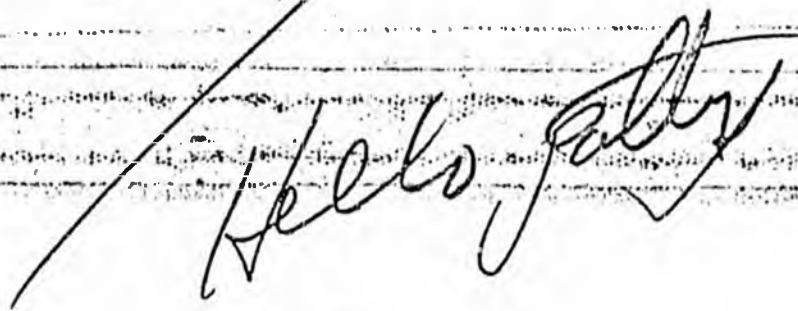
FEB 2 1984

FROM: PATTY KASTELIC, 4920 ANDERSON RD., FKS, 99701 H-479-5744 W 474-6330

RE: SEXUAL ASSAULT AND ABUSE & ANI D.V. SCR 37, SB 447

HSG: I COMMEND AND HIGHLY ENDORSE THE RECENTLY INTRODUCED SCR 37 AND SB 44  
I ALSO ASK YOUR SUPPORT FOR A 20% INCREASE IN THE DOMESTIC VIOLENCE AND  
SEXUAL ASSAULT BUDGET IN ORDER TO INCREASE SERVICES AND DO. ADEQUITE EDUCATI  
PREVENTION AND OUTREACH. THESE PROGRAMS ARE A MORE PRODUCTIVE USE OF OUR  
FUNDS THAN THE SUBSEQUENT COSTS INCURRED IN THE DEPT OF CORRECTING.

-----EOM



March 20, 1984

Senator Jay Kertulla  
Pouch V  
Juneau, AK 99811

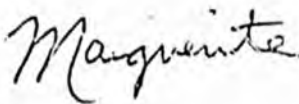
Dear Senator Kertulla:

I wanted to write and tell you your efforts are appreciated, at least by me in your support of children's issues.

I was recently informed that you were the prime Senate sponsor of SCR 37, SB 445, SB 446, and SB 447. Believe me, our state needs to be aware of our child abuse problem. With particular reference to expanding curriculum and teacher in-service within our school system, I want to commend your efforts. Hopefully, someday soon the community will realize that children don't learn because of problems within their personal life; be it child abuse, domestic violence, alcoholic/addicted parents, or their chemical dependency. Although I cannot speak for the educators, ones who have come to know me are ecstatic about your involvement and support of their betterment as the "direct line" to our children.

Thank you again and keep up the good work! If I can be of assistance, feel free to contact me.

Sincerely,



Marguerite T. Lupori  
2917 W. 34th. #2  
Anchorage, AK 99503



*Done  
T/C. you*

STATE OF ALASKA  
OFFICE OF THE GOVERNOR

ALASKA WOMEN'S COMMISSION  
3601 C STREET - SUITE 742  
ANCHORAGE, ALASKA 99503

March 21, 1984

Senator J. M. Kerttula  
State Capitol  
Pouch V  
Juneau, Alaska 99811

Dear Senator Kerttula:

The Alaska Women's Commission is committed to supporting all efforts made at preventing and aiding the victims of domestic violence, sexual assault and child abuse. We wish to take this opportunity to thank you for sponsoring the following bills this session that address these issues:

SCR 37, SB 477, SB 472, SB 446 and SB 445

We appreciate your continued concern for the welfare of Alaska's women and children. If the Women's Commission can be of any assistance in supporting your efforts, please don't hesitate to contact us.

Sincerely,

A handwritten signature in cursive script that reads "Kathy Marshall".

Kathy Marshall  
Executive Director

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: SB 447  
 Title: An Act making a special appropriation to the Dept. of Public Safety.  
 Sponsor: Kerttula & V. Fischer  
 Requestor: State Affairs & Finance  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: \_\_\_\_\_  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
 NOT APPLICABLE DHSS

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0
<b>CAPITAL</b>						
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

N/A

ANALYSIS: Attach a separate page for analysis

X Prepared By: Michael G. Pinner (Phone: 465-3170)  
 Division: Family & Youth Services Date: \_\_\_\_\_

Approved by Commissioner: Robert Gordon Smith, PA Date: 3/19/84  
 Agency: Department of Health & Social Services

Distribution (by Agency preparing fiscal note):

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

12/1/83

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STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: SB 466  
Title: An Act Relating to  
Leases by the State  
Sponsor: Bennett, Sackett, et al  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Administration  
Program Category Affected: Division of  
General Services & Supply  
BRU, Program or Subprogram(s) Affected:  
Leasing & Facilities

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>REVENUE</b>	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

\*NOTE: Although indicated fiscal impact is -0-, there may be some increase in costs due to Lessor's increased exposure to risk.

ANALYSIS: Attach a separate page for analysis

Prepared By: Anselm Staack *A. Staack* Phone: 465-2200  
Division: General Services & Supply Date: 3-36-84  
Approved by Commissioner: Lisa Rudd *LJR* Date: 3/27/84  
Agency: Administration

Distribution (by Agency preparing fiscal note):

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

12/1/83

*Fiscal Note / Admin 3/27/84*

SENATE BILL NO. 466 by Senators Bennett, Sackett, Kerttula, Eliason, Faiks, Moss, Mulcahy, Sturgulewski, Pettyjohn and Halford, entitled:

"An Act relating to leases by the state;  
and providing for an effective date."

was read the first time and referred to the State Affairs Committee and the Finance Committee.

The State Affairs Committee considered SENATE BILL NO. 466 (leases by the state; efd) and recommended it be replaced with

CS FOR SENATE BILL NO. 466 (SA)

with a majority do pass. The report was signed by Senator Vic Fischer, Chairman and concurred in by Senators Kelly, Sturgulewski and Rodey.

Department of Administration fiscal note prepared by Anselm Staack, dated March 26, is zero with note "Although indicated fiscal impact is -0-, there may be some increase in costs due to Lessor's increased exposure to risk."

SENATE BILL NO. 466 was referred to the Finance Committee.

Senator Bennett, Co-Chairman, moved and asked unanimous consent that the Finance Committee referral be waived on SENATE BILL NO. 466 (leases by the state; efd). Without objection, it was so ordered.

SENATE BILL NO. 466 was referred to the Rules Committee.

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(907) 274-2843

IN SESSION:  
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JUNIOR ALASKA 99011  
(907) 465-4983

# Alaska State Legislature



Representative Mitch Abood  
CHAIRMAN

## House Committee on State Affairs

TO: House State Affairs Committee Members  
FROM: Roger Poppe, Committee Aide *RP*  
DATE: May 14, 1984  
SUBJECT: CSSB 466 (am)

There is a companion bill for this Senate Bill: HB 686, sponsored by Adams, et alli, passed through House State Affairs Committee and is currently in House Finance.

The original Senate version, SB 466, has gone through numerous changes. The legislative approval for all leases over \$12,000 annually was thought to be much too low, as it would involve annual approval of over 400 leases. With a limit of \$250,000, this would be reduced to 18 leases. With a limit of \$1,000,000 there are only 4 leases. Even these 4 would be "grandfathered" in under line 28, page 1 of CSSB 466 (SA) am. Additionally, the Anchorage Complex is a lease-purchase agreement that would be exempted under lines 2-4, page 2 of the bill.

Apparently, the state is doing lease-purchase agreements currently with items like its computer equipment, for example. However, this legislation would, if passed, be first-time legislation for the state with lease-purchase involving land.

