

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

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COURT FILINGS KEEP PACE WITH POPULATION GROWTH.

Some States Think Before They Act . . . Some After

While some state legislatures rushed to recreate their legal systems in response to insurance company needs, others took the time to study the problem first, and some that had passed new laws had second thoughts.

In 1986, the Connecticut legislature enacted one of the most sweeping "tort reform" statutes in the entire United States.

In May 1987, the Connecticut legislature repealed major portions of that 1986 bill. The repeal restored joint and several liability and did away with mandatory structuring of awards made by juries.

The legislature decided to reconsider the law because insurance affordability and availability did not improve significantly.

In April of 1987, the State of Tennessee issued a report of the performance audit of its own Depart-

ment of Commerce and Insurance. Interestingly, given the size and sophistication of the insurance industry, the Tennessee Audit Division said: "Although audit work showed fluctuations in the number of civil suits and the size of jury awards, available data do not support contentions that the crisis is the direct result of a substantial increase in litigation and could, thus, be solved by enacting tort reforms."

Michigan did enact substantial restrictions on individual rights, but then the Michigan House of Representatives asked Casualty Actuaries, Inc. to study the profitability of commercial liability insurance. The study report was released on November 10, 1986, and made some unexpected statements: "Insurers often do not follow the advice of their own actuaries, and reserving and pricing policies are often instead established at the executive level of the company"—and executives have their own ideas of what the traffic will bear.

Among its conclusions, the Michigan study says clearly: "The effect of tort reform legislation, if there is to be any effect, has yet to emerge in the data . . . It is doubtful that such legislation will eliminate or soften competition, and hence eliminate or soften the insurance cycle."

Other states were thinking first. In the spring of 1987, the Wyoming House Rules Committee killed a proposal to place on the ballot a constitutional amendment that would allow the legislature to limit non-economic damages for personal injury or death.

And a South Dakota legislative committee rejected most of the tort "reform" proposals it was created to consider, because, as a legislative staffer said, none of the experts the committee called upon could prove that tort "reform" measures would have a quantifiable impact in stabilizing insurance rates.

State bar associations (which include insurance and corporate lawyers as well as trial lawyers) in South

Carolina and North Dakota studied jury trials and verdicts in their state courts. The bar association in South Carolina found that when awards were discounted for inflation there had been no increase in dollars awarded during the 10 years from 1976 through 1986. It also reported that although there were more and larger punitive damage awards, the median amount for verdicts has remained constant.

The State Bar Association of North Dakota in a similar 10-year study found that about half the verdicts were under \$15,000, and only six verdicts were above a million dollars. The immediate past president of the state bar, David Peterson, said, "This tells me that North Dakota juries, contrary to common thinking, are not out of control."

"We think the report had a significant impact on the legislature," he went on.

"The insurance industry," he said, "used vague generalities, and we presented specifics."

"We're Not a Litigious Society"

"The facts do not support the rhetoric surrounding the litigation explosion," said Stephen Daniels in the *Judge's Journal* (Spring 1985).

"The message provided by the past," he said, "is that trial courts in different locales, even within a state, may show different patterns over time but probably not the simple, upward trend line implied by the litigation explosion idea.

"We must be prepared for the possibility that research into patterns and changes in court activity over time may well show that there is little factual basis for all of those dire predictions."

Similarly, quoting a breakdown of the 1984 claims against Southern California Physicians Insurance Exchange (SCPIE), California Assistant Commissioner of Insurance Roth said that of 1,180 claims, 72 percent were closed without indemnity. The 324 claims paid averaged about \$80,000, and over two-thirds were for \$50,000 or less (*California Lawyer*, March 1986, p. 41).

Starting new evidence suggests that the "lawsuit crisis" may not even exist:

"The insurance industry has fostered these misperceptions with a phenomenally successful campaign that blames the 'lawsuit crisis' for shocking premium increases and a paralyzing insurance shortage. The rate hikes, however, result largely from the insurance industry's own mismanagement."

The often-cited litigation explosion thus appears to be exaggerated with respect to the total number of civil filings. The source of the perception that there is a litigation explosion may be founded in a changing mix of civil cases, increased complexity of the cases being filed, and widespread media reports of enormous awards in relatively few civil cases.

National Center for State Courts.
A Preliminary Examination of Available Civil and Criminal Trend Data in State Trial Courts. April 1986

To the extent that there is an increase in certain types of litigation, one has to wonder why that's a bad thing. Imagine having a "crisis in confidence" in a branch of government in which the crisis was that people have too much confidence. How many other societies wouldn't relish that kind of problem, in which people reduce their arguments to paper and bring the papers to a courthouse precisely because they believe in the system.

American Lawyer,
May 1986

The facts do not bear out the allegations of an "explosion" in litigation or in claim size . . . Instead, the available data indicate that the causes of, and therefore the solutions to, the current crisis lie with the insurance industry itself. Thus, to the extent that civil justice reform may be desirable, it would be for reasons entirely separate from the liability insurance "crisis." The rush to put such civil justice changes in place is therefore uncalled-for and potentially quite harmful, since these changes would remain in place, while providing little relief from any cyclical "crisis" period the insurance industry might pass through in the future. In particular, implementation of such damages at the federal level would create inflexibility and would eliminate states' abilities to make their own judgments. . . .

National Association of Attorneys General
Report, May 1986



Spyder Webb

Statistics from State Courts

In Colorado, the population increased 37.9% between 1977 and 1985, but personal injury suits increased by less than 21%.

In Connecticut in 1984-85, there were only 3 awards of \$1,000,000 or more. Of the 12 product liability cases, the plaintiff won in 7; of 23 medical negligence cases, only 5 plaintiffs won.

The Delaware Superior Court in New Castle County found only 3 jury awards of \$1,000,000 or more between 1980 and 1985, and two of these were in libel cases. The Annual Report of the Delaware Judiciary states that total damage claims from 1984-85 were down by 4%, and 1985 had 421 fewer claims than 1980.

In Florida, defendants won almost half of all tort verdicts, and more than 85% of the awards for plaintiffs were less than \$50,000. The number of medical negligence cases dropped from 6% of total filings in 1982 to 1.8% in 1984 and 1985.

In Georgia, defendants won a majority of cases; the highest award to a plaintiff in 1985 was \$78,500.

In Indiana, the Supreme Court upheld only 4 awards of punitive damages in the 35 years between 1950 and 1985.

In Iowa, tort filings decreased by 12% from 1981 to 1985. Med-

ical negligence and product liability cases accounted for only 3% of total tort awards.

The Maine 1986 Judicial Department Report revealed that since 1980, civil filings have steadily decreased, with a total decrease of 17.4%.

Minnesota, statewide data indicate that less than 20% of all civil filings are personal injury actions; jury verdicts remained relatively constant in Hennepin County (Minneapolis-St. Paul) and were lower in 1985 than in 1981.

A study in New Jersey of jury verdicts from January 1980 through February 1984 showed that verdicts of over \$300,000 were awarded in only 43 cases.

The South Carolina Jury Verdict Research Project has concluded that in that state product liability cases accounted for only 2% to 5% of all verdicts.

In Texas, there were only 16 medical negligence jury verdicts in 1984; and in 1985 there were only 15; in 1984 there were 24 jury verdicts in product liability cases, and in 1985 only 12.

In Washington State, tort filings per 10,000 persons have held steady since 1976.

The Supreme Court of Vermont reported a 2.3% increase from June 30, 1985 to June 30, 1986 in all civil suits.

Why Federal Court Filings Rise

If we break down the overall increase we notice that the increase in filings over the five years (1975-84) is heavily concentrated in a few areas. . . .

Half the total increase is accounted for by two giant increases—recovery cases and social security cases. Each is the result of deliberate and calculated official policy—to recover overpayment of veterans' benefits by litigation and to curtail disability benefits by summarily removing beneficiaries from the rolls. Is the 412% increase in

social security casts to be understood as an outbreak of litigiousness among social security claimants? Does it make sense to take the 668% increase in recovery cases as evidence of an outbreak of litigiousness among federal officials? Like social security recipients whose disability payments were terminated, federal officials were confronted with a problem and turned to the courts to solve it because nothing better was at hand.

Professor Marc Galanter,
"The Day After the Litigation Explosion"

Legislature Reaches End of Its Rope

New Mexico enacted a number of laws some time ago that it supposed would solve the problem of availability and affordability of insurance. In January 1987, an interim legislative committee reported to the 38th Legislature. That report was eloquent in its frustration.

The committee was charged with examining whether changes in the laws governing the civil-justice system solve the problem of increased insurance premiums in all aspects of our society. Among the committee's findings:

- There is an insurance premium crisis in New Mexico evidenced by massive increases in premiums in all areas of tort liability insurance.

As early as 1976 New Mexico had enacted changes which the advocates of tort reform designated as the most important requirements to stem the tide of insurance premium increases.

In 1976, governmental liability was capped at \$300,000 per person and \$500,000 per accident—among the most restrictive in the nation. Similar caps were placed on non-medical damages in medical negligence awards, and both kinds of cases were given new, shorter statutes of limitation. In 1986 New Mexico limited dram shop liability; the New Mexico courts had earlier abolished joint and several liability and instituted a system of proportioned negligence.

- Despite all these "tort reform"

changes, New Mexico was experiencing skyrocketing insurance premiums (insurance for the city of Roswell jumped from \$87,000 per year to \$677,000 per year).

- There has been no demonstrable evidence that enacting tort reforms results in rate relief.

- New Mexico's tort reforms have not reduced insurance rates for general liability insurance.

- The committee found no evidence of a litigation explosion in New Mexico, nor was there any evidence of excessive judgments in tort cases.

- New Mexico is the eighth most profitable state in the nation for insurance carriers as expressed in the ratio of insurance premiums earned by general liability carriers to claims paid by those carriers. New Mexico premium payers, therefore, are in the unenviable position of subsidizing claimants in other states.

- Thus, what the insurance industry appears to be doing is attempting to keep its economic portfolio current by raising rates not in response to casualty losses, but rather in response to the downturn in investment profitability.

