

ALASKA LEGISLATURE COMMITTEE FILES 1987-88 8672

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§ 3713. Authorization of appropriations

[See main volume for text of section]

(Pub.L. 96-480, § 17, formerly § 14, Oct. 21, 1980, 94 Stat. 2320, renumbered § 18 by Pub.L. 99-502, § 2, Oct. 20, 1986, 100 Stat. 1785, renumbered § 17 by Pub.L. 99-502, § 9(e)(1), Oct. 20, 1986, 100 Stat. 1797.)

§ 3714. Spending authority

No payments shall be made or contracts shall be entered into pursuant to the provisions of this chapter (other than sections 3710a, 3710b and 3710c of this title) except to such extent or in such amounts as are provided in advance in appropriation Acts.

(Pub.L. 96-480, § 18, formerly § 15, Oct. 21, 1980, 94 Stat. 2320, renumbered § 19 and amended by Pub.L. 99-502, §§ 2, 9(b)(18), Oct. 20, 1986, 100 Stat. 1785, 1796, renumbered § 18 and amended by Pub.L. 99-502, §§ 9(e)(1), (4), Oct. 20, 1986, 100 Stat. 1797.)

Codification. Amendment by section 9(e)(4) of Pub.L. 99-502, directing that "sections 11, 12, and 13" be substituted for "sections 12, 13, and 14" was not executed in view of renumbering of sections 12, 13, and 14 of Pub.L. 96-480 as sections 11, 12 and 13, respectively, of Pub.L. 96-480 by section 9(e)(1) of Pub.L. 99-502. Since both references translate as "sections 3710a, 3710b, and 3710c of this title", amendment by section 9(e)(4) of Pub.L. 99-502 resulted in no change in text.

1986 Amendment. Pub.L. 99-502, § 9(b)(13), added exception relating to sections 3710a, 3710b and 3710c of this title.

Pub.L. 99-502, § 9(e)(4), substituted references to sections 11, 12 and 13 of Pub.L. 96-480 for references to sections 12, 13 and 14 of Pub.L. 96-480. See Codification note set out under this section.

Legislative History. For legislative history and purpose of Pub.L. 99-502, see 1986 U.S. Code Cong. and Adm. News, p. 3442.

CHAPTER 64—METHANE TRANSPORTATION RESEARCH, DEVELOPMENT, AND DEMONSTRATION

Library References

War and National Emergency §§ 36, 40.
C.J.S. War and National Defense §§ 44, 48.

§ 3803. Duties of Secretary of Energy

[See main volume for text of (a) and (b)]

(c) Assurance respecting scope of program activities

In assuring the effective management of this program, the Secretary shall have specific responsibility to ascertain that the program includes activities to—

[See main volume for text of (1) to (7)]

(8) ascertain any changes in fuel supply patterns, tax policies, and standards governing the manufacture of vehicles which are needed to facilitate the manufacture and use of methane-fueled vehicles.

[See main volume for text of (d)]

(As amended Pub.L. 97-375, Title I, § 106(c), Dec. 21, 1982, 96 Stat. 1820.)

1982 Amendment. Subsec. (c)(8). Pub.L. 97-375 struck out "and report to the Congress on" after "ascertain".

Legislative History. For legislative history and purpose of Pub.L. 97-375, see 1982 U.S. Code Cong. and Adm. News, p. 3435.

Code of Federal Regulations

Review and certification of agreements, see 10 CFR 478.1.

CHAPTER 65—LIABILITY RISK RETENTION

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Injunctive orders issued by United States district courts.

Library References

Insurance §§ 31.1.
C.J.S. Insurance § 91 et seq.

§ 3901. Definitions

(a) As used in this chapter—

(1) "insurance" means primary insurance, excess insurance, reinsurance, surplus lines insurance, and any other arrangement for shifting and distributing risk which is determined to be insurance under applicable State or Federal law;

(2) "liability"—

(A) means legal liability for damages (including costs of defense, legal costs and fees, and other claims expenses) because of injuries to other persons, damage to their property, or other damage or loss to such other persons resulting from or arising out of—

(i) any business (whether profit or nonprofit), trade, product, services (including professional services), premises, or operations, or

(ii) any activity of any State or local government, or any agency or political subdivision thereof; and

(B) does not include personal risk liability and an employer's liability with respect to its employees other than legal liability under the Federal Employers' Liability Act (45 U.S.C. 51 et seq.);

(3) "personal risk liability" means liability for damages because of injury to any person, damage to property, or other loss or damage resulting from any personal, familial, or household responsibilities or activities, rather than from responsibilities or activities referred to in paragraphs (2)(A) and (2)(B);

(4) "risk retention group" means any corporation or other limited liability association—

(A) whose primary activity consists of assuming and spreading all, or any portion, of the liability exposure of its group members;

(B) which is organized for the primary purpose of conducting the activity described under subparagraph (A);

(C) which—

(i) is chartered or licensed as a liability insurance company under the laws of a State and authorized to engage in the business of insurance under the laws of such State; or

(ii) before January 1, 1985, was chartered or licensed and authorized to engage in the business of insurance under the laws of Bermuda or Cayman Islands and, before such date, had certified to the insurance commissioner of at least one State that it satisfied the capitalization requirements of such State, except that any such group shall be considered to be a risk retention group only if it has been engaged in business continuously since such date and only for the purpose of

continuing to provide insurance to cover product liability or completed operations liability (as such terms were defined in this section before the date of the enactment of the Risk Retention Act of 1986);

(D) which does not exclude any person from membership in the group solely to provide for members of such a group a competitive advantage over such a person;

(E) which—

(I) has as its owners only persons who comprise the membership of the risk retention group and who are provided insurance by such group; or

(II) has as its sole owner an organization which has as—

(I) its members only persons who comprise the membership of the risk retention group; and

(II) its owners only persons who comprise the membership of the risk retention group and who are provided insurance by such group;

(F) whose members are engaged in businesses or activities similar or related with respect to the liability to which such members are exposed by virtue of any related, similar, or common business, trade, product, services, premises, or operations;

(G) whose members do not include the provision of insurance other than—

(I) liability insurance for assuming and spreading all or any portion of the similar or related liability exposure of its group members; and

(II) reinsurance with respect to the similar or related liability exposure of any other risk retention group (or any member of such other group) which is engaged in businesses or activities so that such group (or member) meets the requirement described in subparagraph (F) for membership in the risk retention group which provides such reinsurance; and

(H) the name of which includes the phrase "Risk Retention Group".

(5) "purchasing group" means any group which—

(A) has as one of its purposes the purchase of liability insurance on a group basis;

(B) purchases such insurance only for its group members and only to cover their similar or related liability exposure, as described in subparagraph (C);

(C) is composed of members whose businesses or activities are similar or related with respect to the liability to which members are exposed by virtue of any related, similar, or common business, trade, product, services, premises, or operations; and

(D) is domiciled in any State;

(6) "State" means any State of the United States or the District of Columbia; and

(7) "hazardous financial condition" means that, based on its present or reasonably anticipated financial condition, a risk retention group is unlikely to be able—

(A) to meet obligations to policyholders with respect to known claims and reasonably anticipated claims; or

(B) to pay other obligations in the normal course of business.

(b) Nothing in this chapter shall be construed to affect either the tort law or the law governing the interpretation of insurance contracts of any State, and the definitions of liability, personal risk liability, and insurance under any State law shall not be applied for the purposes of this chapter, including recognition or qualification of risk retention groups or purchasing groups.

(As amended Pub.L. 98-193, Dec. 1, 1983, 97 Stat. 1344; Pub.L. 99-563, §§ 3, 4, 12(b), Oct. 27, 1986, 100 Stat. 3170-3172, 3177.)

1983 Amendment. Subsec. (b). Pub.L. 98-193 substituted provision that nothing in this chapter would be construed to affect either the tort law or

the law governing the interpretation of insurance contracts of any State, and that the definitions of product liability and product liability insurance

under any State law would not be applied for the purposes of this chapter, including recognition or qualification of risk, retention groups or purchasing groups for provision that the definition of product liability in this section would not be construed to affect either the tort law or the law governing the interpretation of insurance contracts of any State.

References in Text. The date of the enactment of the Risk Retention Act of 1986, referred to in subsec. (a)(4)(C)(ii), probably refers to the date of the enactment of the Risk Retention Amendments of 1986 [Pub.L. 99-563] which was approved Oct. 27, 1986.

Effective Date of 1986 Amendment. Section 11(a), (b) of Pub.L. 99-563 provided that:

"(a) General rule.—Subject to subsection (b), this Act [enacting sections 3903 and 3906 of this title, amending this section and sections 3902 and 3903 of this title and sections 9671-9675 of Title 42, The Public Health and Welfare, and enacting provisions set out as notes under this section and sections 9671 of Title 42] shall take effect on the date of its enactment [Oct. 27, 1986].

"(b) Special rule regarding feasibility study.—The provisions of section 3(a) of the Liability Risk Retention Act of 1986 [section 3902(d) of this title] (as added by section 3(b) of this Act), relating to the submission of a feasibility study, shall not apply with respect to any line or classification of liability insurance which—

"(1) was defined in the Product Liability Risk Retention Act of 1981 [this chapter] before the date of the enactment of this Act [Oct. 27, 1986]; and

"(2) was offered before such date of enactment by any risk retention group which has been chartered and operating for not less than 3 years before such date of enactment [Oct. 27, 1986]."

Short Title of 1986 Amendment. Section 1 of Pub.L. 99-563 provided that: "This Act [enacting sections 3903 and 3906 of this title, amending this section, sections 3902 and 3903 of this title, the short title note under this section, and sections 9671 to 9675 of Title 42, The Public Health and Welfare, and enacting provisions set out as notes under this section and section 9671 of Title 42] may be cited as the 'Risk Retention Amendments of 1986.'"

Short Title. Section 1 of Pub.L. 97-45, as amended Pub.L. 99-563, § 12(a), Oct. 27, 1986, 100 Stat. 3177, provided that: "This Act [this chapter] may be cited as the 'Liability Risk Retention Act of 1986.'"

Oversight of Implementation of Risk Retention Amendments of 1986; Reports to Congress. Section 10 of Pub.L. 99-563 provided that:

"(a) In general.—(1) Not later than September 1, 1987, and not later than September 1, 1989, the Secretary of Commerce shall submit reports to the Congress concerning implementation of this Act [see Short Title of 1986 Amendment note under this section].

"(2) Such report shall be based on—

"(A) the Secretary's consultation with State insurance commissioners, risk retention groups, purchasing groups, and other interested parties; and

"(B) the Secretary's analysis of other information available to the Secretary.

"(b) Contents of the report.—The report shall describe the Secretary's views concerning—

"(1) the contribution of this Act [see Short Title of 1986 Amendment note under this section] toward resolution of problems relating to the unavailability and unaffordability of liability insurance;

"(2) the extent to which the structure of regulation and preemption established by this Act [see Short Title of 1986 Amendment note under this section] is satisfactory;

"(3) the extent to which, in the implementation of this Act [see Short Title of 1986 Amendment note under this section], the public is protected from unsound financial practices and other commercial abuses involving risk retention groups and purchasing groups;

"(4) the causes of any financial difficulties of risk retention groups and purchasing groups;

"(5) the extent to which risk retention groups and purchasing groups have been discriminated against under State laws, practices, and procedures contrary to the provisions and underlying policy of this Act [see Short Title of 1986 Amendment note under this section] and the Product Liability Risk Retention Act [see Short Title note under this section] (as amended by this Act); and

"(6) such other comments and conclusions as the Secretary deems relevant to assessment of the implementation of this Act [see Short Title of 1986 Amendment note under this section]."

State Powers and Authorities under Pub.L. 99-563 Additional to Powers and Authorities under CERCLA. Powers and authorities of States under amendments to this chapter by Pub.L. 99-563 additional to powers and authorities under Comprehensive Environmental Response, Compensation, and Liability Act of 1980, see section 210(b) of Pub.L. 99-499, as added by section 11(c)(1) of Pub.L. 99-563, set out as a note under section 9671 of Title 42, The Public Health and Welfare.

Other Federal Environmental Laws. Section 11(c)(2) of Pub.L. 99-563 provided that: "Nothing in this Act [see Short Title of 1986 Amendment note under this section] shall be construed, interpreted or applied to diminish the obligations of any person to establish or maintain evidence of financial responsibility or otherwise comply with any of the requirements of Federal environmental laws, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 [42 U.S.C.A. § 9601 et seq.] and the Solid Waste Disposal Act [42 U.S.C.A. § 6901 et seq.]"

Legislative History. For legislative history and purpose of Pub.L. 98-193, see 1983 U.S. Code Cong. and Adm. News, p. 2075. See, also, Pub.L. 99-563, 1986 U.S. Code Cong. and Adm. News, p. 5303.