There are other proposals in the hopper this session dealing with lease-purchase of land. The Anchorage Court Building leasing would not fall under this bill, as it is also being exempted under a separate authorization through CSHB 653 (Fin) by Hayes, et alli. The various bills dealing with a proposed Legislative Hall are also lease-purchase agreements that have been proposed, and would fall under CSSB 466 (am).

Under lease-purchase agreements, the state would lease land to a private developer to build a facility on the land, and then the state would lease the facility from the developer with an option to buy. As an alternative to this and other bills, the Governor's Office has proposed SB 547, which would in effect authorize ASHA to do this instead of a private developer.

This bill attempts to be much more comprehensive in its approach and philosophy than the other bills mentioned above; it would require all lease-purchases by the state in excess of \$1,000,000 to be re-approved annually by the legislature (unless exempted specifically). It has a zero fiscal note and State Affairs Committee is the only referral besides Rules.

# Courts want \$60 million from ASHA bonds

by David Postman  
Times Writer

Alaska Court System officials are taking a new approach in their attempt to fund a \$60 million expansion project for Anchorage's courthouse.

Art Snowden, court administrator, said a bill introduced by Gov. Bill Sheffield would authorize the Alaska State Housing Authority to issue bonds for construction of the courthouse annex on Fourth Avenue between H and I streets. After construction the state would lease the building from the housing authority.

Sheffield's proposal would fund 12 projects, including a \$110 million office building in Anchorage, a \$75 million Capitol building in Juneau and a \$30 million mental health facility in Fairbanks. The plan has come under fire from lawmakers who maintain using the bonds would be too expensive and perhaps unconstitutional.

If legislators do not like the lease arrangement, "they can go find me \$60 million" cash for the project, Snowden said. The 25,000-square-foot expansion is "desperately needed," he said. The state has been trying to secure funding for the project for almost five years.

If the bonding plan is approved this year, Snowden said

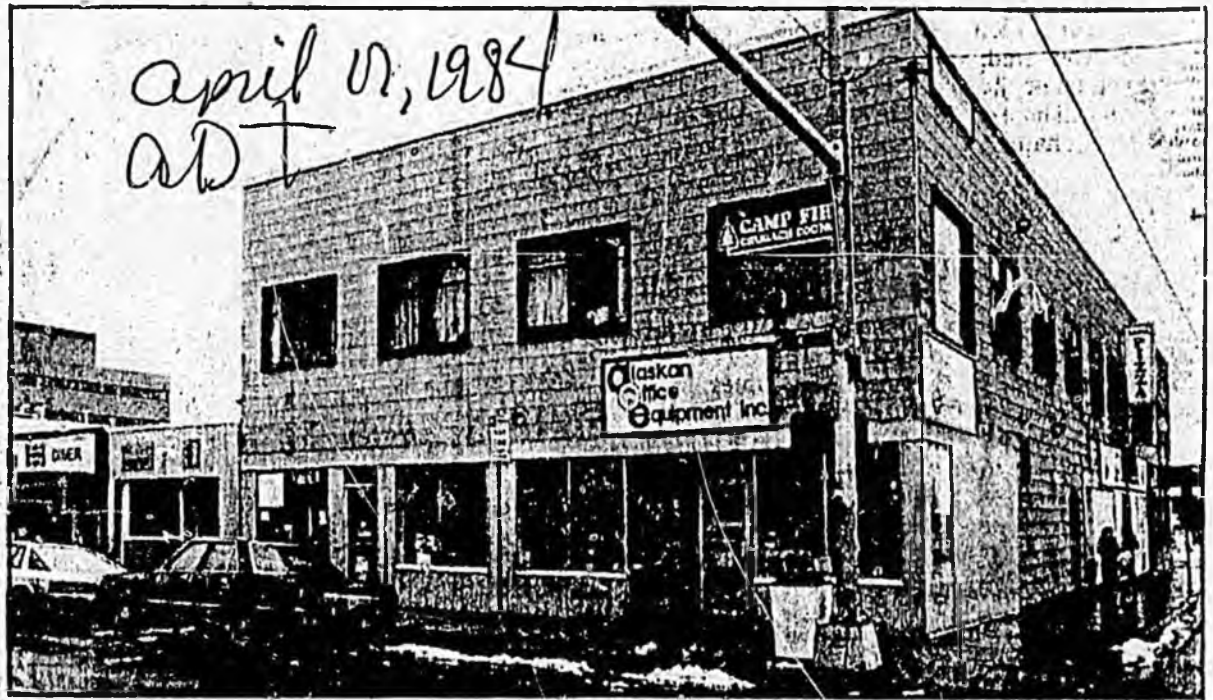
the project could be completed as early as spring of 1985.

Businesses on the block — including Legal Pizza, the Fourth Avenue Diner and several gift shops — will be torn down to make way for the project. The businesses lease the sites from the state on a monthly basis.

The state battled historic preservationists over whether to demolish the Lathrop Building, one of Anchorage's earliest commercial buildings, at the corner of Fourth Avenue and H Street. A recent decision by the Anchorage Assembly cleared the way for the state to tear down the building. The court system was directed to provide retail space along Fourth Avenue in the expansion project.

Supporters of restoring the Lathrop Building at its present site maintain the building is historically significant and rehabilitation is commercially feasible. The Anchorage Historic Landmarks Preservation Commission has estimated restoration of the 67-year-old building would cost \$2 million.

Snowden said the court system would donate the building to any group that wants to restore it at another site. But Ty L. Dilliplane, state Historic Preservation officer, wrote last year, "I strongly recommend that every possible consideration be given



The Lathrop Building, one of the city's oldest buildings, is on the spot where the court system hopes to build

to retaining the structure at its present and original location. Moving the building to a new site could damage it and would, in all probability, place it in an urban context having no historical connection to the building itself.

Dorie Clark, a local real estate broker, approached the state about acquiring the Lathrop Building to restore it at its present site. Clark heads a part-

nership that is moving and restoring the historic Club 25 this summer. Club 25 will be moved, restored and opened for commercial use without any municipal financial assistance.

Clark said the Lathrop Building has more commercial potential than Club 25. "It will be a real loss to the community" if the Lathrop Building is torn down, she said, adding people do

not realize the building has historic significance because the original wooden tongue and groove siding has been covered up with asbestos shingles.

The building is on the National Register of Historic Places. But Mike Carberry, an historian with the city planning department, said the register does not protect the building from being demolished or moved.

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(907) 465-4963

# Alaska State Legislature



Representative Mitch Abood  
CHAIRMAN

## House Committee on State Affairs

### MEMORANDUM

TO: State Affairs Committee Members

FROM: Roger Poppe, Committee Aide

DATE: May 6, 1984

SUBJECT: CSSB 466 (am); leases in effect on state buildings

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Attached is a copy of a computer print-out dated 2/07/84, which is a 7-page list of all current state of Alaska building and property leases with an annual cost of \$250,000.00 or more. There are 18 such leases in all.

We do have available as back-up for the Committee a second list of some 132 pages, which lists some 414 leases which range in cost from 0 to \$250,000.00 a year. It's length kept us from printing it in it's entirety for the Committee.

Also attached is a list of state of Alaska leases with an annual cost of \$1,000,000.00 or more (which is also contained in the 7-page list above).

EXPLANATION OF COLUMN HEADINGS LEASING REPORT

LEASE NO. First 4 digits are lease #. A letter following the 4 digits indicates a subsidiary lease.

LESSOR'S NAME AND ADDRESS Lines 1 and 2 are Lessor's Name.  
Lines 3 and 4 are Lessor's mailing address.  
Line 5 is Zip Code; Line 6 is telephone #.  
Lines 7 thru 10 are location of lease property.

