

ALASKA LEGISLATURE COMMITTEE FILES 1900-1900 00/2

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HSTA

HB

71

-

HB

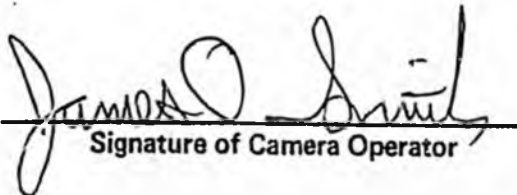
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Signature of Camera Operator


Date

HB

71

COMMITTEE REPORT

HOUSE

(7)

FURTHER: Finance

1/16/85

Date: 3-2-85

The Committee on State Affairs has had HB 71

"An Act making a special appropriation to the Alaska permanent fund; and providing for an effective date."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 71 (S.A.) same title
 new title
- and recommends Do pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]
CHAIRMAN

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 16, 1985

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill making a special appropriation to the principal of the Alaska permanent fund (art. IX, sec. 15, Alaska Const.). The bill provides for the addition of \$500,000,000 to the principal of the permanent fund.

The 1981 legislature, conscious of its responsibilities to future generations of Alaskans and with foresight too rarely seen in government, appropriated \$1.8 billion as a special deposit to the Alaska permanent fund. When my administration took office two years ago, \$700 million of that money remained undeposited. Today, approximately 700 days later, that debt is paid, and it is time that we again consider our obligations to future generations.

The bill is similar to the original appropriation enacted in ch. 61, SLA 1981. The discretion granted by this bill gives me enough flexibility to increase the principal of the permanent fund if an unexpected increase in state revenue occurs because of economic conditions. I share with the legislature a keen interest in protecting and enhancing the principal of the permanent fund so that subsequent generations will benefit from surplus revenues held in the state treasury. Only through generous contributions to the permanent fund can our expectations be realized.

I urge your prompt action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

Testimony by COMMISSIONER MARGALE (DOR) 3/21/85
before (H) STATE AFFAIRS

HB 71 authorizes the deposit in the Permanent Fund of \$500 million.

The deposit would be made over time as the state receives funds excess to requirements to fund all valid encumbrances of outstanding appropriations. The bill would allow Alaskans to save. Without that authority, no saving can occur over and above the currently authorized percentages of royalty, rental and lease income.

Notwithstanding the projections of reduced income, this state enjoys a phenomenal amount of revenue now. We are so far from being broke and so far from having to curtail our lifestyle that suggestions that essential programs for the present as well as the future will have to be terminated is, I believe, somewhat misleading. We are not only not broke, we enjoy sufficient income to have money to save.

However, we are all aware that the money derived from development of our oil and gas resources is declining. In the next few years, we may not be in the comfortable position of having money to save. Therefore,



Alaska Permanent Fund Corporation
Pouch 4-1000 Juneau, Alaska 99802
TEL 907/465-2047 TLX 099-46-323

M E M O R A N D U M

DATE: January 25, 1985
TO: Trustees
FROM: Jim Kelly, Research & Liaison Officer
SUBJECT: 1985 Legislation

This is to inform you of the status of legislation pending in the First Session of the 14th Alaska State Legislature which, if passed, would directly affect the Alaska Permanent Fund. To date, there have been six such bills introduced in the House and two in the Senate. A brief description of the bills follows.

Attached are copies of the bills, as well as financial projections, prepared by Alaska Permanent Fund Corporation staff, which illustrate the impact of the proposed legislation.

- House Bill No. 9 by Rep. Szymanski: This bill would increase the current statute dedication to a 50% contribution rate. It would increase Permanent Fund dedicated State revenues by \$360 million in FY 86, \$345.4 million in FY 87, etc. By the year 2000, the Permanent Fund principal would be \$6.6 billion higher, and the annual net income \$561 million more, than under the status quo. This bill would also have the effect of causing a shortfall in inflation-proofing in FY 95 (one year earlier than under the status quo), increasing the size of the dividends, and increasing the amount of the annual net income. The bill has an immediate effective date.

- House Bill No. 28 by Rep. Duncan: This bill does four things:
 - * Changes the priority of use of Fund earnings. Currently, dividends are paid first and inflation-proofing second. This revises the order and provides for inflation-proofing first.

- * Provides that the Undistributed Income Account shall equal not more than 5% of the corpus.
- * Amounts in the Undistributed Income Account in excess of the 5% reserve are transferred to the corpus each year.
- * The bill is retroactive to FY 84 and transfers all surplus over the 5% level on June 30, 1984 to the corpus. Transfers to the corpus would amount to \$315.5 million for FY 84, and \$99.4 million for FY 85. These are the only two years in which transfers are projected.

The bill would result in an eventual shortfall in the dividend fund, expected in FY 90. Thereafter it would have the effect of decreasing the size of the dividends, and increasing the amount of the annual net income. By the year 2000, the Permanent Fund principal would be \$1.9 billion higher, and the annual net income \$145.5 million more, than under the status quo.

- House Bill No. 32 by Rep. Marrou: This bill would increase the current statute dedication to a 50% contribution rate, like HB 9, but it also would increase the amount of transfer to the dividend fund from 50 to 75%. This would result in an increase in the Fund's size in the year 2000 of \$945.2 million over the status quo, but it also creates an ever-increasing inflation-proofing shortfall each year after FY 88 . It would immediately increase the size of the dividend payments and the amount of the annual net income. The projected payout to the Permanent Fund Dividend program for the next 15 years under this bill would be \$12.1 billion, compared to \$7.4 billion under the status quo.
- House Bill No. 71 by the Rules Committee by Request of the Governor: This bill would make a special appropriation of \$500 million to the Permanent Fund. The timing of the appropriation would be at the Governor's discretion, in a manner virtually identical to that of the \$1.8 billion appropriation made by the 1981 Legislature. The language of this bill is slightly different from the earlier one, but the net effect would be the same.

Assuming deposit of the full amount by June 30, 1987, the Permanent Fund principal, by the year 2000, would be \$1.1 billion higher, and the annual net income \$90.2 million more, than under the status quo.

- House Bill No. 82 by Rep. Martin: This bill would amend the statutory dedication to the Permanent Fund to include 100% of the type of oil revenues normally received by the Fund, if they are received by the State as a result of a court order or an out-of-court settlement. The financial impact of this bill has not yet been determined due to the uncertain nature of the various oil lawsuits still pending.

- House Bill No. 84 by Rep. Pignalberi: This bill would appropriate the entire Undistributed Income Account to the principal of the Permanent Fund on July 1, 1985.

- Senate Bill No. 24 by Sen. Fischer: This bill, like HB 9, would increase the current statute dedication to a 50% contribution rate, and like HB 82, would amend the statutory dedication to include 100% of the type of oil revenues normally received by the Fund, if they are received by the State as a result of a court order or an out-of-court settlement.

- Senate Bill No. 56 by Sen. Ray: This bill amends the longevity bonus program, and establishes a new annuity program. It affects the Permanent Fund only in that a provision is included in the bill which specifically authorizes the Legislature to appropriate funds from the Undistributed Income Account to fund the new annuity program. This represents no change from current law as the Legislature already has the power to appropriate these funds. The Governor, however, in this year's budget address "strongly suggests" that the Undistributed Income Account be left alone as he considers that money to be part of the Permanent Fund.

The House bills all have State Affairs and Finance referrals. SB 24 has referrals to State Affairs, Judiciary and Finance; SB 56, State Affairs and Finance. All bills are still in the committee of first referral.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CSHB 71(SA)
 Title: An act making a special appro-
priation to the AK Permanent Fund
 Sponsor: Office of the Governor
 Requestor: House State Affairs
 Date of Request: March 21, 1985

FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: None.

Prepared By: Brian C. Andrews *BCA*
 Division: Treasury

Phone: 465-2350
 Date: March 21, 1985

Approved by Commissioner: *William Miller*
 Agency: Department of Revenue

Date: 3/21/85

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: CSHB 71(SA)
 Title: Special Appropriation to the
Alaska Permanent Fund
 Sponsor: Governor's Office
 Requestor: House State Affairs
 Date of Request: March 21, 1985

FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	See Analysis	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: MET RWE
 Mary Ellen Frank/Robert Elliott
 Division: Revenue - Research Section

Phone: 465-2173
 Date: 3/21/85

Approved by Commissioner: William M. Miller
 Agency: _____

Date: 3/21/85

Distribution (by Agency preparing fiscal note):

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

FISCAL NOTE HB 71
Attachment

Although HB 71 would transfer in its entirety \$500 million from the General Fund to the Permanent Fund, it is unknown the time frame of when General Fund revenues will be available for deposit to the Permanent Fund. While the General Fund would be negatively impacted (investment earnings and total unrestricted revenues) and the Dividend Fund and Permanent Fund (PF balance, inflation proofing, UIA balance and earnings) would be positively impacted, it is impossible to estimate these specific components without a more definite payment schedule.

Offered: 3/22/85
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 71 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Alaska
7 permanent fund; and providing for an effective date."

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

9 * Section 1. The sum of \$500,000,000 is appropriated from the general
10 fund to the Alaska permanent fund (art. IX, sec. 15, Constitution of the
11 State of Alaska; AS 37.13.010).

12 * Sec. 2. (a) Beginning July 1, 1985, the commissioner of revenue may
13 make regular deposits to the Alaska permanent fund of the appropriation
14 made by sec. 1 of this Act. A deposit to the Alaska permanent fund may
15 only be in an amount determined by the governor to represent excess general
16 fund revenue that is not necessary to finance all valid encumbrances of
17 outstanding appropriations enacted by law that are obligated for the fiscal
18 year in which the deposit is made.

19 (b) Before the commissioner of revenue makes a deposit authorized
20 under (a) of this section

21 (1) the governor shall report the amount of the deposit to the
22 Legislative Budget and Audit Committee for review;

23 (2) 45 days shall elapse before the deposit is made unless the
24 Legislative Budget and Audit Committee recommends, before the 45 days
25 elapses, that the deposit be made; and

26 (3) if the Legislative Budget and Audit Committee recommends
27 within the 45-day period that the deposit should not be made, the governor
28 shall review the proposed deposit and if the governor decides to authorize
29 the deposit, the governor shall provide the Legislative Budget and Audit

1 Committee with a statement of the governor's reasons before the deposit is
2 made.

3 * Sec. 3. The appropriation made by sec. 1 of this Act is not a one-
4 year appropriation. The unexpended balance of the appropriation made in
5 sec. 1 of this Act carries forward to subsequent fiscal years until the
6 entire amount appropriated is deposited in the Alaska permanent fund.

7 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
8 10.070(c).

HB 7 (cont'd)

be released to the Division of Fish and Wildlife Protection, Dept. of Public Safety. Does not provide for an effective date (becomes effective 90 days after Governor's signature).

On January 14 Representatives Binkley and Wallis added their names as co-sponsors.

Introduced January 14 and referred to Resources, then Finance.

Harassment
of Game
(prohibiting)

HOUSE BILL NO. 8, by Rep. M. M. Miller. Amends the Fish and Game Code (AS 16.05) by adding a new section making it a class A misdemeanor for a person to use an aircraft, motor driven boat or other motorized vehicle to drive, chase, herd, pursue, or molest game with the intent to exhaust, frighten, or harass the game. Does not provide for an effective date (becomes law 90 days after Governor signs bill).

On January 14 Representatives Goll and Grussendorf added their names as co-sponsors.

Introduced January 14 and referred to Judiciary, then Resources.

Permanent Fund
(increasing
payments to)

HOUSE BILL NO. 97 by Rep. Szymanski. Seeks to "maximize the constitutionally required payments of state oil and gas revenue to the Alaska permanent fund in order to increase the principal of the fund to the point that there will be enough interest ... to pay a significant portion of the expense of state government when oil and gas revenue declines...." Would require an across-the-board 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under the oil and gas leasing laws (AS 38.05.180) and federal mineral revenue sharing payments and bonuses received by the state to be deposited in the Permanent Fund. Allows deposits of any other money appropriated to or otherwise allocated by law to the Fund (as does current law). Provides Act takes effect immediately.

Note: current law requires that 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under the oil and gas leasing provisions (AS 38.05.180), and federal mineral revenue sharing payments received by the state from mineral leases issued on or before December 1, 1979, and 25 percent of all bonuses received by the state from mineral leases issued on or before February 15, 1980 be deposited in the Fund. That amount increases to 50 percent for leases issued after 12/1/79 and to 50 percent for bonuses received from mineral leases issued after 2/15/80.

On January 14 Representatives Clocksin, Pourchot and Navarre added their names as co-sponsors.

Introduced January 14 and referred to State Affairs, then Finance.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: HB 9
 Title: Payments to the Permanent Fund

 Sponsor: Szymanski
 Requestor: House State Affairs
 Date of Request: January 16, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: _____

 BRU, Program of Subprogram(s) Affected:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: This fiscal note addresses only administrative costs.