Notes of Decisions

1. Product liability coverage

Subject matter of insurance provided to member home builders to reimburse them for losses arising out of structural defects and builder default under

home warranty was product liability coverage within scope of the Product Liability Risk Retention Act of 1981, § 2 et seq., as amended, 15 U.S.C.A. § 3901 et seq., even though entity providing such insurance undertook to provide coverage applicable only to risk, damage to or loss of

product, which would not generally be recognized as products liability risk. Home Warranty Corp. v. Caldwell, C.A.11 (Ga.) 1983, 777 F.2d 1455, rehearing denied 794 F.2d 687, certiorari denied 107 S.Ct. 183.

§ 3902. Risk retention groups

(a) Exemptions from State laws, rules, regulations, or orders

Except as provided in this section, a risk retention group is exempt from any State law, rule, regulation, or order to the extent that such law, rule, regulation, or order would—

(1) make unlawful, or regulate, directly or indirectly, the operation of a risk retention group except that the jurisdiction in which it is chartered may regulate the formation and operation of such a group and any State may require such a group to—

[See main volume for text of (A) and (B)]

(C) participate, on a nondiscriminatory basis, in any mechanism established or authorized under the law of the State for the equitable apportionment among insurers of liability insurance losses and expenses incurred on policies written through such mechanism;

(D) register with and designate the State insurance commissioner as its agent solely for the purpose of receiving service of legal documents or process;

(E) submit to an examination by the State insurance commissioner in any State in which the group is doing business to determine the group's financial condition, if—

(i) the commissioner of the jurisdiction in which the group is chartered has not begun or has refused to initiate an examination of the group; and

(ii) any such examination shall be coordinated to avoid unjustified duplication and unjustified repetition;

(F) comply with a lawful order issued—

(i) in a delinquency proceeding commenced by the State insurance commissioner if there has been a finding of financial impairment under subparagraph (E); or

(ii) in a voluntary dissolution proceeding;

(G) comply with any State law regarding deceptive, false, or fraudulent acts or practices, except that if the State seeks an injunction regarding the conduct described in this subparagraph, such injunction must be obtained from a court of competent jurisdiction;

(H) comply with an injunction issued by a court of competent jurisdiction, upon a petition by the State insurance commissioner alleging that the group is in hazardous financial condition or is financially impaired; and

(I) provide the following notice, in 10-point type, in any insurance policy issued by such group:

"NOTICE

"This policy is issued by your risk retention group. Your risk retention group may not be subject to all of the insurance laws and regulations of your State. State insurance insolvency guaranty funds are not available for your risk retention group."

(b) Scope of exemptions

The exemptions specified in subsection (a) of this section apply to laws governing the insurance business pertaining to—

(1) liability insurance coverage provided by a risk retention group for—

(A) such group; or

(B) any person who is a member of such group;

(2) the sale of liability insurance coverage for a risk retention group; and

(3) the provision of—

(A) insurance related services;

(B) management, operations, and investment activities; or

(C) loss control and claims administration (including loss control and claims administration services for uninsured risks retained by any member of such group);

for a risk retention group or any member of such group with respect to liability for which the group provides insurance.

[See main volume for text of (c)]

(d) Documents for submission to State insurance commissioners

Each risk retention group shall submit—

(1) to the insurance commissioner of the State in which it is chartered—

(A) before it may offer insurance in any State, a plan of operation or a feasibility study which includes the coverages, deductibles, coverage limits, rates, and rating classification systems for each line of insurance the group intends to offer; and

(B) revisions of such plan or study if the group intends to offer any additional lines of liability insurance;

(2) to the insurance commissioner of each State in which it intends to do business, before it may offer insurance in such State—

(A) a copy of such plan or study (which shall include the name of the State in which it is chartered and its principal place of business); and

(B) a copy of any revisions to such plan or study, as provided in paragraph (1)(B) (which shall include any change in the designation of the State in which it is chartered); and

(3) to the insurance commissioner of each State in which it is doing business, a copy of the group's annual financial statement submitted to the State in which the group is chartered as an insurance company, which statement shall be certified by an independent public accountant and contain a statement of opinion on loss and loss adjustment expense reserves made by—

(A) a member of the American Academy of Actuaries, or

(B) a qualified loss reserve specialist.

(e) Power of courts to enjoin conduct

Nothing in this section shall be construed to affect the authority of any Federal or State court to enjoin—

(1) the solicitation or sale of insurance by a risk retention group to any person who is not eligible for membership in such group; or

(2) the solicitation or sale of insurance by, or operation of, a risk retention group that is in hazardous financial condition or is financially impaired.

(f) State powers to enforce State laws

(1) Subject to the provisions of subsection (a)(1)(G) of this section (relating to injunctions) and paragraph (2), nothing in this chapter shall be construed to affect the authority of any State to make use of any of its powers to enforce the laws of such State with respect to which a risk retention group is not exempt under this chapter.

(2) If a State seeks an injunction regarding the conduct described in paragraphs (1) and (2) of subsection (e) of this section, such injunction must be obtained from a Federal or State court of competent jurisdiction.

(g) States' authority to sue

Nothing in this chapter shall affect the authority of any State to bring an action in any Federal or State court.

(h) State authority to regulate or prohibit ownership interests in risk retention groups

Nothing in this chapter shall be construed to affect the authority of any State to regulate or prohibit the ownership interest in a risk retention group by an insurance company in that State, other than in the case of ownership interest in a risk retention group whose members are insurance companies.

(As amended Pub.L. 89-553, §§ 5, 7, 8(a), 12(c), Oct. 27, 1966, 100 Stat. 3172, 3175, 3178.)

Legislative History. For legislative history and purpose of Pub.L. 99-563, see 1986 U.S. Code Cong. and Adm. News, p. 5303.

Notes of Decisions

Exemption from state control 2
Home builders insurance 1

1. Home builders insurance

In action brought against State Insurance Commissioner seeking injunctive relief and a declaratory judgment that entity providing insurance to member home builders to reimburse them for losses arising out of structural defects during first ten year after sale of house and coverage for builder default under home warranty was a risk retention group under this chapter, issue of fact was raised as to whether entity, which could rely upon coverage for major structural defects but not coverage for builder default under home warranty

to demonstrate that it was a risk retention group, was a firm whose primary activity consisted of assuming and spreading product liability risk exposure of its group members, thereby precluding summary judgment. *Home Warranty Corp. v. Elliott*, D.C.Del.1983, 572 F.Supp. 1039.

2. Exemption from state control

When a risk retention group formulates a program for purpose of spreading the product liability risks of its members, inclusion of ancillary provisions necessary to the viability of the program does not render the program or any segment thereof subject to regulations by the state; thus, program for insuring new homes against product liability risks was exempt from state regulation even though it contained a provision allowing insurer to seek reimbursement from the builder if builder defaulted on his obligations under its warranty issued for the first two years of the program. *Home Warranty Corp. v. Elliott*, D.C.Del.1984, 585 F.Supp. 443.

§ 3903. Purchasing groups

(a) Exemptions from State laws, rules, regulations, or orders

Except as provided in this section and section 3905 of this title, a purchasing group is exempt from any State law, rule, regulation, or order to the extent that such law, rule, regulation, or order would—

[See main volume for text of (1) to (8)]

(b) Scope of exemptions

The exemptions specified in subsection (a) of this section apply to—

- (1) liability insurance, provided to—
 - (A) a purchasing group; or
 - (B) any person who is a member of a purchasing group; and
- (2) the provision of—
 - (A) liability coverage;
 - (B) insurance related services; or
 - (C) management services;

to a purchasing group or member of the group.

[See main volume for text of (c)]

(d) Notice to State insurance commissioners of intent to do business

(1) A purchasing group which intends to do business in any State shall furnish notice of such intention to the insurance commissioner of such State. Such notice—

- (A) shall identify the State in which such group is domiciled;
- (B) shall specify the lines and classifications of liability insurance which the purchasing group intends to purchase;
- (C) shall identify the insurance company from which the group intends to purchase insurance and the domicile of such company; and
- (D) shall identify the principal place of business of the group.

(2) Such purchasing group shall notify the commissioner of any such State as to any subsequent changes in any of the items provided in such notice.

(e) Designation of agent for service of documents and process

A purchasing group shall register with and designate the State insurance commissioner of each State in which it does business as its agent solely for the purpose of receiving service of legal documents or process, except that such requirement shall not apply in the case of a purchasing group—

- (1) which—
 - (A) was domiciled before April 1, 1988; and

(B) is domiciled on and after September 25, 1981; in any State of the United States;

(2) which—

(A) before September 25, 1981, purchased insurance from an insurance carrier licensed in any State; and

(B) since September 25, 1981, purchases its insurance from an insurance carrier licensed in any State;

(3) which was a purchasing group under the requirements of this chapter before October 27, 1986; and

(4) as long as such group does not purchase insurance that was not authorized for purposes of an exemption under this chapter as in effect before October 27, 1986.

(f) Purchases of insurance through licensed agents or brokers acting pursuant to surplus lines laws

A purchasing group may not purchase insurance from a risk retention group that is not chartered in a State or from an insurer not admitted in the State in which the purchasing group is located, unless the purchase is effected through a licensed agent or broker acting pursuant to the surplus lines laws and regulations of such State.

(g) State powers to enforce State laws

Nothing in this chapter shall be construed to affect the authority of any State to make use of any of its powers to enforce the laws of such State with respect to which a purchasing group is not exempt under this chapter.

(h) States' authority to sue

Nothing in this chapter shall affect the authority of any State to bring an action in any Federal or State court.

(As amended Pub.L. 99-568, §§ 6, 8(b), 12(d), Oct. 27, 1986, 100 Stat. 3174, 3175, 3178.)

Legislative History. For legislative history and purpose of Pub.L. 99-563, see 1986 U.S. Code Cong. and Adm. News, p. 5303.

§ 3905. Clarification concerning permissible State authority.

(a) State motor vehicle no-fault and motor vehicle financial responsibility laws

Nothing in this chapter shall be construed to exempt a risk retention group or purchasing group authorized under this chapter from the policy form or coverage requirements of any State motor vehicle no-fault or motor vehicle financial responsibility insurance law.

(b) Applicability of exemptions

The exemptions provided under this chapter shall apply only to the provision of liability insurance by a risk retention group or the purchase of liability insurance by a purchasing group, and nothing in this chapter shall be construed to permit the provision or purchase of any other line of insurance by any such group.

(c) Prohibited insurance policy coverage

The terms of any insurance policy provided by a risk retention group or purchased by a purchasing group shall not provide or be construed to provide insurance policy coverage prohibited generally by State statute or declared unlawful by the highest court of the State whose law applies to such policy.

(d) State authority to specify acceptable means of establishing financial responsibility

Subject to the provisions of section 3902(a)(4) of this title relating to discrimination, nothing in this chapter shall be construed to preempt the authority of a State to specify acceptable means of demonstrating financial responsibility where the State has required a demonstration of financial responsibility as a condition for obtaining a license or permit to undertake specified activities. Such means may include or exclude insurance coverage obtained from an admitted insurance company, an excess lines company, a risk retention group, or any other source regardless of whether

CODE

ANNOTATED

Judiciary and Judicial Procedure.

Labor.

Mineral Lands and Mining.
Money and Finance.

National Guard.

Navigation and Navigable Waters.

Naval (See Title 10, Armed Forces).

Patents.

Patriotic Societies and Observances.

Pensions and Allowances of the Uniformed Services.

Veterans' Benefits.

Postal Service.

Public Buildings, Property, and Works.

Public Contracts.

Public Health and Welfare.

Public Lands.

Public Printing and Documents.

Roads.

Shipping.

Signs, Telephones, and Radiotelegraphs.

Territories and Insular Possessions.

Transportation.

Treaties and National Defense.

UNITED STATES CODE

ANNOTATED

Title 15

Commerce and Trade
Section 1701 to End

Comprising All Laws of a General and Permanent Nature
Under Arrangement of Official Code of
the Laws of the United States

with

Annotations from Federal and State Courts

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CHAPTER 65—PRODUCT LIABILITY RISK RETENTION

Sec.

- 3901. Definitions.
- 3902. Risk retention groups.
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 - (b) Scope of exemptions.
 - (c) Licensing of agents or brokers for risk retention groups.
- 3903. Purchasing groups.
 - (a) Exemptions from State laws, rules, regulations, or orders.
 - (b) Scope of exemptions.
 - (c) Licensing of agents or brokers for purchasing groups.
- 3904. Securities laws.
 - (a) Ownership interest of members in risk retention groups.
 - (b) Investment companies.
 - (c) State blue sky laws.

§ 3901. Definitions

(a) As used in this chapter—

(1) "completed operations liability" means liability arising out of the installation, maintenance, or repair of any product at a site which is not owned or controlled by—

(A) any person who performs that work; or

(B) any person who hires an independent contractor to perform that work;

but shall include liability for activities which are completed or abandoned before the date of the occurrence giving rise to the liability;

(2) "insurance" means primary insurance, excess insurance, reinsurance, surplus lines insurance, and any other arrangement for shifting and distributing risk which is determined to be insurance under applicable State or Federal law;

(3) "product liability" means liability for damages because of any personal injury, death, emotional harm, consequential economic damage, or property damage (including damages resulting from the loss of use of property) arising out of the manufacture, design, importation, distribution, packaging, labeling, lease, or sale of a product, but does not include the liability of any person for those damages if the product involved was in the possession of such a person when the incident giving rise to the claim occurred;

(4) "risk retention group" means any corporation or other limited liability association taxable as a corporation, or as an insurance company, formed under the laws of any State, Bermuda, or the Cayman Islands—

(A) who all, or any liability r

(B) wh the activi

(C) wh authorize any State fore Janu Islands, ized und consider the insur capitaliz

(D) w group s advanta

(E) v tivity c tion, pa

(5) "purc one of its p ations liabil

(6) "Stat Columbia.