SVC Type of service included in cost of lease:

H = Heat	C = Clearance of snow
E = Electricity	S = Sewer
W = Water	P = Parking
J = Janitorial	T = Trash

DATES Expire: Expiration date  
Review: Review date for renewal  
Adjust: Lease cost adjustment due date

MON Not applicable @ this time.

TAX I.D. Tax identification # for federal tax reporting.

PUR. AGENT Initials of purchasing agent for state.

RENEW OPTIONS 1st # is # of renewal options available  
2nd # is length of options (in years)

TYP SPC Type of space paid for in lease

O = Office	I = Inside storage	T = Trailer pad
C = Clinic	S = Storage, Other	G = Ground (land)
L = Lab	P = Parking	E = All else
M = Maintenance	H = Housing, employee	

FEET/ACRES # of square feet or acres leased

COST/SQ. FT. Cost per square foot (in dollars)

MONTHLY COST Monthly cost of space

*Handwritten notes:*  
1. LEASES WITH A MONTHLY COST LESS THAN \$100.00  
2. LEASES WITH A MONTHLY COST LESS THAN \$100.00

LEASE NO.	LESSOR'S NAME AND ADDRESS	SVC	DATES	MON	TAX I.D.	PUR. AGENT	RENEW OPT'N	TYP SPC	FEET/ACRES	COST/SQ.FT.	MONTHLY COST
1106	ROBERT BANNON INVESTMENT BROKERS OF AK 3080 N. STREET SUITE 111 ANCHORAGE AK 99501 000-0000	H E W J S	EXPIRE: 12 27 86	N		ADP	5/01	0		.000 .000 .000 .000 .000	.00 .00 .00 .00 .00
		T	PUBLIC SAFETY ANCHORAGE							.000 .000 .000	.00 .00 .00
	DOWLING SUB. ANCHORAGE AK 00000									.000 .000 .000	.00 .00 .00
									*LEASE TOTAL	154,000	24,435.27
1188	CHARLES BLOMFIELD CHAS. BLOMFIELD & ASSOC. 528 N. ST ANCHORAGE AK 99501 279-7416	H E W J S P T	EXPIRE: 12 31 84	N	04215700331	AWB		0	25,415	1.206 .000 .000 .000 .000 .000 .000	30,650.49 .00 .00 .00 .00 .00 .00 .00
			REVENUE ANCHORAGE							.000 .000 .000	.00 .00 .00
	201 EAST 9TH AVE ANCHORAGE AK 00000									.000 .000 .000	.00 .00 .00
									*LEASE TOTAL	25,415	30,651.23
1201	BLOMFIELD & ASSOCIATES BLOMFIELD & ASSOCIATES 528 N ST. ANCHORAGE AK 99501 279-7416	H E W J S P T	EXPIRE: 10 14 84	N	920048640	AWB	3/01	0	25,404	1.297 .000 .000 .000 .000 .000 .000	32,948.99 .00 .00 .00 .00 .00 .00
			HEALTH AND SOCIAL SERVICES ANCHORAGE							.000 .000 .000	.00 .00 .00
	GAMBLE & 4TH AVE. ANCHORAGE AK 00000									.000 .000 .000	.00 .00 .00
									*LEASE TOTAL	25,404	32,949.22

LEASE NO.	LESSOR'S NAME AND ADDRESS	SVC	DATES	MON TAX I.D.	PUR. AGENT	RENEW OPT'N	TYP SPC ACRES	FEET/ACRES	COST/SQ.FT.	MONTHLY COST
1444	CAPITAL OFFICE PARK CAPITAL OFFICE PARK 157 YESLER WAY SUITE 609 SEATTLE WA 98104 206-624-0351	H E W S	EXPIRE: 6 30 87 REVIEW: 87 ADJUST: 7 84	N 911142838	JMD	2/05	0 35,500	2.300	81,650.00	.00 .00 .00 .00 .00 .00
	F&G HEADQTRS. WEST 8TH STREET JUNEAU AK 99801	P	FISH AND GAME JUNEAU				P	.000 .000 .000 .000	.00 .00 .00 .00	
								*LEASE TOTAL	35,500	85,078.39
1445A	THE BLOMFIELD CO. BLOMFIELD COMPANY, THE 528 N STREET ANCHORAGE AK 99501 279-7416	H E W J C S	EXPIRE: 10 14 90 REVIEW: 6 90 ADJUST:	N	AWB	5/02	0 47,920	1.125	53,910.00	.00 .00 .00 .00 .00 .00
	3301 EAGLE ANCHORAGE AK 00000	T	LABOR ANCHORAGE					.000 .000 .000	.00 .00 .00	
								*LEASE TOTAL	47,920	53,918.65
1504	CBS REAL ESTATE CO. INC CBS REAL ESTATE CO. INC. 3351 ARCTIC BOULEVARD ANCHORAGE AK 99503 337-1548	H E W J S P T	EXPIRE: 8 31 84 REVIEW: 4 84 ADJUST: 7 84	N	ADP	5/01	0 39,151	1.948	76,266.15	.00 .00 .00 .00 .00 .00 .00
	555 COR- DOVA ST. ANCHORAGE AK 00000		NATURAL RESOURCES ANCHORAGE					.000 .000 .000	.00 .00 .00	
								*LEASE TOTAL	39,151	76,261.45



LEASE NO.	LESSOR'S NAME AND ADDRESS	SVC	DATES	MON TAX I.D.	PUR. AGENT	RENEW OPT'N	TYP SPC	FEET/ACRES	COST/SQ.-FT.	MONTHLY COST
1532	RESOLUTION TOWERS RESOLUTION TOWERS 1341 FAIRBANKS STREET ANCHORAGE AK 99501 276-4470	H E W J C S P T	EXPIRE: 9 24 87	N	AWB	5/01	0	31,345	2.140 .000 .000 .000 .000 .000 .000 .000	67,078.30 .00 .00 .00 .00 .00 .00 .00 .00
	RESOLUTION TWR 1031 WEST 4TH AVENUE ANCHORAGE AK 99501							P P E	.000 .000 .000 .000 .000	.00 .00 .00 .00 .00
								*LEASE TOTAL	31,345	44,450.70 Q
1535A	FRONTIER BUILDING, THE 12400 SE 38TH STREET BELLEVUE WA 99501 206-643-1010		EXPIRE: 9 30 85	N	AWB	4/01	0	30,719	2.257 .000 2.257 .000 .000	69,332.78 .00 .00 .00 .00
	FRONTIER BLDG. 3601 "C" ST. ANCHORAGE AK 99503		REVIEW: 7 84 ADJUST: 7 84					L P	.000 .000 .000 .000 .000	.00 .00 .00 .00 .00
								*LEASE TOTAL	30,719	69,333.00
1535D	FRONTIER BUILDING, THE 12400 SE 38TH STREET BELLEVUE WA 98006 206-643-1010		EXPIRE: 9 30 85	N	AWB	4/01	0	19,213	2.257 .000 .000 .000 .000 .000 .000	43,363.74 .00 .00 .00 .00 .00 .00
	FRONTIER BLDG. 3601 "C" ST. ANCHORAGE AK 99503		REVIEW: 7 84 ADJUST: 7 84						.000 .000 .000 .000 .000	.00 .00 .00 .00 .00
								*LEASE TOTAL	19,213	43,364.38