Prepared By: Milt Barker ^{MB}
 Division: Treasury
 Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Phone: 465-2350
 Date: January 16, 1985
 Date: 2/15/85

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: HB 9
 Title: Relating to payments to
the Alaska Permanent Fund
 Sponsor: Szymanski, Clocksin, Pouchot, Navarre

FISCAL DETAIL

Agency Affected: REVENUE
 Program Category Affected: _____

Requestor: House State Affairs
 Date of Request: January 16, 1985

BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Millions of Dollars)

GENERAL FUND	-	(372.9)	(358.0)	(341.6)	(326.8)	(309.1)
DIVIDEND FUND	-	1.6	6.5	15.6	28.6	45.5
PR-PRINCIPAL	-	375.7	378.8	383.9	395.2	399.4
PF-UIA	-	(1.6)	8.6	19.5	20.0	21.8

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: ^{MEF} Mary Ellen Frank/Robert W. Elliott
 Division: ^{RWE} Research Section

Phone: 465-2173

Date: 1/31/85

Approved by Commissioner: [Signature]
 Agency: [Signature]

Date: 2/12/85

Distribution (by Agency preparing fiscal note):

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

FISCAL NOTE, HB 9
Attachment

Analysis for HB 9

If all Permanent Fund contributions were increased to 50% as proposed in HB 9, the Permanent Fund principal would receive the estimated additional contributions as shown in Table 1. However, these additional contributions to the Permanent Fund would require a reduction by an equal amount from those specific mineral revenues currently received by the General Fund. The following table shows a breakdown by fiscal year of the proposed increased contribution rate.

TABLE 1
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Perm. Fund Contributions -</u>	<u>Existing 25% & 50% Rate Perm. Fund Contributions =</u>	<u>Difference</u>
1986	719.7	359.8	359.9
1987	690.6	345.3	345.3
1988	684.6	356.5	328.1
1989	675.5	361.6	313.9
1990	650.7	353.8	296.9

The above difference represents both the amount of additional contributions to the Permanent Fund, and the amount of loss the General Fund would experience in offsetting those additional Permanent Fund contributions. Estimates were based on the January 1985 revenue projections (30% case), and included the \$200 million Permanent Fund appropriation deposited in December 1984. Furthermore, revenue estimates from proposed bonus sales were not included in the above analysis, since bonus bids are impossible to anticipate prior to sales.

Since the General Fund balance would be lower during the year due to less mineral revenues, the investment earnings on the General Fund would subsequently decrease as well. Table 2 shows the decrease in General Fund investment earnings.

TABLE 2
(Millions of Dollars)

<u>FY</u>	<u>Existing 25% & 50% Rate Gen. Fund Investment Earnings -</u>	<u>Proposed 50% Rate Gen. Fund Investment Earnings =</u>	<u>Difference</u>
1986	250.0	237.0	13.0
1987	230.0	217.3	12.7
1988	222.7	209.2	13.5
1989	216.2	203.3	12.9
1990	206.3	194.1	12.2

Thus, the total estimated loss of revenues the General Fund would experience would be the sum of the difference in Table 1 (mineral revenues) plus the difference in Table 2 (investment earnings) as shown below in Table 3.

TABLE 3
(Millions of Dollars)

<u>FY</u>	<u>General Fund Mineral Revenues</u>	+	<u>General Fund Investment Earnings</u>	=	<u>Total Loss To General Fund</u>
1986	359.9		13.0		372.9
1987	345.3		12.7		358.0
1988	328.1		13.5		341.6
1989	313.9		12.9		326.8
1990	296.9		12.2		309.1

The total gain by the Permanent Fund principal would not only include those additional mineral revenues as shown in Table 1, but would also include additional inflation proofing since the Permanent Fund principal balance would be increased. Table 4 shows the additional inflation proofing needed to protect the additional Permanent Fund principal.

TABLE 4
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Inflation Proofing</u>	-	<u>Existing 25% & 50% Rate Inflation Proofing</u>	=	<u>Difference</u>
1986	281.6		265.8		15.8
1987	344.2		310.7		33.5
1988	434.2		378.4		55.8
1989	534.2		452.9		81.3
1990	600.6		498.1		102.5

Thus, the total estimated gain the Permanent Fund principal would experience would be the sum of the difference in Table 1 (mineral revenues) plus the difference in Table 4 (inflation proofing) as shown in Table 5.

TABLE 5
(Millions of Dollars)

<u>FY</u>	<u>Permanent Fund Mineral Revenues</u>	+	<u>Permanent Fund Inflation Proofing</u>	=	<u>Total Gain to Permanent Fund Principal</u>
1986	359.9		15.8		375.7
1987	345.3		33.5		378.8
1988	328.1		55.8		383.9
1989	313.9		81.3		395.2
1990	296.9		102.5		399.4

The estimated figures for the dividend fund represent those additional earnings which would be transferred from the Permanent Fund's distributable earnings to the dividend fund each year. Table 6 illustrates the fiscal impact to the dividend fund.

TABLE 6
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Dividend Fund</u>	-	<u>Existing 25% & 50% Rate Dividend Fund</u>	=	<u>Total Gain to Dividend Fund</u>
1986	259.2		257.6		1.6
1987	292.3		285.8		6.5
1988	333.2		317.6		15.6
1989	380.3		351.7		28.6
1990	430.7		385.2		45.5

Since there is an additional amount of Permanent Fund principal, there will be additional Permanent Fund investment earnings. These are shown below in Table 7.

TABLE 7
(Millions of Dollars)

<u>FY</u>	<u>Proposed 50% Rate Perm. Fund Investment Earnings</u>	-	<u>Existing 25% & 50% Rate Perm. Fund Investment Earnings</u>	=	<u>Difference</u>
1986	599.2		583.4		15.8
1987	699.2		650.6		48.6
1988	880.4		789.5		90.9
1989	1001.0		871.1		129.9
1990	1127.1		957.3		169.8

The Undistributed Income Account (UIA) will then experience the following adjustments. Although the UIA will gain additional investment earnings, these will be offset by additional inflation proofing and dividend fund amounts. Table 8 depicts these adjustments made to the UIA.

TABLE 8
(Millions of Dollars)

<u>FY</u>	<u>Perm. Fund Investment Earnings</u>	-	<u>Inflation Proofing</u>	-	<u>Dividend Fund Transfer</u>	=	<u>Total Adjustment To UIA</u>	<u>Balance UIA</u>
1986	15.8		15.8		1.6		(1.6)	811.0
1987	48.6		33.5		6.5		8.6	873.8
1988	90.9		55.8		15.6		19.5	986.9
1989	129.9		81.3		28.6		20.0	1073.3
1990	169.8		102.5		45.5		21.8	1169.1

* see attachment

*At times, the Department of Revenue and the Alaska Permanent Fund Corporation may differ as to the estimated Fiscal impacts of legislation. Differences arise because each employs a different set of investment assumptions. Consequently, projections depicting net income, inflation proofing amounts and dividend transfers may likely vary.

Furthermore, while the Department of Revenue is strictly concerned with accurately forecasting total revenues, the Permanent Fund Corporation, with its trust fund management responsibilities, has established its assumptions to measure investment returns in accordance with standards developed for fiduciaries. Therefore, the Permanent Fund Corporation's assumptions will frequently and appropriately yield more conservative investment results.



Introduced: 1/14/85
Referred: State Affairs and
Finance

BY SZYMANSKI, CLOCKSIN,
POURCHOT AND NAVARRE

1 IN THE HOUSE

2 HOUSE BILL NO. 9

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to payments to the Alaska permanent
7 fund required by the Constitution of the State of
8 Alaska; and providing for an effective date."

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

10 * Section 1. PURPOSE. It is the purpose of this Act to maximize the
11 constitutionally required payments of state oil and gas revenue to the
12 Alaska permanent fund in order to increase the principal of the fund to the
13 point that there will be enough interest from the fund to pay a significant
14 portion of the expense of state government when oil and gas revenue de-
15 clines. In this manner state oil and gas revenue can be better allocated
16 to achieve both short-term and long-term benefits for the state, while
17 still protecting the principal of the permanent fund.

18 * Sec. 2. AS 37.13.010(a) is repealed and reenacted to read:

19 (a) Under art. IX, sec. 15 of the state constitution, there is
20 established as a separate fund the Alaska permanent fund. The Alaska
21 permanent fund consists of

22 (1) 50 percent of all mineral lease rentals, royalties,
23 royalty sale proceeds, net profit shares under AS 38.05.180(f) and
24 (g), and federal mineral revenue sharing payments and bonuses received
25 by the state from mineral leases; and

26 (2) any other money appropriated to or otherwise allocated
27 by law to the Alaska permanent fund.

28 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
29 10.070(c).



Official Business

Alaska State Legislature

House of Representatives

Representative Mike Szymanski

Rep. Mike Szymanski
801 W. Fireweed Lane, Suite 102
Anchorage, Alaska 99503
Phone 276-6731

SR-A-Box 1304B
Anchorage, Alaska 99502
Phone (907) 349-3373

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

FRONT LOADING OF THE PERMANENT FUND: A FINANCIAL AGENDA FOR ALASKA

In 1976, the voters of Alaska voiced their concern over the inevitable decline in state oil revenues by supporting the creation of a state savings account, the Permanent Fund. The outcome of this vote required the state of Alaska to annually place at least 25% of our oil royalties (which is 11% of our oil revenues) into the Permanent Fund.

This session, legislation has been introduced (HB 9) to increase the percentage of direct contributions to the Permanent Fund from 25% to 50%. By so doing, we will strengthen the Fund to the point where the income which it generates will pay a significant portion of the State's future operating expenses.

Currently, Alaska has no overall financial plan to guide us in our savings and spending habits, for now or in the long run. The concept of front loading the Permanent Fund, as proposed in HB 9, would establish as our state financial policy that we save more; front loading would impose a budget restraint mechanism that would wean us from the lavish spending habits we have grown accustomed to during our oil rich years and require that we moderate our spending appetite.

The direct benefits of front loading the Permanent Fund are:

- 1) Front loading will create a steady stream of income and sustain Alaska's Prudhoe oil wealth for future generations. Many of the maintenance and operating costs for major capital projects we are funding today will not be felt for several years. If we do not start

planning for these future costs by saving significant portions of the money we have now, the financial outlook for being able to maintain and operate what we have created is not very promising.

Even with the development of known mineral reserves in Alaska, as well as with the re-institution of the state income tax, we will be unable to fund Alaska's future basic needs such as education, public safety, roads, and health care. And the discovery of new oil fields in Alaska could only temporarily postpone the impending revenue decline. Furthermore, many of the known reserves are not on state land and therefore the revenues generated from the production of those reserves would not be as lucrative for Alaska.

2) Increased contributions to the Permanent Fund will discipline our spending habits and will serve as an impetus for the legislature to look at all capital projects more realistically than has been done in the past, hopefully even encouraging cost benefit analysis before funding them.

The consensus of many economists is that the capital improvement projects we have funded during our oil rich years have not had an appreciable long term impact on economic development in the state of Alaska. Alaska's fisheries, lumber, mineral, and even petroleum industries are on the decline, and except for possibly tourism and construction, Alaska has had a decrease in activities that would strengthen and diversify our economy.

3) The increased contribution schedule will also have an immediate and direct benefit to all Alaskans because, by increasing the amount of money we have in the Permanent Fund, Alaskans will see larger Permanent Fund dividends now, while preserving the opportunity for alternative uses of Permanent Fund earnings in the future.

4) The voters of Alaska have said that we must impose a limit on our extravagant spending appetite, as indicated in their 1980 support

for the constitutional spending limit. However, the "spending limit" is not curbing that appetite. Front loading will impose a workable budget restraint mechanism.

5) In real terms, and based on figures from the Permanent Fund Corporation, it appears that, in 1986, a 50% contribution will yield an additional \$359.8 million over a 25% contribution and in the long term, by the year 2000, there would be an additional \$7 billion in total assets with a 50% contribution as opposed to a 25% contribution.

In short, we have financially overextended ourselves in our oil rich years. The crux of the issue is whether we choose to set aside revenues we have available today in the Permanent Fund or whether we maintain the level of capital expenditures we have grown accustomed to, with high maintenance costs in the future. Any prudent businessman or investor will agree that a strong investment and savings policy is wiser than spending at a maximum level without implementing any mechanism to foot the bills to come in leaner years.

Front loading will establish an overall financial plan for the state of Alaska that will sustain our oil wealth and contribute to our future economic stability. We can fortify our economy now so that future generations can inherit more than a large debt retirement program.

Front loading is a significant alternative that should become a component of our public policy in preparation for Alaska's oil revenue decline. We can practice fiscal responsibility by adhering to the financial agenda proposed through front loading.