(b) The defin of this section s governing the i (Pub.L. 97-45, §

Short Title. S provided that: "T be cited as the 'Pr tion Act of 1981'.

§ 3902.

(a) Except from any Sta rule, regulati

(1) ma of a ris chartere and any

RISK RETENTION

(A) whose primary activity consists of assuming and spreading all, or any portion, of the product liability or completed operations liability risk exposure of its group members;

(B) which is organized for the primary purpose of conducting the activity described under subparagraph (A);

(C) which is chartered or licensed as an insurance company and authorized to engage in the business of insurance under the laws of any State, or which is so chartered or licensed and authorized before January 1, 1985, under the laws of Bermuda or the Cayman Islands, except that any group so chartered or licensed and authorized under the laws of Bermuda or the Cayman Islands shall be considered to be a risk retention group only after it has certified to the insurance commissioner of at least one State that it satisfies the capitalization requirements of such State;

(D) which does not exclude any person from membership in the group solely to provide for members of such a group a competitive advantage over such a person; and

(E) which is composed of members each of whose principal activity consists of the manufacture, design, importation, distribution, packaging, labeling, lease, or sale of a product or products;

(5) "purchasing group" means any group of persons which has as one of its purposes the purchase of product liability or completed operations liability insurance on a group basis; and

(6) "State" means any State of the United States or the District of Columbia.

(b) The definition of "product liability" in paragraph (4) of subsection (a) of this section shall not be construed to affect either the tort law or the law governing the interpretation of insurance contracts of any State.

(Pub.L. 97-45, § 2, Sept. 25, 1981, 95 Stat. 949.)

Historical Note

Short Title. Section 1 of Pub.L. 97-45 provided that: "This Act [this Chapter] may be cited as the 'Product Liability Risk Retention Act of 1981'."

Legislative History. For legislative history and purpose of Pub.L. 97-45, see 1981 U.S. Code Cong. and Adm. News, p. 1432.

§ 3902. Risk retention groups

Exemptions from State laws, rules, regulations, or orders

(a) Except as provided in this section, a risk retention group is exempt from any State law, rule, regulation, or order to the extent that such law, rule, regulation, or order would—

(1) make unlawful, or regulate, directly or indirectly, the operation of a risk retention group except that the jurisdiction in which it is chartered may regulate the formation and operation of such a group and any State may require such a group to—

(A) comply with the unfair claim settlement practices law of the State;

(B) pay, on a nondiscriminatory basis, applicable premium and other taxes which are levied on admitted insurers and surplus lines insurers, brokers, or policyholders under the laws of the State;

(C) participate, on a nondiscriminatory basis, in any mechanism established or authorized under the law of the State for the equitable apportionment among insurers of product liability or completed operations liability insurance losses and expenses incurred on policies written through such mechanism;

(D) submit to the appropriate authority reports and other information required of licensed insurers under the laws of a State relating solely to product liability or completed operations liability insurance losses and expenses;

(E) register with and designate the State insurance commissioner as its agent solely for the purpose of receiving service of legal documents or process, and, upon request, furnish such commissioner a copy of any financial report submitted by the risk retention group to the commissioner of the chartering or licensing jurisdiction;

(F) submit to an examination by the State insurance commissioner in any State in which the group is doing business to determine the group's financial condition, if—

(i) the commissioner has reason to believe the risk retention group is in a financially impaired condition; and

(ii) the commissioner of the jurisdiction in which the group is chartered has not begun or has refused to initiate an examination of the group; and

(G) comply with a lawful order issued in a delinquency proceeding commenced by the State insurance commissioner if the commissioner of the jurisdiction in which the group is chartered has failed to initiate such a proceeding after notice of a finding of financial impairment under subparagraph (F) of this paragraph;

(2) require or permit a risk retention group to participate in any insurance insolvency guaranty association to which an insurer licensed in the State is required to belong;

(3) require any insurance policy issued to a risk retention group or any member of the group to be countersigned by an insurance agent or broker residing in that State; or

(4) otherwise discriminate against a risk retention group or any of its members, except that nothing in this section shall be construed to affect the applicability of State laws generally applicable to persons or corporations.

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§ 3903.

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Scope of exemptions

- (b) The exemptions specified in subsection (a) of this section apply to—
 - (1) product liability or completed operations liability insurance coverage provided by a risk retention group for—
 - (A) such group; or
 - (B) any person who is a member of such group;
 - (2) the sale of product liability or completed operations liability insurance coverage for a risk retention group; and
 - (3) the provision of insurance related services or management services for a risk retention group or any member of such group.

Licensing of agents or brokers for risk retention groups

- (c) A State may require that a person acting, or offering to act, as an agent or broker for a risk retention group obtain a license from that State, except that a State may not impose any qualification or requirement which discriminates against a nonresident agent or broker.

(Pub.L. 97-45, § 3, Sept. 25, 1981, 95 Stat. 950.)

Historical Note

Legislative History. For legislative history and purpose of Pub.L. 97-45, see 1981 U.S. Code Cong. and Adm. News, p. 1432.

§ 3903. Purchasing groups

Exemptions from State laws, rules, regulations, or orders

- (a) Except as provided in this section, a purchasing group is exempt from any State law, rule, regulation, or order to the extent that such law, rule, regulation, or order would—
 - (1) prohibit the establishment of a purchasing group;
 - (2) make it unlawful for an insurer to provide or offer to provide insurance on a basis providing, to a purchasing group or its members, advantages, based on their loss and expense experience, not afforded to other persons with respect to rates, policy forms, coverages, or other matters;
 - (3) prohibit a purchasing group or its members from purchasing insurance on the group basis described in paragraph (2) of this subsection;
 - (4) prohibit a purchasing group from obtaining insurance on a group basis because the group has not been in existence for a minimum period of time or because any member has not belonged to the group for a minimum period of time;
 - (5) require that a purchasing group must have a minimum number of members, common ownership or affiliation, or a certain legal form;

(6) require that a certain percentage of a purchasing group must obtain insurance on a group basis;

(7) require that any insurance policy issued to a purchasing group or any members of the group be countersigned by an insurance agent or broker residing in that State; or

(8) otherwise discriminate against a purchasing group or any of its members.

Scope of exemptions

(b) The exemptions specified in subsection (a) of this section apply to—

(1) product liability or completed operations liability insurance, and comprehensive general liability insurance which includes either of these coverages, provided to—

(A) a purchasing group; or

(B) any person who is a member of a purchasing group; and

(2) the provision of—

(A) product liability or completed operations insurance, and comprehensive general liability coverage;

(B) insurance related services; or

(C) management services;

to a purchasing group or member of the group.

Licensing of agents or brokers for purchasing groups

(c) A State may require that a person acting, or offering to act, as an agent or broker for a purchasing group obtain a license from that State, except that a State may not impose any qualification or requirement which discriminates against a nonresident agent or broker.

(Pub.L. 97-45, § 4, Sept. 25, 1981, 95 Stat. 951.)

Historical Note

Legislative History. For legislative history and purpose of Pub.L. 97-45, see 1981 U.S. Code Cong. and Adm. News, p. 1432.

§ 3904. Securities laws

Ownership interests of members in risk retention groups

(a) The ownership interests of members in a risk retention group shall be—

(1) considered to be exempted securities for purposes of section 77e of this title and for purposes of section 78i of this title; and

(2) considered to be securities for purposes of the provisions of section 77q of this title and the provisions of section 78j of this title.

(b) A risk retention company for purposes of 80a-1 et seq.).

(c) The ownership be considered securities (Pub.L. 97-45, § 5, Sec

References in Text. Title I of Act Aug. 22, 1979, which is classified in 80a-1 et seq. of this title

TITLE 15

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tion (a) of this section apply to—

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risk retention groups

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ities for purposes of section 77c
. 78f of this title; and

poses of the provisions of sec-
: of section 78j of this title.

Investment companies

(b) A risk retention group shall not be considered to be an investment company for purposes of the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.).

State blue sky laws

(c) The ownership interests of members in a risk retention group shall not be considered securities for purposes of any State blue sky law.

(Pub.L. 97-45, § 5, Sept. 25, 1981, 95 Stat. 952.)

Historical Note

References in Text. The Investment Company Act of 1940, referred to in subsec. (b), is title I of Act Aug. 22, 1940, c. 686, 54 Stat. 789, which is classified principally to section 80a-1 et seq. of this title.

Legislative History. For legislative history and purpose of Pub.L. 97-45, see 1981 U.S. Code Cong. and Adm. News, p. 1432.

INDEX

TO

TITLE 15—COMMERCE AND TRADE

See last volume of Title 15

END OF VOLUME

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: HB 227
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An act relating to joint
insurance arrangements."
Sponsor: Taylor
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 88 | FY 89 | FY 90 | FY 91 | FY 92 | FY 93 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICE | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | -0- | -0- | -0- | -0- | -0- | -0- |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|---------|--|--|--|--|--|--|
| REVENUE | | | | | | |
|---------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director
Division: Municipal & Regional Assistance
Phone: 465-4750
Date: _____

Approved by Commissioner: _____
Agency: Community & Regional Affairs
Date: _____

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


Alaska
MUNICIPAL
League

⑧ HB 227

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

TO: Representative Henry Springer, Chair
Members of the House Community and Regional Affairs Committee

FROM: Scott A. Burgess, Executive Director 

DATE: February 17, 1988

SUBJECT: HB 227 - Joint Insurance Arrangements

As the beneficiary and the main proponent of HB 506 (Chapter 136, SLA 1986) also sponsored by Representative Taylor, and the main statute HB 277 proposes to amend, the Alaska Municipal League supports the concept of HB 227. Granting entities the ability to "pool" their risk management needs and costs in the face of the failures of the traditional insurance industry to provide reasonable, available and affordable coverage, should be supported. However, there are certain aspects of the bill that the AML cannot support because it may not provide needed protection for the potential valid claimant or the bill would, as proposed, diminish the current statute provisions. I am sure neither of these possibilities were intended by the sponsor.

The 1986 legislation, HB 506, was a result of a lot of compromise between the sponsor, the AML, the State Director of Insurance and the insurance industry, embodied in one individual. The bill was often held hostage, unfairly and inappropriately, in the tort reform debate which was occurring at the same time in the Legislature. This bill is an attempt to expand the beneficiaries of joint insurance arrangements and to "win back" some of the concessions made by the sponsor.

The AML is currently in the second year of the process of forming a joint insurance arrangement on behalf of public entities - municipalities and school districts. Because it has not been formed and because it has not been reviewed by the Director of Insurance, the AML is not sure the current law, as a result of the compromises, is unnecessarily restrictive.

The law, in particular AS 21.76.020, is more restrictive than we wanted and more restrictive than similar legislation in other states; however, the major concern of the Director was that the program be financially secure in order to pay potential, valid claims. The AML cannot not argue with that goal, and, at this time, we are unsure if the provisions in the statute to insure financial security are unreasonable or too restrictive to make the JIA feasible. If they are, we will seek changes in the statutes ourselves.

We agree with the testimony of the Division of Insurance that public entities do have better collateral, e.g. the ability to tax, than some of the other organizations the bill would authorize to form a JIA. A case for minimum oversight or regulation by the State to insure the ability of a JIA without such "collateral" to pay claims has merit which the Committee should consider. The AML is sure that if our JIA

House C&RA Committee Re: HB 227
February 17, 1988
Page 2

is feasible, and if municipalities and school districts participate, and if they control their losses, it will provide stable and available risk protection for the members with long-term savings.

We would request two specific changes to the proposed legislation. In Section 5 on page 2, lines 17 through 26 should not be deleted. This is a provision AML asked for as part of the "compromise" to allow us to participate in a "super-pool" set up by municipal leagues through the National League of Cities for excess insurance coverage.

Secondly, in Section 8, page 3, line 17, AS 21.76.010 (d) should not be repealed. This subsection allows JIA's to provide worker's compensation coverage which is a critical line of coverage.

Again, the AML supports the concept of HB 227, and I look forward to working with the Committee and the sponsor on this legislation. Thank you.

cc: Representative Robin Taylor

HB 227: "An Act relating to joint insurance arrangements.

FEB 19 1988

The Department of Commerce and Economic Development is not in favor of this legislation.

The Alaska Insurance Code defines "insurance," in AS 21.90.900(15), to mean "a contract whereby one undertakes to indemnify another or pay or provide a specified or determinable amount or benefit upon determinable contingencies." The pooling of contributions, as provided for in this bill, is classic insurance. The bill involves the same concepts as the very first insurer in the United States, called a contributorship, established by Ben Franklin in the 1700's. More than 100 years ago, the states uniformly determined that insurance was in need of state oversight.