LEASE NO.	LESSOR'S NAME AND ADDRESS	SVC	DATES	MON TAX I.D.	PUR. AGENT	RENEW OPT'N	TYP SPC ACRES	COST/SQ.FT.	MONTHLY COST
1535F	FRONTIER BUILDING, THE 12400 38TH ST. BELLEVUE WA 98006 206-643-1010		EXPIRE: 9 30 85 REVIEW: 7 84 ADJUST: 7 84	N	AWB	4/01	0 16,664	2.257 .000 .000 .000 .000 .000	37,610.65 .00 .00 .00 .00 .00
	FRONTIER BLDG. 3601 "C" ST. ANCHORAGE AK 99503		COMMERCE ANCHORAGE					.000 .000 .000	.00 .00 .00
							*LEASE TOTAL 16,664	.000	37,611.21
1535G	FRONTIER BUILDING, THE 12400 38TH ST. BELLEVUE WA 98006 206-643-1010		EXPIRE: 9 30 85 REVIEW: 7 84 ADJUST: 7 84	N	AWB	4/01	0 54,239	2.257 .000 .000 .000 .000 .000	122,417.42 .00 .00 .00 .00 .00
	FRONTIER BLDG. 3601 "C" ST. ANCHORAGE AK 99503		NATURAL RESOURCES ANCHORAGE					.000 .000 .000 .000	.00 .00 .00 .00
							*LEASE TOTAL 54,239	.000	122,419.22
1607	THE BLOMFIELD CO. BLOMFIELD COMPANY, THE 528 N STREET ANCHORAGE AK 99501 279-7416	H E W J C S P T	EXPIRE: 6 13 87 REVIEW: 87 ADJUST: 6 84	N	SAS	2/01	0 59,463	1.970 .000 .000 .000 .000 .000 .000 .000	117,142.11 .00 .00 .00 .00 .00 .00 .00
	BLOMFIELD BLDG 1107 W 8TH STREET JUNEAU AK 99801		LABOR JUNEAU					.000 .000 .000 .000	.00 .00 .00 .00
							*LEASE TOTAL 59,463	.000	117,118.33

LEASE NO.	LESSOR'S NAME AND ADDRESS	SVC	DATES	MON TAX I.D.	PUR. AGENT	RENEW OPT'N	TYP SPC	FEET/ACRES	COST/SQ.FT.	MONTHLY COST
1627	GOLDBELT ENTERPRISE MGT GOLDBELT ENTERPRISE MGT. 1000 HARBOR WAY JUNEAU AK 99801 586-6244	H E W J C S P T	EXPIRE: 6 30 87 REVIEW: 85 ADJUST: 7 85 EDUCATION JUNEAU	N	FAB	1/05	0	40,889	2.200 .000 .000 .000 .000 .000 .000 .000 .000 .000 .000	89,955.80 .00 .00 .00 .00 .00 .00 .00 .00 .00 .00 .00 .00 .00 .00
								*LEASE TOTAL	40,889	89,955.80 A
1801	KENAI NATIVE ASSOC. KENAI NATIVE ASSOC. P.O. BOX 1210 KENAI AK 99611 630-0000		EXPIRE: 6 30 86 REVIEW: 86 ADJUST:	N	AWB	17/01	0		.000 .000 .000 .000 .000 .000 .000 .000 .000 .000 .000	.00 .00 .00 .00 .00 .00 .00 .00 .00 .00 .00 .00 .00 .00 .00
								*LEASE TOTAL	108,572	32,571.60
1814	AK PACIFIC UNIVERSITY ALASKA PACIFIC UNIVERSIT C/O SCHWAMM 540 L ST #205 ANCHORAGE AK 99501 276-1007	H E W J C S T	EXPIRE: 12 31 86 REVIEW: 8 86 ADJUST: 7 85 COMMUNITY AND REGIONAL AFFAIRS ANCHORAGE	N	AWB	5/01	0	17,850 1,400	1.740 .000 .000 .000 .000 .000 .550 .000 .000 .000 .000	31,059.00 .00 .00 .00 .00 .00 770.00 .00 .00 .00 .00 .00 .00 .00 .00
								*LEASE TOTAL	19,250	31,829.00



STATE OF ALASKA LEASES WITH AN ANNUAL COST OF \$1,000,000.00 OR MORE

LEASE #	LESSOR NAME	LEASE ADDRESS	SQ. FT.	ANNUAL COST
1444	CAPITAL OFFICE PARK (TARU TWIN Bldg)	WEST 8TH STREET JUNEAU, AK.	35,500	\$ 1,020,940.71
1535	FRONTIER BUILDING	3601 C STREET ANCHORAGE, AK.	135,019	\$ 3,628,318.80
1607	BLOMFIELD CO.	1107 W. 8TH STREET JUNEAU, AK.	59,463	\$ 1,405,419.96
162.7	GOLDBELT ENTERPRISE MGT.	WEST 10TH STREET JUNEAU, AK.	40,889	\$ 1,079,469.60

of 10 pages

FEB 03 1984

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 3, 1984

SUBJECT: Legislative approval of lease agreements

TO: Senator John Sackett  
Chairman, Senate Finance Committee

FROM: Billy G. Berrier *BGB*  
Director  
Division of Legal Services

You have asked whether there is a requirement that the legislature approve lease agreements entered into by the state and a municipality whereby the municipality finances an improvement by revenue bonds and the state enters into a long term lease adequate to retire the bonds.

Approval is required by AS 37.05.280 when the lease requires annual payments in excess of \$12,000. That statute reads:

Sec. 37.05.280.

Leases.

The department shall lease necessary space, and contract for the lease of space for the use of the state or an agency of the state, wherever it is necessary and feasible, subject to compliance with the requirements of AS 37.05.220 - 37.05.280. No lease or contract for a lease may provide for a period of occupancy greater than 40 years. An agency of the state requiring office, warehouse or other space shall lease the space through the department. No contract or lease executed after January 1, 1966, which provides for a payment or payments by the state in excess of \$12,000 annually is valid unless the use of the space to be provided for by such contract or lease has been expressly approved by the legislature by concurrent resolution.

Senator John Sackett

Page 2

February 3, 1984

However on the basis of State v. A.L.I.V.E. Voluntary 606 P.2d 769, which invalidated annulment of regulations by concurrent resolution, and on the prohibition of special and local legislation contained in Sec. 19, Article II of the Constitution of the State of Alaska the Superior Court for the First Judicial District in Juneau in 1981 held this statute unconstitutional. (Marine View Tenants Association V. A.S.H.A. Court case no. 1JU-80-1037 Civ)

The case was not appealed so there is no definitive Supreme Court decision on the point. Nevertheless this decision casts grave doubts on the constitutionality of the statute.

BGB:ojb

J3/045

# MEMORANDUM

# State of Alaska

TO: Gordon S. Harrison  
Associate Director  
Office of Management and Budget  
Division of Strategic Planning

DATE: March 21, 1984

FILE NO: 84B-11

TELEPHONE NO: 465-3568

FROM: Richard Emerman *RE*  
Manager

SUBJECT: Leasing, Bonds, and  
Cash

Various leasing arrangements are being considered to finance the construction of certain State facilities; for example, the proposed maximum security prison and the proposed Anchorage State Office Building. A number of questions have been raised as a result:

- °What are these financing mechanisms and how do they work?
- °In what way and to what extent do they resemble G.O. debt?
- °Do these mechanisms result in more or less cost to the State than G.O. bond financing or cash acquisition?

These questions are explored in the discussion below. A general description and comparison of the major types of leasing arrangements is followed by a brief discussion of their similarity to debt. The question of relative cost to the State is then addressed beginning with a brief discussion of cash acquisition versus G.O. bond financing, followed by a cost comparison among leasing and bonding alternatives for two specific cases: the proposed maximum security jail and the proposed Anchorage State Office Building.