OUR POST OIL FUTURE: THERE IS STILL TIME

We all know the lush revenues from Prudhoe Bay will be over in the early 90's. We do not know how much of this revenue will be made up by other finds, but probably the largest part will not. It will depend upon whether the finds are commercial and where they are; the state gets lesser royalties off Federal lands, none from Native holdings, and neither royalties nor taxes beyond the three mile limit. Further, the mineral and other developments expected in this period will be subject to powerful and erratic forces, political as well as economic, which are mostly beyond the state's control. We have no evidence these developments will come with the scale and speed that are required. In theory, the private economy could be expanded through government incentives, controls, and direct spending. But this effort would be so against the grain for Alaskans and would be huge, complex, and fast that it has little chance of being attempted. Judging by experience in other parts of the world, the chances of succeeding are even lower. In short, the state government, and the economy it drives, are headed for a contraction. It only remains to see how severe and how soon. Along the way, personal and business taxation will rise at the same time public services are being lowered.

Many will argue that we have already done all we can to meet this situation: the Permanent Fund of 1976 for savings and the 1982 spending limit, both placed in the constitution. However, the Permanent Fund is not going to be large enough to bear much of the costs of future operating budgets, despite the extra sums that have been put aside in recent years. The spending limit has no effect unless revenues go back to record levels and it has no effect then if two-third votes can be found in the legislature and if the voters concur in the proposals. . Yet the Permanent Fund and the spending limit can be made effective by a single, if painful action. We can decide on the budgets for regular, day to day expenses of the state and keep to a schedule of deposits for the Permanent Fund that will insure the income will be there when needed. A decision can be made later on the whether dividends are to be

ended and the money used for the budget or whether the dividends will, in effect, pay the average family's state taxes.

This is an approach that is under our control. It presses us to reconcile our spending and borrowing costs to our income from savings and other sources, instead of letting events do it the very hard way. And we know how to make the earnings we need safely. The Permanent Fund has been showing good, consistent returns, has been managed in an independent manner and, so far, kept free of social and political goals.

Now, some will insist that "vital" capital projects will be lost by these heavy deposits into the Permanent Fund. Firstly, given the billions that have been spent by the state (and localities) in more urban areas, this argument lacks conviction. Rural Alaska, which has little tax base or bonding capacity (apart from the North Slope Borough), is another matter. Most of the built-up points can afford most any project which people wanted enough to pay for. Secondly, even if there were lists of essential projects in all parts of Alaska, it does not follow that we ought to buy them if we have the cash. We can buy more public works than our post-oil tax base will allow us to operate and maintain, let alone replace, in this harsh climate. The fact is that after the easy times we could be forced to restrict the use of these facilities, or abandon them.

Others may not care to argue the merits of many capital projects or how long they could be kept in use, but they are concerned about the loss of jobs. As we know, part of the labor force never had any intention of staying long-term. As for the rest, the choice is making extra jobs, chiefly for new-comers, or stretching out the last big oil money to provide stable jobs and family income. One is a choice for a few years, one for many, many decades. And we must not forget that larger deposits into the Permanent Fund will mean higher dividends. With the bloom off the construction rose, they are not likely to have much effect on bringing new people.

This proposal has been described as turning the Permanent Fund into the "second Prudhoe Bay". It will not be as large, of course, we started too late for that. But any dollar, once in the Fund, is unaffected by "gluts" or any other fall in prices. The schedule of deposits can be made without counting on new fields producing by a certain date, or being discovered. We have the money and time we need to give Alaska a great part of the economic stability that has always eluded her. This is a moment that never came to another state and is an opportunity we should hesitate to address.

Anch Daily News Mar 4 '85

Build permanent fund while we can

"Front-loading" the Alaska Permanent Fund enjoyed a brief day in the sun last fall when campaigning legislative candidates often spoke of it favorably as a common-sense way of managing Alaska's oil wealth. But revenue estimates are way down, and legislative spending appetites aren't — so "front-loading" is back on the rear burner.

In its best and broadest sense, "front-loading" means devoting to the permanent fund a larger portion of state revenues today — while the state is well-off — as an investment in an income-producing fund for tomorrow. It doesn't mean sticking away whatever loose change is lying around after everybody's desires have been satiated; it means deliberately making the permanent fund a priority in times of prosperity so that it can spin off significant income to support the state and help keep taxes down when revenues really decline.

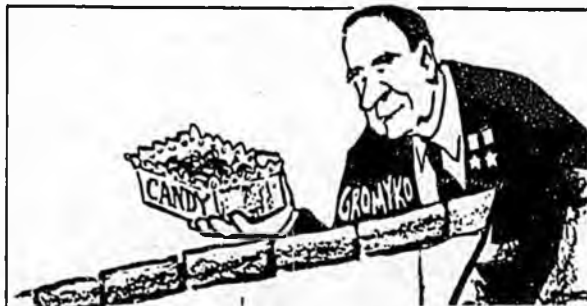
House Majority Leader Don Clocksin, D-Anchorage, describes the ideal agenda for front-loading the permanent fund this way: 1) the contribution rate for state oil revenues would be doubled, taking effect in about three years; 2) the so-called "undistributed income accounts" of the fund would be made a part of its principle, and thus placed safely out of the clutches of the legislature; and 3) the governor would be granted authority for major injections into the fund at his discretion over the next few years.

But revenues are coming up short of projections nowadays, and the long-term oil price and revenue picture is for gradual decline. Where legislators appropriated \$3.6 billion in spending measures for fiscal 1985, they now calculate only \$2.9 billion is available for fiscal 1986.

That's nearly \$6,000 for every single person in Alaska, but apparently not enough to front-load the permanent fund and still keep everyone happy in Juneau. The budget architecture worked out in a series of secret meetings between legislative leaders and the governor calls for just under \$2 billion in operating funds, a quarter-billion in capital projects, another quarter-billion "continuing appropriation" for (Susitna) hydroelectric power dreams, and not a nickel for the permanent fund. The fund's defenders in the legislature are hoping mainly to get the undistributed income money salted away safely before the legislature comes raiding.

The "realists" would say that's the best that can be expected in a year of lowered revenue and tightened belts, and maybe they're right. But a different kind of realism would recognize that some day those revenues are coming down a lot farther than this — and the prudent thing to do now is to prepare another income stream to take their place.

All those candidates who spoke sensibly about front-loading during the campaign season would do well to remember it now that they're in the legislature — and in a position to do something about it.



Are there

NET YORK — The liquor business seems to be in a bit of trouble these days. The American emphasis on health, the crackdown on drunk driving have helped reduce per capita consumption of hard liquor in the United States from 2 gallons in 1970 to 1.84 gallons in 1983.

Those statistics would seem to be pretty good news unless you happen to be in the whiskey business. Jose E. Seagram & Sons Inc. is the whiskey business (and vodka, gin and rum business) in a very big way, and owners have decided to spend at least \$10 million this spring touting the rest of that we're being unfair to hard stuff. The Wall Street Journal reported last week that Seagram's "will end long-standing aversion to controversy and instead fight to upgrade the image of liquor with consumers and politicians."

Circus air

WASHINGTON — Policymakers at a high-level meeting last week preparing renewed arms talks were stunned by word that at least 28 members of Congress, their wives and staffs were flying to Geneva at Uncle Sam's expense to attend the opening of the U.S.-Soviet nuclear games.

When protests were voiced, the principal arms negotiator — ex-Sen. John Tower — shrugged his shoulders in a don't-blame-me posture. Whoever should be blamed, Secretary of State George Shultz is furious. Three F-15 Force planes are set to leave Washington March 10 carrying a party that, at this writing, totals more than 40 and is going up.

Taxpayer expense will exceed \$150,000 for transportation alone. But more than \$1 million is at stake. "It has turned into a damned circus," a senior administration official told us. Attending to the

opinion

Anchorage Daily News



Winner, 1976 Pulitzer Prize Gold Medal for Public Service

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Katherine Fanning, Editor and Publisher 1971 to 1983
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Put 'frontloading' at top of agenda

A single overwhelming priority recommends itself as the 14th Alaska Legislature opens up shop today in Juneau: "front-loading" the Alaska Permanent Fund. And as legislators prepare for their labors this year, there is new encouragement in the wind for front-loading as a means of prudent fiscal management for state government.

With about 85 percent of state revenues deriving from petroleum taxes or royalties, Alaska's fiscal and economic fortunes are heavily dependent on world oil prices. State revenues soared when oil prices skyrocketed — and Prudhoe Bay production reached full steam — in the late 1970s and early 1980s. But both prices and revenues peaked in early 1981; they've been gradually coming down ever since.

Now state revenue forecasters, with a nervous eye on crumbling world oil markets, are worried about a larger-than-expected \$4 per barrel price drop in 1985 — which would translate into a roughly \$600 million per year revenue decline for the state. For some years now, anyone who's been paying attention has known that oil revenues one day would drop sharply — but if the latest fears bear out, that day will come sooner than anyone had expected.

That does not mean Alaska is, or soon will be, short of money. It does emphasize that Alaska has relatively little time left to salt away a significant chunk of today's high income against future needs. The Alaska Permanent Fund is an established, successful vehicle to accomplish that, but it needs bigger financial injections now, at the front end, to grow large enough to provide significant income later, after oil revenues sag.

That's what front-loading is all about: investing enough of today's largesse to make a difference in future income — and thus forestalling massive tax hikes, state employee layoffs, service cuts and economic disruption.

By now Alaskans have seen a number of downward lurches in oil prices, and hence state revenues, over the past several years. New predictions of revenue decline are no surprise. What the state needs to cope with the long-term revenue decline is a determined effort — and the sooner, the better — to build the permanent fund large enough to cushion the state's future shock. That puts front-loading at the top of this year's legislative agenda.

Levy
3/6/85 ✓

Original sponsors: Szymanski, Clocksin,
Pourchot and Navarre

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE
 2 CS FOR HOUSE BILL NO. 9 (State Affairs)
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA
 4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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 25 by the state from mineral leases; and

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 27 by law to the Alaska permanent fund.

28 * Sec. 3. This Act takes effect June 30, 1986.

29

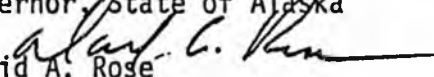


Alaska Permanent Fund Corporation
Pouch 4-1000 Juneau, Alaska 99802
TEL 907/465-2047 TLX 099-46-323

M E M O R A N D U M

DATE: January 29, 1985

TO: The Honorable Bill Sheffield
Governor, State of Alaska

FROM: David A. Rose 
Executive Director
Alaska Permanent Fund Corporation

SUBJECT: Effect of Making a Special Appropriation to the Alaska Permanent
Fund per House Bill No. 71

For your information, I have prepared the following schedules which depict the impact of your proposed legislation on the earnings, dividends, etc.

SHEET NUMBER ONE. Revenues and impact associated with using the current statute, without the special appropriation.

SHEET NUMBER TWO. Revenues and impact associated with making a special appropriation to the Alaska Permanent Fund of \$500 million. The language of the bill allows you the flexibility of making the deposits as revenues permit, but in order to determine its long-term impact vis-a-vis the status quo, we have assumed deposits of \$200 million in FY 86 and \$300 million in FY 87.

If I can be of any further assistance, please do not hesitate to contact me.

DAR/JK/bn

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 1/29/85

-----PRINCIPAL: ACTUAL & PROJECTED----- (in billions)						-----INCOME: ACTUAL & PROJECTED----- (in billions)							
Beginning FY Balance	Appro- priations	Dedicated		Ending Balance	Inflation Adjusted		Net Income	Distributions		Reserves		Total Assets	FY
		State Revenues*	Inflation Proofing		Proofing Shortfall	Ending Balance		Inflation Proofing	State General Fund	Trans. Adj.**	Add (Delete)		
78		54.4		54.4		54.4	1.8		1.3	.5		55.0	78
79	54.4	84.1		138.5		138.5	8.0		6.6	1.4		140.5	79
80	138.5	344.4	.3	483.2		483.2	32.4	11.8	.3	11.3	8.5	502.9	80
81	483.2	900.0	385.1	1,768.5		1,768.5	149.9	27.5	.2	27.5	36.0	1,874.5	81
82	1,768.5	800.0	400.5	2,969.0		2,969.0	368.4	71.1		71.1	41.1	3,301.7	82
83	2,969.0	400.0	421.0	4,021.2		4,021.2	471.1	107.9	231.2	109.5	(87.5)	4,593.0	83
84	4,021.2	300.0	366.2	4,838.3		4,838.3	529.5	175.0	150.9		203.5	5,530.3	84
85	4,838.3	300.0	358.1	5,727.2		5,727.2	618.6	213.8	230.8		174.0	6,672.4	85
86	5,727.2		359.9	6,452.3		6,452.3	597.5	258.9	365.2		(26.2)	7,416.0	86
87	6,452.3		345.3	7,205.5		7,205.5	659.7	287.6	407.9		(35.3)	8,162.5	87
88	7,205.5		356.6	8,015.8		8,015.8	724.8	313.0	453.7		(41.9)	9,055.3	88
89	8,015.8		361.7	8,880.2		8,880.2	794.2	339.5	502.7		(48.0)	9,799.2	89
90	8,880.2		353.6	9,788.0		9,788.0	867.3	364.4	554.0		(51.1)	10,680.8	90
91	9,788.0		342.6	10,738.4		10,738.4	943.9	399.0	507.3		(62.9)	11,602.9	91
92	10,738.4		342.8	11,746.1		11,746.1	1,023.3	435.4	564.9		(76.5)	12,570.5	92
93	11,746.1		338.9	12,810.1		12,810.1	1,107.4	473.7	725.1		(91.4)	13,581.4	93
94	12,810.1		319.6	13,917.5		13,917.5	1,194.1	513.7	787.8		(107.4)	14,621.4	94
95	13,917.5		324.1	15,096.1		15,096.1	1,284.3	555.4	854.5		(125.6)	15,716.1	95
96	15,096.1		306.9	16,247.1	90.1	16,327.2	1,378.3	598.8	844.1		(64.6)	16,945.9	96
97	16,247.1		290.2	17,368.7	160.8	17,529.5	1,475.3	643.9	831.4			18,012.6	97
98	17,368.7		282.2	18,536.0	174.0	18,710.0	1,575.9	690.3	885.1			19,226.8	98
99	18,536.0		265.8	19,742.6	187.3	19,929.9	1,680.2	739.4	940.8			20,482.0	99
0	19,742.6		253.2	20,994.2	201.4	21,195.6	1,788.2	789.8	998.4			21,784.0	0