Insurance is interstate commerce; however, it is regulated by the various states pursuant to the McCarran-Ferguson Act. The Act provides that, to the degree that the states regulate insurance, the federal government will not, with the exception of cases of boycott, coercion and intimidation, regulate the business of insurance. If the State of Alaska abrogates regulation of insurance as this legislation proposes, it invites federal regulation.

Insurance uses the concept of the "law of large numbers" and "spreading of risk." If there is a risk of loss and one can spread that risk to a large number of people, the cost of loss on an individual basis can be greatly reduced. Alaska has suffered a lack of large numbers to make this principal work properly.

In 1986, the Legislature adopted AS 21.76 which created joint insurance arrangements. Since the governmental entities referenced in the legislation could draw on an ongoing tax base to deal with any fiscal problems that might arise, it was not necessary to provide for the level of regulation set forth in the Insurance Code. Therefore, a lower level of regulation was deemed acceptable.

This proposal provides that a wide variety of groups can form a joint insurance arrangement to retain risk (act as an insurance company) or to buy insurance. It also goes on to remove totally the insurance product of those groups from insurance regulation.

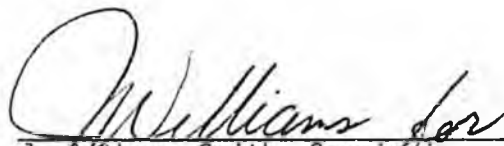
It is one thing to promote small insurers for Alaska property type risks where amounts of potential loss are somewhat controllable and fixed, subject to adequate numbers of participants. If such an enterprise fails, then the only ones hurt are those who are a part of and participants of the joint insurance arrangement. This mechanism is currently in place in the Insurance Code (AS 21.75.300-340). These sections of law have not been used since they were placed on the books in 1978.

It is quite another issue, however, to extend this concept to a line of insurance, such as workers' compensation where liability is not subject to limit, or to liability insurance which is highly unpredictable, particularly in a small population state like Alaska. Currently, workers'

Position Paper
HB 227
Page 2

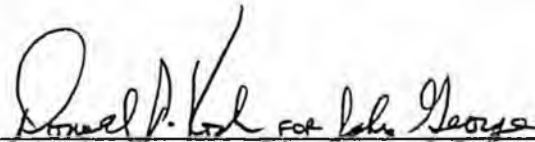
compensation insurance can only be purchased from an admitted insurer and all policies issued are protected by the Alaska Guaranty Association Act, without limitation on the loss. This provides a considerable degree of protection to injured claimants who have no voice in how the employer provides the coverages required by law. If such an enterprise fails, not only those who are a part of and participants of the joint insurance arrangement are hurt but also those entitled to a benefit or a recovery from the participant.

The principal barrier to formation of small insurers in the past has been the financial stability of the proposals. An underfinanced insurer is hazardous to the financial health of its insureds. Insurance regulation is designed to provide public protection for purchasers and those entitled to a benefit from the insurance. It does this through financial standards established by the Legislature through trade practice regulation, through limitations on activities of the insurer, and, generally, through the structure of insurance regulation that has been established by past Legislatures. We believe this structure should continue to apply to insurers for the protection of all Alaskans.



J. Anthony Smith, Commissioner
Department of Commerce & Economic
Development

Date: 2-19-88



John L. George, Director of Insurance

Date: 2/19/88

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021888b



STATE OF ALASKA
OFFICE OF THE GOVERNOR

10 HB 227

FEB 19 1988

BILL ANALYSIS

| | | | |
|--|-----------------------|--|-------------------|
| DEPARTMENT Commerce & Econ. Dev. | DIVISION Insurance | BILL NUMBER HB 227 | SPONSOR Taylor |
| SHORT TITLE OF BILL An Act relating to joint insurance arrangements | | | |
| DEPARTMENT POSITION Not in favor | | | |
| PREPARED BY John L. George | DATE 02/ /88 | COMMISSIONER'S SIGNATURE <i>[Signature]</i> | DATE 2/19/88 |

SUMMARY

| | |
|--|---|
| OTHER AGENCIES AFFECTED BY BILL Not Known | CONSTITUENT GROUP(S) AFFECTED BY BILL Insurance purchasers in Alaska |
| ORGANIZATIONAL SUPPORT FOR BILL Not Known | ORGANIZATIONAL OPPOSITION TO BILL Not Known |

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

The bill removes from state regulation insurance by groups of persons who form mutual or cooperative insurers or purchasing arrangements. Under this legislation, a wide variety of groups would be able to opt out of insurance regulation.

ANALYSIS OF BILL/PROGRAM EFFECTS

This legislation expands legislation adopted in 1986 to allow groups other than government groups to create their own insurers which are outside the regulation of the the Division of Insurance. This generally will mean underfunded insurance companies. Presently, the Federal Risk Retention Act permits the purchase of liability insurance only, with no regulation applied to the group. It is inappropriate to apply this approach to other forms of insurance for a variety of reasons, not the least of which is consideration of the level of protection afforded the injured party. A small insurer of the size that would generally be seen under these provisions would not begin to measure up to the financial standards established by the Legislature for other insurers and likely to be hazardous to its participants.

AMENDMENTS PROPOSED

In its present form, there are a few technical changes needed in the bill. These are discussed on the attached page. These changes do not address the basic concerns with or philosophy of the bill.

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

AMENDMENTS PROPOSED

On Page 1, Lines 20-21.

Delete. This inclusion is in conflict with Federal Law cited. That law provides that regulation should be limited to the state of formation, which in this case would be Alaska. This legislation provides that no regulation will occur.

On Page 2, Lines 6-8.

Following the word "arrangement" on line 6, insert the words, "formed by a group," described in AS 21.76.010(a)(1)-(3).

This revision recognizes that the type of accounting is not appropriate for groups other than municipalities, school districts and regional educational attendance areas.

On Page 2, Lines 16.

Change the word "authorized" to read "unauthorized".

A licensed surplus lines broker cannot accept business under his license from an authorized insurer.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

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

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House C+RA 4-27-87 3:00 p.m.

BILL WORKSHEET

Bill #: HB 279
Date Sched.: HCRA Committee, Monday, April 27, 1987
Title: "An Act relating to issuance or relocation of a club license for the sale of alcoholic beverages."
Sponsors: Rep. Cato

Info Attached: Copy of Bill
Fiscal Note
Existing statute
Sectional analysis
Position paper from ...
Letter of support from W.Cummings, Ak. Moose Assn.

Sponsor's Briefing, Intent/purpose:

Effect of Bill:

This bill would relax restrictions on the number of club type liquor licences would be permitted in a community or borough. Current law permits only one club licence per 3,000 population. This bill would permit one licence per 1500.

Club licences are those commonly held by organizations such as Veterans of Foreign Wars, Moose, Elks, and other wildlife. Statute restricts where, when, how, and to whom they may serve alcoholic beverages.

Fiscal Impact:
0 (Zero)

Proponents:
Fraternal organizations

Opponents:
None apparent

Analysis of Bill's effect, by staff:
See above

Committee Report:

STATE OF ALASKA

DEPARTMENT OF REVENUE

ALCOHOLIC BEVERAGE CONTROL BOARD

⑨ HB 279

STEVE COWPER, GOVERNOR *Terry*

CRA file

550 W. 7TH AVE
ANCHORAGE, ALASKA 99501-6698

April 24, 1987

APR 27 1987

The Honorable Heinrich Springer, Chairman
Community and Regional Affairs Committee
Alaska House of Representatives
P.O. Box V
Juneau, AK 99811
ATTN: Terry Hoefflerle

Dear Representative Springer:

Your office called and requested that I comment on behalf of the Alcoholic Beverage Control Board about HB 279 which deals with the population formula under AS 04.11.400 for determining the availability of club liquor licenses under AS 04.11.110.

The formula was amended by CSHB 34 (Fin.) am S which became effective June 6, 1985. The amendment doubled the population requirement for all liquor licenses, except restaurant or eating place licenses under AS 04.11.100. Club organizations interested in making application under the old formula within small communities are therefore eliminated from pursuing an application. Examples are:

| <u>City</u> | <u>License Availability</u> | | <u>Club Licenses Issued</u> |
|-------------------------|-----------------------------|----------------|-----------------------------|
| | <u>Old Law</u> | <u>New Law</u> | |
| Palmer | 3 | 2 | 2 |
| City & Borough of Sitka | 6 | 3 | 3 |
| Fairbanks | 14 | 7 | 7 |
| Kenai | 5 | 3 | 4 |
| North Pole | 2 | 1 | 1 |
| Petersburg | 3 | 2 | 2 |
| Soldotna | 3 | 2 | 2 |
| Valdez | 3 | 2 | 2 |

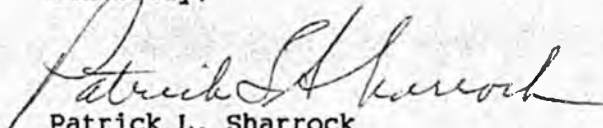
The bill does not amend the formula for areas outside of established villages and municipalities.

Representative Heinrich Springer
April 24, 1987
Page 2

In conclusion, the board does not object to the amendments.

If I can provide any further information or clarification, please do not hesitate to call.

Sincerely,



Patrick L. Sharrock
Director
(907) 277-8638

PLS:cr

cc: Representative Bette Cato
Senator Bettye Fahrenkamp

87-81

(B)

Cuts prepared sent.
4/27/7

HOUSE BILL 279

RELATING TO CLUB LIQUOR LICENSES

FRATERNAL ORGANIZATIONS AND CLUBS SUCH AS THE ELKS, AMERICAN LEGION, EAGLES, MOOSE ASSOCIATION, AND THE VFW ARE AN IMPORTANT PART OF A COMMUNITY AND PROVIDE A VALUABLE SOCIAL LIFE FOR IT'S MEMBERS. THIS LEGISLATION BEFORE YOU WILL ENABLE A FEW CLUBS STATEWIDE THE ABILITY TO ACUIRE A LIQUOR LICENSE BY CHANGING THE POPULATION REQUIREMENTS FOR EACH NEW CLUB LICENSE FROM 3,000 TO 1,500.

SPECIFICALLY, MY INTEREST IS THE AMERICAN LEGION, POST 2 IN VALDEZ WHICH WAS ORIGINALLY CHARTERED IN 1920. FOR THE PAST 67 YEARS THIS ORGANIZATION HAS SUPPORTED A GREAT DEAL OF YOUTH SERVICES ACTIVITIES IN THE COMMUNITY SUCH AS LITTLE LEAGUE, ACADEMIC SCHOLARSHIPS, BOYS AND GIRLS STATE. FUNDS TO SUPPORT THESE SPONSORED ACTIVITIES COULD BE RAISED MORE EASILY IF THE POST HAD A LIQUOR LICENSE.

AS THE ONLY GATHERING PLACE FOR VETERANS IN VALDEZ IS THE AMERICAN LEGION, IT MAKES GOOD SENSE TO ALLOW A CLUB LICENSE, SO THAT THIS FRATERNAL ORGANIZATIONS CAN OPERATE THE WAY OTHER AMERICAN LEGIONS DO THROUGHOUT THIS STATE AS WELL AS THIS COUNTRY.

THE ONLY OTHER CLUB IN ALASKA NEEDING A LIQUOR LICENSE, THAT I AM AWARE OF IS THE NEW MOOSE LODGE IN NORTH POLE. CLUBS AND ORGANIZATIONS OF THIS NATURE ARE ESPECIALLY IMPORTANT WITH THE TREMENDOUS AMOUNT OF COMMADARY SHARED AMONGST THE MEMBERS.

Date referred: 4/17/87

FURTHER REFERRALS: Finance

The Community and Regional Affairs Committee has considered DATE: 04/27/87
HB 279

"An Act relating to issuance or relocation of a club license for the sale of alcoholic beverages."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNIFIC DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Butte Cato Cato
James Zawacki Zawacki
Adelheid Herrmann Herrmann
Heinrich Springer Springer

Springer *Heinrich Springer*
 Chairman's signature

PUBLIC OPINION MESSAGE

(7) HB 279

DEAR: REPRESENTATIVE CATO

NAME: WARREN B. CUMMINGS
TITLE: VICE PRESIDENT ALASKA MOOSE ASSOCIATION
ADDRESS: 3292 JEFFERSON DRIVE
CITY: FAIRBANKS ZIP: 99709
PHONE: 479-2112
BILL NO: HB 279
SUBJECT: LIMITING CLUB LICENSES
MESSAGE: REQUEST YOUR SPEEDY AND FAVORABLE ACTION ON THE ADVANCEMENT
OF HB 279. PASSAGE OF THIS BILL WILL TAKE CARE OF THE PROBLEM OUR NEW
MOOSE LODGE IN NORTH POLE WOULD HAVE WHEN IT IS ABLE TO APPLY FOR A CLUB
LICENSE IN ABOUT 18 MONTHS FROM NOW. EOM/MJO/C

PC MID: 07162247
DATE: 04/21/87
TIME: 16:22:47
LIONAME: FAIRBANKS LIO

COPIES: REPRESENTATIVES

COLLINS
HERRMANN
SPRINGER
ZAWACKI

April 23, 1987

⑥ HB 279

Honorable Betty Cato
Alaska House of Representatives

The Officers, Members and Ladies Auxillary of American Legion Post 2, Valdez, Alaska request that the Alaska State Legislators, grant this Post a liquor license. We applied in the past to the liquor control board, and have been refused on the basis of one (1) permit per 3000 residents.