## Lease-Purchase Agreements and Lease Revenue Bonds

In the world of government finance, a lease-purchase agreement is also referred to as a "tax-exempt lease," and is essentially equivalent to an installment purchase of a capital good. At the end of the schedule of lease payments, the lessee can acquire the good for a nominal price, e.g., one dollar. Like all installment purchases, the sum of the installments is greater than the "cash up front" price, since the payment schedule incorporates an interest rate. The interest component of the "lease payments" is identified in the original lease-purchase agreement, and is considered tax-exempt income to the lease payment recipients. This is because the IRS considers the "installments" or "lease payments" analogous to debt service on municipal bonds, the interest component of which is exempt from Federal income taxes.

A lease-purchase agreement used to finance large capital structures can be broken into shares called "certificates of participation." Typically, a financial intermediary such as a bank sells the certificates of participation (CPs) to private investors, and the proceeds of the sale are used to finance project construction. The certificates are rated securities, and entitle the holders to receive specified portions of the lease payments over the term of the agreement. The interest component of the lease payments constitutes tax-exempt income to the CP holders.

The lessor in a lease-purchase agreement can be a private developer. In that event, the developer would not secure debt at taxable interest rates in order to finance construction, but would instead be likely to sell the lease-purchase agreement to one or more investors seeking tax-exempt income. The developer would use the proceeds from the sale to finance construction, and assign receipt of the ensuing lease payments to the investors.

Since lease-purchase agreements are essentially equivalent to installment sales, the "lessee" is considered the owner of the property for Federal tax purposes at the inception of the lease and throughout its term. Since the lessee in our case would be the State, and since the State pays no Federal income tax, there is no way under this arrangement to capture any benefit from the use of depreciation or applicable investment tax credits. These benefits are relevant only through the mechanism of a "true lease," discussed later in this memo.

A tax-exempt revenue bond secured by a State lease is sometimes called a "lease revenue bond." In concept, these are analogous to lease-purchase agreements. In either case, financing for a capital project is obtained at tax-exempt interest rates, with repayment to creditor(s) secured by a long-term lease that is contingent on annual appropriations by the Legislature. The interest rates required by investors are comparable for either instrument, and are somewhat higher than G.O. bond rates due to the added risk implied by the "contingent on appropriation" clause. Underwriting spread is also comparable for lease-purchase and revenue bond financing, and in either case is more costly to the State than it is for G.O. bond financing.

There are various reasons why states might consider using these alternatives instead of G.O. bonds. Revenue bonds are often used as a way to ensure that project beneficiaries pay for the capital cost of a facility through user fees that are pledged to the payment of debt service. However, that purpose is not relevant when the bonds are secured by a State lease that will be paid with the State's unrestricted revenue. Some governments operate under the restriction of legal limits on G.O. debt,

which can be avoided (for better or worse) by resort to these financing techniques. The State of Alaska, however, does not have such a limit on the books. The State does have a limited debt capacity -- if too much debt is issued, the State's bond rating will fall and higher interest rates will result. However, the rating agencies consider lease revenue bonds and lease-purchase agreements in determining the State's remaining debt capacity (see Attachment A: letter to Milt Barker from Standard and Poor's Corporation). The State does not conserve its debt capacity by using these financial instruments.

The effective interest rates for G.O. bonds will always be lower than comparable revenue bond rates. However, revenue bonds can result in certain compensating cost savings, such as avoidance of referendum cost (i.e., the cost of placing a bond proposition before the voters) and possibly some portion of construction cost if the revenue bond mechanism results in time savings (i.e., if there is real inflation in construction costs, and construction can begin sooner by not having to wait for the next general election). In addition, reserve fund requirements applicable to lease revenue bonds may result in the realization of arbitrage income (by investing the reserve fund at taxable interest rates), thus lowering the net cost of debt service. It is commonly assumed, however, that G.O. bond financing will be less costly to the issuer than lease revenue bond financing, an assumption that will be examined in more detail later in this memo.

Why else would the State consider using lease revenue bonds instead of G.O. bonds? There appear to be two basic reasons:

1. There is an unwillingness to accept the risk of rejection of a G.O. bond proposition by the Legislature or by the voters.
2. There is an emergency situation that requires faster response than the G.O. bond process allows.

Since lease-purchase agreements (or tax-exempt leases) are so closely analogous to lease revenue bonds, the reasons for preferring one to the other are not clear. There might be technical considerations in any specific case (such as the availability of an appropriate intermediary) that would tend to favor one option over the other.

#### True Leases

In a true lease, the lessor maintains ownership of the property throughout the lease and may take advantage of depreciation and

applicable investment tax credit benefits. These benefits can be passed along to the lessee.

If these benefits are to be realized then the lessor must be a tax-paying entity, which would typically rely on taxable debt for its own financing (unless industrial development bonds can be obtained for a particular project). As a result, the required lease payments under a true lease usually must be high enough to cover the lessor's taxable debt service with its higher interest rates. Although such interest is tax deductible to the private lessor, this is offset by the fact that the lease payments constitute fully taxable income to the lessor (i.e., there is no "tax-exempt interest component" of a lease payment made under a true lease).

In addition, the IRS will not permit the lessor to take advantage of depreciation and investment tax credits during the term of the lease and then sell the property to the lessee for a nominal price at the end of the lease. Such sale at a nominal price would indicate that the "lease" was equivalent to an installment purchase all along. A consequence of true leasing is that the lessee cannot acquire the property for less than its market value at the end of the lease. If the property were an office building which the State planned to occupy indefinitely, a true lease arrangement would require either that the State purchase it at market value after the initial lease term, or continue leasing the space after its initial construction cost had been paid off.

In general, the following considerations are important in evaluating the merits of true lease financing:

1. What is the current spread between the interest rates payable on tax-exempt and taxable debt? This differential changes over time in response to various factors, including tax laws and the supply and demand for each type of debt instrument. In addition, interest rates on taxable debt are particularly subject to variation depending on the type of project being financed and the relative ease of finding alternate users should the State pull out of the lease. One would expect that the spread between taxable and tax-exempt rates would be greater for a prison than for an office building in downtown Anchorage. True lease financing becomes more attractive as the size of the spread decreases.
2. Can the private developer obtain financing through tax-exempt industrial development bonds (IDBs)? Presently, Federal regulations allow issuance of IDBs in excess of \$10 million for various specific types of structures, including sports arenas, convention centers, airports,

docks, and several others. However, neither prisons nor office buildings appears on the list. The use of IDBs has come under increasing scrutiny by Congress, particularly as it contemplates ways to reduce the Federal budget deficit. Legislation has been proposed that would severely curtail the issuance of IDBs.

3. Can the private developer make full use of depreciation tax deductions? If the developer does not make a profit in a particular year, those benefits cannot be realized for that year. Will Federal law continue to allow the developer to use accelerated depreciation, or will another method such as straight-line depreciation over a greater number of years be required in the future as has been recently proposed in Congress?
4. Can the investment tax credit (ITC) be used to significant advantage for the project under consideration? The ITC is most significant when the project involves the rehabilitation of an historic structure. Public entities owning such structures have sometimes entered into sale-leaseback arrangements with private firms in order to benefit from the ITC. For new construction, however, the ITC is calculated only on equipment purchases and is generally of only marginal benefit.
5. Will a private developer be able to build a particular structure for less cost than the public sector would incur for building the same structure, perhaps due to the operation of efficiency incentives? If so, some of the cost savings might be passed through to the public lessee.
6. Private property owners are subject to payment of local real estate taxes while public owners are not. The added cost of such taxes constitutes a financial penalty under the true lease alternative. However, if a public owner (e.g., the State) were to make payments to a municipality in lieu of property taxes (e.g., higher revenue sharing), this financial advantage of public ownership would be lost.
7. Under a true lease, the lessee cannot acquire the property at the end of the lease for less than its fair market value. If the State were to plan indefinite occupancy of a facility, it would have to plan either acquisition at such price or indefinite extension of a lease arrangement. There are obviously some problems in estimating the future "market value" of a facility such as a maximum security jail. In general, however, such an estimate is essential to the financial evaluation of a true lease proposal.