* Source: Alaska Department of Revenue

** Chapter 81, SLA 1982, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr FY85

- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.20% Inflation FY85
- 10.31% Return FY85
- 6% Average Inflation FY86-FY00
- 9% Average Return FY86-FY00

SHEET NUMBER ONE

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 1/29/85

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78		54.4		54.4	54.4	1.8		1.3	.5			55.0	78		
79	54.4	84.1		138.5	138.5	8.0		6.6	1.4			140.5	79		
80	138.5	344.4	.3	483.2	483.2	32.4	11.8	.3	11.8	8.5		502.9	80		
81	483.2	900.0	385.1	.2	1,768.5	1,768.5	149.9	27.5	.2	27.5	36.0	58.7	58.7	1,974.6	81
82	1,768.5	800.0	400.5		2,969.0	2,969.0	368.4	71.1		71.1	41.1	185.1	243.8	3,301.7	82
83	2,969.0	400.0	421.0	231.2	4,021.2	4,021.2	471.1	107.9	231.2	109.5	(87.5)	120.0	353.8	4,593.0	83
84	4,021.2	300.0	366.2	150.9	4,838.3	4,838.3	529.5	175.0	150.9			203.6	557.4	5,530.8	84
85	4,838.3	300.0	358.1	230.8	5,727.2	5,727.2	618.6	213.8	230.8			174.0	731.4	6,672.4	85
86	5,727.2	200.0	359.9	377.2	6,664.3	6,664.3	606.5	259.4	377.2			(30.1)	701.3	7,625.0	86
87	6,664.3	300.0	345.3	438.6	7,748.2	7,748.2	691.9	291.8	438.6			(38.5)	652.8	8,702.8	87
88	7,748.2		356.6	486.3	8,591.1	8,591.1	773.0	322.0	486.3			(35.3)	627.5	9,540.6	88
89	8,591.1		361.7	537.2	9,490.0	9,490.0	846.0	353.6	537.2			(44.8)	582.7	10,425.3	89
90	9,490.0		353.8	590.6	10,434.4	10,434.4	922.5	384.0	590.6			(52.1)	530.6	11,349.0	90
91	10,434.4		342.6	646.6	11,423.6	11,423.6	1,002.3	423.6	646.6			(57.9)	462.7	12,309.9	91
92	11,423.6		342.8	706.0	12,472.4	12,472.4	1,085.2	462.9	706.0			(83.7)	379.0	13,314.3	92
93	12,472.4		338.9	768.7	13,580.0	13,580.0	1,171.9	502.8	768.7			(99.6)	279.4	14,362.2	93
94	13,580.0		319.6	834.0	14,733.6	14,733.6	1,261.7	544.4	834.0			(116.7)	162.7	15,440.7	94
95	14,733.6		324.1	903.5	15,961.2	15,961.2	1,353.3	587.6	903.5			(135.8)	26.9	16,575.7	95
96	15,961.2		306.9	846.9	17,115.0	17,115.0	1,442.7	632.7	846.9			(26.9)		17,747.7	96
97	17,115.0		290.2	873.9	18,279.1	18,279.1	1,553.4	679.5	873.9					18,958.6	97
98	18,279.1		282.2	929.7	19,491.0	19,491.0	1,657.8	728.1	929.7					20,219.1	98
99	19,491.0		265.8	987.7	20,744.5	20,744.5	1,766.2	778.5	987.7					21,523.0	99
0	20,744.5		253.2	1,047.5	22,045.2	22,045.2	1,878.4	830.9	1,047.5					22,876.1	0

* Source: Alaska Department of Revenue

** Chapter 81, SLA 1982, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr FY95

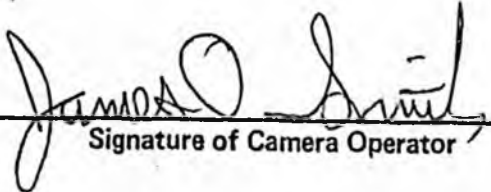
- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.20% Inflation FY95
- 10.81% Return FY95
- 6% Average Inflation FY96-FY00
- 9% Average Return FY96-FY00

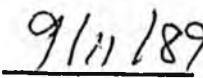


RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

HB

74

HOUSE STATE AFFAIRS COMMITTEE

Bill Number 74 Title BIA TEACHERS Retirement Date Rec'd _____

Fiscal Position Date requested From Amount Date Rec'd
 Note Paper Note Paper

Fiscal Note	Position Paper	Date requested	From	Amount	Date Rec'd Note	Date Rec'd Paper
DOA			retirement		✓	✓

CONTACTS

BACKUP LIST

J.K. Humphries x4460 retirement
 Glen Robertson 586-~~44~~7077 BIA
 Gruenberg (N. Bennett) sponsor
 Terry Cramer / Legal x3867

DOA note & paper

HEARING INFORMATION

heard 2/5 & 7

NOTES:

Steve Ronnekamp notified of committee action
 2/23/85 sent backup to HESS

FINAL ACTION

CSHB 74 (SA) PASSED OUT UNANIMOUS 2/7/85
 incorporated HB 108 language

Original sponsors: Cruenberg, Taylor,
Crussendorf and Binkley

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 74 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to participation of certain former
7 BIA employees in the Teachers' Retirement System."

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

9 * Section 1. AS 14.25.220(8) is amended to read:

10 (8) "BIA service" means service, including partial years,
11 as a teacher, a certificated person employed in a full-time position
12 requiring a teaching certificate as a condition of employment, or a
13 Bureau of Indian Affairs professional educator in a school or school
14 system operated by the Bureau of Indian Affairs in Alaska;

15 * Sec. 2. A member qualified under amendments made by sec. 1 of this
16 Act may claim prior service if the member pays the arrearage indebtedness
17 in accordance with AS 14.25.060. Notwithstanding AS 14.25.060, interest on
18 the indebtedness does not begin to accrue until January 1, 1986.

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House Bill 74
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

January 31, 1985

Analysis: This fiscal note is based on the assumption that "school administrator" will be interpreted to mean "BIA professional educator". We recommend amending the bill to read "BIA professional educator" instead of "school administrator" because that term is more consistent with the intent, as we understand it, and BIA terminology.

Passage of this bill would allow those former BIA employees acting in such a capacity to claim that service in the Teachers' Retirement System (TRS) by December 31, 1985. The BIA administrative office has advised us that this would involve approximately 20 people having an average of 6½ years of qualified service.

This bill would result in an estimated .0347% increase in the TRS Employer contribution rate. The FY 86 TRS State Match estimated payroll is \$416,297,654.00.

The estimated costs to school districts are as follows:

FY 86	FY 87	FY 88	FY 89	FY 90
<u>\$59.8</u>	<u>\$64.6</u>	<u>\$70.8</u>	<u>\$76.5</u>	<u>\$82.6</u>

The present value of the cost of this bill is \$1,300,000.00; this would produce a .15% decrease in the TRS funding ratio.

Original sponsors: Gruenberg, Taylor,
Grussendorf and Binkley

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 74 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

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17 in accordance with AS 14.25.060. Notwithstanding AS 14.25.060, interest on
18 the indebtedness does not begin to accrue until January 1, 1986.

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CS for House Bill 74 (State Affairs)

- Fiscal Note Analysis

Prepared by Division of Retirement & Benefits
Department of Administration

February 11, 1985

Analysis:

Passage of this bill would allow those former BIA employees acting in the capacity of a BIA professional educator to claim that service in the Teachers' Retirement System (TRS) establishing a date, January 1, 1986, for interest to accumulate on any unpaid balance. The BIA administrative office has advised us that this would involve approximately 20 people having an average of $6\frac{1}{2}$ years of qualified service.

This bill would result in an estimated .0347% increase in the TRS Employer contribution rate. The FY 86 TRS State Match estimated payroll is \$416,297,654.00.

The State cost of \$84.6 is calculated as follows:

one half of the change in TRS
contribution rate [(.0347% divided by 2) =
.01735%] times the estimated FY 86 State
TRS salaries (\$71,490,744.00) equaling \$12,400.00

plus one half of the change in TRS
contribution rate (.01735%) times the
estimated FY 86 State Match Payroll
(\$416,297,654.00) (equaling \$72,200.00). \$72,200.00

\$84,600.00

The estimated costs to school districts are as follows:

FY 86	FY 87	FY 88	FY 89	FY 90
\$59.8	\$64.6	\$70.8	\$76.5	\$82.6

The present value of the cost of this bill is \$1,300,000.00; this would produce a .15% decrease in the TRS funding ratio.

JAN 22 1985

edie

Bethel, Alaska 99559
January 18, 1985

Bettye Fahrenkamp
Chairperson: Senate Committee on Health, Education
and Social Services.

Pouch V
Juneau, Alaska 99811

Dear Ms. Fahrenkamp:

Thank you for your very prompt reply in regards to my inquiry about the definition of "BIA Service" in the Teacher Retirement System Statutes. I checked with our office in Juneau and they do remember your office calling. Glen Robertson, who took the call, said that he did check with the Juneau personnel and education offices about whether BIA administrators were required to have certificates and was told "NO" by both departments. These departments did not do any research and gave the answers "off the top of their heads." I have done research and respectfully disagree with the answer you got from our Juneau Office. Enclosed are several pages copied from the current BIA Education Personnel Manual which unequivocally states in several places that all professional educators must be certified in the state where they are employed. Pertinent areas in the copies are highlighted for your convenience. I can not give you a reason why our Juneau office would not be aware of these regulations except that they are 1500 miles from the nearest BIA school and do not deal directly with education programs.

|| After your review of the enclosed documents I would like to echo my original request that the definition for "BIA Service" be changed to include administrators. Thank you very much for your time and attention to this matter.

Steve Ronnekamp

Steve Ronnekamp
Box 1247
Bethel, Alaska 99559

cc: J.K. Humphreys, Director TRS
Monica Penfield, Division of Retirement and Benefits

Alaska State Legislature

SENATOR BETTYE FAHRENKAMP
CHAIRMAN, HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE
1117 LAKEVIEW TERRACE
FAIRBANKS, ALASKA 99701
907-456-2899



Senate

*HESS
Teachers
Retirement*

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
OFFICE (907) 465-3763
HESS COMMITTEE
(907) 465-3834
HOME 907-780-6027

January 23, 1985

Mr. Steve Ronnekamp
Box 1247
Bethel, Alaska 99559

Dear Steve:

Thank you for your letter of January 18th clarifying the misunderstanding about BIA administrative employment requirements.

I'm sure you know by now that Representative Max Gruenberg, Co-Chairman of the House Health, Education and Social Services Committee is the sponsor of House Bill 74 which redefines BIA service to include school administrators for purposes of TRS eligibility requirements.

The first committee referral for HB 74 is House State Affairs, chaired by Representative Katie Hurley. I recommend that you contact her office directly for the status of the bill. As of this day, it is not yet scheduled to be heard by the Committee.

If the bill passes the House this year, you can be sure that it will be referred to the Senate HESS Committee, at which time my office will be in touch with you.

Thanks again.