The New Mexico committee concluded:

1. There is no litigation crisis or "tort reform" crisis in New Mexico.
2. There is an insurance premium crisis in New Mexico that is unrelated to the amount or quality of tort litigation in this state.

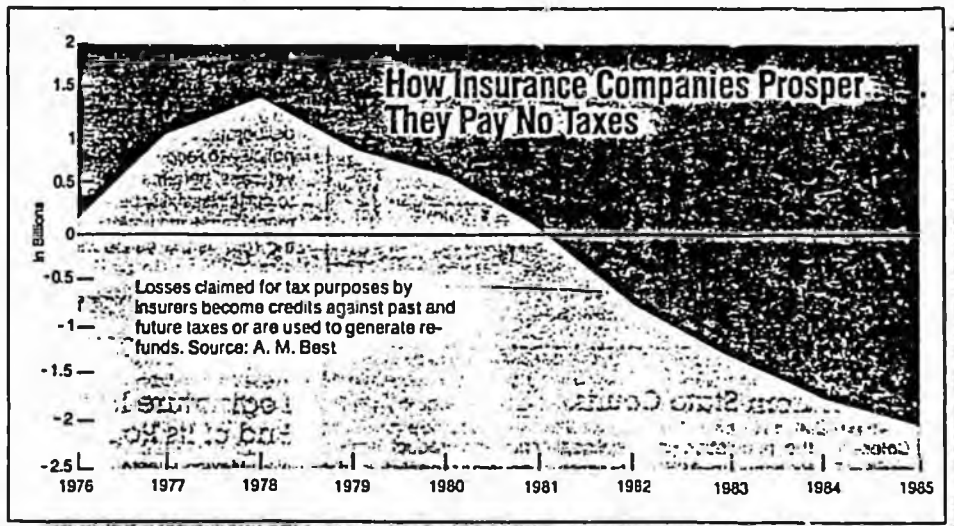
THE INSURANCE INDUSTRY HIDES IN A FOG OF STATISTICS.

Why Insurers Love the Tax Code

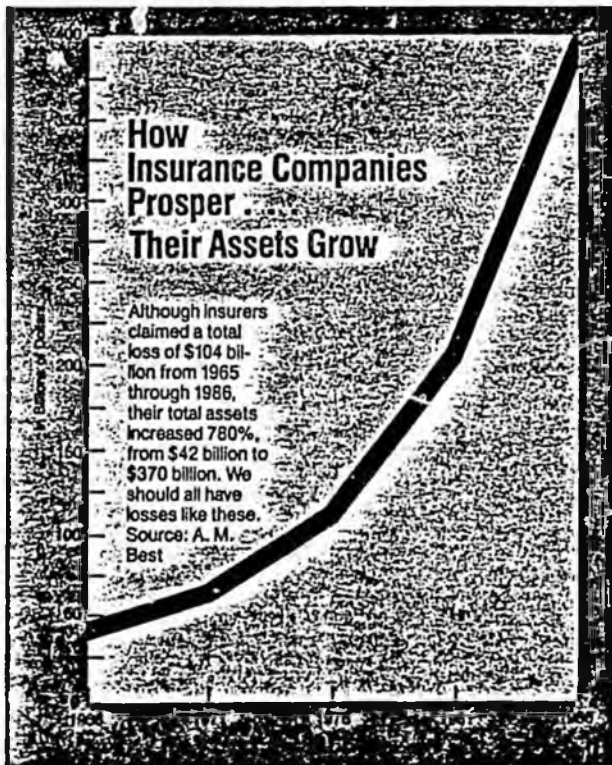
When a policyholder files a claim, the insurance company estimates what its ultimate payment will be and sets that money aside into a "loss reserve." The money may not actually be paid out for years, especially if damage disputes are dragged through the courts. Moreover, insurers may also reserve for claims that have not yet been made—and may never be made. But for tax purposes that money is deducted as an expense. Using this privilege, companies salt away billions of dollars.

Meanwhile, the insurance company invests the loss reserve in bonds, real estate, or the stock market, and garners a profit.

Consumer Reports, August 1986



Don Henning

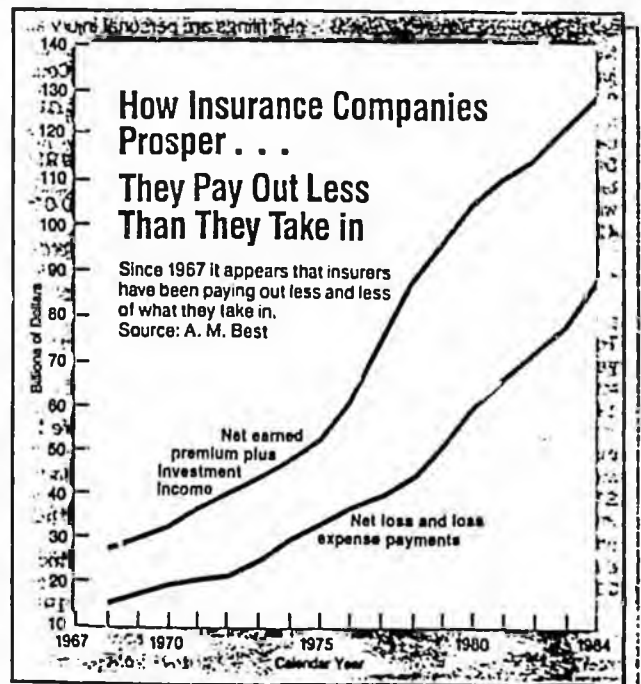


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Don Henning

The debate has been hindered by an unwillingness on the part of the nation's insurance companies to open their books for scrutiny.

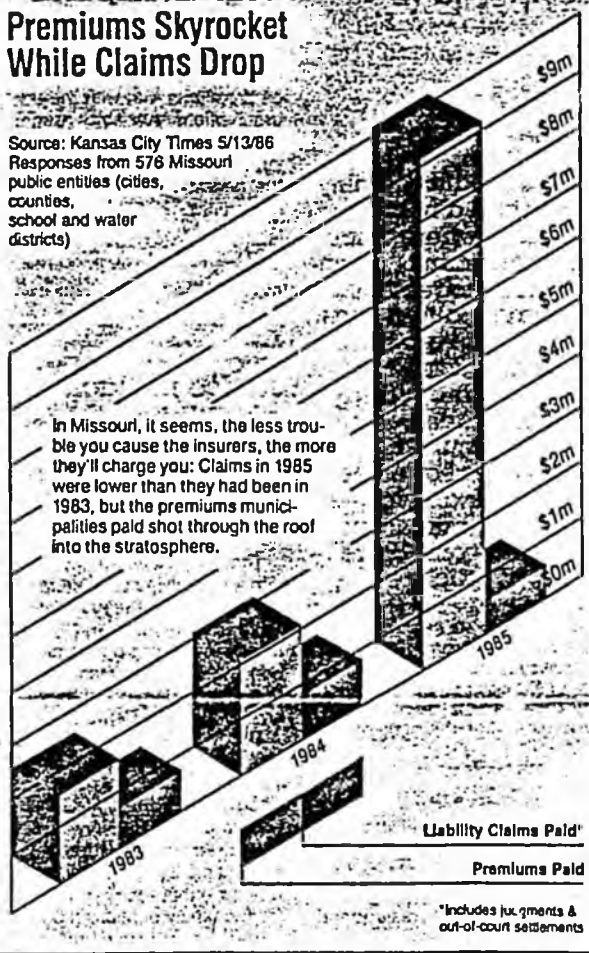
Houston Business Journal, April 27, 1987



Don Henning

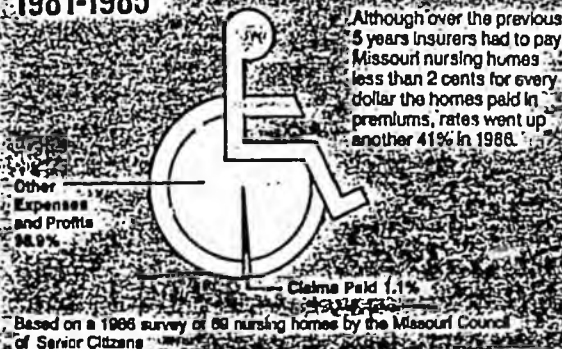
Premiums Skyrocket While Claims Drop

Source: Kansas City Times 5/13/86
Responses from 576 Missouri public entities (cities, counties, school and water districts)



Case Hennig

How Missouri Nursing Home Insurance Premium Dollars Were Spent—1981-1985



Case Hennig

Child Care a Risky Business? Not for the Insurers

In 1985, the highest claim paid out for a child care program was \$15,000. In a survey by the National Association for the Education of Young Children (NAEYC) reported early in 1986, 90 percent of those surveyed had never had a claim. Of the few that did, 8 out of 10 had total claims of less than \$500.

And what did the child care business get as a reward for such good behavior? In 1985, insurers cancelled insurance for two-thirds of the small family day care homes and one-third of the child care centers, because they were "unprofitable."

Child care, according to the report, was included among the industry's list of unprofitable businesses on the basis of statistics that merged child care with foster care, nursing home care and a number of other businesses.

In 1985, the NAEYC was getting 200 phone calls a week about rate hikes, coverage cutbacks, and cancellations. The NAEYC decided to document the problem. To its sur-

prise, a random, national sample of child care providers proved there was no problem, from a risk point of view. "The cause of the crisis in liability lies primarily within the insurance industry," the report says flatly. According to Marilyn Smith, executive director of NAEYC, "We've asked the insurance industry for evidence of large child care claims and they haven't produced it. Congressional hearings, convened to examine the evidence, came up empty-handed."

The report revealed that in 1985, claims paid out amounted to only 6 percent of total premiums. As Smith says, "Child care is a sound insurance risk—the CIGNA insurance company, which is one of the few that is still writing child care policies, has made \$5 million in the last 9 months on child care. It looks to me as if we have paid for their ad campaign."

"It is tragic that parents will need to pay more for child care and quality may deteriorate in some programs because dollars that could serve children are instead going toward exorbitant and unjustified insurance premiums."