American Legion Post 2 was chartered in Valdez, October 1920. Over the past 67 years, many pioneers of Alaska have past through this Post. Many of them have been prominent business people, and served in various capacities of our State Government. One thing we all have in common, we served our country when our country needed us. We do not ask our country or state for any support. We do ask that we be allowed to operate as other American Legion Post's in Alaska, the other 49 states and several foreign countries.

The liquor permit is not the main part of the Post, but helps with its financial aspects. The Post supports a great deal of youth activities in their communities, and we all know this costs a good deal of funds. Little league, Little dribblers, Boys State, and scholarships are just some of the activities that the Post's support. Elks, Eagles and Moose lodges have permits, and the good things these lodges and veteran Posts do is well known by the people of Alaska and our country.

As the only gathering place for veterans in Valdez, it is rather hard to hold members that do come to the meeting to remain, therefore they depart to someother permit holders establishment.

The Post has been active for the past 3 years by gaining new members, but we are now losing many of them. Reason, they cannot step in and have a drink with other veterans, and so go elsewhere. We need this permit to keep this Post above water. It would be a shame to see it go under, as it is one of the oldest Posts in the Nation.

Again we are not asking that we have a permit to have just another bar, but a place where the veterans, families and guests can gather, socialize and generate funds to support our youth activities. Tourists are amazed that we can't have a permit and are only open for meetings.

Post 2 is sincere in its plans with the profits, plus we are covered by State laws for non-profit Veteran organizations. We do hope that the State Legislators will approve our request. You will be proud of us.

Respectfully,

Dick Strom
Dick Strom
Commander Post 2
M/Sgt USMC (Retired)

American Legion Post 2
Dick Strom, Commander
P.O. Box 1368
Valdez, AK 99686

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

⑤ HB 279

REQUEST _____

Bill Version: HB 279
Publish Date: _____

Revision Date: _____
Title: An Act Relating to Issuance of Club Licenses
Sponsor: Rep. Cato
Requestor: C & R A

Agency Affected: Revenue
BRU: Alcoholic Beverage Control Board
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 | FY 92 |
|--------------------|-------|-------|-------|-------|-------|-------|
| OPERATING | | | | | | |
| PERSONAL SERVICES | - | - | - | - | - | - |
| TRAVEL | - | - | - | - | - | - |
| CONTRACTUAL | - | - | - | - | - | - |
| SUPPLIES | - | - | - | - | - | - |
| EQUIPMENT | - | - | - | - | - | - |
| LANDS & STRUCTURES | - | - | - | - | - | - |
| GRANTS, CLAIMS | - | - | - | - | - | - |
| MISCELLANEOUS | - | - | - | - | - | - |
| TOTAL OPERATING | -0 | -0 | -0 | -0 | -0 | -0 |
| CAPITAL | - | - | - | - | - | - |
| REVENUE | - | - | - | - | - | - |

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Prepared By: Royce Weller *RW* Phone: 465-2300
Division: Commissioner's Office Date: April 24, 1987

Approved by Commissioner: Hugh Malone *H. Malone* Date: April 24, 1987
Agency: Department of Revenue

Distribution (by Agency preparing fiscal note):

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

④ HB 279

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

MEMORANDUM

April 24, 1987

SUBJECT: Sectional analysis - HB 279
TO: Representative Heinrich Springer
FROM: Michael F. Ford *M.F.*
Legislative Counsel

This bill would include club licenses among those licenses that are subject to the population restrictions established by AS 04.11.400(a)(2) and (3). Except as provided in subsections (g), (h), (i), and (j), the Alcoholic Beverage Control Board could not issue a new license, and has authority to prohibit relocation of an existing license, unless the license met the population restrictions of (a) of the section.

MFF:mkr
m11/071



② HB 279

ALASKA MOOSE ASSOCIATION

OFFICE OF THE

Vice-President
Northwest District

3292 Jefferson Drive
Fairbanks, AK 99709

APR 16 1987

February 20, 1987

Mr. Patrick L. Sharrock
Director
Department of Revenue
Alcoholic Beverage Control Board
550 W. 7th Avenue
Anchorage, AK 99501

Dear Director Sharrock:

The Alaska Moose Association is interested in getting two changes in the Alaska Statutes on alcoholic beverages.

The first change that we are interested in is to have A.S. 04.11.400 changed back so that club licenses could be issued for each 1500 population instead of 3000. As you know the club license is the mainstay of a fraternal organization. It will be impossible for our newly founded Lodge in the City of North Pole to obtain a club permit in that area when they have been in existence for two years because of the official population of 1700 and the existence of another club license in the area.

The second change we would like to propose is to A.S. 04.11.240 or a new section added which would permit our club licenses to hold full alcoholic beverage functions away from their premises and not have to get a beverage dispensary licensee to obtain a caterer's permit for a function. This has been a problem in the past, especially for our smaller Lodges when holding a convention or conference and they must use, for instance, the National Guard Armory for their banquets and dances, etc.

We are interested in the views of the ABC Board on these two issues as well as help with coming up with the proper or best means and wording, for all concerned, to accomplish our requests.

If you need further information, please feel free to contact me.

Sincerely,

Warren B. Cummings
Vice-President Northwest District
Alaska Moose Association

HB

286

STATE OF ALASKA THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907.465.3800

LEGISLATIVE AFFAIRS AGENCY LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

| | | |
|-------|---------|-----------|
| HC+RA | 4-22-88 | 3:00 P.M. |
| | 5-6-87 | 3:00 P.M. |

MEMORANDUM

State of Alaska Community and Regional Affairs

TO: Martha Fischbach
Committee Aide
House Committee for Community
and Regional Affairs


DATE: November 10, 1988

FILE NO: 0402Q/JP/do/603

TELEPHONE NO: 465-4750

THRU:

SUBJECT: Interagency Task
Force

FROM: Jim Plasman 
Deputy Director
Municipal and Regional
Assistance Division

You have requested information regarding the formation of the Governor's Interagency Task Force. The scope of this task force is to deal with planning, budgeting, and overseeing rural and Native services. The membership consists of Commissioners Hoffman (DCRA), Munson (DHSS), English (DPS) and Demmert (DOE); public members Willie Hensley, Marlene Johnson, Andrew Paukin and Mitch Dementieff; and the Governor's Special Assistant for Rural Affairs, Mike Irwin as chair.

The public members have just been named and the task force has not yet met. Further questions regarding the task force may be addressed to Mike Irwin at 465-3500.

cc: Mike Irwin



Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

April 22, 1988

The Honorable Steve Cowper
Governor of Alaska
P.O. Box A
Juneau, Alaska 99811

Re: HB 286, Creating the Rural Governance Council

Dear Governor Cowper:

Yesterday this Committee received a request to hear HB 286, "An Act establishing the Rural Governance Council in the office of the Governor; and providing for an effective date."

This has come as a surprise to us and since I speculate that the late timing has some purpose following is the sequence of events:

The bill was introduced at your request and referred to the HCRA Committee on 4/22/87. I promptly scheduled it and had a first hearing on 5/6/87. Concern was raised over the cost, identification of geographic representation, a loose definition of the chairman's position and the general effectiveness of such an advisory council. Based on the testimony received from the DCRA (Doug Griffin) it was agreed that more work was necessary in the interim; DCRA was going to collect more baseline data in cooperation with Senator Hensley and your office.

Ever since the legislature reconvened in January, we have been in touch with the DCRA and Ms. Rosita Worl of your office. On 1/13/88 she told us that they were considering a new approach through a "Native Judicial Council," which was the case through February. During March they were "still working on it."

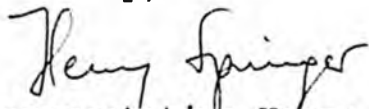
Two weeks ago we received a verbal request to schedule the bill and yesterday Jim Plasman from DCRA brought last year's identical position paper, an identical bill and the same fiscal note redated 1/19/88.

April 22, 1988

It is very obvious that no meaningful work has been done since the first hearing and now towards the end of the session the panic button is pushed and as a consequence, the HCRA Committee will be blamed for non-action.

The events clearly show that "it ain't so" and the inactivity occurred on the "third floor": I just want to keep things in the right perspective.

Sincerely,

A handwritten signature in cursive script that reads "Henry Springer".

Representative Henry Springer, Chairman
HCRA

FILE CONTENTS

FILE NAME HB 286

Ref. 4/22/7

| # | Date In | Doc. Type | Date | Subject | DESCRIPTION | From | Distrib. |
|------|---------|---------------|--------|---------------------------------------|-------------|---------------|----------|
| (1) | 4/21/7 | Bill | 4/22/7 | HB 286 | | Doc | Y |
| (2) | 5/5/7 | Trans. Ltr. | 4/19/7 | to: SPKR Fr. Gov. Transmitted | | Yh | Y |
| (3) | 5/5/7 | F.N. | 4/21/7 | DCRA LEA | | Yh | Y |
| (4) | 5/5/7 | pos PREP | 5.5.7 | POSITION PAPER DCRA | | TH | X |
| A | 5-8-7 | Memo | 5-8-7 | Memo to Bush Caucus fr Spr. input | | Z | n |
| B | 5-11-7 | Min | 5-6-7 | Minutes | | Z | n |
| C | 5-6-7 | WR. | 5-6-7 | WR Rec | | Z | n |
| (5) | 5-20-7 | Memo | 5-15-7 | to Spr. Fr. Wallis Comments HB 286 | | Z | Y |
| 6 | 4/22/8 | Review | 4/22/8 | Review plus attachments | | WDA | WDA |
| (7) | 4/22 | Ltr. | 4/22 | Draft Ltr to Gov. | | | |
| (8) | 4/22 | Resol | | AML 88-7 | | Scott Burgess | |
| (9) | | Rpt | | Natl Conf of State Legis | | | |
| (10) | | Sum Rpt. | | Summary "" | | | |
| (11) | | Florida Skts. | | ch 163 | | | |
| D | 4/22/8 | Min | | | | | |
| E | | WR | | | | | |
| (12) | | ltr | 4/28/8 | Ltr from R. Wal. | | | |

File Contents

HB 286 - Creating the Rural Governance Council

| <u>No.</u> | <u>Description</u> |
|------------|---|
| 1. | Bill - HB 286 |
| 2. | Transmittal letter to Speaker from Governor |
| 3. | Fiscal Note - DCRA |
| (3a) | " " " 1988 |
| 4. | Position Paper - DCRA |
| 5. | Memo - To Springer from Wallis |
| 6. | Bill Review - Harrison |

BILL WORKSHEET

Bill #: HB 286
Date Sched.: HCRA Committee, Wed. May 6, 1987
Title: "An Act establishing the Rural Governance Council
in the Office of the Governor; and providing for
an effective date"

Sponsor: Governor

Info Attached: Copy of Bill
Letter of Transmittal
Fiscal Note

Sponsor's Briefing, Intent/purpose:

The Governor is proposing creation of a Rural Governance Council to study numerous (unspecified) concerns and problems related to rural governance.

Effect of Bill:

Fiscal Impact:
\$52,000

Proponents:

Opponents:

Analysis of Bill's effect. by staff:

If this bill is enacted, the Rural Governance Council will research and report on economic and governance problems in rural Alaska. The recommendations must include proposed legislation regarding establishment of new forms of local governance in rural Alaska. The Council will sunset in two years.

Committee Report:



Alaska State Legislature

(A) HB 286

House of Representatives

Committee on Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

M E M O R A N D U M

To: Rep. Cliff Davidson

From: Rep. Henry Springer, Chairman
Community and Regional Affairs *Springer*

Date: May 8, 1987

Subject: HB 286, Establishing Rural Governance Council

I would like to call your attention to HB 286, "Establishing the Rural Governance Council in the Office of the Governor." The bill is presently in the House Community and Regional Affairs (CRA) Committee.

In its present (original) form HB 286 is very loosely structured. Neither the Governor nor the bill have specified charges for the proposed council. The concept has potential; the governor has publicly committed to it. The Rural Governance Council would be a useful tool in assessing the fiscal, social, economic and cultural forces facing our small communities in the transition period ahead. Your input would be helpful in focusing this bill.

Is the council as constituted in the bill appropriate for a major research effort? How can the focus of the Council's efforts be sharpened?

House and Senate Community and Regional Affairs committees are considering an interim examination of rural governance issues. Your comments will also be helpful in tailoring our inquiry to your concerns. It would be helpful if you could communicate your comments to me (or my staff) by Tuesday, May 12, 1987.