Sincerely,

Bettye Fahrenkamp
Alaska State Senate

cc: Glen Robertson, BIA
Monica Penfield, Division of
Retirement and Benefits
Rep. Katie Hurley, Chair
State Affairs Committee
Rep. Max Gruenberg, Chair
Health, Education & Social
Services Committee

BF:er

V-C 12-31-84

Bethel, Alaska 99559
December 26, 1984

The Honorable Bettye Fahrenkamp
Alaska State Senate
Chairman of the Senate, Health, Education and Social Services
Committee
Pouch V
Juneau, Alaska 99801

Dear Ms. Fahrenkamp:

I have spent eight years teaching and six years administrating for the Bureau of Indian Affairs in Alaska. I have just discovered that the six years I spent administrating schools that serve Alaskan students can not be transferred to the State Teacher Retirement System (TRS). This is due to an apparent oversight on the part of the statute writers for the TRS. Under the definition of "outside service" (14.25.220(25)) (copy enclosed) ← years not only taught in the Lower 48 may be brought into TRS but also years spent as a certificated person in a full-time position requiring a teaching certificate as a condition of employment.... In other words any certificated principal, vice-principal, or superintendent from the Lower 48 may bring a certain number of those years into TRS with him. In the same statutes (14.25.220(8)) (copy enclosed) the definition for "BIA service" is service as a teacher in a school operated by the Bureau of Indian Affairs. Nothing is mentioned about administrative service being counted for TRS purposes. The State then will allow someone who was an administrator in Miami, L.A. or any other place Outside to bring in those years but not an administrator who has been serving rural Alaskan students. It seems reasonable that the definition for "BIA service" should also include years spent as a certificated administrator serving Alaskan students through the Bureau of Indian Affairs.

Any help you can give in getting the definition for "BIA service" changed to include administrative time would be greatly appreciated.



Steve Ronnekamp
Box 1247
Bethel, Alaska 99559
543-2748 WK



Official Business

Alaska State Legislature

Senate

Committee on

Health, Education & Social Services

Pouch V
State Capitol
Juneau, Alaska 998

January 10, 1985

Steve Ronnekamp
Box 1247
Bethel, Alaska 99559

Dear Steve:

Thank you for bringing to my attention the definition of "BIA Service" as it appears in the statutes for the State Teachers Retirement System. At first glance, it does appear that there was an oversight when the statutes were being written. However, after a little investigation I learned that there are no administrative positions within the BIA school system in Alaska that require a teaching certificate as a condition of employment. As you pointed out in your letter, the criteria for TRS eligibility of administrative personnel is that the certificate be a condition of employment. Although you were certified while working as a school administrator, your certification was not required for the job.

I know this is not exactly good news, but it certainly explains why your administrative time is not applied to your TRS. If I can be of further assistance, Steve, on this or any other issue of your concern, please don't hesitate to contact me.

Sincerely,

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

Bettye Fahrenkamp
Alaska State Senate

BF:er

cc: Monica Penfield, Division of Retirement
& Benefits
Glen Robertson, BIA



**ALASKA
TEACHERS'
RETIREMENT
SYSTEM**

**Including
GROUP HEALTH AND LIFE INSURANCE**

STATES

July 1982

(8) "BIA service" means service, including partial years, as a teacher in a school operated by the Bureau of Indian Affairs in Alaska.

(9) "compensation" means the total remuneration paid under contract to a member for services rendered during a school year, including cost-of-living differentials, payments for leave that is actually used by the member, the amount by which the member's wages are reduced under AS 39.30.150(c), and the amount deferred under an employer-sponsored deferred compensation plan or the tax shelter annuity plan approved by the Department of Education, but does not include retirement benefits, welfare benefits, per diem, expense allowances, workers' compensation payments, or payments for leave not used by the member, whether those leave payments are scheduled payments, lump-sum payments, donations, or cash-ins; for purposes of AS 14.25.050, compensation paid includes any payment made after June 30 of a school year for services rendered before the end of the school year;

(10) "credited service" means all membership service provided in (20) of this section, territorial employment as defined in (41) of this section, plus outside, military, and Alaska BIA service, with outside and military service limited to 10 years except under the conditions set out in AS 14.25.100;

(11) "deferred vested member" means an inactive member who meets the service requirements of a vested member;

(12) "dependent child" means an unmarried child of a member, including an adopted child, who is dependent upon the member for support and who is either (A) less than 19 years old, or (B) less than 23 years old and registered at and attending on a full-time basis an accredited educational or technical institution recognized by the Department of Education; the age limits set out in this paragraph do not apply to a child who is totally and permanently disabled;

(13) "disabled member" means a member who is terminated, who has not received a refund from the system, and who is receiving a disability benefit from the system;

(14) "early retirement" means retirement under AS 14.25.110(b);

(15) "employer" means a public school district, the Board of Regents of the University of Alaska, the Department of Education, the National Education Association of Alaska, the Regional Resource Centers or the state legislature with respect to a state legislator who elects membership under AS 14.25.040(b);

(16) "former member" means a member who is terminated and who received a total refund of the balance of the mandatory contribution account, or who has requested in writing a refund of the balance of the mandatory contribution account;

(17) "full-time teacher" means a teacher occupying a position requiring teaching on a regular basis for the normal work period per day or week at a teaching assignment excluding teaching as an assistant or graduate assistant or teacher on a substitute, temporary, or per diem basis;

(18) "inactive teacher or member" means a member who is terminated and who has not received a refund from the system or a member who is on leave of absence and who is not making contributions under AS 14.20.345;

(19) "member contribution account" means the total maintained by the system of the member's mandatory contributions, indebtedness principal and interest contributions, interest credited to each of those accounts, and adjustments to the account in accordance with AS 14.25.170;

(20) "membership service" means

(A) full or part-time service as a teacher in a public school in the Territory or State of Alaska, or both, under the supervision and control of the Territorial Board of Education or the Department of Education or the school board of a city, regional educational attendance area, or borough school district;

(B) full-time or part-time teaching at the University of Alaska or a full-time administrative position at the University of Alaska which requires academic standing and which has been approved for inclusion in the system by the administrator;

(C) any period during which the teacher receives a disability benefit under this system or is on an approved sabbatical leave granted in accordance with AS 14.20.310; or

(D) continuous service as a state legislator when performed by a state legislator who elects membership under AS 14.25.040(b), subject to the requirements of AS 14.25.040(c).

(21) "military service" means active service in the armed forces of the United States;

(22) "nonpublic school" means a school established by an agency other than a state which is primarily supported by other than public funds, and operation of whose programs is with other than publicly elected or appointed officials, and is state approved or accredited;

(23) "non-vested member" means an active or inactive member who does not meet the requirements of a vested member or deferred vested member;

(24) "normal retirement" means retirement under AS 14.25.110(a);

(25) "outside service" means service

(A) as a certificated full-time elementary or secondary teacher or a certificated person in a full-time position requiring a teaching certificate as a condition of employment in an out-of-state public school

EDUCATION

Appointment of Educators
Contract Documents and Requirements

4.15 State Certification. All professional employees shall be required to obtain appropriate state certification in the state where employed. If official documentation of such certification is not received by contract renewal time, the contract shall not be renewed. Such non-renewal is not grievable or appealable.

If the employee can demonstrate that he/she requested state certification within 90 days of appointment but has not received any response from the state, a copy of the documentation shall suffice for one contract renewal. Certification shall be required for any subsequent contract renewal.

4.16 Suitability Disqualifications. Employees in education positions will be assigned the task of helping to shape the lives and futures of Indian students. An applicant will be disqualified on a suitability basis when serious question is raised in reference to his/her character, reputation and fitness. An applicant may be denied appointment for the following reasons:

- A. Removal from employment for delinquency or misconduct;
- B. Criminal, infamous, dishonest, immoral or notoriously disgraceful conduct;
- C. Membership in an organization having as its objective the overthrow of the Constitutional government of the U.S. by force or violence and when membership is with the specific intent of furthering that objective.
- D. Intentional false statements, deception or fraud in examination or appointment;
- E. Refusal to furnish testimony as required by §5.3 of rule V;
- F. Habitual use of drugs, (including alcoholic beverages) affecting job performance;
- G. Any legal or other disqualification which makes the person unfit for the service.

In making suitability determinations, the following factors will be taken into account; (1) the kind of position involved; (2) the nature and seriousness of the conduct; (3) the circumstances surrounding the conduct; (4) the recency of the conduct; (5) the age of the applicant at the time of the conduct; (6) contributing social or environmental conditions; and (7) the absence or presence of rehabilitation or efforts toward rehabilitation. Elimination of an applicant from employment consideration on suitability grounds requires a determination by the Agency Superintendent for Education that the applicant's conduct may interfere with his ability to function in the position or the Agency's ability to discharge its duties and responsibilities. An objection will document the existence of a rational and direct relationship between the conduct of the applicant and nature of the work involved in the position.

EDUCATION
Appointment of Educators

APPENDIX A - PROCESSING CONTRACTS

.1 Recruitment and appointment functions. Responsibilities of Education Management included in the recruitment and appointment functions for personnel actions are:

A. Applicant Lists

(1) Accepting applications;

(2) Rating applications: The Education Position Categories and Qualifications Handbook contains the minimum standards used when filling positions established as Education positions. Professional educators (Teachers, Guidance Counselors, etc.,) must have appropriate state certification;

(3) Establishing lists according to job category and according to Indian preference;

(4) Notifying applicant if qualified or not qualified. If applicant is not qualified, the application will be so noted and returned;

(5) Referring qualified applicant to job holding office for review by selecting official and for consultation with the School Board;

(6) Notification of selection: Selectees will be notified by letter and supplied a new-employee package. This package will consist of the following:

(a) Copy of Contract. The contract, with addendum for Provisional Appointments when required, will be signed and returned within fifteen (15) days of the date on the notification letter.

(b) Employee Handbook. This handbook will cover such items as:

- i. Contract Renewal
- ii. Working Conditions
- iii. Employee Benefits
- iv. Employee Rights
- v. General Information

(7) Providing a pre-employment package to selectees. The package will consist of the following:

(a) Copy of Standard Form 85, National Agency Check Investigation Forms (NACI) to be completed in draft form prior to the effective date of the appointment.

(b) Standard Form 78, Certificate of Medical Examination, to be completed by selectee's medical doctor and returned to appointing office for review and approval prior to entry on duty.

EDUCATION
POSITION CATEGORIES AND QUALIFICATIONS

1. POLICY.

Educators employed under the contract provisions of P.L. 55-561 will be paid on an hourly rate basis, computed on the basis of the relative value of the position and the education and experience of the individual contract employee. As a minimum, the professional educator qualification standards (teacher, guidance counselor, principal, etc.) will be equivalent to those requirements established by the appropriate certification authorities of the state in which the position is located or the Bureau standard shown, whichever is higher.

2. INSTRUCTIONS TO USERS.

The specific position categories and qualification standard to be used will depend on the duties of the position involved. Each standard has a general description of the duties and levels of responsibility of the position listed at the top of the standard.

3. CATEGORIES OF POSITIONS.

Current existing position descriptions will be converted to the contract categories personnel system and will be exempt from further classification in relation to contract positions. A title conversion to an identified education position title will not constitute a change in position description and will not require reclassification. Categorization of positions will be the responsibility of the school supervisor and the Agency Superintendent for Education or the Area Education Programs Administrator (for off-reservation boarding school supervisors.) All positions presently classified will not be reviewed when the position converts or is changed to the contract system. It has been administratively determined that a change in position title does not constitute reason for reclassification of the position if there are no substantial changes in the duties and responsibilities of the position.

The Agency Superintendent for Education or the Area Education Programs Administrator (for off-reservation boarding schools) will determine the proper categorization of new and revised positions. The school supervisor will forward suggested adjustments of position descriptions according to the needs of the local education program to the Agency Superintendent for Education or the Area Education Programs Administrator (with respect to off-reservation boarding schools). Such changes will be reviewed and approved by the Agency Superintendent for Education or the Area Education Programs Administrator (with respect to off-reservation boarding schools) for categorization purposes before being placed into effect.

Form 5-6233, Categories of Duties for Determining Pay of Education Positions initial page of each position description, replacing the CF-8.

A completed copy of the position description will be distributed to the following:

1. employee
2. supervisor
3. administrative file
4. official personnel file

- C. An increase in the qualifications of the individual does not automatically entitle the employee to advance to another pay level, unless he/she is assigned to a position of greater difficulty and responsibility as reflected by the position description and category of responsibility.

8. CERTIFICATION REQUIREMENTS.

All professional educators must meet and maintain the certification standards for their position in the state where the position is located. If the state does not have certification requirement for a particular position, the qualification standard in this BIA supplement will apply as the minimum standard for qualification for the job. If the state has a certification requirement for a position which is higher than the standard in this manual, the state certification standard is the minimum qualification requirement. If the state has a certification standard for position which is lower than the standard required by this manual, the standard in this manual is the minimum qualification standard required for the job. Emergency and provisional state certification will be accepted for all positions as meeting state standards as long as the certificate is valid.

9. PROVISIONAL APPOINTMENT.

When a vacancy exists for which no available qualified applicant can be found who meets the full performance level of a position, the following procedures may be used in filling the position:

- A. Applicants who will require the least amount of time to become fully qualified will be rated as the best qualified applicant.
- B. The incumbent will be required to make satisfactory progress toward certification requirements and/or BIA qualification standards. A memorandum of agreement will be attached to the employee contract listing the conditions of the appointment and the requirements placed upon the incumbent relative to eligibility for issuance of a new contract each consecutive year.
- C. The incumbent will be paid at a rate of pay based upon education positions with comparable qualifications as that held by the incumbent until the incumbent becomes fully qualified for the position held.
- D. The selected incumbent will not be replaced with a better qualified applicant unless they fail to make satisfactory progress toward full qualification standards or it is demonstrated that the program is suffering because of the lack of a qualified person. Removal before the incumbent meets full qualification standards is not grievable or appealable.