"Tort reform will not help much where there are no torts."

If the insurance industry has been profitable, what is the justification for the huge increases of the last two years?
If current insurance supervision is inadequate, why is American business being crushed under huge rate increases that have questionable justification?

The Hon. James J. Florio, Chairman, House Subcommittee on Commerce, Consumer Protection and Competitiveness

How Bad Is It For Insurers?

The National Association of Attorneys General, after extensive study, came to the following conclusions in its 1986 report, "An Analysis of the Causes of the Current Crisis of Unavailability and Unaffordability of Liability Insurance":

Conclusion #1: The property/casualty industry is in adequate and indeed improving financial condition.

Conclusion #2: There have not

been vast or explosive increases in claims and payments to victims.

Conclusion #3: The cyclical nature of the industry itself, and not any change in tort claims, is largely responsible for the current "crisis."

Conclusion #4: Changes in the civil justice system are not likely to solve the current or future problems in availability and affordability of liability insurance.

JURIES HELP MAKE LIFE SAFER FOR ALL OF US.

Civil justice is one of the great triumphs of the American system. . . . It forces wrongdoers to change their products and practices or risk further liability.

It forces public disclosure of defective products and dangerous practices. The civil justice system must be preserved and the rights of consumers protected. The public interest demands no less.

Joan Claybrook
President, Public Citizen
May 21, 1986

The victim should be protected, not the ones who contributed to the injury.
News-Press, Ft. Myers, Florida
January 21, 1986

The amount of oil lost worldwide in accidents fell dramatically during the past two years, a research organization says. The decline may be the result of tighter industry operating procedures, stimulated by liability concerns. . . .

Richard Golob, director of the Cambridge-based Center for Short-Lived Phenomena and World Information Systems, said, "The improved record may result from the threat of high liability damage awards, particularly for harm caused to beaches, wildlife, and other natural resources."

Washington Post,
November 28, 1986

A jury, however humanly fallible, is our final repository for the expression of a personal sense of what is just and right.

Murray Kempton
Los Angeles Times
July 22, 1986

DES, Pinto, and asbestos aren't code words for the system destroying society; they're examples of the system making life safer for all of us.

"The Not-So-Simple Crisis"
American Lawyer, May 1986

When Is a Loss Not a Loss?

In 1985, the property-casualty insurance industry somehow managed to announce a \$5.5 billion loss while still posting a \$5 billion profit.

Charging the industry with fraud, J. Robert Hunter, president of the National Insurance Consumer Organization, explained how insurers do arithmetic—not like you and I do, believe me. Hunter described what insurers consider losses:

- \$2.1 billion was dispersed as

optional dividends to stockholders.
• \$1.9 billion was in taxes, but the industry forgot to mention that these were rebated.
• \$6.5 billion was in realized and unrealized capital gains.

The U.S. Government Accounting Office in April 1987 makes this straightforward statement:
"The property/casualty industry had a \$19 billion after-tax profit for 1986 and an \$81 billion profit over the ten-year period 1976 through 1985."

Don't you wish you had losses like these?

Nathan Weber, "Product Liability: The Corporate Response" (Conference Board, 1987), a survey of the risk managers of 232 major corporations

for pronouncements they've made at insurance meetings about how the industry must move to recover."

It then quoted James T. Lynn, chairman of Aetna Life & Casualty, announcing very strong results of the second quarter of 1986: "However, casualty/property earnings must continue to improve to compensate for the losses and inadequate returns of recent years."

Lynn's statement is worth remembering, so here it is again. Because, as the *Journal of Commerce* wisely pointed out, "It certainly does nothing to quiet the allegations that the insurance industry, with dramatic premium rises, is making its customers pay for its management mistakes during the cash flow underwriting years." Just what we've been saying right along.

Making Good on a Prediction

"We'll see this one again," began a September 1, 1986 editorial in the *Journal of Commerce*: it went on: "Consumer advocates opposed to the insurance industry have been fond of accusing some of the industry leaders of collusion by quoting them—out of context, we think—

Your Assumptions or Mine?

No one can predict precisely what the impact of tort reform would be on premiums. But with the proper assumptions, variables such as claims settlements and underwriting experience can be worked into the necessary formulas to make projections.

James M. Coyne,
Executive Director,
American Tort Reform Association
(a business group)

Justice in Black and White

On March 21, 1981, the beaten and slashed body of a black 19-year-old named Michael Donald was found hanging from a tree in a Mobile, Alabama suburb.

That day Donald's mother ran into Michael Figures, a state senator who lives in the neighborhood and who is a lawyer in Mobile. He has been working on the case pro bono ever since, in close cooperation with the lawyers of the Southern Poverty Law Center.

The two people who actually lynched Michael Donald were convicted on criminal charges—one was sentenced to a life term and one to death. But it was a civil lawsuit—a wrongful death action brought against the United Klans of America—that achieved true justice for the family of Michael Donald.

The lawyers who represent Mrs. Donald stressed to the jury that, although no amount of money would bring her son back to her, only a large verdict would bring strong enough message to the Klan that their philosophy of hatred and violence will no longer be tolerated. The all-white jury agreed. On February 12, 1987, Mrs. Donald was awarded \$7 million in damages.

What Some Doctors Have to Say

The greatest cause of malpractice is malpractice. You must understand that some of the malpractice out there is so grievous, offensive, and implausible as to beggar the imagination. Without real malpractice, we would not have this problem.

Barry S. Schrimm, M.D.
Director of Maternal/Fetal Medicine
Pasadena's Huntington Memorial Hospital
AMA News, June 21, 1985.

I used to go out and talk to all the hospitals around here. I told them if you have premature babies, you should send them to a center that can take care of them. Then I appeared in one case. All of a sudden, all the babies started getting sent where they should be.

David Abramson, M.D.
Washington, D.C.

Not Every Hospital Injury Is Caused by Malpractice—Some Are Caused by Bad Products

Only once has the Supreme Court of Arkansas allowed a jury award of punitive damages to stand in a product liability case. The product was an artificial breathing machine widely used by anesthesiologists during surgery. The case was *Airco, Inc. v. Simmons First National Bank*. The breathing machine had an unnecessary valve that increased the likelihood of operator error that would cause death or serious brain injury. Only when the punitive damage award was upheld at the Supreme Court level did the company stop selling the valves and tell users to disable all valves in place.

In May 1980, Georgia Huchingson, a woman in her mid-sixties, had surgery at a hospital in Little Rock, Arkansas, for suspected brain cancer. It turned out that she did not have a malignancy and, had things not gone awry during surgery, she would have had an excellent chance for recovery.

At times during surgery, it is necessary to apply pressure so that the lungs expand and contract as

The utter disregard for basic principles of ethical and safe practices is appalling.

John Adriana, M.D.,
New Orleans anesthesiologist

States are doing a terrible job in disciplining doctors. There are a few notable exceptions. Things are getting better, but not fast enough to save a lot of patients from being injured or killed by doctors who are on the loose because they haven't been disciplined.
Sidney Wolfe, M.D.

they do in natural breathing. In the course of a typical operation, the pressure is provided sometimes by a flexible bag, which the anesthetist squeezes and releases by hand, and at other times by the artificial breathing machine, a ventilator that also creates alternating pressure. It is usually necessary to switch back and forth between bag and ventilator.

The Airco ventilator used on Mrs. Huchingson had two ways to make the switch: One was by manually connecting the hose—a method that takes about 10 seconds and involves no hazard to the patient. The other relied on an optional accessory called a selector valve, a device attached to the ventilator. It had three ports, all the same size, placed very close together.

Before Mrs. Huchingson's surgery, hoses had been attached to the right-hand port on the selector valve, and, incorrectly, on the middle port, where only a bag should have been connected. Because the ports looked alike, were so close together, and lacked adequate warning labels and signs, a nurse-anesthetist mistakenly attached the hose hanging from the middle port instead of a bag during the operation. The improper connection pumped air into the lungs of Mrs.

The Problems of Florida Doctors

In the spring of 1986, the *Orlando Sentinel* published an authoritative six-part series on medical negligence and malpractice litigation in Florida, with national commentary.

This is one revelation:

Five obstetricians at the University of Minnesota analyzed 220 malpractice claims nationwide involving childbirth. The claims had been paid by the St. Paul Fire and Marine Insurance Co. between 1980 and 1982. The researchers found that the doctors in those cases had mishandled 68 percent of the risks associated with delivery.

The *Sentinel* also reported on the work of Bonnie Berry, a former University of Miami sociologist who had reviewed every case of discipline against Florida doctors between 1980 and mid-1984, when

insurance companies paid malpractice claims on behalf of 2,239 Florida doctors. During that period, Professor Berry's research revealed, the Department of Professional Registration had filed malpractice charges against only 45 doctors and only 21 were disciplined. "My non-scientific and gut feeling," she said, "is that the patients are not seen as important parts of this entire . . . process."

Among the cases discussed in the series was the following: "By the time state officials were told about a problem doctor at Fish Memorial Hospital in New Smyrna Beach five years ago, records showed that the physician had been seen under the influence of alcohol in the hospital many times by 14 doctors, nurses and administrators. . . . Yet the hospital reported the doctor to state officials only after being sued for not doing so."

Huchingson, with no way for it to escape. The build-up of pressure and lack of oxygen severely damaged her lungs and brain.

Mrs. Huchingson lived in a coma for 16 months after the surgery and required round-the-clock nursing at a cost of more than \$300,000.

At trial, expert testimony, including that of the Airco engineer who had designed the ventilator and the selector valve, showed that the company designed, manufactured, sold, and persisted in selling the valve even though it should have known the device was inherently dangerous. As the appeal court said, "The manufacturer knew from the outset, by its own testing, that an unnecessary component of the product was so deadly that it should never have been made available to the public."

Before marketing the machine, Airco had field-tested the ventilator and selector at 30 sites throughout the country. Although reports were generally unfavorable, the company manufactured and sold the product anyway.