Enclosure (HB 286)

To: Cuto
Adams
Gell
Davidson
Herrmann
Hoffman
Shultz
Wallis



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 19, 1987

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill creating the Rural Governance Council in the Office of the Governor.

In order to address numerous concerns and problems presently affecting Alaska's rural communities, the Rural Governance Council is being established primarily for the purpose of studying issues related to rural governance.

The Rural Governance Council will consist of eight members: the chair of the Local Boundary Commission; five residents of rural areas or small communities, based upon geographic representation; a resident of the state designated as chair of the council; and the commissioner of the Department of Community and Regional Affairs, who will serve as a nonvoting member. Members will receive no compensation for service on the council, but will be entitled to travel expenses and per diem under AS 39.20.180.

Alaska's rural communities as well as other small communities are presently facing crucial economic times. Furthermore, there is increasing dissatisfaction with existing forms of local government in rural Alaska. The main goal of the Rural Governance Council is to adequately research these problems and provide reports and recommendations to my office and to the legislature which will enable us to reach fair and equitable solutions.

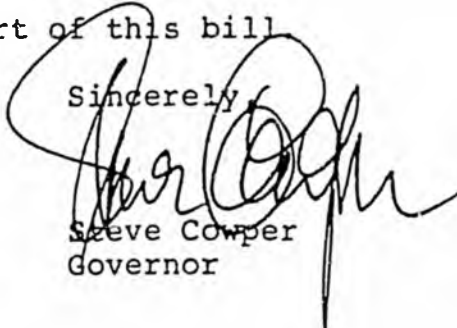
I believe that the problems facing rural and other small Alaskan communities deserve urgent attention by the state government. Through the establishment of the Rural Governance Council, my office and the legislature will become fully apprised of the issues concerning rural governance. These are issues that we must address in the immediate future.

Hon. Ben Grussendorf

Page 2

I strongly urge your support of this bill

Sincerely,



Steve Cowper
Governor

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: 3a HB 286
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An act establishing the
Rural Governance Council..."
Sponsor: Rules/Governor
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: Local Government Assistance
Components: Training & Development
Statewide Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 88 | FY 89 | FY 90 | FY 91 | FY 92 | FY 93 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | 27.0 | 28.4 | | | |
| CONTRACTUAL | | 24.8 | 26.0 | | | |
| SUPPLIES | | .2 | .2 | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | | 52.0 | 54.6 | | / | |
| CAPITAL | | | | | | |
| REVENUE | | | | | | |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|--|------|------|--|--|--|
| GENERAL FUND | | 52.0 | 54.6 | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | | | | | | |

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director
Division: Municipal & Regional Assistance
Phone: 465-4750
Date: 1-19-88

Approved by Commissioner: David G. Hoffman
Agency: Community & Regional Affairs
Date: 1-19-88

Distribution (by preparer):

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

FISCAL NOTE

"An Act establishing the Rural Governance Council in the Office of the Governor.."

ANALYSIS

Assumptions:

1. Routine clerical, technical and professional support will be provided by the Department of Community and Regional Affairs staff.
2. One-third of the meetings will be by teleconference and meetings will be held to coincide with gatherings of local officials and rural residents (Alaska Federation of Natives Conference, Alaska Municipal League Conference, regional mayors' conferences) whenever possible.
3. Funding will be available for small, specific professional services contracts at the discretion of the council.
4. There will be no more than 7 meetings (5 regular meetings and 2 teleconference) of the Rural Governance Council each year.
5. The Commissioner of Community and Regional Affairs will fund his own travel and per diem.
6. FY 89 funding is increased for inflation by 5 percent.

Program Summary:

No positions are requested and funding for travel, contractual services, and commodities will come from the general fund.

Computations:

Travel -- Assuming 5 meetings/hearings with average travel cost of \$400 and per diem cost \$200 per meeting.

7 members x \$600 = \$4,200 x 5 meetings = \$21,000

Travel and per diem for staff support,
expert witnesses, etc. 10 trips x \$600 per trip 6,000

27,000

Contractual

Communications (teleconferences, other
toll calls, postage) 1,800

Printing/Advertising (report printing
publicity, meetings, photocopying) 3,000

Professional services (report preparation,
translation services, legal or professional
consulting fees) 20,000

24,800

Commodities

Office supplies 200

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____
 Revision Date: _____
 Title: "An Act establishing the
 Rural Governance Council....."
 Sponsor: Rules/Governor
 Requestor: _____

Bill Version: HB 286
 Publish Date: HOUSE 4/21/87

Agency Affected: Community & Regional Affairs
 BRU: Local Government Assistance
 Components: Training & Development
 Statewide Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 | FY 92 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | 27.0 | 28.4 | | | |
| CONTRACTUAL | | 24.8 | 26.0 | | | |
| SUPPLIES | | .2 | .2 | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | | | | | | |
| CAPITAL | | 52.0 | 54.6 | | | |
| REVENUE | | | | | | |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|--|------|------|--|--|--|
| GENERAL FUND | | 52.0 | 54.6 | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | | | | | | |

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Doug Griffin, Deputy Director
 Division: Municipal & Regional Assistance

Phone: 465-4750
 Date: 4/16/87

Approved by Commissioner: [Signature]
 Agency: Community & Regional Affairs

Date: April 16, 1987

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

FISCAL NOTE

"An Act establishing the Rural Governance Council in the Office of the Governor.."

ANALYSIS

Assumptions:

1. Routine clerical, technical and professional support will be provided by the Department of Community and Regional Affairs staff.
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3. Funding will be available for small, specific professional services contracts at the discretion of the council.
4. There will be no more than 7 meetings (5 regular meetings and 2 teleconference) of the Rural Governance Council each year.
5. The Commissioner of Community and Regional Affairs will fund his own travel and per diem.
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Program Summary:

No positions are requested and funding for travel, contractual services, and commodities will come from the general fund.

Computations:

Travel -- Assuming 5 meetings/hearings with average travel cost of \$400 and per diem cost \$200 per meeting.

7 members x \$600 = \$4,200 x 5 meetings = \$21,000

Travel and per diem for staff support,
expert witnesses, etc. 10 trips x \$600 per trip 6,000

27,000

Fiscal Note

Contractual

Communications (teleconferences, other
toll calls, postage) 1,800

Printing/Advertising (report printing
publicity, meetings, photocopying) 3,000

Professional services (report preparation,
translation services, legal or professional
consulting fees) 20,000

24,800

Commodities

Office supplies 200

(14) HB286

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

May 5, 1987

POSITION PAPER

RE: House Bill 286 - "An Act establishing the Rural Governance Council in the Office of the Governor."

SPONSOR: Rules/Governor

Program Effects of Bill

HB 286 creates within the Office of the Governor the Rural Governance Council (RGC). This body consists of eight members. The Commissioner of the Department of Community and Regional Affairs serves as a non-voting member with the remaining membership constituted as follows: the chair of the Local Boundary Commission, five residents of rural areas or small communities appointed by the Governor based on geographic representation, and designated chair of the council.

The RGC shall gather information on local governance issues in rural areas and small communities and report its findings and recommendations to the Governor and the legislature to aid in finding solutions to economic and local governance problems in rural and small communities. Recommendation must include legislation to address the establishment of new forms of local governance to respond to rural and small city needs.

The chair shall call meetings and formulate procedures and the Department of Community and Regional Affairs shall provide necessary administration and technical support.

The council is sunset on June 30, 1989.

Comments

It is apparent that local governments, particularly small, rural cities and communities are facing a period of transition with the decline of intergovernmental funding assistance. Social, economic and cultural forces are also placing demands on local government that heretofore have not existed.

HB 286

May 5, 1987

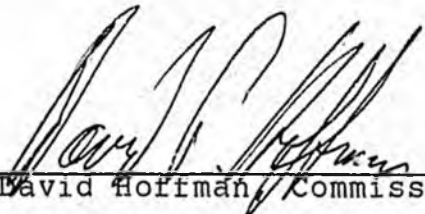
Page Two

The RGC is envisioned to be a working council that will draw on the resources of members who have hands on experience in local government in rural and small town Alaska. This representative group will examine the dynamics in rural Alaska and assess whether existing local government structures and authority are adequate to address the needs, expectations, and aspirations of rural residents.

The wealth of the State may have diminished the self-reliance and authority of local governments. As the State goes through its economic realignment, local governments, particularly small towns with limited resources, must reexamine priorities and provide better definition for the long term goals of the community. Local government entities will have to play a greater role in this area by providing focus and direction for the community. The RGC will be asked to examine existing systems of local governance (cities and boroughs, Indian Reorganization Act and Native traditional councils, and community nonprofit corporations) and make recommendations on how the state can make its local government system in rural Alaska stronger and more viable. The RGC will also review the interrelationships of village and small town entities to see how they can operate cooperatively to improve living conditions in rural communities.

The Department envisions the RGC acting as a "citizen council" which will bring a great depth of understanding, common sense approaches, and an innovative perspective to addressing the local government needs of rural Alaska. The formation of this body is in keeping with Governor's Cowper's desire of having rural Alaska act to solve their own problems rather than imposing a system on rural residents that may not adequately meet rural resident needs.

The Department strongly supports the passage of this bill with its modest fiscal note.



David Hoffman, Commissioner

*from Rosita Work's office 10/2/87
DCRA Draft Plans*

DRAFT

RURAL GOVERNANCE

PRELIMINARY WORK PLAN

I. INTENT OF WORK EFFORT

A. Respond to Governor Cowper's call for strengthening local governments and shifting the "means of resolving community problems to the communities themselves... with support of the State" (1/8/87 press release) and returning rural communities to "a system of government that ... clearly worked [20 years ago] in most of the villages."

(2/26/87 remarks at RuralCAP luncheon, Juneau)

B. Assess the ability of rural local governments, in general, to provide essential services with reduced State capital and municipal aid funding

C. Design a strategy for strengthening local government systems (ordinances, financial, administrative) and fostering cooperation between rural village entities (city councils, IRA/Tribal councils, village corporations, regional non-profit service provider, etc....)

Materials from

Gov. office

box 10/13/87

W. S. in Ave

II. TECHNICAL/LEGAL ISSUES

A. Issues related to instituting a different level of State recognized local government

1. Town meeting format
2. Modified IRA/Tribal government

B. Legal issues related to establishing local courts or judgement boards

C. Technical assistance issues related to financial accountability

D. Analysis of reasonable local service cost and assessment of "vital" local services so that the impact of reduced state aid to local governments can be quantified

E. Review what made villages work 20 years ago, and assess changes during period with which villages have been unable cope ;

F. Research models of village cooperation and the factors that create less competitive atmosphere between village entities

G. Review options for increasing local revenue to support services

H. Review the pros and cons of extending home rule opportunity to all municipalities

III. DCRA WORK ELEMENTS/END PRODUCTS

- A. Research and prepare a historical perspective on the evolution of rural local government (completed by August 21, 1987)
- B. Report on legal/technical issues, with estimated costs, related to establishing local courts on judgement boards (completed by September 11, 1987)
- C. Prepare interim policy for responding to unfavorable audit exceptions and financial accountability problems (completed by August 28, 1987)
- D. Report analyzing the impact of reduced State aid on small local governments and assessing how this reduction is affecting or may affect the delivery of vital local services (completed by September 18, 1987)
- E. Report identifying local governments that work together cooperatively with other village entities and recommend how these conditions can be transplanted to other communities (completed August 28, 1987)
- F. Report setting out options for increasing local tax revenues (completed by September 18, 1987)
- G. Report on options for improving rural local governments to maximize local resources (completed by September 18, 1987)

IV. POLICY ISSUES

A. The pros and cons of creating new State recognized local entities and draft legislation to implement concept.

B. Statute changes and necessary funding for local courts and judgement boards.

1. Agency responsibility for oversight of this function

2. Amount and type of training for local "magistrates"

3. Type of infractions left to local courts/boards.

C. Review of SB 263 (fiscal accountability bill) for amendment or consideration in present form. Until passage of this bill, the State should develop a policy on how to respond to audit exceptions.