8. The interest paid by a private developer can be deducted from the developer's taxable income. However, the rental income received by a private developer under a true lease is fully taxable. These two factors tend to offset each other, but must be explicitly recognized in true lease evaluations.
9. In contrast to lease-purchase agreements or lease revenue bonds, true lease financing does have the advantage of conserving the State's remaining debt capacity. The rating agencies are not likely to consider lease payments made under true leases to be equivalent to debt service obligations. True lease financing can therefore help the State preserve a higher bond rating, though the amount of savings that can be attributed to a specific true lease as a result depends on how important it was in preserving the rating and how much bonding the State undertakes in the future.

#### Leasing and Debt

Much discussion has taken place on the extent to which leasing resembles debt. Although approval by the Legislature and the voters is necessary before G.O. debt can be incurred, the Executive branch can unilaterally enter into a lease that calls for annual payments over a long term. Such leases always carry the qualification that payment is contingent on annual legislative appropriations, and it is this provision that mainly distinguishes leases from debt. However, for this to be a meaningful distinction, the Legislature must actually be presented with a meaningful annual choice.

To illustrate, assume that a bank sells certificates of participation in a lease to be paid by the State of Alaska, and that the CPs receive an "A" rating by one or more of the rating agencies. The State's name appears on the face of the security. Assume further that the lease is for a facility that would not be used by any other entity; for example, a prison. Even though the certificates state that payment is contingent on annual legislative appropriations, the effect of not appropriating the funds could be severe. Essentially, the investors holding the CPs would now be holding worthless paper with Alaska's name on it. It seems likely that such an event would have a negative impact on the State's credit rating, though there seems to be little consensus as to how serious it would be. If the result were a substantial decline of the State's bond rating along with a jump in the interest rates faced by the State and its subdivisions, the result would be serious indeed. This prospect could force the Legislature to "choose" to appropriate funds for payment of the lease. On the other hand, perhaps the impact of

non-appropriation would be much more tolerable. It is a subject which should be more closely examined.

If the State entered into a true lease with a private developer who obtained private financing at taxable interest rates, then non-payment of the lease would not be likely to affect the State's credit or the credit of any other public entities in Alaska. A key point seems to be: does the name of the State or any of its subdivisions appear on the face of a rated security, and if so, will non-appropriation of a "lease payment" result in the holders of such securities losing their investment? If the answer to these questions is yes, and if the State's credit is seriously affected as a result, then the similarity of leasing and debt for that particular case is striking.

#### Cash versus G.O. Bonds

The evaluation of cash financing compared, for example, with G.O. bond financing is conceptually difficult. One argument is that Alaska would be financially better off by bonding for capital projects while depositing cash revenues in the Permanent Fund. In so doing, the State would realize earnings at taxable rates of interest while borrowing funds at lower, tax-exempt rates of interest. Ignoring the effect of Permanent Fund dividends (i.e., assuming that the government retained all Permanent Fund earnings), the resulting "arbitrage income" would leave the State financially better off than if cash had simply been paid out to finance capital construction.

However, increases in bonding would probably not, in reality, be accompanied by increases in Permanent Fund deposits or any other type of government saving. It is therefore misleading, one may argue, to assume that earnings at taxable rates of interest constitute an opportunity cost of cash expenditure for capital projects. The available cash will be spent in any event -- bonding for capital projects will simply enable the State to spend more than it otherwise would, increasing future financial obligations in the process.

It does appear that bonding can be said to be "cheaper" than cash only if the cash that is freed up by bonding is invested at a higher rate of return. If the cash that is freed up is simply expended on something else, then it is difficult to see how bonding can serve to improve the State's financial position.

#### Comparison of Financing Mechanisms -- Maximum Security Jail

Financial advisors to the State from Foster & Marshall/American Express, Inc. (F&M) have provided data that enable rough comparison of certain financing alternatives for the proposed maximum security jail. In the opinion of F&M, the cash flow conse-

quences to the State of the lease revenue bond and lease-purchase alternatives are so nearly the same that they may be considered identical for purposes of rough financial analysis. Thus, one set of figures below reflects the expected costs of either lease revenue bond or lease-purchase financing. The other set of figures displays expected costs for G.O. bond financing. At the bottom of each column are shown the present values of each stream of payments calculated at selected discount rates.

This example incorporates the following assumptions:

1. Construction cost is estimated at \$65 million.
2. G.O. bonds would be rated "AA" while revenue bonds or certificates of participation would be rated "A." G.O. bonds receive the higher rating since, unlike the alternatives, they are formally secured by the State's "full faith and credit." In order for the revenue bonds or CPs to receive an "A" rating, the project evaluators must be reasonably certain either that the Legislature will in fact appropriate the necessary funds throughout the term of the lease, or that alternative users of the facility can readily be found with the capacity to assume the lease payments.
3. As a result of these ratings, the interest rate projected for G.O. bonds is estimated to be 75 basis points (.75%) below the rate for revenue bonds or CPs.
4. For each alternative, general fund outlays for debt service (or "lease payments") are scheduled to occur over a ten year period. The ten year schedule is typical of recent G.O. bond offerings by the State of Alaska. Ten years was selected for revenue bonds and CPs simply for comparison purposes, although shorter repayment periods result in significant reduction of the present value of State cost.
5. The analysis assumes that funds are obtained and construction begins in the summer of 1984, with completion of the facility scheduled for the summer of 1986. The revenue bond/lease-purchase alternative assumes that interest would be capitalized for the construction period, with lease payments beginning only after the facility is completed. (This accounts for the zero net debt service shown in the example during the first two years in the lease revenue bond/lease-purchase column.) The present value of State cost is relatively insensitive in this example to whether or not interest is capitalized for the construction period.

6. Repayment of G.O. bonds assumes level principal payments throughout the term, consistent with the State's current practice.
7. Many other assumptions go into and affect the analysis, including estimated rates of return on investment of fund balances. For example, a debt service reserve fund equal to one year's debt service is typically required for the revenue bond or CP alternatives. This reserve fund is maintained by a trustee until the final year of the repayment schedule, and is typically invested at taxable rates of interest in relatively long-term securities. As a result, a certain amount of arbitrage income is earned by the reserve fund, offsetting the State's annual debt service to some extent. (On the negative side, however, the need to borrow more in order to establish a reserve fund uses up more of the State's remaining debt capacity.) Assumptions made on investment of the reserve fund affect the financial attractiveness of the revenue bond/CP alternatives. No reserve fund is required or established for G.O. bonds.

Maximum Security Jail  
State Cash Flow Comparison--Net Debt Service <sup>1</sup>  
(\$ Thousands)

<u>Period</u> <u>Ending</u>	Lease-Revenue Bonds or <u>Lease Purchase Agreement</u>	<u>G.O. Bonds</u>
7-1-85	0	7,127
7-1-86	0	9,654
7-1-87	11,180	10,562
7-1-88	11,180	10,122
7-1-89	11,176	9,650
7-1-90	11,179	9,161
7-1-91	11,179	8,659
7-1-92	11,176	8,143
7-1-93	11,177	7,615
7-1-94	11,179	7,074
7-1-95	11,178	
7-1-96	9,890	

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Net Present Value:

8% discount rate	63,795	59,579
9% discount rate	59,923	57,043
12% discount rate	50,021	50,356

<sup>1</sup> Net debt service means debt service (or "lease payments") after allowance for payout of capitalized interest, and after allowance for earnings on fund balances (including capitalized interest fund, debt service reserve fund, and construction fund). In other words, it refers to net general fund expenditure.