Two members of the medical partnership that was a defendant in the case testified that they did not learn until after the Huchingson injury that the ventilator could be used without the selector valve.

One of the doctors said directly that the valve "is absolutely a time bomb, and anybody that sits there and connects it a few thousand times . . . [is] going to misconnect it sooner or later."

The jury awarded compensatory damages of \$1,070,000 and punitive damages of \$3,000,000 against Airco, whose net worth exceeded \$607,000,000.

Airco had argued that it took a combination of nine separate acts of negligence (most of which were attributed to the nurse-anesthetist) to bring about Mrs. Huchingson's injuries, but as Justice Smith said for the Arkansas Supreme Court, "That possibility of injury could have been eliminated had Airco simply put the ventilator on the market without the optional but lethal selector." When the court upheld the punitive damage award in 1982, two years after Georgia Huchingson was injured, that is exactly what Airco did.

Of the 19 million operations performed annually while Airco sold the defective ventilator, about 25,000 deaths on the operating table were listed as "cause of death unknown," and it is impossible to determine how many of these were brought about by mistakes relating to the selector valve.

MANUFACTURERS LISTEN WHEN JURIES SPEAK OUT ON SAFETY.

Consumer-initiated product safety lawsuits have been effective in modifying or pulling from the market the following products:

Asbestos

In a landmark case in Texas in 1973, the court found that Johns Manville and other companies that manufactured asbestos had failed to warn their employees of the known hazards of working with asbestos. The manufacturers of asbestos had failed to test their products and left the products on the market for 50 years knowing full well that they could cause asbestosis (a cancerous bronchial disease). Twenty-one million Americans have been exposed to asbestos in the workplace. Twenty thousand Americans die each year from cancer caused by asbestos. Federal legislation now requires that asbestos be removed from public buildings, and removal projects are currently underway throughout the country.

Blenders

Tim Little was helping his mother make brownies, when the blender unexpectedly came unscrewed from its base. Tim reached for the blender and his hand struck the whirling blades. Tim needed surgery to repair several tendons and a nerve in his hand. One tendon had been so badly shredded that it could not be repaired. Tim will never regain complete motion in all his fingers.

The design of the blender caused the container to detach from the base when sufficient torque was created inside the container. This tended to happen often when thick substances, like batter, were blended. The company knew this but failed to caution customers in the handbook for the blender.

If Tim had not been able to sue the manufacturer, his family would have had to absorb the costs of all his medical bills.

Chainsaws

Chainsaws have been redesigned as a result of product liability lawsuits. A woodcutter's family was awarded \$345,000 in compensatory damages after the court determined that his death was caused by a defect in the saw. Safety devices including chain brakes and hand shields are now standard on most brands of chainsaws.

DES

DES was prescribed in the 1950s for women prone to miscarriage. It was marketed without testing by several hundred pharmaceutical firms, making it difficult, if not impossible, to identify the specific manufacturer when filing suit. The daughters of these women are prone to vaginal and cervical cancer, and many suffer sterility—an estimated 3 million women. In a leading case involving DES it was found that proper testing would have revealed the cancer problem in female offspring.

Drano Containers

Drano drain cleaner's packaging was modified after a woman lost her sight from the explosion of a Drano container with an unsafe screw top. The housewife (48) was awarded \$910,000 in compensatory and punitive damages in 1970.

Flammable Children's Clothing

Lawsuits involving flammable fabrics used in making children's clothing have led to the strengthening of federal flammability standards. The courts exposed the fact that the manufacturers had known their dangerous products could not pass the federal safety test.

Ford Pintos

Ford testing revealed design problems in the Pinto gas tank; when the Pinto was hit from the rear at 21 mph, fuel leakage exceeded federal standards. This information was forwarded to the highest level of Ford's management, who decided to go ahead with production despite the defect. The necessary design changes would have cost Ford less than \$15 a car. The decision was repeated with the Mustang II, which had similar defects. Only after successful lawsuits on behalf of injured victims were the Pinto and the Mustang II recalled and modified.

Formaldehyde

Formaldehyde is still used in wood products such as paneling and the particle board used to build mobile homes. The fumes can cause cancer and other illnesses.

One woman and her two children experienced health problems a few months after moving into their new mobile home. One child was hospitalized for chemical hepatitis. The jurors found that the home was unfit for human habitation. They also found that the manufacturer had knowingly violated the Texas Deceptive Trade Practices Act and was negligent in failing to warn of the formaldehyde content in the home. The victims were awarded \$175,904 in compensatory and \$21,105 in punitive damages.

International Harvester Tractors

The gas tanks on International Harvester tractors had a defective vent hole which caused burning gasoline to geyser onto drivers. Even after receiving notice of severe injuries to a number of farmers, the manufacturer continued to market farm tractors with the defective fuel caps and fuel tanks. Only after juries began awarding compensatory and punitive damages did the manufacturers change the defective design.

Kissing Dolls

The kissing doll contained stuffing that had been treated with a pesticide which had chlordane in it. One doll had been left outside overnight, and the morning dew activated the pesticide. An eight-year-old girl was injured when she was exposed to the pesticide when she kissed and held the doll.

The manufacturer pulled the toy from the market when it was notified by the family's lawyer that suit would be filed for compensation for the injuries to the little girl.

Pickup Trucks

Most pickup trucks used to have their gas tanks behind the seat. In rear-end and side collisions and roll-overs, the tank often ruptured, spilling gas into the passenger compartment. If anyone was smoking or a spark ignited the fuel, the occupants were often killed or badly burned. Consumers began complaining about injuries soon after the introduction of these tanks in 1956, but they were not removed from the market until 1973, after plaintiffs were successful in a series of cases.

Zenith TVs

Zenith, starting in 1972, received over 300 complaints about fires caused by a defective resistor in the back of Zenith color TVs. This type of TV caused a fire in the Lieutenant Governor's apartment at the Texas State Capitol, which killed one person and seriously damaged the building. The state sued the manufacturer, the wholesaler, and the retailer under the doctrine of joint and several liability and for treble damages under the deceptive trade practices act. The state invested \$100,000 in expenses (not including attorney's fees) and settled for \$1.3 million in damages, or 80% of the cost of repairing the Capitol building.

FACT SHEET
PUBLIC CITIZEN OF TEXAS



Punitive Damages— When the Corporation Doesn't Care

As the *American Lawyer* said, "A large company that deliberately decides, at the cost of several lives, to evade a safety regulation or market a product that its own people fear is unsafe needs to have millions assessed against it for the punishment to hurt."

Punitive damages are just that: punishment of a corporation that knows its product will hurt or kill people, and markets it anyway.

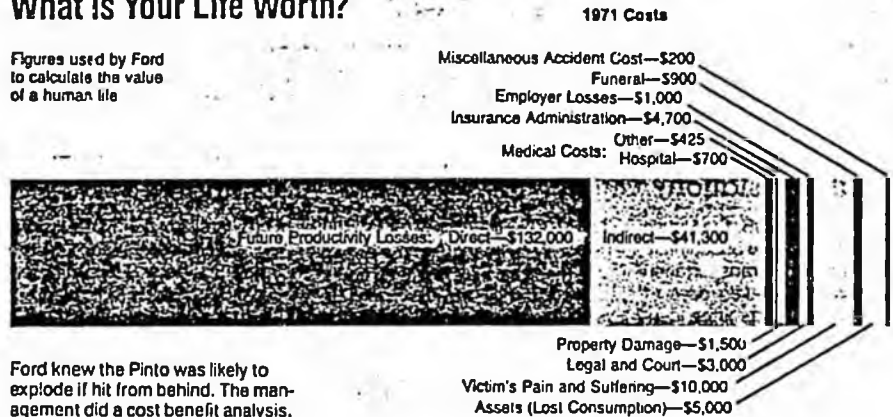
Are punitive damages actually battering corporations too much? Should they be limited by legislation? Only the U.S. Justice Department seems to think so, and in response the National Association of Attorneys General said unequivocally: "The figures presented by the Justice Department Report are meaningless."

The Rand Corporation's Institute for Civil Justice, whose board is dominated by insurance industry figures, in 1987 released a summary of its research results on "Punitive Damages . . . How Much and To Whom." Among the findings:

- The few large awards have skewed the totals.
- In 25 years the frequency of punitive awards in personal injury cases has changed little.
- Punitive damages were rarely granted in personal injury cases in any jurisdiction—they are far more frequent in business contract litigation.
- In about half the trials, punitive awards were reduced, and the reductions were greatest in personal injury trials. As a result of post-trial action, plaintiffs actually received only about half the money awarded by juries.

What Is Your Life Worth?

Figures used by Ford to calculate the value of a human life



Ford knew the Pinto was likely to explode if hit from behind. The management did a cost benefit analysis, estimating that 180 people would die and 180 be injured, and decided it would be cheaper to sacrifice those people than to fix the car.

Table from "Pinto Madness," by Mark Downs in *Mother Jones* Sept./Oct. 1977, page 18. Based on National Highway Traffic Safety Administration study used by Ford in Cost-Benefit Analysis.

The Courts Clamp Down on Construction

In May 1982, Clyde McWilliams, a construction carpenter, was working on a 30-story condominium in Seattle. The core of the building—its concrete skeleton—was being constructed. During this stage, concrete is poured one floor at a time. Steel and lumber forms are used as molds and then removed when the concrete has set. Each form is about 40 feet from end to end. McWilliams's job was to unfasten the forms after the concrete hardened. As he stood on the edge of the concrete core, a tower crane, which the construction company had leased from the Mobile Crane Company, hooked on to the form and nursed it out of the core.

The tower crane had been in operation on the site daily for about two months. The deadend of the lift line that ran around the pulley at the end of the crane was secured with U-bolt clamps. With use, the lift line cable stretches like taffy. As it stretches, it defeats the clamping effect of the U-bolts.

Suddenly the lift line attaching the spreader bar to the crane gave way. The bar dropped on McWilliams, first striking his right shoulder and then his right foot. The blow severed the nerve to McWilliams'

deltoid, the main shoulder muscle, and crushed the bones in his foot. He spent three weeks in the hospital and a year in rehabilitation.