D. Level of FY 89 funding for State Revenue Sharing, Municipal Assistance and Municipal Grants.

E. Other administrative/legislative reform need to promote cooperative village government environment and greater self- efficiency

BOROUGH FORMATION

DRAFT

PRELIMINARY OUTLINE AND WORK PLAN

I. INTENT OF WORK EFFORT

- A. Study and recommendations regarding regional government alternatives
- B. Borough education program

II. TECHNICAL/LEGAL ISSUES

- A. Issues relative to reinstituting a "new" type of borough government
- B. Legal flexibility to explore borough alternatives
- C. Technical justification for various mandatory borough formation per capita value triggers
- D. Informative and clear explanations of pros and cons of borough formation
- E. Review of REAA boundaries as appropriate boundaries for future boroughs
- F. Identify disincentives to borough incorporation which remain in place
- G. Applicability of Federal Voting Rights Act, if any

III. DCRA WORK ELEMENTS/END PRODUCTS

A. Research and prepare report on borough government in Alaska (completed by August 28, 1987)

1. Constitutional intent and purpose
2. Mandatory Borough Act of 1963
3. Recent Borough formation efforts

B. Analysis of borough government alternatives (completed by August 28, 1987)

1. "New" 3rd class borough flexibility
2. Expanded home rule powers
3. Different borough government structures

C. Formula trigger for mandatory borough formation based on per capita value (completed by August 28, 1987)

D. Borough education package (completed by September 18, 1987)

1. What is a Borough booklet
2. Overheads/handouts and other information regarding borough government
3. Rough financial analysis of REAA's to reflect ability to support local government

IV. POLICY ISSUES

- A. The pros and cons of mandating borough formation
 - 1. Self sufficiency standards
 - 2. Existing borough formation standards
- B. The level of assistance State should provide in organizing boroughs
 - 1. Financial assistance
 - 2. Technical assistance
- C. Statute changes to provide greater borough flexibility
- D. Funding a home rule charter education initiative by Department of Community & Regional Affairs
- E. Interrelationship between new boroughs and the State's role in funding education
- F. The State's relationship with unincorporated communities within mandated boroughs
- G. The efficacy of "replacing" other state services (public safety, health, etc.) with borough provided services

May 5, 1987

POSITION PAPER

RE: House Bill 286 - "An Act establishing the Rural Governance Council in the Office of the Governor."

SPONSOR: Rules/Governor

Program Effects of Bill

HB 286 creates within the Office of the Governor the Rural Governance Council (RGC). This body consists of eight members. The Commissioner of the Department of Community and Regional Affairs serves as a non-voting member with the remaining membership constituted as follows: the chair of the Local Boundary Commission, five residents of rural areas or small communities appointed by the Governor based on geographic representation, and designated chair of the council.

The RGC shall gather information on local governance issues in rural areas and small communities and report its findings and recommendations to the Governor and the legislature to aid in

finding solutions to economic and local governance problems in rural and small communities. Recommendation must include legislation to address the establishment of new forms of local governance to respond to rural and small city needs.

The chair shall call meetings and formulate procedures and the Department of Community and Regional Affairs shall provide necessary administration and technical support.

The council is sunset on June 30, 1989.

Comments

It is apparent that local governments, particularly small, rural cities and communities are facing a period of transition with the decline of intergovernmental funding assistance. Social, economic and cultural forces are also placing demands on local government that heretofore have not existed.

The RGC is envisioned to be a working council that will draw on the resources of members who have hands on experience in local government in rural and small town Alaska. This representative group will examine the dynamics in rural Alaska and assess whether existing local government structures and authority are adequate to address the needs, expectations, and aspirations of rural residents.

May 5, 1987

Page Two

The wealth of the State may have diminished the self-reliance and authority of local governments. As the State goes through its economic realignment, local governments, particularly small towns with limited resources, must reexamine priorities and provide better definition for the long term goals of the community. Local government entities will have to play a greater role in this area by providing focus and direction for the community. The RGC will be asked to examine ^{EXISTING} ~~the State~~ systems of local governance ^{in the State including} ~~cities and boroughs~~ and ~~alternative local government entities~~ (Indian Reorganization Act, Native traditional councils and community nonprofit corporations) and make recommendations on how the state can make its local government system in rural Alaska stronger and more viable. The RGC will also review the interrelationships ⁷ of village and small town entities to see how they can work more closely to improve living conditions in rural communities.

The Department envisions the RGC acting as a "citizen council" which will bring a great depth of understanding, common sense approaches, and an innovative perspective to addressing the

local government needs of rural Alaska.' The formation of this body is in keeping with Governor's Cowper's desire of having rural Alaska act to solve their own problems rather than imposing a system on rural residents that may not adequately meet rural resident needs.

The Department strongly supports the passage of this bill with its modest fiscal note.

David Hoffman, Commissioner

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

STEVE COWPER, GOVERNOR

P.O. BOX K—STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

April 15, 1987

M E M O R A N D U M

TO: Honorable Steve Cowper
Governor

FROM: *Arthur H. Peterson*
for Grace Berg Schaible
Attorney General

RE: Attached bill creating the Rural Governance Council
Our file: 773-87-0151

Attached is a bill, requested by you and the Department of Community and Regional Affairs, that will create the Rural Governance Council. We received the request through Bob Evans on April 1.

The council will consist of eight members. One of the members will be the commissioner of the Department of Community and Regional Affairs, who will serve as a nonvoting member. The council's main purpose is to initiate research and to report to you and the legislature on issues related to the promotion of more effective forms of government in rural Alaska. The council will terminate on June 30, 1989.

A draft transmittal letter to the legislature is also attached.

GBS:MLO:pjg

cc w/enc.: Hon. David Hoffman, Commissioner
Department of Community & Regional Affairs

Jay Hogan, Director
Division of Budget Review
Office of Management and Budget
Governor's Office

Rosita Worl, Special Assistant
Governor's Office

D R A F T

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill creating the Rural Governance Council in the Office of the Governor.

In order to address numerous concerns and problems presently affecting Alaska's rural communities, the Rural Governance Council is being established primarily for the purpose of studying issues related to rural governance.

The Rural Governance Council will consist of eight members: the chair of the Local Boundary Commission; five residents of rural areas or small communities, based upon geographic representation; a resident of the state designated as chair of the council; and the commissioner of the Department of Community and Regional Affairs, who will serve as a nonvoting member. Members will receive no compensation for service on the council, but will be entitled to travel expenses and per diem under AS 39.20.180.

Alaska's rural communities as well as other small communities are presently facing crucial economic times. Furthermore, there is increasing dissatisfaction with existing forms of local government in rural Alaska. The main goal of the Rural Governance Council is to adequately research these

problems and provide reports and recommendations to my office and to the legislature which will enable us to reach fair and equitable solutions.

I believe that the problems facing rural and other small Alaskan communities deserve urgent attention by the state government. Through the establishment of the Rural Governance Council, my office and the legislature will become fully apprised of the issues concerning rural governance. These are issues that we must address in the immediate future.

I strongly urge your support of this bill.

Sincerely,

Steve Cowper
Governor

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Rural Governance Council in
7 the Office of the Governor; and providing for an
8 effective date."

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

10 * Section 1. RURAL GOVERNANCE COUNCIL. (a) There is created in the
11 Office of the Governor the Rural Governance Council.

12 (b) The Rural Governance Council consists of eight members who serve
13 ex officio, or are appointed by the governor, as follows:

14 (1) the chair of the Local Boundary Commission;

15 (2) five residents of rural areas or small communities, appoint-
16 ed by the governor based upon geographic representation;

17 (3) a resident of the state appointed by the governor and design-
18 nated as chair of the council;

19 (4) the commissioner of the Department of Community and Regional
20 Affairs who serves as a nonvoting member of the council.

21 (c) The members appointed to the council by the governor serve at the
22 pleasure of the governor.

23 * Sec. 2. DUTIES OF THE COUNCIL. The council shall solicit and collect
24 information, testimony, and documentation regarding economic and local
25 governance issues in rural areas and small communities of the state. The
26 council shall report its findings and make recommendations to the governor
27 and the legislature in order to assist the governor and the legislature in
28 reaching fair and equitable solutions to economic problems and problems of
29 local governance in rural areas and small communities of the state. The

1 recommendations must include ones for legislation regarding the estab-
2 lishment of new forms of local governance in those areas.

3 * Sec. 3. ADMINISTRATION. The chair shall call meetings of the council
4 and formulate rules of procedure for the meetings. The chair may designate
5 a vice-chair of the council. The Department of Community and Regional
6 Affairs shall provide whatever administrative services to the council that
7 the commissioner of community and regional affairs determines are necessary
8 to enable the council to perform its functions under this Act.

9 * Sec. 4. COMPENSATION. Members of the council receive no compensation
10 for their services but are entitled to per diem and travel allowances
11 authorized by law for other boards and commissions under AS 39.20.180.

12 * Sec. 5. TERMINATION DATE OF COUNCIL. The council terminates on June
13 30, 1989.

14 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).
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Alaska State Legislature

HOUSE OF REPRESENTATIVES

Committee on Finance

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

M E M O R A N D U M

TO: Representative Henry Springer

FROM: Representative F. Kay Wallis *Kay*

DATE: May 15, 1987

SUBJECT: HB 286

Thank you for extending me the opportunity to comment frankly on HB 286

My sense is that the duties/objections of the Council appears to be more loosely constructed than the structure or composition of the Council. The intent of the structure is to weight it with "villagers".

The objective is really to figure out what institutional form or what governmental functions/processor are appropriate for the diverse villages. I would suggest that this part of the bill appears loose because it is loose, since we do not know what the answers are. The movement in some villages is to dissolve one or two of the multiple institutions in a village. I am not sure that vesting all of the authorities in a tribal government is the sole answer. I think we need to more clearly determine what it is that villagers are seeking. Unfortunately, this objective does not lend itself to any specificity that is needed for legislative action. HB 286 is designed to go back to the people, the villages to see what answers they might have.

The only addition to this most worthwhile effort would be a research effort to delineate what has worked in the past, what hasn't worked and why. Also, what can we learn from communities that have governments that work for them. It is hopeful that this can be done in the context of this legislation.

With the Governor's hiring of Ms. Rosita Worl, I feel confident that this bill should go forward. Ms. Worl has the necessary background and skills to undertake objectively this most sensitive issue.

Thank you for your consideration.

cc: Representative Adelheid Herrmann

⑥ HB 286




Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

April 22, 1988

TO: Rep. Henry Springer, Chairman HCRA
FROM: David C. Harrison, HCRA Committee Staff 
SUBJECT: HB 286 "An Act establishing the Rural Governance Council in the Office of the Governor; and providing for an effective date."

Program Effects

Provides for the appointment of eight members to serve on the Rural Governance Council at the pleasure of the Governor for approximately one year.

Duties of the Council:

Solicit and collect information, testimony regarding economic and local governance issues. Based upon information collected make report of such findings and make recommendations to the governor and the legislature in reaching a fair and equitable solutions to economic and problems of local governance.

Comments: It is evident that considerable information is being collected by various departments of the State of Alaska regarding economic conditions and developments throughout Alaska.

For HCRA members' review, the following information was collected from the Division of Economic Development within The Dept. of Commerce (Items 1 through 6), (Item 6a DCRA)

1. Alaska Business Development News, February 1988.
2. Alaska - The Alaska Economy: An Overview, Review Draft September 1987
3. The Alaska Economy - Year-End Performance Report 1986
4. Alaska - Monthly Report, March 1988
5. The Alaska Economic and Statistical Review - Economic Analysis Section, Department of Commerce and Economic Development - State of Alaska 1984
6. A Delphi Forecast of Alaska's Development the Year 2000 and Beyond - Report to Dept. of Commerce and Economic

Development - State of Alaska

- 6a Impacts of Declining Revenues On Alaska's Smaller Communities March 1988 DCRA Office of Commissioner

Alaska Tax Assessor's Office Provided the following:

7. Alaska Taxable 1987 Municipal Taxation - Rates and Policies - Full Value Determination - Population and G.O. Bonded Debt Dept. Community and Regional Affairs

Dept. of Community and Regional Affairs provided the following.

8. Report of the Governor's Task Force on Federal-State-Tribal Relations - Submitted to Gov. Bill Sheffield February 14, 1988.
9. A New Mandatory Borough Act: Local Education Costs and Potential Revenues of Newly Created Boroughs Feb. 88 by House Research Agency Report by K. Oakley
10. Analysis and Recommendations on Local Government Questions and Issues Before the Task Force on Federal/State/Tribal Relations December 1985 by Division of Municipal and Regional Assistance DCRA
11. Regional Government Study by DCRA January 1988

Alaska Municipal League Draft from Board of Directors
AML 1988 Policy Statement Recommendations such as:

12. An Advisory Commission on Intergovernmental Relations
State Local Financial Policies and Regulations
Economic Development and Incentives
Encouragement of Formation of New Municipalities

Alaska Standard Production Company Employees Publication

13. Juneau Report January 1988, Tale of three cities - "How local governments handled budget problems" M. Bradner

House of Representatives Research Agency Publications and Research Related Issues Impacting Economics and Local Governments in Alaska:

14. Creation of Boroughs: Full Taxable Value and Effects on Public School Finance - Research Request 88.041
15. Impact of State Grants, Loans, Municipal Assistance, Revenue Sharing, Rents, Leases, Office Supplies, Food and Fuel Expenditures - Research Request 86-047
16. State Expenditures for Welfare Payments and Unemployment Insurance - Research Request 86--046

Other House of Representatives Research Request Documents that may be obtained upon request.