For this example, the present value of State cost is about \$4.2 million less with G.O. bonds than with the revenue bond/CP alternatives, given an 8% discount rate. The 8% rate is suggested by F&M as perhaps the most meaningful rate, since it roughly approximates the State's cost of funds for G.O. debt. The comparison is sensitive to the selection of a discount rate, however. At 9%, the G.O. bond advantage declines to \$2.9 million. Though a 12% discount rate is uncommonly high for public sector evaluation, the present value of State cost discounted at 12% is slightly higher for G.O. bonds than for the revenue bond/CP alternatives. The reason for displaying a 12% discount rate here is simply to point out that not only the magnitude of the result but the result itself can be changed by altering the discount rate.

The result can be changed by modifying other assumptions as well. For example, the effective interest rate payable by the State is reduced as the repayment term is shortened. Theoretically, at 8% and 9% discount rates, the present value of State cost would be less for lease revenue bond or lease-purchase financing than for G.O. bonds if the former were paid off over an accelerated, three-year term while the latter were paid off over a standard, ten-year term. Further, it should be noted that any benefit from time savings obtainable by using lease revenue bond or lease-purchase financing has not been quantified for this comparison.

This leads to the unsatisfying conclusion that generalizations should be avoided. It does appear in this example that, at generally accepted public sector discount rates and standard repayment terms, G.O. bond financing is less costly to the State than the lease revenue bond/lease-purchase alternatives. But these alternatives can be competitive if favorably structured, and therefore should not be rejected for any specific case on financial grounds before the details and possibilities have been checked out.

F&M rejected the true lease alternative for the maximum security jail without doing any detailed cash flow analysis. The primary reasons for rejecting the true lease alternative in this case appear to be as follows:

1. A private developer would not be able to secure tax-exempt industrial development bonds for the project. Since the jail facility would not be readily adaptable to alternative uses if the State pulled out of the lease, the developer would face a higher risk of non-occupancy than would be faced for a general purpose facility. Thus, the developer might have difficulty obtaining financing in the

taxable market, and would probably have to pay an interest rate premium and/or demand higher rentals from the State that reflected the higher risk.

2. The F&M representative placed considerable weight on the standard disadvantage of true leasing that requires either:
  - a. the State to pay fair market value for the facility at the expiration of the lease in order to acquire ownership; or
  - b. the State to continue leasing the facility indefinitely, long after the initial construction cost has been paid off.
3. There is a question whether the IRS would allow the facility to qualify for true lease tax treatment. If it were classified as limited or special use property that could only be used by the lessee (i.e., the State), then the IRS might consider the arrangement to be essentially a conditional sale and not a true lease.

#### Comparison of Financing Mechanisms -- Anchorage State Office Building

In early 1983, a financial review of the proposed Anchorage State Office Building was performed by Arthur Young & Company (AY) for the Department of Administration. One purpose of the review was to compare the cost to the State of private (true lease) financing and public (G.O. bond) financing. Arthur Young's conclusion at the time was that G.O. bond financing would be somewhat less costly to the State than private development/true leasing, but that changes in any of several assumptions could tip the balance the other way (see Attachment B: excerpt from AY study). One such assumption was the spread between taxable and tax-exempt interest rates. Another was the probability of construction cost overruns, which would be borne entirely by the State under public financing but by the private developer under private development/financing.

The Department of Administration presently believes that AY's original assumptions should be modified. For example, if the most plausible public financing alternative is revenue bonds issued, perhaps, by ASHA, then the interest rate obtainable for public financing would be somewhat higher than the G.O. bond rate used by Arthur Young. This reduces the spread between the likely public and private interest rates, and makes true leasing more attractive. Overall, the Department believes that current conditions and information warrant the conclusion that State

cost under public or private financing would be roughly the same. In the Department's view, the major reason why private financing is competitive for Anchorage office space but not competitive for a jail facility is that the higher risk of the latter project results in too high a spread between obtainable tax-exempt and taxable interest rates.

There is, however, one other element that has been left out of the Anchorage office building analysis that might be significant. The AY analysis goes out for thirty years and stops without accounting for the cost of continued leasing or acquisition at fair market value. It may be that the present value of such cost thirty years out is too small to affect the analysis. However, it is plausible that the building would be in good condition at that time and constitute a very valuable asset. After the original construction cost had been paid off in thirty years, the true lease alternative would require that the State essentially pay for it again. This aspect of the alternative should be explicitly accounted for in any further comparison of public and private financing of the structure.

#### Conclusions

1. Lease revenue bond and lease-purchase financing are closely analogous mechanisms with highly similar financial consequences.
2. Typically, G.O. bonds will be less costly to the State than lease revenue bonds or lease-purchase agreements. However, these alternatives might be competitive in specific cases if favorably structured.
3. True leasing is unlikely to be competitive for financing special purpose facilities. It might be competitive for financing general purpose facilities, but does require that continued usage after construction costs have been paid off is possible only through continued leasing or acquisition at fair market value.
4. Bonding or leasing could be considered "cheaper" than cash acquisition only if the cash that would be freed up is invested by the State at higher rates of return.

mm



ATTACHMENT A

December 29, 1983

RECEIVED

JAN 03 1984

Mr. Milt Barker  
Deputy Commissioner  
Department of Revenue  
11th Floor State Office Bldg.  
Pouch, SB  
Juneau, Alaska 99811

ALASKA DEPARTMENT OF REVENUE  
TREASURY DIVISION  
JUNEAU

Dear Mr. Barker:

I would like to respond to your letter of December 13, regarding our views on lease obligations.

Lease Payments are viewed in essentially the same light as debt service on general obligation bonds, regardless of whether the obligation is cancellable due to non-appropriation. In fact, debt obligations secured by lease payments are included in our computations for overall debt burden.

Many states do not consider lease rental debt under debt limitation laws, primarily because legal interpretations view the obligations to pay rent as an annual budget item, and not a long term debt with a continuing appropriation. The fact remains, however, that the debt is still outstanding, and payable for as long as the property is being used by the lessee. While many leases permit non-payment of rent and cancellation of lease obligations, Standard & Poor's would be very concerned about an issuer's general obligation rating, in those cases where leases were cancelled as a ploy to avoid paying debt obligations.

I've enclosed some information regarding our approach to rating lease-rental debt obligations. If you have any further questions, feel free to contact Vladimir Stadnyk or myself at (212) 201-1767.

Very Truly Yours,

Richard P. Larkin  
Managing Vice President  
Municipal Finance Department

cc: V. Stadnyk  
T. Arthur

ATTACHMENT E

(Excerpt from: "Financial Review: Proposed Anchorage State Office Building." Arthur Young & Co., February 1983, pp. 14 - 15.)

C. FINANCING

A question has been raised as to the appropriate approach for financing a proposed new building. Public financing would have generally lower interest rates (approximately 8% based on the most recent State financing versus an assumed 12%, plus 25% of rental increases, for private financing). However, under public ownership and financing, the State would be responsible for paying operating expenses (excluding real estate taxes), would not receive ground rental income, and would not have rental payment obligations.

Discounting appropriate Alternative III revenue, cost and debt service payments to comparative present values at the State's current 8% cost of capital results in the following comparison.