His injuries are permanent. McWilliams cannot lift his arm above his shoulder and walks with a limp. He has lost his ability to balance and cannot climb. A single parent with three children, McWilliams was 36 at the time of the accident, earned \$33,000 a year, and was looking forward to a bright future in Seattle's booming construction industry.

The crane company claimed the accident was due to operator error: The bolts holding the mold had not been properly released, the cement had not cured, and the crane operator had overloaded the crane.

McWilliams's lawyer studied the engineering theory involved and was able to show that the crane was not overloaded. He set out to prove that securing the cable with U-bolts was inherently unsafe because of the known stretching properties of steel cable wound around hemp. He even climbed up 180 feet onto the topmost part of the crane above the cab—the rooster tail. "I've never been so scared in my life," he says. At the boom end of the crane, he saw a simple fastening device known as a becket and thimble, which tightens the connection as cable stretches. The cable pulls

the thimble against tops inside the becket, and the more pull exerted on the cable, the tighter the connection becomes.

When the lawyer asked the crane company owner why U-bolts were not used to secure the boom, the answer was that if they were, "the whole boom would come down"—a damaging admission.

The becket and thimble was effective, economical, and well-known as a fail-safe fastening device. If the becket and thimble had been used to secure the liftline, the only way a load could be dropped would be because of cable failure.

For the two-and-a-half years the case was pending, the defendant continued to secure the deadend of the lift line on all its tower cranes with U-bolts. One week before trial, the parties agreed to settle the case for \$675,000.

Within a few weeks of the settlement the Mobile Crane Company and all other lessors of cranes in the Seattle area replaced U-bolts on all their tower cranes with becket-and-thimble attachments. The cost per modification was less than \$40.

As the lawyer for Clyde McWilliams made clear, "While the infliction of an injury on a human being often does not inspire subsequent safety measures, a successful lawsuit almost invariably does."

Dino Harzag

INSURANCE REFORM LEGISLATION WOULD IMPROVE THE SYSTEM.

Should There be Federal Legislation?

In May and June 1986, the House Energy and Commerce Subcommittee on Commerce, Transportation and Tourism held seven days of hearings. The subcommittee identified seven critical problems: widespread and substantial rate increases; insurer withdrawal from entire areas, including pollution control and child care; the sudden rash of arbitrary cancellations; restriction of coverage; inability of states to identify financially troubled insurance companies because of unreliable data; state regulation of reinsurance; and capability of states to supervise the liability insurance market.

The subcommittee chairman, James J. Florio (D-NJ), said, "It is not appropriate at this moment for the federal government to assume primary responsibility. But the public's patience is not unlimited. The states must act." The information was to have been supplied by January 15, 1987.

Florio said that there were proposals during the hearings to change the civil justice system, but "it is apparent from our hearings that no evidence is available to demonstrate that drastic restrictions on the rights of injured parties will solve the insurance crisis. The data on claims have not been forthcoming. . . . The jury verdict statistics are riddled with holes."

At the same time the Subcommittee on Monopolies and Commercial Law of the House Judiciary Committee was also investigating the insurance crisis. The chairman of the

Judiciary Committee, Peter W. Rodino, Jr. (D-NJ), had this to say:

The companies say they are losing money on underwriting. But the facts reveal that, over the past decade, they have paid out only 29 cents to 57 cents in claims and allocated loss adjustment expenses, such as defense costs. . . . every premium dollar they have taken in. Actually, the cash picture is much more favorable to the industry than this because investment income has not been added in. Moreover, the payout to policyholders is lower than these figures indicate because the loss figures include some loss adjustment expenses. The so-called "losses" are really paper losses, calculated by deducting reserve amounts that the companies retain and invest. Even in the troubled lines, such as day care, the companies are taking in twice as much as they are paying out in claims. At a minimum, what this shows is that the claims of losses are almost wholly speculative.

Rodino pointed out that for product liability, of the premium dollars taken in over the past ten years, less than half had been paid back out, and the line had produced a positive cash flow of \$2.6 billion, not including investment income. "In view of figures like these," Rodino said, "I question how the companies can claim they are losing money.

"Insurance companies have yet to justify their actions by producing actual payments and claims information," he said.

The More Things Change . . .

Ten years ago, during the last regularly scheduled insurance crisis, the Small Business Subcommittee in the U.S. House of Representatives was receiving complaints of unbelievably high premium increases and decided to initiate hearings. In 1986, the chairman of that committee, John LaFalce (D-NY), spoke about what he had learned in 1975.

I quickly found out that in the insurance industry appearances can often be deceiving. I quickly found out that the vocabulary of the insurance industry differs markedly from the vocabulary that you and I ordinarily use. Their definition or use of a word would often differ from our definition of that same word.

"For example, the word 'losses.' You and I might think that we know what a loss is: It means something that has been lost, rather simple. Well, not so within the insurance industry.

In the insurance industry . . . if

you use the word "loss" in connection with ratemaking, it means something quite different. Thus, when the insurance industry for purposes of State financial reporting uses the word "loss," it means that which it paid out. . . . But the industry also means that which it has set aside as reserves for those claims that have been reported to it. In other words, "loss" in this context includes not just what is actually paid out, but estimates of future payouts as well.

. . . The insurance industry also includes within its definition of "loss," reserves that have been set aside for claims that it says probably have occurred, but of which it has absolutely no knowledge whatsoever. It calls these losses IBNR (incurred but not reported). However, when it uses the word "loss" within the context of ratemaking, it does not include IBNR because it is deemed statistically unreliable—and that's putting it mildly.



Today, the only recourse for the victim of malpractice is the legal system: suing the doctor or the hospital. . . .

It is the failure of the state to effectively discipline bad doctors and of hospitals to effectively curb malpractice through more rigorous oversight procedures that's forced more injured patients to turn to the courts for help.

The malpractice crisis is real, but its causes have been misunderstood and the solutions have failed. The medical profession must be more conscientious about admitting its mistakes. The states must be more diligent about stopping those who are persistently guilty of them. And if the insurance companies can't give a better accounting of why their malpractice rates for doctors are so alarmingly high, then the federal and state governments will have to do it for them, and find a means to guarantee that those rates are reasonable. Even then, the malpractice crisis will threaten all of us until the government, the hospitals, and the doctors themselves find the will to remedy the fundamental cause of it: malpractice itself.

Richard Threlkeld
ABC News Closeup,
December 27, 1986

Richard Threlkeld
ABC News Closeup,
December 27, 1986

I consider trial by jury
as the only anchor ever
yet imagined
by man, by which
a government can be
held to the principles
of its constitution.

Thomas Jefferson, Letters to Thomas Paine (1789)

Why I Vetted Tort Reform

Bruce Babbitt,
former Governor of Arizona

... As a nation, we have traditionally chosen two ways to deter unsafe corporate behavior: regulation and the threat of litigation. The advantage the jury system has over the bureaucratic approach is, first, its thoroughness. No number of federal or state safety inspectors can hope to provide the same level of deterrence that our American jury system provides. In fact, our notions of free enterprise probably would prohibit the levels of bureaucratic intrusion that would be necessary to provide the same level of safety that the legal system does.

Second, our judicial system has an advantage of flexibility. In this

age of constant development of new products and, therefore, of new hazards to both consumer and environment, the body of law that has been carefully crafted over the last two centuries to protect Americans from those corporate hazards has consistently proven more flexible, more adaptable to the changing times. This legal system has also proven to be more deliberative and more cautious in its adaptation of the law to changing concepts of justice and social responsibility.

In light of the undeniable social value of an effective civil justice system, the burden of proof must rest with those who would radically alter

this carefully balanced legal system. In the 1986 legislative session, I was presented with five bills to enact such drastic changes, changes that would have severely reduced the ability of injured people to gain full compensation for their injuries. Of broader import, these bills would have eroded the system of checks and balances that keeps corporations and bureaucracies conscious of their social obligation to protect the members of the public from needless harm. All five bills would have drastically tipped the scales of justice in favor of the wrongdoer and his insurer and away from the injured victim. In so doing, these

bills would have led to more unsafe workplaces, more toxic hazards, and more bureaucratic irresponsibility.

Yet, despite the radical nature of these bills, their advocates never demonstrated that they would bring relief from rising insurance costs to the businesses and municipalities in my state. Actually, what little evidence was presented indicated that the legislative changes would bring absolutely no relief to these victims of the insurance crisis.

I vetoed all five of these anticonsumer bills. The advocates of restrictions on consumer's rights simply did not prove their case....

The Key to Hotel Safety

In *King v. Trans-Sterling*, the effects of the verdict were greater than the monetary award. Not only did the defendants take significant action to prevent future harm, but the verdict sent a message that was heeded by other potential defendants—in this instance the hotel industry.

On August 21, 1982, a Chicago woman, Julia King, and her mother-in-law, Dorothy Williams, were vacationing at the Stardust hotel and Casino in Las Vegas. That night they had been in the casino, and at about 10:30 Julia King went up to her room to pick up tickets for a show. Mrs. King used her room key to open the door. As she moved to turn on the light, she was grabbed by a man who held a knife to her throat and threatened to kill her if she screamed. She begged him not to hurt her. He used the knife to cut her dress and pantyhose from her body, and tied her hands behind her back with a curtain cord. He then took a washcloth, stuffed it in her mouth, and used her pantyhose to wrap the gag in place. He proceeded to rape her vaginally and rectally, tied her feet with more cord, rummaged through her purse (taking about \$60 in cash), and finally left the room.

At 11 o'clock Mrs. King's mother-in-law asked a security guard to come with her to check the room, where they found Mrs. King naked;

she was still bound and gagged.

At the Las Vegas hospital where Mrs. King was treated, she required more sedation, according to the emergency room nurse, than had been administered to any of the more than 170 rape victims she had treated. When Julia King returned home to Chicago, she began treatment with a psychologist and continued in treatment for several years. An expert witness testified at the trial that Mrs. King suffered permanent and chronic post-traumatic stress disorder as a result of the rape at the Stardust. She also developed a skin disorder diagnosed as a combination of lupus erythematosus and vitiligo, both diseases of the immune system, the onset of which was found to have been precipitated by the trauma of the rape.