Local Government/Municipalities' Research Issues:

| Document Number | Title |
|-----------------|--|
| 83.176 | Cost of Municipal Governments of Reductions in State Aid for School Construction |
| 85.249 | Bonding Cap for Municipalities |
| 85.131 | Local Investments of State Funds |
| 84.050 | Use of Federal Revenue Sharing Funds by Second Class Borough |
| 86.057 | Revenue Sharing in Alaska and Other States |
| 84.027 | Value of Real Property in Alaska |
| 88.041 | Creation of Boroughs: Full Taxable Value and Effects on Public School Finance |
| 83.223 | Service Delivery in Organized/Unorganized Boroughs |
| 83.196 | Organization of Alaska Native Villages into Municipal Governments |
| 85.005 | State Government Funding of Nonprofit Agencies |
| 83.023 | Proposal to Distribute Permanent Fund Income to Municipalities |
| 83.161 | Commercial Fishing Loan Receipts |
| 83.43 | Ownership and Beneficiaries of the Fishing Industry |

It is noted that there are a great many studies and reviews of local government needs. There are many studies regarding economics as it relates to local government support, local hire, stable economy and economic expanded opportunities.

It seems appropriate that the Department of Community and Regional Affairs is the proper agency to assist and to help deal with a review of local governments' concerns and possibly help local communities with programs that best fit their needs. State Constitutional mandate under Article X, Section 12, Local Boundary Commission may consider any proposed local government boundary change and present such to the legislature... and subject to law may establish procedures whereby boundaries may be adjusted by local action. In concert with this type of effort, the local government agency under Article X, Section 14, known as the DCRA, is to advise and assist local governments. It shall review their activities; collect and publish local government information, and perform other duties prescribed by law. State constitutional requirements are now in place.

Divisions within the DCRA, who have technical expertise are appropriate entities to handle such requests and to review local government concerns; plus economic strategies in concert with the Department of Commerce where applicable.

Additionally, the standing committees of the legislature and its research arm reflect continuing interests and concern of local government related needs and economic conditions.

The Rural Governance Council existence is until June 1989.

Copies of information 1 through 16 are attached for your review.

Complete copies are available upon request.

ALASKA BUSINESS DEVELOPMENT NEWS

DEPARTMENT OF COMMERCE
AND ECONOMIC DEVELOPMENT
DIVISION OF BUSINESS DEVELOPMENT

DIVISION OF BUSINESS DEVELOPMENT ESTABLISHED



MEET LARRY MERCULIEFF

Heading the new Division of Business Development is Larry Merculieff.

Merculieff, 38, comes to the department with a broad base of experience in business and rural economic development. After graduation from the University of Washington, Merculieff returned to Alaska to work as the director of the Aleut Corporation land department. In 1975, he resigned to accept the position of business manager of the Tanadgusix Corporation (TDX) in his home town, St. Paul in the Pribilofs.

As business manager of TDX, Merculieff initiated an animal by-products export business and developed a tourism program for St. Paul, including a hotel and restaurant operation. Promoted to president and chief executive officer, he supervised the corporation's expansion into industrial catering, construction, fur processing/marketing, fish processing/marketing, and off-island hotel/restaurant and land leasing businesses. Under his leadership, equity in Tanadgusix Corporation grew from two million to nine million dollars not including the increase in value of 135,000 acres of land and other property belonging to the corporation. (Cont. on page 10)

The Department of Commerce and Economic Development is charged by statute with responsibility for fostering economic development in Alaska. The economic development function of the department has undergone significant changes organizationally and functionally since July 1987. The former advocacy group structure with the Offices of Enterprise, Commercial Fisheries Development, Minerals and Forestry Products, has been consolidated into a single entity: the Division of Business Development.

The mission of the Division of Business Development is to assist in strengthening and diversifying the economy of the State of Alaska and to establish a positive business climate that is conducive to commercial investment and development.

The division is the lead state agency providing both financial and technical assistance: for economic development activities performed by regional organizations, boroughs, regional native corporations, and other similar entities; to new and developing business within the state; and to individuals seeking to take advantage of the economic opportunities the state has to offer them (excluding tourism). The division also participates in development and review of state economic policy.

The Division of Business Development (DBD) is headquartered in Juneau at P.O. Box D, Ninth Floor State Office Building, Juneau, AK 99811; phone: (907) 465-2017. Following is list of DBD staff and their responsibilities; staff are located in Juneau, except where noted:

Larry Merculieff, Director — Responsible for overall administration of the division.

Paul Peyton, Chief Development Specialist for Fisheries — Responsible for fisheries development activities including Japan Overseas Fishery Cooperation Foundation (OFCF) coordination and projects, mariculture studies, fisheries support service development and staff support to Governor's Fisheries Cabinet.

Thyes Shaub, Chief Development Specialist for Minerals and Forest Products — Responsible for minerals and forest products industry assistance including Minerals Commission support, implementation of forest products five-year plan, and issues affecting the two industries; oversees the division's public information program.

Tom Lawson, Economic Development Planner — Project Coordinator for the Alaska Economic Development Strategy; responsible for coordination of the Alaska Regional Development Organizations (ARDOR) Program, liaison with University Economic Development Center, and division newsletter.

Continued on page 7 (Meet Our Staff)

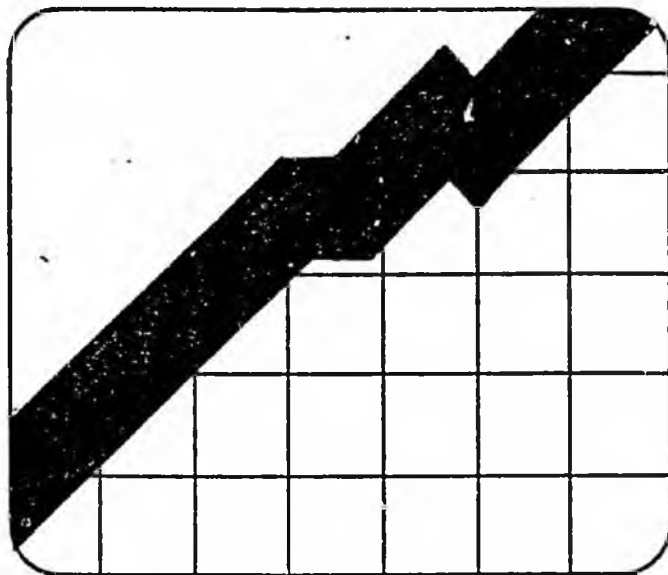
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2, (ONE COPY AVAILABLE) DRAFT

ALASKA

THE ALASKA ECONOMY: AN OVERVIEW



REVIEW DRAFT

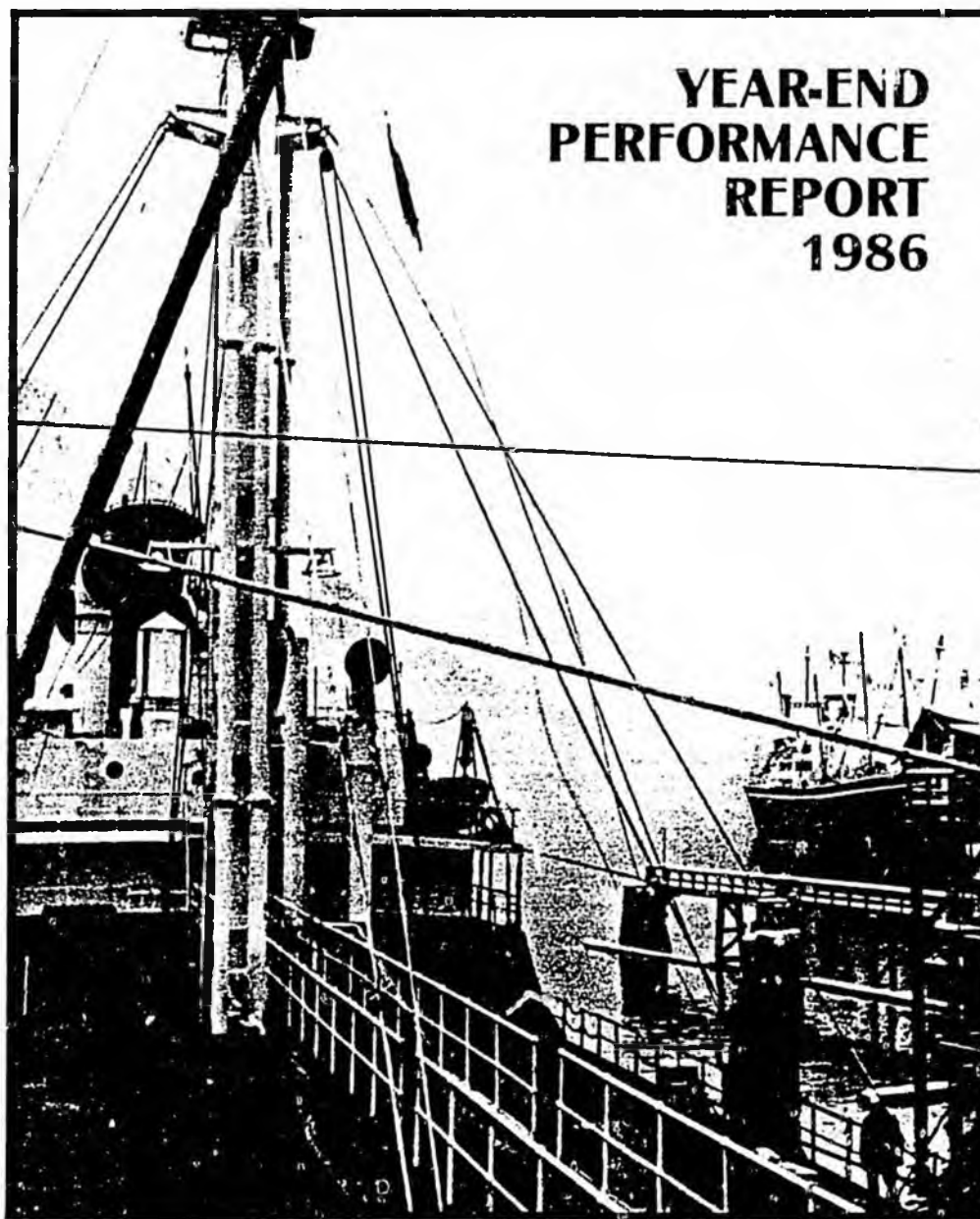
September 1987

STATE OF ALASKA
DEPARTMENT OF COMMERCE
AND ECONOMIC DEVELOPMENT

BUSINESS DEVELOPMENT DIVISION

#3

THE **ALASKA ECONOMY**



ALASKA
DEPARTMENT OF COMMERCE
AND ECONOMIC DEVELOPMENT
BUSINESS DEVELOPMENT DIVISION

Monthly Report

Larry Mercurieff, Director

ALASKA
DEPARTMENT OF COMMERCE
AND ECONOMIC DEVELOPMENT
DIVISION OF BUSINESS DEVELOPMENT

March 1988

"Establishing a Business in Alaska" Booklet Available: The revised edition of "Establishing a Business in Alaska" is complete and ready for distribution. The booklet contains valuable information about sources of business assistance from taxation to labor laws. Copies are available for \$3.00 from the division offices in Juneau, Fairbanks and Anchorage.

Port Alaska Formation: Division Director Larry Mercurieff and Fisheries Program Manager Paul Peyton met with port directors from southcentral and southwest communities to explore the advantage of forming a regional port marketing association. As a result of the meeting, Port Alaska was formed. Members include ports from the southcentral, Kenai and Kodiak areas as well as Dutch Harbor and St. Paul. A press release with further details on this new organization is available upon request.

Capital Project Funding: The Economic Development Administration (EDA) is taking a close look at proposed Alaska capital projects to determine economic impact, particularly the number of new jobs created. The funding cycle is at an opportune time where good projects will be selected and funded. For further information contact Mr. Berney Richert at EDA in Anchorage; 271-5857.

Permanent Fund Companies Contacted: Work progressed on contacts to all firms in which the Alaska Permanent Fund has invested. Of 363 inquiries, 124 have responded, 20 of those have shown promise for investment in or expansion into Alaska.

New Firm Choosing Alaska: After extended discussions with division staff, a major electronics corporation is cementing plans to locate a major portion of their business in Alaska. The firm fabricates a line of infra-red sensing devices and hopes to employ as many as 200 Alaskans within 18 months.

Exploring Options for Small Business Financing: The division director brought financing experts from the public and private sectors together to explore directions the state may take in solving the financing requirements for Alaska small businesses. Participating were: David Rose, Permanent Fund; Jim Cloud, National Bank of Alaska; Mike Siemion, Small Business Administration; Robin Zerbel, Small Business Development Center; Frankie Whitman, Neighborhood Housing Service; Berney Souphanavong, Northland Soy Products; Mike Fireman, Midas Muffler; Ray Deberham, Deberham Electric; and department representatives. There was general consensus among the group that Alaska's needs did not fall in the area of venture capital, but more broadly, in the area of development capital. The lack of bank lending was cited as a critical area of concern, with two major gaps mentioned, loans for less than \$100,000 and loans in the \$500,000 to \$200,000,000 range. Other problems cited were reluctance of investment banks to look at capital intensive projects; the need for working capital and start-up financing; and, reluctance to finance small loans due to high servicing requirements. A more detailed report of the meeting is available upon request.

Northwest Arctic Borough Economic Development: Commissioner Smith, Division of Tourism Director Gellert and DBD director Mercurieff met with the N.W. Arctic Borough's new established Economic Development Commission. The meeting was called to explore state programs and services that may be of assistance to the commission.