10. AWARDING INCREMENTS FOR EDUCATION.

Increments will be awarded employees in accordance with 62 BIA 11.5. Examples: (1) a selected employee for an Education Aid position will receive one (1) increment for having a high school certificate even though a high school education is required to meet basic qualifications; (2) a selected employee will receive increments for a related masters degree at the 03 level although a Masters degree is a minimum education requirement for state certification.

§31e.18 Certification.

(a) All Bureau educators shall be required to obtain and hold valid certificates established for their positions by the appropriate licensing and certification authorities of the State in which the positions are located within one year from the publication date of this Part unless the Director approves a written justification from the Agency superintendent for Education for extending the time limit.

(b) Cultural traditional leader positions in bilingual and/or bi-cultural programs may have this requirement waived by the appropriate school board.

§31e.19 Student enrollment.

The Agency Superintendent for Education, with the advice and consent of the agency school board, shall implement a mandatory student enrollment policy and procedure for schools under his/her jurisdiction which will include, but not be limited to, the following:

- (a) An eligibility criteria;
- (b) School enrollment boundaries; and
- (c) A standard application form.

§31e.20 Student attendance policy.

Each school shall have a written student attendance policy in compliance with the statutes of the State in which the school is located. However, for those enrolled students who are members of a Tribe having an attendance code, that Tribal Code shall take precedence for such students.

§31e.21 School year.

The length of the school year shall be, for all levels, no less than one hundred eighty (180) student instructional days.

§31e.?? School day.

Students shall be in school directed instructional activities, exclusive of lunch, in accordance with the following minimum clock hours:

<u>Level</u>	<u>Hours Day</u>
Kindergarten	3.0
Grades one to six	5.0
Junior high or middle school	5.5
High school	6.0

(b) Provide a base for special programs for exceptional children, coordinated with the required medical, dental, psychological, and social services as well as with parent education;

(c) Bilingual and multicultural education coordinated with parent education; and

(d) Educational programs for parents and the community which extend their role as educators of their children; as partners in the schooling experiences; and as decision makers and participants in the management of the early childhood pre-kindergarten program.

§3le.76 Accreditation.

Each pre-kindergarten program shall have official and current credentials which comply with not less than other like Federal (e.g., Headstart) and State agencies and tribal governments toward assurance of optimal educational opportunities based on the total development needs of the children.

§3le.77 Certification.

All pre-kindergarten educators shall be required to hold a valid certification in early childhood education by the appropriate licensing and certification authorities in the State, including Federal programs (e.g., Headstart, Child Development Associate).

§3le.78 Staff.

Each pre-kindergarten program shall have qualified staff with appropriate education and experience in the services provided in adequate numbers to meet program standards and assure effective delivery of comprehensive services.

§3le.79 School year.

The length of the school year shall be no less than one hundred and four (104) student instructional days.

§3le.80 School day.

Students shall be in directed instructional activities appropriate to their individual development level, exclusive of lunch, for a minimum of three clock hours daily.

§3le.81 Staffing patterns and ratios.

(a) Staffing patterns for each pre-kindergarten programs shall, at a minimum, meet applicable State or Tribal accreditation requirements.

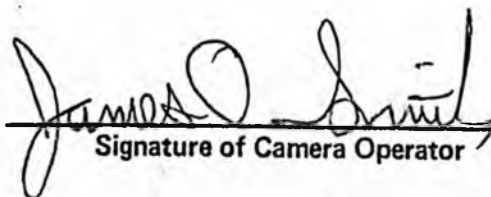
(b) The size of the pre-kindergarten class for 3-4 year olds shall not exceed 15 students.



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

HB

B

8

1

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: HB 81 No.1
 Title: An Act relating to an
emission control program
 Sponsor: _____
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE		200.0	216.0	233.3	252.0	272.2

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary Covers Revenue Only

The emission control inspection program will begin on July 1, 1985, in both Anchorage and Fairbanks. The division of motor vehicles has been tasked with enforcement of the program. The Department of Law has decided the current statutes do give us the authority to enforce the program if we adopt regulations, but the regulatory process does not allow the division to recover any funds expended in the enforcement of the program. This proposed statute would

(cont.)
 Prepared By: Charles R. Hosack *CRH/RRB* Phone: 269-5561
 Division: Motor Vehicles Date: 1-15-85

Approved by Commissioner: *[Signature]* Date: 1-16-85
 Agency: Public Safety

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

ANALYSIS (continued)

allow the division to collect a prescribed fee in addition to the registration fee for those vehicles required to be inspected. These fees would be used to reimburse the General Fund for the expenditures incurred to enforce this program.

This type of approach places the cost of the program only on those affected by the program, and is similar in the approach used by the local governments to recover their costs. The goal at both the state and local levels is to make the program self-supporting from user fees. Between Anchorage and Fairbanks, approximately 180,000 to 200,000 vehicles will be inspected the first year. Together with the \$80,000 start-up grant, the \$1.00 fee imposed on these vehicles will allow the State to recover its costs.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 81 No. 2
 Title: An Act Relating to Motor Vehicle Emission Inspection
 Sponsor: _____
 Requestor: by request of Governor
 Date of Request: January 10, 1985

FISCAL DETAIL

Agency Affected: Dept. of Env. Conservatic
 Program Category Affected: NRMEC
 BRU, Program or Subprogram(s) Affected: _____
 Division of Environmental Quality

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	None					
----------------	------	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Leonard D. Verrelli Phone: 465-2666
 Division: Environmental Quality Date: Jan. 15, 1985

Approved by Commissioner: Richard A. Neme Date: 1-16-85
 Agency: ADEC

Distribution (by Agency preparing fiscal note):

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



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 18, 1985

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that gives the Department of Public Safety explicit authority to refuse to register a motor vehicle if the vehicle does not meet the standards of a state-operated emission control program or a state-approved local emission inspection program. The bill would also impose a \$1 administrative fee, in addition to the annual registration fee, to compensate the state for the cost of this enforcement program.

To implement the state's Air Quality Control Plan, the Municipality of Anchorage and the Fairbanks North Star Borough have recently adopted local vehicle inspection and maintenance (I/M) programs. The most effective way to ensure compliance with local inspection programs is through the state motor vehicle registration process. Before a person can obtain or renew a vehicle registration, the person must show evidence of compliance with the I/M program. This method has been chosen in preference to a "sticker" enforcement program, in which the owners or operators of all cars inspected and found to be in compliance would be required to display a sticker on their cars. National statistics have shown that the sticker enforcement method is 30 percent less effective than the registration method.

The \$1 fee is imposed to compensate the state for the costs of the additional administrative burden placed upon the Department of Public Safety. Proceeds from the fee will be placed in the state's general fund.

The quality and cleanliness of the air in Alaska's two largest cities are obviously of utmost importance to the health and well-being of the residents. Strict enforcement of motor vehicle emission standards is a crucial part of our

DEPARTMENT OF PUBLIC SAFETY

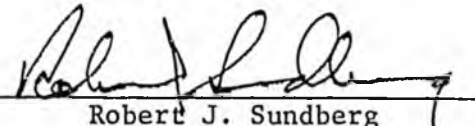
POSITION PAPER - HB 81

Support

January 29, 1985

HB 81, An Act relating to motor vehicle emission inspection;
and providing for an effective date.

This bill provides specific statutory authority to enforce
emission inspection programs throughout the State. Emission
control inspection programs are scheduled to begin on July 1,
1985, in both Anchorage and Fairbanks.


Robert J. Sundberg
Commissioner

STATE - ALASKA

BILL SHEFFIELD, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

DIVISION OF ENVIRONMENTAL QUALITY
POUCH O, JUNEAU, ALASKA 99811

Telephone: (907)
Address:

465-2666

January 31, 1985

FEB 4 1985

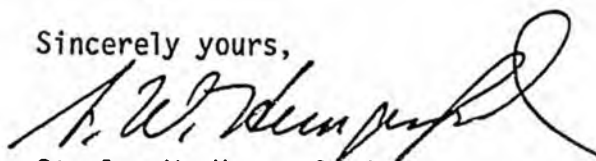
The Honorable Kate Hurley, Chairman
State Affairs Committee of
the House of Representatives
Pouch V (M/S 3100)
Juneau, AK 99811

Dear Representative Hurley:

At your hearing on HB 81 relating to registration of vehicles subject to local inspection and maintenance programs, questions about the inspection fees were raised.

By ordinance, each community established the fees which could be charged by the independent testing stations. For the inspection in Anchorage, the maximum fee allowed would be \$40.00, and in Fairbanks, the maximum fee would be \$35.00. Of the fee, \$7.00 would go to the Fairbanks North Star Borough for program management and in Anchorage the city would collect \$17.00.

Sincerely yours,



Stanley W. Hungerford
Section Supervisor
Air and Solid Waste Management

SWH/bs

cc: Leonard Verrelli
Bob Rasmussen
Heather Stockard

INTRODUCTION OF BILLS (House)(cont'd)

HB 80. (cont'd)

cover the division's present budget. Most of the fees were set by statute in 1966 and have not been increased since. This bill would raise fees to more closely approximate the actual cost of services and would provide for periodic reports by the division to the legislature in order to encourage future adjustments, as they become necessary. This bill is virtually identical to the committee substitute of a bill introduced last session, CSHB 533 (L&C).

I urge your support of and prompt action on this measure.

Motor Vehicle
Emissions
(inspections)

HOUSE BILL NO. 81, by the Rules Committee by Request of the Governor. The Department of Public Safety could refuse to register if emissions are too great (see accompanying letter). Takes effect July 1, 1985.

Introduced January 18 and referred to State Affairs, Health, Education & Social Services, then Finance.

In his letter transmitting the bill, Governor Sheffield stated:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that gives the Department of Public Safety explicit authority to refuse to register a motor vehicle if the vehicle does not meet the standards of a state-operated emission control program or a state-approved local emission inspection program. The bill would also impose a \$1 administrative fee, in addition to the annual registration fee, to compensate the state for the cost of this enforcement program.

To implement the state's Air Quality Control Plan, the Municipality of Anchorage and the Fairbanks North Star Borough have recently adopted local vehicle inspection and maintenance (I/M) programs. The most effective way to ensure compliance with local inspection programs is through the state motor vehicle registration process. Before a person can obtain or renew a vehicle registration, the person must show evidence of compliance with the I/M program. This method has been chosen in preference to a "sticker" enforcement program, in which the owners or operators of all cars inspected and found to be in compliance would be required to display a sticker on their cars. National statistics have shown that the sticker enforcement method is 30 percent less effective than the registration method.

The \$1 fee is imposed to compensate the state for the costs of the additional administrative burden placed upon the Department of Public Safety. Proceeds from the fee will be placed in the state's general fund.

The quality and cleanliness of the air in Alaska's two largest cities are obviously of utmost importance to the health and well-being of the residents. Strict enforcement of motor vehicle emission standards is a crucial part of our overall efforts to control air pollution. Since this bill will allow more effective enforcement of these standards, I urge prompt passage of the bill.

Permanent Fund
Deposits
(revenues from
court cases)

HOUSE BILL NO. 82, by Reps. Martin, Hanley and Marrou. Would require deposit in the Alaska Permanent Fund of 100% of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares from oil and gas leases, and federal mineral revenue sharing payments and bonuses received by the state from mineral leases as a result of a court order or an out-of-court settlement. Takes effect immediately.

Introduced January 18 and referred to State Affairs, then Finance.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 18, 1985

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

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overall efforts to control air pollution. Since this bill will allow more effective enforcement of these standards, I urge prompt passage of the bill.

Sincerely,

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

Bill Sheffield
Governor

MEMORANDUM

State of Alaska

TO: Patty Macklin
House State Affairs Committee

DATE: January 28, 1985

FILE NO:

FROM: Stanley W. Hungerford
Section Supervisor
Air & Solid Waste Management

TELEPHONE NO: 465-2666

SUBJECT: Background Documents
Requested for HB 81

As you requested, I am sending you a series of documents to give you background for the legislation requested by the Governor on behalf of the Department of Public Safety in support of local Motor Vehicle Inspection and Maintenance Programs established by the Mayors and Assemblies of Anchorage and Fairbanks. Of course, the Department of Environmental Conservation supports these programs and the proposed legislation, since these actions will enhance the air quality of our two major cities and protect the health of the citizens.