During the trial, a great deal of evidence proved that the security system at the Stardust was a farce. Patrols of the building were sporadic at best, despite the fact that key-clock stations supposedly insured a regular foot patrol. The stations were unused on the day of the assault, had not been in use for months, and perhaps had never been used. Although more than 125 closed-circuit video cameras were in operation at the hotel, the wing containing Mrs. King's room was totally unprotected. Guests were given a false sense of secur-

ty by the strategic placement of "dummy" video cameras.

It also appeared that the Stardust lost an average of 500 guest room keys per week, and that the rooms in Mrs. King's building had not been rekeyed since construction in 1957. Management was also aware of at least 101 master keys in circulation. No records were kept of lost master keys. To make matters worse, these master keys were of a type which can override the night latch, even if a guest is in the room. Expert witnesses testified that no operation should have more than one or two emergency master keys and that these should be locked up, logged in and out, and kept under strict management control. There was no question that the lack of a key control system and the lax security policies at the Stardust was gross criminal negligence.

The lawsuit resulted on July 17, 1985, in a plaintiff's verdict in the amount of \$750,000 compensatory and \$2,500,000 punitive damages. Mrs. King was finally awarded \$821,000 (including interest), although the punitive damage award remained at issue for some time. The question was argued before the Nevada Supreme Court in January, 1978 (Nevada has no intermediate Court of Appeals); but the parties decided to settle.

From the time of Mrs. King's rape

in 1982 to the verdict—almost three years—there was virtually no change in key-control policy at the Stardust. But as soon as the verdict was handed down, the Las Vegas hotel managers got the message. The Schlage Lock Company was deluged with requests for bids. By the spring of 1986, between 15,000 and 20,000 Las Vegas hotel rooms had been rekeyed with systems meeting national industry standards. At the Stardust, the entire 1,000-room Mercury building, where Mrs. King's room was located, had brand-new hardware of the latest design installed on the doors. Says Mrs. King's lawyer, "The immediate and salutary effect on consumer safety in Las Vegas remains a source of considerable pride to me."

Some months later, Mrs. King's lawyer was in Chicago, checking a friend into the Palmer House. He noticed a state-of-the-art lock set prominently displayed at the registration desk to show guests how their locks worked. He asked the desk clerk why the hotel used such a technologically advanced mechanism. "The word around here," the clerk said, "is that there was some case in Las Vegas where a huge award was made."

THE PRESS HAS COMMENTED ON THE INSURANCE CRISIS.

THE KANSAS CITY STAR
MAY 8, 1986

Insurance Fog Is Hard to Penetrate

Statistics can be twisted in many different ways, and some statistics that would be relevant to the insurance debate simply haven't been gathered. But looking at the figures available and perhaps seeking some that aren't represents a better alternative than simply assuming, as Attorney General Ed Meese did recently, that there has been an explosion in certain types of lawsuits at the state level. Legislative proposals should be based on something more than statistical assumptions and horror stories.

CONSUMER REPORTS
AUGUST 1986

The Manufactured Crisis

Liability-insurance companies have created a crisis and dumped it on you. . . .

The industry's version of tort reform means placing limits on the rights of injured people to sue for and recover damages. . . .

The lawsuit crisis may be phony, but the insurance crisis is real. Towns, doctors, day-care centers and others face urgent problems of insurance availability and affordability. What is needed to alleviate the problem is not tort reform but better regulation of the insurance industry.

ANNISTON STAR
APRIL 13, 1987

Tort Reform in 40 States Has Failed to Cut Premiums

"Not in one state has it been demonstrated that tort reform has resulted in lower insurance premiums," said Robert Hunter, president of the National Insurance Consumer Organization.

Industry spokesmen counter that the reforms were passed too recently to have produced results. And the effect of tort reform on rates is at best speculative, they say. "There is no tie-in between tort reform and insurance rates—we've claimed that from day one," said James Purcell, regional manager for the American Alliance of Insurers in Atlanta.

HOUSTON BUSINESS JOURNAL
APRIL 27, 1987

A Very Profitable Insurance Crisis

In the midst of what most business and political leaders are calling a nationwide insurance crisis, along comes a study showing that the nation's insurance companies are experiencing record profits. . . . The debate (about tort reform) has been hindered by an unwillingness on the part of the nation's insurance companies to open their books for scrutiny. . . . If insurance companies are hurting to the extent they claim, they should prove it.

JOURNAL OF COMMERCE
OCTOBER 24, 1986

Industry Bites Customer

The insurance industry is showing signs of being its own worst enemy. How can an industry that spends millions on advertising and contributes heavily to state and federal campaigns to reform tort law not recognize the public relations debacle associated with telling a state, which reformed its tort law, that the reforms are worth zero in the pricing of insurance products?

CHICAGO SUN-TIMES
AUGUST 30, 1986

What Liability Crisis?

The profits of the property and liability insurance industry in the first half of this year were six times higher than they were last year. . . . The facts underscore the major point: Don't undertake major "reforms" that entail the loss of important individual rights until it is demonstrated that the changes are absolutely necessary. They weren't.

BUSINESS WEEK
APRIL 21, 1986

The Explosion in Liability Lawsuits Is Nothing But a Myth

Startling new evidence suggests that the "lawsuit crisis" may not even exist. . . . The insurance industry has fostered those misperceptions with a phenomenally successful campaign that blames the "lawsuit crisis" for shocking premium increases and a paralyzing insurance shortage. The rate hikes, however, result largely from the insurance industry's own mismanagement.

THE RECORD
JULY 22, 1986

Stay Out of the Jury Box

The problem is complicated and multidimensional. Yes, there are more lawyers and more lawsuits: what consumers or workers want to return to the days when they could be maimed or poisoned with no recourse?

The Association of Trial Lawyers of America
1050 31st Street, N.W.
Washington, D.C. 20007-4499
202/965-3500

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
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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

H. C & RA	Feb. 8, 1988	3:00 pm
H. C & RA	MARCH 14, 1988	3:00 pm

HB

230

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

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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

HL+C

4-16-87

1:30 p.m.

HL+C

4-23-87

1:30 p.m.

5-0948B ✓
Ford
4/23/87

Original sponsors: Ulmer, Goll,
Navarre, et al.

1 IN THE HOUSE

BY THE LABOR AND COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 230 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the premium tax on certain insur-
7 ers."

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

9 * Section 1. AS 21.09.210(b) is amended to read:

10 (b) Each insurer, and each formerly authorized insurer with
11 respect to premiums received while an authorized insurer in this
12 state, shall pay tax on the total direct premium income received
13 during the year ending on the preceding December 31 and paid for the
14 insurance of property or risks resident or located in the state in-
15 cluding [OTHER THAN] wet marine and transportation insurance, after
16 deducting from the total direct premium income the applicable cancel-
17 lations, returned premiums, the unabsorbed portion of any deposit
18 premium, all policy dividends, unabsorbed premiums refunded to policy-
19 holders, refunds, savings, savings coupons and other similar returns
20 paid or credited to policyholders with respect to their policies. No
21 deductions may be made of cash surrender value of policies. Consider-
22 ations received on annuity contracts are not included in the direct
23 premium income and are not subject to tax. The tax shall be paid to
24 the director annually before April 1, and [, EXCEPT AS PROVIDED IN
25 AS 21.69.390(c),] is computed at the rate of

26 (1) for domestic and foreign insurers, except hospital and
27 medical service corporations, three [2.7] percent;

28 (2) for hospital and medical service corporations, six
29 percent of their gross premiums less claims paid.

1 * Sec. 2. AS 21.09.210(c) is amended to read:

2 (c) A domestic company organized before January 1, 1987, is
3 exempt from taxation under this section for a period of five years
4 from the date of its organization.

5 * Sec. 3. AS 21.09.210 is amended by adding a new subsection to read:

6 (j) The tax paid to the director under (b) of this section shall
7 be deposited in the general fund. The Department of Administration
8 shall separately account for 10 percent of the tax collected under (b)
9 of this section and deposited in the general fund. The annual esti-
10 mated balance in the account may be used by the legislature to fund
11 the State Fire Commission (AS 44.41) and other fire prevention and
12 training services.

13 * Sec. 4. AS 21.33.055(a) is repealed and reenacted to read:

14 (a) Each nonadmitted insurer shall pay a tax on premium receipts
15 as provided under AS 21.09.210(b).

16 * Sec. 5. AS 21.33.061(c) is repealed and reenacted to read:

17 (c) Each insurer shall pay a tax on premium receipts as provided
18 under AS 21.09.210(b).

19 * Sec. 6. AS 21.66.110 is repealed and reenacted to read:

20 Sec. 21.66.110. TITLE INSURANCE PREMIUM TAX. Each title insur-
21 ance company shall pay a tax on premiums received as provided under
22 AS 21.09.210(b).

23 * Sec. 7. AS 21.09.210(d), 21.09.210(h), and AS 21.69.390(c) are re-
24 pealed.

25 * Sec. 8. This Act applies to the tax due by April 1, 1988, on direct
26 premium income received after June 30, 1987, and to the tax due for subse-
27 quent years.

HOUSE COMMITTEE REPORT

(7)

Date referred: 3/30/87

FURTHER REFERRALS: Judiciary
Finance

DATE: 4/23/87
HB 230

The Labor & Commerce Committee has considered

"An Act relating to the premium tax on certain insurers."

RECOMMENDS:

- replace with CS HB230 (L+C) 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

SIGNING DO PASS:

J. Ellis

Cly Davidson

Nick Kozar

SIGNING OTHER RECOMMENDATIONS:

Scott Mesnard NO REC

W. H. ... NO REC

David D. ... NO REC

David D. Douley

Chairman's signature

BILL NO: HB 230
TITLE: An act relating to the premium tax on certain insurers.