ANCHORAGE STATE OFFICE BUILDING  
COMPARISON OF FINANCING COSTS  
PUBLIC VS. PRIVATE FINANCING

	(000's)	
	<u>PUBLIC</u>	<u>PRIVATE</u>
Rental	\$ -	\$295,810
Operating cost, net of RET	86,902	-
Ground lease revenue <sup>1/</sup>	-	(34,184)
Debt service cost	<u>144,150</u>	<u>-</u>
Net cost	<u>\$231,052</u>	<u>\$261,626</u>

<sup>1/</sup> Including investment in interior furnishing and equipment.

Private sector funding would thus likely result in higher cost at the currently proposed rental rates. This difference would be affected by:

1. Achieving the \$3.25 economic 1986 rental rate. If economic rate is achieved, the present value cost of private sector financing/ownership would be reduced by some \$25 million. The two financing alternatives would then have roughly equivalent costs.
2. A change in the relationship of public vs. private sector interest rates. The recent dramatic decrease in State interest costs, used in this analysis, has reduced this expense to less than two-thirds the assumed private sector cost. There is no way readily to determine whether this spread will continue. If it narrows, private sector financing would become less costly.
3. The obtaining of a rental rate for existing space below the indicated \$2.25 (or \$2.00, if the State's site investment cannot be recovered) in 1983. If this occurs, private sector ownership/financing would become more desirable.
4. A decision by the State to make payments in lieu of real estate taxes. Should this occur, up to \$30 million could be added to the cost of public financing.
5. An increase in project construction costs. Because the rental rate under private ownership/financing would presumably be fixed, increased construction costs above estimated levels would adversely affect only the costs of public financing. Should these costs be more than approximately 15% over current estimates, the two financing alternatives would have equal costs.

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(3) compile statistics necessary for the budget and other statistics required by the governor. (§ 8 art III ch 82 SLA 1955; am § 5 ch 186 SLA 1957; am § 1 ch 11 SLA 1965)

### Article 3. Uniform Purchasing.

#### Section

- 220. Purchasing agent
- 230. Competitive bids
- 231. Estimation of flying hours required
- 240. Award of contracts and purchases
- 250. Delegation of duties

#### Section

- 260. Preference for Alaska products
- 270. Purchases through General Services Administration
- 280. Leases

**Sec. 37.05.220. Purchasing agent.** The Department of Administration is the purchasing agent for the state. The department shall

(1) purchase, rent, or otherwise provide for the furnishing of supplies, materials, equipment, or contractual services for all state agencies;

(2) have power to authorize an agency to purchase directly certain specified supplies, materials, equipment, or contractual services under conditions and procedures prescribed in AS 37.05.230;

(3) prescribe the manner in which supplies, materials, and equipment shall be purchased, delivered, stored, and distributed;

(4) prescribe the time, manner, authentication, and form of making requisitions for supplies, materials, equipment, and contractual services;

(5) fix standards of quality and quantity and develop standard specifications after consultation with the several state agencies, and approve or determine final specifications;

(6) have power to transfer to or between agencies or to sell or trade in supplies, materials, and equipment of agencies which are surplus, obsolete, or unused; and the department shall make proper adjustments in the accounts of the agencies concerned;

(7) prescribe the manner of inspecting deliveries of supplies, materials, and equipment and of making tests of samples submitted with bids and samples of deliveries to determine compliance with specifications;

(8) prescribe standard forms for bids and contracts for construction, purchases of supplies, and other purposes, which bids and contracts may contain provisions which the department considers necessary; but all contracts for construction shall require the filing of an acceptable performance bond and a penalty provision for failure to perform the contract according to its terms;

(9) provide for other matters which may be necessary to carry out the provisions of this chapter and the regulations adopted under it. (§ 1 art IV ch 82 SLA 1955; am §§ 6, 7 ch 186 SLA 1957; am § 1 ch 55 SLA 1960)

Sec. 37.05.250. Delegation of duties. The department may delegate the duties imposed by this chapter to an employee of the state normally stationed in a town or location distant from the state capital. Agents so designated shall perform the duties as the department requires and in accordance with regulations established by the department. (§ 5 art IV ch 82 SLA 1955)

Sec. 37.05.260. Preference for Alaska products. This chapter does not modify, amend, or alter AS 36.15.010 and 36.15.020 regarding preference for Alaska forest products, or AS 36.20.010 regarding preference to producers or dealers in Alaska except as provided in AS 37.05.230(1). (§ 6 art IV ch 82 SLA 1955)

Sec. 37.05.270. Purchases through General Services Administration. This chapter does not prevent the department from purchasing through the General Services Administration as provided by law. (§ 7 art IV ch 82 SLA 1955; added by § 11 ch 186 SLA 1957)

Sec. 37.05.280. Leases. The department shall lease necessary space, and contract for the lease of space for the use of the state or an agency of the state, wherever it is necessary and feasible, subject to compliance with the requirements of AS 37.05.220 — 37.05.280. No lease or contract for a lease may provide for a period of occupancy greater than 40 years. An agency of the state requiring office, warehouse or other space shall lease the space through the department. No contract or lease executed after January 1, 1966, which provides for a payment or payments by the state in excess of \$12,000 annually is valid unless the use of the space to be provided for by such contract or lease has been expressly approved by the legislature by concurrent resolution. (§ 8 art IV ch 82 SLA 1955; added by § 1 ch 81 SLA 1959; am § 1 ch 94 SLA 1961; am § 16 ch 99 SLA 1965)

Article 4. General Provisions.

Section	Section
290. Purpose	318. Further regulations prohibited
300. Interpretation of chapter	325. Definitions for AS 37.05.315 — 37.05.317
305. Applicability to University of Alaska	400. Definitions for chapter
310. Fiscal year	410. Short title
315. Grants to municipalities	
315. Grants to named recipients	
317. Grants to unincorporated communities	

Sec. 37.05.290. Purpose. The purpose of this chapter is to provide uniform financial procedures for all state agencies with respect to accounting, purchasing, post auditing, and related financial procedures; and to revise financial procedures to obtain economy, efficiency, and integrity in handling public money. (§ 2 art I ch 82 SLA 1955; am § 2 ch 188 SLA 1970)

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Official Business

# Alaska State Legislature

## Senate Committee on State Affairs

Vic Fischer, Chair • Pouch V  
Juneau, Alaska 99811  
(907) 465-4954

LETTER OF INTENT SB 466 (state affairs)

SENATE STATE AFFAIRS COMMITTEE

The legislature has already appropriated over \$11,800,000 toward the acquisition of land and other costs associated with the state office complex in Anchorage. The site of the complex has been cleared and condemned, and the state is on the verge of asking for bids for the new facility. In view of past legislative action in appropriating funds, and in view of the progress already made toward the completion of a state office complex in Anchorage, it is the intent of the legislature that the progress on Anchorage office complex is advanced beyond the stage where the additional approval by law or special appropriation as outlined in CSSB 466 (state affairs) is necessary.

## Anchorage Office Complex

### General Information

The Anchorage Office Complex Developed around four main guidelines. Consolidate Anchorage office space at a location selected by the State, in a building designed to meet the State's requirements while utilizing private financing.

We determined that the best way to accomplish this was for the state to procure the building site, prepare performance specifications, and then bid for developers to design, build, and then lease the required structure to the State. The State would lease the building site to the developer. At the end of the 40 year ground lease the building would revert to State ownership. I've attached brief outlines of the commercial and ground leases.

Dot/Pf has been involved since the beginning. They selected the consultant who prepared the performance requirements, and have reviewed all work to date.

The bid evaluation was divided into two segments. Our consultant would review the bid documents to assure all the basic requirements were met. All bidders meeting the requirements would be evaluated. Forty percent of the evaluation would be based on aesthetic values of the building. A breakdown of the weighting factors is provided in schedule A of the bidding criteria. The evaluation would be performed by a 5 member panel.