I have attached the following:

- 1) Governor Sheffield memo (March 23, 1983) - supporting local I&M programs with state cooperation
- 2) Commissioner Neve' memo (April 30, 1984) - discussing the need for vehicle registration programs
- 3) Daily News-Miner article (May 25, 1984) - reporting need for state support of local program
- 4) EPA Region X Administrator letter (June 15, 1984) - confirming that vehicle registration program is needed
- 5) Fairbanks North Star Borough memo (June 19, 1984) - suggesting registration process for seasonal program
- 6) EPA Region X letter (June 27, 1984) - discussing federal funds available to cities and Department of Environmental Conservation
- 7) Commissioner Sundberg memo (June 28, 1984) confirming the DPS role in support of programs
- 8) Commissioner Neve' memo (July 26, 1984) - indicating status of programs
- 9) Division of Motor Vehicles memo (August 22, 1984) - outlining plans to have registration program functioning by July 1, 1985
- 10) Department of Environmental Conservation memo (September 4, 1984) - letting DPS know the status of federal funds
- 11) Department of Environmental Conservation letter (September 5, 1984) - letting EPA know how the federal funds would be spent

If you need additional information, please call.

SH/bs

cc: Richard A. Neve'
Keith Kelton
Leonard Verrelli

Attachments

MEMORANDUM

State of Alaska

TO: Dan Casey, Commissioner
Transportation & Public Facilities

DATE: March 23, 1983

FILE NO:

Richard A. Neve', Commissioner
Environmental Conservation

TELEPHONE NO:

FROM: Bill Sheffield
Governor

W.A.

SUBJECT: I/M in Anchorage
and Fairbanks

This will confirm our March 21, 1983 meeting concerning the direction of I/M programs to improve air quality in Anchorage and Fairbanks.

I favor private sector contractors operating the programs, with State or local oversight to ensure they are effective, competent, and meet all EPA requirements.

Details of implementation should be coordinated among appropriate State departments and the AMATS and FMATS groups.

MEMORANDUM

State of Alaska

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

FILE COPY

TO: The Honorable Robert Sundberg
Commissioner
Department of Public Safety

DATE: April 30, 1984

Air & Solid Waste Mgmt.

F 14 C 4

TELEPHONE NO: 465-2600

FROM: Richard A. Neve
Commissioner

SUBJECT: Inspection and Maintenance Program

During the last year, the Department of Environmental Conservation has been working closely with the Municipality of Anchorage, Fairbanks North Star Borough, and the Division of Motor Vehicles (DMV) on the development of vehicle inspection and maintenance (I/M) programs. Both Anchorage and Fairbanks need such programs because vehicle exhaust emissions have caused ambient carbon monoxide concentrations to substantially exceed the levels necessary to prevent increased heart attack risk and other health problems. Studies indicate that through the identification and correction of improperly maintained vehicles, an I/M program can reduce carbon monoxide levels by as much as 25%.

In addition to the health protection issue, failure to implement an I/M program will result in the loss of approximately 50 million dollars each year in federal funding, most of which is related to highway projects in Anchorage. Acting under the federal Clean Air Act, the U.S. Environmental Protection Agency (EPA) has notified the state that this federal funding will be cut off unless I/M programs recently approved by the assemblies of Anchorage and Fairbanks are implemented next year.

An effective enforcement mechanism is a necessary element of an I/M program. Based on the experience of many other states, proof of compliance with an I/M requirement as a prerequisite to vehicle registration renewal is the only enforcement mechanism which is effective. The legal authority for DMV to require proof of I/M program compliance prior to registration renewal has been investigated and agreed to by Assistant Attorneys General representing our departments.

Several options for how the DMV registration renewal process could be changed to incorporate I/M have been investigated by our staffs during the last year. However, most of the options considered were only practical under an I/M program concept wherein inspections would be performed at a few large, contractor operated testing facilities. Such facilities would have had the ability to assist DMV in the registration renewal process.

For maximum public convenience, both Anchorage and Fairbanks have chosen to implement "private garage" I/M programs wherein automotive dealerships and repair facilities are trained and licensed to perform inspections and necessary repairs. Under such programs, the driving distance to inspection facilities is minimized and inspections and repairs can be performed at the same facility. Under the I/M program designs selected, only one of the options previously discussed with DMV is viable. Our staffs have been referring to this option as "Option A."

DMV Director, James Vaden, has been extremely cooperative and helpful in the evaluation of all the registration process changes we have considered. However, he has told my staff that he cannot support any changes to the registration process that may increase the DMV workload and be a detriment to DMV's ability to better serve the public. One of Colonel Vaden's concerns is that many motorists will fail to read the notice indicating the need for an inspection certificate. Consequently, this will result in more return trips to DMV, fewer mail-in registrations, longer lines, and greater manpower requirements. As a result there could be still more counter traffic at DMV offices.

DMV has estimated that in order to deal with the increase in work load associated with Option A, a total of six new employees would be required, and new equipment and mailing related costs would also be incurred. Total costs during the first year of the program have been estimated at \$224,300. We think the recurring costs would be much less. Since the major cost factor is associated with the assumed failure of vehicle owners to understand the I/M program requirements, a reduced impact on DMV would be expected after the first year of the program. This would be especially true if an effective city program were established to inform motorists about the I/M program details.

If we understand Colonel Vaden's position correctly, he feels that a decision to implement registration process changes by DMV must be made by you. Colonel Vaden feels that his principal responsibility is to streamline and expedite the activities of DMV. Even if he obtains additional funding, it is his opinion the addition of I/M certificate processing will be to the detriment of accomplishing his principal responsibility.

We have no quarrel with Colonel Vaden's position and understand why he has taken it. However, from a broader perspective, it is critical that the administration not be held responsible for the loss of the substantial federal funding that is tied to the EPA requirements for I/M programs in Anchorage and Fairbanks. In my view, it is absolutely necessary for DMV to implement the registration changes discussed above.

Both Anchorage and Fairbanks want the State to quickly agree to provide the necessary support for DMV's role in the I/M program. Please let me know your views on this issue at your earliest convenience.

RAN/TC/af

cc: Charles Hosack, Division of Motor Vehicles
James Vaden, Division of Motor Vehicles
Lennie Boston, Office of the Governor

Keith / Len V.

FAIRBANKS

Daily News-Miner, Fairbanks, Alaska, Friday, May 25, 1984-3

Car emissions plan on hold awaiting state funds

By MARGARET NELSON
Staff Writer

The borough assembly Thursday postponed action on a design for a vehicle emissions inspection and maintenance program until it learns how much money the state will kick in to the program.

Mayor Bill Allen told assembly members that he expects state Department of Public Safety Commissioner Robert Sundberg to come up with a final dollar amount today.

Under the program, which is to be in place in 1985, all Fairbanks North Star Borough motorists will be required to have their vehicles checked

for excessive carbon monoxide emissions. The program is mandated by Congress under the Clean Air Act. If a vehicle is found to be emitting too much carbon monoxide pollution, the car is required to be repaired to come into compliance with standards set by the Environmental Protection Agency.

The mandatory emissions check program is tied to state vehicle registrations. The program proposes that when a motorist receives a renewal notice each year for licensing, he also would receive a form from the state Department of Motor Vehicles requiring that an emissions check be

performed. If a vehicle passes the check, the motorist would receive his license.

During budget deliberations, the assembly approved \$230,000 in local funds for start-up costs for the program. That money is to be refunded to the borough through fees charged for inspections.

In other action, the assembly restored \$25,000 of the \$325,000 in appropriations Allen vetoed from the 1984-85 budget.

The \$25,000 was part of a \$40,000 appropriation the assembly designated for upkeep of borough parks and athletic fields.

Last week the borough assembly approved a \$54 million budget, up from Allen's proposed \$52 million. In increasing spending, the assembly also increased the amount the borough expects to receive from interest investments and state municipal revenue sharing.

Allen vetoed money appropriated for the transit garage, positions in the legal and community research center departments, a consultant who was to be hired to study service areas and a Joy Elementary School boiler. Allen also reduced the appropriations for baler parts inventory at the borough dump, parks and recreation depart-

ment laborers and \$15,000 from an appropriation of \$40,000 for maintaining borough parks and athletic fields.

In his veto message to the assembly, Allen said his primary concerns were the assembly's optimistic view of revenues from municipal assistance and interest income on invested funds.

"There is a probability of shortfalls in the revenues projected due to: the investment climate in the short-term money market rates during a national election year, and legislative decisions beyond our control," Allen said.

"If we are to maintain the level of

service you desire, every dollar not received in revenue must be withdrawn from the fund balance," Allen said.

Elsewhere, the assembly gave the go ahead to the state Department of Transportation and Public Facilities on two local projects. The first involves some paving and improvements to Gilmore Trail between miles 2.2 and 4.5; the second project includes dredging the float pond at the Fairbanks International Airport and expanding the general aviation apron, construction of new taxiways and several miscellaneous improvements.

Super 8
206
433-8188

Front page

Daily News-Miner, Fairbanks, Alaska, Tuesday, September 25, 1984

Candidates like locally-run emission plan

By MARGARET NELSON
Staff Writer

Eight candidates for two seats on the Fairbanks North Star Borough Assembly favor borough control rather than state control if a mandatory vehicle emissions inspection and maintenance program is to be operated in Fairbanks.

All 11 candidates for four seats met and answered questions Monday

Legislation to hold down rising hospital costs gets mixed reviews.
Story page 3.

night at a televised one-hour session sponsored by KUAC.

Running for Seat D are candidates Chris Birch, Wayne L. Clark, Lynn J. Harnisch, Guy Sattley and B. David Spell. William D. Digan, Stella Marshall and Ed Shelling are seeking



Local Elections

election to Seat J, incumbent Paul Chizmar is being challenged by Jewel B. Smith for Seat E and incumbent Phil Younker is running unopposed for Seat K.

A question facing borough voters Oct. 2 is whether the borough should operate a mandatory vehicle emissions inspection program as mandated by the Environmental Protection Agency. Gov. Bill Sheffield recently announced that if the borough did not implement a program, the state would and without the seasonal waiver program that was developed by the borough and approved by the

EPA. The seasonal waiver program exempts vehicles from the program that are not driven in the winter. A "no" vote on the ballot issue would be to retain the program under borough control. A "yes" vote would be to rescind the program and bring state control.

Seat D candidates Birch, Clark, Harnisch and Sattley all said they supported local control. UAF electrical engineering professor Spell, while favoring local control, said the program is not going to solve but only ease
(See ASSEMBLY, page 3)



ON THE AIR—Candidate for borough assembly Seat D, Chris Birch, (far left) responds to a question from the audience during a KUAC talk show Monday night. Other candidates, (from Birch's left to right) Wayne L. Clark, Lynn Harnisch, Guy Sattley and B. David Spell, presented their views on various issues with moderator Dean Gottehrer (far right). KUAC cameraman Brian Hewitt looks on.
(Staff photo by Vince DeWitt)

ASSEMBLY . . .

(Continued from page 1)

Fairbanks' air pollution problems. Birch, a state Department of Transportation engineer, said there are "technically superior" alternatives ways to an inspection program that will solve the pollution problems.

Seat J candidates also favored local control. When asked about enforcement of such a program, Marshall, a retired state worker, said the program should be closely monitored to see that there are no abuses.

Former high school principal Shelling said the people have a right to have clean air and therefore the borough needs an emissions inspection program.

Digan, a journeyman electrician from North Pole, said he was original-

ly against a program, but if Fairbanks has to have one, he supports local control.

Regarding the system of providing road maintenance by service areas, Seat K incumbent Younker, a Horace Mann Insurance agent, said the current 83 service areas within the borough are "unmanageable." He favors cutting the number of service areas but leaving the control in the hands of the neighborhoods. He would not support providing the services on an areawide basis.

Seat E incumbent Chizmar agrees with Younker and said current book-keeping of the service areas is a "nightmare." He is studying the methods in the Kenai and Mat Su boroughs for suggestions to be used in the Fairbanks borough.

Chizmar challenger Smith said he is not sure the service areas is the best way to provide the service since one service area on one side of the borough gets differing service than one on another side.

Regarding a possible limit on the terms an assembly member can serve, Chizmar, who works for the Municipal Utilities System at the University of Alaska Fairbanks, said the question of limiting terms will be addressed by the Alaska Municipal League during meetings in Anchorage in November.

Smith, a small appliance repairman, said the terms should be limited to keep the assembly from becoming "stagnant."

Younker said he definitely thinks consecutive terms should be limited.

Local control of emissions plan voted

BALLOT . . .

(Continued from page 1)

by will stop the program.

Two other assembly members, Paul Chizmar and Harry Reimer, said today they were happy with the outcome of the emissions vote.

"I'm glad that the populace came with that and agreed with governor and the borough assembly," Chizmar said.

Reimer said borough voters realize that local control is far more satisfactory than having the state run the program.

"I would doubt very much the assembly would rescind the ordinance," Reimer said. "Since it's a mandatory program, somebody has to operate it."

Regarding the bar hours proposition, Mayor Bill Walley said today it's too early to call the outcome and he will support the voters regardless of the outcome.

"If it's yes or no, that's what I'll support," he said.

Walley said he's always supported a permanent fund and now the council will make a decision on how much money to put into the fund.

"I support the concept of putting money away for a rainy day," he said.