DATE: April 15, 1987
CONTACT: Gordon Brunton

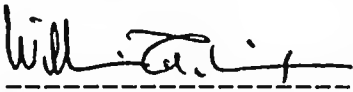
POSTED BY PAPER / DEPARTMENT OF PUBLIC SAFETY

This measure increases the insurance premium tax on certain insurers from 2.7 to 3.0 percent, provides for separate accounting of 10 percent of the tax collected which may be appropriated to fund the State Fire Commission (AS 44.41) and other fire prevention services.

Establishment of the State Fire Commission would provide the much sought after single State focus for fire and other emergency agencies.

Alaska has long held the record of the highest life and property losses in the Nation. Should this bill pass and the Legislature chooses to appropriate monies for funding fire prevention and training operations, we feel positive that such losses could be substantially reduced.

The Department of Public Safety supports passage of HB 230.



William R. Nix
Acting Commissioner

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : HB 230
Publish Date : _____

Revision Date: _____
Title: An act relating to the premium tax on certain insurers.
Sponsor: Rep. Illmer
Requestor: House Labor & Commerce

Agency Affected: Public Safety
BRU: Fire Prevention
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0

CAPITAL		0	0	0	0	0
----------------	--	---	---	---	---	---

REVENUE		1,250.0	2,500.0	2,500.0	2,500.0	2,500.0
----------------	--	---------	---------	---------	---------	---------

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		0	0	0	0	0

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary) The division of insurance estimates that 1,250.0 would be generated in FY88 and 2,500.0 in subsequent years. There is no fiscal impact on Public Safety. The bill creates additional revenue which may be available to fund the Fire Commission and other fire prevention/training programs. We intend to submit a supplemental budget ~~in 1988~~ to utilize this revenue source.

Prepared by: Gordon E. Brunton *GB* Phone: 465-4331
Division: Fire Prevention Date: 4/15/87

Approved by Commissioner: *JMR* Date: 4/15/87
Agency: Public Safety

Distribution (by preparer):

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

JMR
4/14/87

House Bill 230

The Division of Fire Prevention would fund the following on a priority basis should the Legislature appropriate monies generated by HB 230:

Priority	Amount	BRU	Description
1.	110.0	FP	Provide funding to cover plan review program receipts shortfall. The downturn in the economy is projected to result in a substantial shortfall which would cause the loss of 1.5 more positions in FY 88.
2.	412.7		Restore positions lost in FY 87 & FY 88:
	62.2	FP	a. PCN 12-2002 Anch. Supervisor
	56.5	FP	b. PCN 12-2010 DFMI Anchorage
	54.9	FST	c. PCN 12-2022 Ed Spec I Juneau
	53.0	FST	d. PCN 12-2020 Ed Spec I (Public Education Specialist)
	58.0	FP	e. PCN 12-2008 DFMI Fairbanks
			f. Restore 10% Governor's cut (Personal Services)
	79.0	FP	(1) Fire Prevention BRU
	11.0	FST	(2) Fire Service Training BRU
	18.0	FP	g. Restore Premium Pay cut in FY 88 (13.1) and need increase.
	20.1	FST	h. Restore funds to keep FST Supervisor position.
3.	180.0		Fund State Fire Commission

The following program increases will assist in accomplishing the basic services as identified in "Alaska On Fire," Report of the Task Force on Fire Prevention and Control:

4.a	100.0	FST	Restore travel increase requested in the FY 86 budget. Will provide for non-employee travel and per diem for technical assistance teams, itinerant instructors, curricula workshops, firefighter and fire officer training, standards development and for staff certification visits. (Task Force Report [TFR], pp. 44-45)
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Priority	Amount	ERU	Description
4.b	40.0	FP	Restore travel funds for code enforcement cut in FY86-88. This would reinstate the high-risk priority inspection program; eliminate the charge back plan to users and other state agencies as proposed for FY 88; provide vital oversight and technical assistance to VPSO safety programs; provide better technical assistance to local fire departments while addressing fire hazards in the most critical occupancies. 23.6 lost in FY 87. 6.0 lost in FY 86. (TFR, p. 57)
5.	113.0	FST	Restore the FY 88 (38.0) and FY 87 (75.0) grants decrement. Many basic needs of the over 250 fire departments can be met at the local level. Regional training programs can be funded to better utilize existing facilities. Other organizations need assistance in specialty areas: <ul style="list-style-type: none"> a. Provide funds to assist with the Public Fire Safety Education seminar (cancelled in 1986). b. Provide 2 fire inspection training seminars (none held in last 2 years). c. Provide assistance to the Arson Seminar. d. Provide assistance to firefighters/fire chiefs conferences. e. Provide assistance to duplicate the Federal Community Volunteer programs (TFR, p. 46) f. Grant monies to assist local communities with the Learn Not To Burn program. (TFR, p. 42)

Priority	Amount	BRU	Description
6.	65.0	FP	<p>Restore contractual decrements of FY 83 (30.0) and FY 87 (35.0). These funds would provide the following services:</p> <ul style="list-style-type: none"> a. Publication of a fire service directory. b. Support publication of Fire Service Newsletter (none published for last 2 years). c. Publish directory of fire service equipment for use by local departments. (TFR, p. 49) d. Technical assistance to more timely adopt codes (our slow process is thoroughly addressed in TFR pp. 53-55). e. To contract or RSA to Information Systems Section funds to provide enhancements to the ANFIRS network. This would make the system more useful to local and state agencies who use the system. (TFR, p. 65) f. Contractual funds to computerize the Inspection File Maintenance system.
7.	50.0	FST	<p>Restore contractual decrements in FST and add funding to implement the Task Force recommendations:</p> <ul style="list-style-type: none"> a. Develop new curricula: <ul style="list-style-type: none"> (1) Haz-Mat, TFR, p. 45 (2) Arson, TFR, p. 51 (3) Firefighter career ladder, TFR, p. 45 (4) Fire Inspector, TFR, p. 54 (5) Public fire educator, TFR, p. 45 (6) Others as identified as needed. b. Computer program upgrade and integration.

Priority	Amount	BRU	Description
8.	80.0	FST	The Public Fire Safety Education Program has been transferred from FP to FST. Specific funding to administer an effective program never came with the position. Provide funding to administer a Public Education Program:
	25.0		a. Promote residential sprinkler and smoke detector demos (Fed. funds expire 9/87) TFR, pp. 39-41
	30.0		b. Lending library upgrade. Duplication and conversion of films to cassettes; establish resource centers in Fbks and Juneau to improve public access. TFR, p. 41
	5.0		c. Publish a resource guide for local communities. TFR p. 41
	15.0		d. Travel for Ed. Spec. and non-employee specialists to do in-service work and assist in local program planning.
	5.0		e. Supplies and materials.
9.	10.0	FP	Establish a toll-free Arson Hotline. TFR p. 31
10.	30.0	All	Arson Prevention & Enforcement activities. a. Support of Juvenile counseling b. Support of awareness & education campaign. TFR pp. 80-81
11.	30.0	All	Restore and add equipment funds. Equipment funds have been transferred to other components; purchases have been delayed. a. portable radio b. pagers c. computer hardware & software d. field investigation kits

Priority	Amount	BBU	Description
12.	40.0	FST	Provide refresher training to VPSO and rural school safety inspection program
13.	70.0	FST	Add 1 new Ed. Spec. position to Fairbanks office.
14.	65.0	All	Add 1 new Administrative Assistant to perform budget and many duties of the deputy director position.

1,395.7	Budget increase
1,201.0	Existing Gov. Rev. FY 88 Total
2,596.7	Total Budget.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : CSHB230 (L&C)
Publish Date : _____

Revision⁺ Date: _____

Agency Affected : Division of Insurance
BRU : _____

Title : Premium tax rate on certain
insurers.

Sponsor : Ulmer

Components : _____

Requestor : _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0

CAPITAL		0	0	0	0	0
----------------	--	---	---	---	---	---

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


FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		0	0	0	0	0

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)



Prepared by : House Labor & Commerce Committee Phone : 465-3892
Division : _____ Date : 4/23/87

Approved by Commissioner : _____ Date : _____
Agency : _____

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

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____
 Revision Date: _____
 Title: Premium tax rates on certain
insurers.
 Sponsor: Ulmer
 Requestor: _____

Bill Version: CSHB230 (L&C)
 Publish Date: _____

Agency Affected: Fire Protection Services
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0
CAPITAL		0	0	0	0	0
REVENUE		1,448.6	2,897.2	2,897.2	2,897.2	2,897.2


FUNDING: (Thousands of Dollars)


GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		0	0	0	0	0

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)



Prepared by: House Labor & Commerce Committee Phone: 4/23/87
 Division: _____ Date: _____
 Approved by Commissioner:  Date: _____
 Agency: _____

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

	GROSS PREMIUM	CURRENT TAX RATE	CURRENT TAX REVENUE	ADDITIONAL REVENUE ALL AT 2.7% G.P.	ADDITIONAL REVENUE 3% GP LTD PTC	ADDITIONAL REVENUE ALL AT 3% G.P.	ADDITIONAL REVENUE 3.5% GP LTD PTC	ADDITIONAL REVENUE ALL AT 3.5% G.P.
LIFE AND DISABILITY INSURANCE	199,450,000	2.7% G.P.	5,385,154	NO CHANGE	598,350	598,350	1,595,600	1,595,600
LIFE AND DISABILITY STATE + MUNIC	56,760,081	0%	0	NO CHANGE	NO CHANGE	NO CHANGE	NO CHANGE	NO CHANGE
HOSPITAL / MEDICAL SERVICE CORP	60,001,429	6% OF PROFIT	269,629	1,350,400	NO CHANGE	1,530,400	NO CHANGE	1,830,421
PROPERTY / CASUALTY INSURANCE	656,240,740	2.7% G.P.	17,718,544	NO CHANGE	1,968,722	1,968,722	5,249,926	5,249,926
WET MARINE AND TRANSPORTATION	12,485,366	0.75% OF PROFIT	58,146	278,958	NO CHANGE	316,415	NO CHANGE	378,842
TITLE INSURANCE	16,507,725	1% G.P.	165,077	380,700	NO CHANGE	350,154	NO CHANGE	412,693

1448.6
2897.2

PREPARED BY:
ALASKA DIVISION OF INSURANCE
4-21-87

23,596,550	1,909,958	530,154	2,567,072	4,744,041	6,845,526	9,467,482
			2,897,226			
			1,448,613			

Alaska State Legislature
House of Representatives



Labor and Commerce Committee

April 16, 1987

M E M O R A N D U M

To: Members, House Labor and Commerce Committee

From: Representative Dave Donley, Chair
House Labor and Commerce Committee

Re: Explanation of changes in proposed Committee
Substitute for HB 230

The proposed committee substitute for HB 230, relating to insurance premium tax, makes six changes to the original bill. They are:

1. Raises the premium tax from 3.0 percent to 3.5 percent (the current rate is 2.7 percent)
2. Brings three other insurers (wet marine, title, and hospital/medical service corporations) under the same premium tax rate. Currently these three groups pay a different rate established in separate statutes.
3. Deletes language providing a five year delay in implementation of the tax increase for certain domestic insurers (Legislative drafting informs us that this section was probably "constitutionally infirm".)
4. Adds new intent language regarding the distribution of funds collected under the tax rate increase.
5. Changes language in the effective date clause as requested by the prime sponsor.
6. Renumbers sections accordingly.