Regarding the \$6 million bond authorized by voters for telephone construction, Walley said the time the council takes to make a decision on how to spend the money will give a consultant now looking at the utility enough time to let the city know what direction to take.

"Obviously the city voter wants to fix the problems with the telephones," He said.

Regarding the bar hours advisory proposition, Councilman Paul Whitney said he felt from the beginning that the vote would be close.

"At this point in time, the early closing is not going to go into effect," he said. "My position right now is that it is a dead issue and that will probably

Borough residents signaled Tuesday they favored local control of a vehicle emissions program while city voters narrowly rejected a proposition calling for shorter bar hours and approved a city permanent fund and a bond issue of \$6 million for telephone improvements.

Some 1,400 absentee and questioned ballots in the borough remained to be counted and could affect the outcome of the city proposition on shorter bar hours.

Borough voters told the assembly, by a vote of 5,700 to 5,029, that they did not want the assembly to rescind an ordinance setting up an inspection and maintenance program to reduce vehicle emissions.

In the city, 2,441 residents said they did not want city liquor establishments to close by a vote of 2,441 to 2,342. Under the proposition, liquor establishments would close 2 a.m. to 10 a.m. weekdays, 5 a.m. to 10 a.m. on Saturdays and holidays and 5 a.m. to 2 p.m. on Sundays. It would not have applied to bars outside the city.

They also voted 2,712-1,916 to approve a permanent investment fund and 3,180-1,474 to approve the telephone bond issue.

Phil Younker, the assembly's presiding officer, said today the vote reflects voter's concern that if there must be a vehicle emissions program, it should be locally controlled.

Under the federal Clean Air Act, the Environmental Protection Agency has ordered the borough to implement a vehicle emissions inspection and maintenance program to clean up Fairbanks' air to federal standards by 1987.

Younker said the assembly's 6-5 vote to institute a borough program as of July 1985 reflected the sentiment of the public Tuesday.

Younker said he had expected the people to vote the program down until Gov. Bill Sheffield commented last month that the state would run the program if the borough did not.

Assembly member Juanita Helms said today she is not sure the question was settled because there were still absentee and questioned ballots to count.

"Depending on who it is that voted, that issue may still change," she said. "I would have liked to have seen it overwhelming one way or another so it would be a bit more of a mandate from the public."

Helms said she felt the public may have been confused by the issue. "It's a shame that it went on the ballot at all, and a shame that it got so confusing," she said.

If the outcome stays the same, Helms said, she doubts if the assembly

(See **BALLOT**, page 5)

U.S. ENVIRONMENTAL PROTECTION AGENCY

REGION X

1200 SIXTH AVENUE

SEATTLE, WASHINGTON 98101

REPLY TO
ATTN OF: M/S 532

JUN 15 1984

Richard Neve*, Commissioner
Air Pollution Control
Alaska Department of Environmental Conservation
Pouch 0
Juneau, Alaska 99811

Dear Dr. Neve*

I want to thank you for your strong support of automobile inspection and maintenance (I/M) in Alaska, and specifically for your help in resolving the vehicle registration issue. Without strong support from the State, the implementation of a successful program in Anchorage and Fairbanks has little chance of succeeding.

Clearly, I/M that is tied to vehicle registration is more effective than a sticker program. To abandon this type of I/M program now would result in a major setback for the program and probably result in its termination.

On April 16 you sent to EPA a detailed schedule for the implementation of I/M in Anchorage. As we emphasized in a follow-up meeting with your staff, we are generally pleased with your (and the local agencies) progress. However, there were three concerns that were identified with the schedule. The first concern was that the schedule did not indicate when a SIP submittal for Anchorage would be adopted by the State and sent to EPA. Based upon our conversation I believe that it would be sometime in October 1984. Could you please confirm that date?

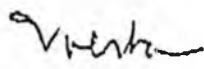
The second point has already been brought to a partial resolution. We understand that the State Department of Motor Vehicles (DMV) has agreed to incorporate I/M requirements as part of its vehicle registration program. We believe that the agreements and regulations for DMV's involvement should be done upfront. Since DMV's involvement is so critical to the success of an I/M program in Anchorage and Fairbanks we are requesting that the agreement and commitment to actively participate in the I/M programs by DMV and/or the governor be sent to us for inclusion into our SIP docket file.

The third concern is that we are anxious to receive an update (or completion) of the Fairbanks I/M schedule. You indicated that the April 16 schedule would be expanded once a final decision on the program design is made. We are pleased to hear that Fairbanks has just made that decision.

As we mentioned before, we will be monitoring progress closely over the next several months. The next critical point is the adoption by the Anchorage assembly of necessary ordinances and regulations for equipment specifications, licensing, and certification procedures. If these ordinances are not adopted by the July 15 date, which is contained in your schedule, or if there is no clear commitment by DMV to carry out its role in the program by that time, I will be forced to conclude that reasonable efforts are no longer being made to implement the I/M program. As long as progress continues and the DMV issue is favorably resolved, EPA will continue to hold up the disapproval and sanction notices.

Again, thank you for all your effort in this important process.

Sincerely,



Ernesta B. Barnes
Regional Administrator

cc: Mayor Knowles, Anchorage
Mayor Allen, Fairbanks



Fairbanks North Star Borough

Mayor: B.B. Allen

MEMORANDUM

TO: B. B. Allen, Borough Mayor

FROM: Donald L. Moore, Executive Director *DLM*
Department of Public Works

SUBJ: I/M REGISTRATION OPTIONS

DATE: June 19, 1984

After reviewing your letter of June 18th to Commissioner Sundberg, a possible compromise solution occurred to me. Perhaps this potential solution would be useful in your discussions with the Commissioner.

The Division of Motor Vehicles (DMV) seems reluctant to relinquish control of the license tabs, therefore, an option should be offered that proposes very little change to their current system. When renewal notices are sent out, a notice could be included that a Certificate of Inspection or Certificate of Waiver must be enclosed with the renewal request. Upon receiving the renewal request and the appropriate Certificate, DMV would issue the license tabs in their usual fashion.

It would be a simple matter for DMV to issue a different tab for vehicles requesting a seasonal waiver. DMV probably objects to this program because they feel that their clerks would have to carefully scrutinize each Certificate to see if it was a seasonal waiver. Perhaps this concern can be mitigated by promising to make the Certificate of Seasonal Waiver brightly colored or otherwise easily distinguishable from other Certificates.

This option would simplify the procedures required for DMV and for the Borough.

U.S. ENVIRONMENTAL PROTECTION AGENCY
REGION X

1200 SIXTH AVENUE
SEATTLE, WASHINGTON 98101



REPLY TO
ATTN OF:

M/S 532

JUN 27 1984

Richard Nevé, Commissioner
Alaska Department of Environmental Conservation
Pouch 0
Juneau, Alaska 99811

Dear Dr. Nevé:

Over the past few months we have received requests from your agency, as well as from Anchorage and Fairbanks, for additional grant funds to help pay start-up costs for automobile inspection and maintenance (I/M) programs. My staff has been working with yours, as well as with representatives of the Municipalities of Anchorage and Fairbanks, to better define and integrate these requests into one complete list of needs. This letter is to advise you of our decisions on the amount of grant funding we will be able to provide for I/M startup in Alaska.

As you know, EPA has already set aside \$230,000 for Anchorage I/M and \$100,000 for Fairbanks I/M. In addition, EPA is prepared to add the following amounts for I/M implementation in Anchorage and Fairbanks:

Recipient	Initial Commitment	Added Amount	New Total	Use of Funding
ADEC	0	120,000	120,000	For a combination of mechanics training and Department of Motor Vehicles needs.
Anchorage	230,000	0	230,000	For I/M startup including public relations and mechanic's training
Fairbanks	100,000	80,000	180,000	For I/M startup including public relations and mechanics training.
TOTAL	330,000	200,000	530,000	

These Federal funds are being committed with the understanding that they are sufficient to insure the start-up of I/M programs in both Anchorage and Fairbanks. Any shortfalls in funding will be made up with State and local funds.

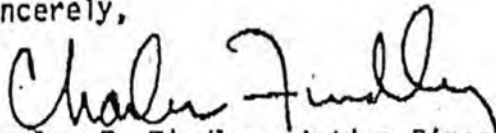
- 2 -

As I indicated in my June 15, 1984 letter to you, a critical element to timely and successful programs in Fairbanks and Anchorage is a commitment that the State Department of Motor Vehicles will carry out its role in the program. Therefore, the above funds will only be released after that commitment is provided to EPA in writing. Once the commitment is made, and approvable workplans are submitted, the funds will be released. Anchorage has already submitted an approvable workplan.

It should also be noted that providing these additional I/M start-up funds may affect the degree EPA can support the other special projects requested in your original FY 85 grant application. However, EPA is presently reviewing that application and will address those issues after completion of the SEA.

If you have any additional questions concerning I/M funding, please have your staff call Loren McPhillips at (206) 442-7369. We are looking forward to your prompt reply.

Sincerely,



Charles E. Findley, Acting Director
Air and Waste Management Division

cc: Mayor Knowles, Anchorage
Mayor Allen, Fairbanks

MEMORANDUM

State of Alaska

TO: Richard A. Neve'
Commissioner
Department of Environmental
Conservation

DATE: June 28, 1984

FILE NO: F14C

TELEPHONE NO: 465-4322

FROM: Robert Sundberg *RS*
Commissioner
Department of Public Safety

SUBJECT: Registration as the
Enforcement Tool for
Inspection and
Maintenance

It is my understanding the U.S. Environmental Protection Agency (EPA) has refused to approve any inspection/maintenance (I/M) program within the Municipality of Anchorage or the Fairbanks North Star Borough unless the program is tied to vehicle registration. I further understand that without an immediate agreement these two communities will have federal I/M funding withheld, which amounts to approximately \$410,000.

The purpose of this memo is to confirm our agreement that the Anchorage and Fairbanks North Star Borough Inspection and Maintenance (I/M) Programs be tied to automobile registration.

As we discussed, the registration process is carefully controlled to meet the Division of Motor Vehicles' budget and the public demand for prompt service. The six month sticker option that Fairbanks has requested will not be part of our agreement. If Fairbanks feels strongly about seasonal registration, I would suggest they develop a local plan for identifying vehicles and create the enforcement mechanism needed to make it work, and be acceptable to the state and EPA.

My staff will be working closely with yours to develop the equipment and the software costs associated with incorporating I/M into the registration process. You indicated that EPA has approximately \$80,000 available for this purpose. As I stated in our meeting, I expect I/M to increase my operating costs between \$150-\$170,000. We will be seeking funding from the legislature in FY 86, as well as statutory authority to increase registration fees in the two communities.

I also understand that the Department of Environmental Conservation's consultant for the I/M program, Sierra Research, will be available to help DMV make our transition as smooth as possible.

I have designated Jim Vaden to work with your staff. He will be contacting Mr. Verrelli after we have a chance to develop a workable program.

RS/LV/af

MEMORANDUM

State of Alaska

TO: John Shively
Chief of Staff
Office of the Governor

DATE: July 26, 1984

FILE NO:

TELEPHONE NO: 465-2600

FROM: Richard A. Neve'
Commissioner
Department of Environmental
Conservation

SUBJECT: Registration as the
Only Tool for I/M

- (1) Fairbanks approved a decentralized I/M program on June 14, 1984. Registration with a six month seasonal option was their enforcement plan for their program.
- (2) Anchorage approved a decentralized I/M program on June 19, 1984. Registration was their chosen enforcement plan.
- (3) EPA will not release any more federal dollars (Anchorage, \$230 K, Fairbanks \$100 K) until a written commitment is made by DMV that they will support and implement a registration program (see attached letter, Barnes to Neve', June 15, 1984).
- (4) If either ordinance has to go back to the assembly to change any aspect of the registration program spelled out in the ordinance, i.e., removal of the Fairbanks seasonal registration, the odds are that the I/M program would be defeated or delayed substantially.

RAN:LV:jl

MEMORANDUM

State of Alaska

*Send copy to [unclear]
" [unclear] copy of [unclear]*

TO: Leonard Verrelli
Air Quality Program Manager
Department of Environmental Conservation FILE NO:

DATE: August 22, 1984

RECEIVED

AUG 27 1984

TELEPHONE NO: 269-5561

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

CPH
FROM: Charles Hosack, Deputy Director
Division of Motor Vehicles
Department of Public Safety

SUBJECT: I/M Meeting
August 2, 1984

I'm sorry that you missed the last task force meeting on August 2, 1984. I am enclosing an outline that I used for discussion in the meeting in case you didn't get one from Bill MacClarence. Most of the items on the outline are not finalized because there may be some policy decisions that will change the way we do things, especially in the case of the Fairbanks seasonal waiver.

Most of this I can adjust to as we go along, however there are also some tasks that must be accomplished well ahead of the start-up date. The major item is to start the process for ordering equipment and forms. Before I do that, I need funding. I need to have firm confirmation that the \$80,000 start-up funding is available and what the mechanism is for getting this money into our budget.

Please let me know this as soon as possible so that I can proceed.

enclosure