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

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

MEMORANDUM

April 15, 1987

SUBJECT: HB 230 - Retroactive tax increase
TO: Representative Fran Ulmer
FROM: Michael F. Ford *M-F*
Legislative Counsel

You have asked whether section 4 of HB 230, which increases the premium tax imposed on insurers, raises any constitutional difficulties. In that the change in the tax rate applies to a tax due on April 1, 1988, the tax change is not retroactive and no due process or other constitutional problems are raised.

Please contact me if you have further questions.

MFF:mkr
m11/022

Preferential Tax Rates for Wet Marine

HBZ 30

State	P&C Tax	Wet Marine Tax
AK	2.70 GP	0.75 Pr
AR	2.50 GP	0.75 Pr
FL	2.00 GP	0.75 Pr
WY	2.50 GP	0.75 Pr
HI	4.28 GP	0.88 Pr
WA	2.00 GP	0.95 Pr
NH	2.00 GP	5.00 Pr
PA	2.00 GP	5.00 Pr
UT	2.25 GP	5.00 Pr
CA	2.35 GP	5.00 Pr(3)
CT	2.00 GP	5.00 Pr(3)
DE	1.75 GP	5.00 Pr(3)
MN	2.00 GP	5.00 Pr(3)
NJ	2.00 GP	5.00 Pr(3)
OR	2.25 GP	5.00 Pr(3)
RI	2.00 GP	5.00 Pr(3)
MA	2.28 GP	5.70 Pr(3)
IA	2.00 GP	6.50 Pr(3)
WI	2.38 GP	0.50 GP

Notes:

- GP = Gross Premium
- Pr = Profit
- Pr(3) = Average 3 Year Profit

19 States have a preferential tax treatment for Wet Marine insurance

Added Premium Tax for Fire Marshall & Fire Related

State	P&C Tax	Fire Marshall Tax	Additional Fire Related Tax
AK	2.70	None	
AZ	1.70	0.20 †	
FL	2.00	0.63 †	
GA	2.25	None	† max of 2.50 by county
IL	2.00	1.00 †	† 2.00 for Fire Department
IN	2.00	0.50 incl	
KS	2.00	1.25 †	† 2.00 Firefighters Relief
KY	2.00	0.75 †	
LA	1.85	1.25 †	† 2.25 Fire Dept & Training
ME	2.00	0.75 †	
MN	2.00	2.00 †	† 2.00 Firemens Relief Fund
MS	3.00	0.50 †	
MT	2.75	0.75 †	† 1.25 Firemens Pension
NE	1.00	0.75 †	
NY	2.60	1.25 †	
NC	2.50	1.00 †	† 0.50 Firemens Relief Fund
OH	2.50	0.75 †	
OK	4.00	0.31 †	
OR	2.25	1.00 †	
SC	2.00	None	† 1.10 Fire Dept & Inspection
SD	2.50	0.50 †	
TN	2.50	0.75 †	
TX	3.50	1.25 †	
WV	4.00	0.50 †	
WI	2.38	None	† 2.00 Fire Dept Dues

Notes:

All tax rates above apply to gross premium

20 states have an added insurance premium tax for the Fire Marshall's office.

1 state has an amount in the insurance premium tax allocated for the Fire Marshall's office.

9 states have an added insurance premium tax for a fire related purpose.

Insurance Premium Tax Rates by State

State	P&C Tax		Wet Marine Tax		Fire Marshall	Other Fire	Total Tax
AL	4.00	GP	4.00	GP	None	None	4.00 GP
AK	2.70	GP	0.75	Pr	None	None	2.70 GP
AZ	1.70	GP	1.70	GP	0.20 †	None	1.90 GP
AR	2.50	GP	0.75	Pr	None	None	2.50 GP
CA	2.35	GP	5.00	Pr(3)	None	None	2.35 GP
CO	2.25	GP	2.25	GP	None	None	2.25 GP
CT	2.00	GP	5.00	Pr(3)	None	None	2.00 GP
DE	1.75	GP	5.00	Pr(3)	None	None	1.75 GP
DC	2.00	GP	2.00	GP	None	None	2.00 GP
FL	2.00	GP	0.75	Pr	0.63 †	None	2.63 GP
GA	2.25	GP	2.25	GP	None	2.50 †	4.75 GP
HI	4.28	GP	0.88	Pr	None	None	4.28 GP
ID	3.00	GP	3.00	GP	None	None	3.00 GP
IL	2.00	GP	2.00	GP	1.00 †	2.00 †	5.00 GP
IN	2.00	GP	2.00	GP	0.50 incl	None	2.00 GP
IA	2.00	GP	6.50	Pr(3)	None	None	2.00 GP
KS	2.00	GP	2.00	GP	1.25 †	2.00 †	5.25 GP
KY	2.00	GP	2.00	GP	0.75 †	None	2.75 GP
LA	1.85	GP	1.85	GP	1.25 †	2.25 †	5.35 GP
ME	2.00	GP	2.00	GP	0.75 †	None	2.75 GP
MD	2.00	GP	2.00	GP	None	None	2.00 GP
MA	2.28	GP	5.70	Pr(3)	None	None	2.28 GP
MI	2.35	GP	2.35	GP	None	None	2.35 GP
MN	2.00	GP	5.00	Pr(3)	2.00 †	2.00 †	6.00 GP
MS	3.00	GP	3.00	GP	0.50 †	None	3.50 GP
MO	2.00	GP	2.00	GP	None	None	2.00 GP
MT	2.75	GP	2.75	GP	0.75 †	1.25 †	4.75 GP
NE	1.00	GP	1.00	GP	0.75 †	None	1.75 GP
NV	3.00	GP	3.00	GP	None	None	3.00 GP
NH	2.00	GP	5.00	Pr	None	None	2.00 GP
NJ	2.00	GP	5.00	Pr(3)	None	None	2.00 GP
NM	3.00	GP	3.00	GP	None	None	3.00 GP
NY	2.60	GP	2.60	GP	1.25 †	None	3.85 GP
NC	2.50	GP	2.50	GP	1.00 †	0.50 †	4.00 GP
ND	2.50	GP	2.50	GP	None	None	2.50 GP
OH	2.50	GP	2.50	GP	0.75 †	None	3.25 GP
OK	4.00	GP	4.00	GP	0.31 †	None	4.31 GP
OR	2.25	GP	5.00	Pr(3)	1.00 †	None	3.25 GP
PA	2.00	GP	5.00	Pr	None	None	2.00 GP
RI	2.00	GP	5.00	Pr(3)	None	None	2.00 GP
SC	2.00	GP	2.00	GP	None	1.10 †	3.10 GP
SD	2.50	GP	2.50	GP	0.50 †	None	3.00 GP
TN	2.50	GP	2.50	GP	0.75 †	None	3.25 GP
TX	3.50	GP	3.50	GP	1.25 †	None	4.75 GP
UT	2.25	GP	5.00	Pr	None	None	2.25 GP
VT	2.00	GP	2.00	GP	None	None	2.00 GP
VA	2.75	GP	2.75	GP	None	None	2.75 GP
WA	2.00	GP	0.95	Pr	None	None	2.00 GP
WV	4.00	GP	4.00	GP	0.50 †	None	4.50 GP
WI	2.38	GP	0.50	GP	None	2.00 †	4.38 GP
WY	2.50	GP	0.75	Pr	None	None	2.50 GP

Tax Rates by State

State	P&C Tax	Wet Marine Tax	Fire Marshall	Notes
AL	4.00	4.00 GP	None	
AK	2.70	0.75 Pr	None	
AZ	1.70	1.70 GP	0.20 †	
AR	2.50	0.75 Pr	None	
CA	2.35	5.00 Pr(3)	None	
CO	2.25	2.25 GP	None	
CT	2.00	5.00 Pr(3)		???????
DE	1.75	5.00 Pr(3)	None	
DC	2.00	2.00 GP	None	
FL	2.00	0.75 Pr	0.63 †	
GA	2.25	2.25 GP	None	† max of 2.50 by county
HI	4.28	0.88 Pr	None	
ID	3.00	3.00 GP	None	
IL	2.00	2.00 GP	1.00 †	† 2.00 for Fire Dept
IN	2.00	2.00 GP	0.50 incl	
IA	2.00	6.50 Pr(3)	None	
KS	2.00	2.00 GP	1.25 †	† 2.00 Firefighters Relief
KY	2.00	2.00 GP	0.75 †	
LA	1.85	1.85 GP	1.25 †	† 2.25 Fire Dept & Training
ME	2.00	2.00 GP	0.75 †	
MD	2.00	2.00 GP	None	
MA	2.28	5.70 Pr(3)	None	
MI	2.35	2.35 GP	None	
MN	2.00	5.00 Pr(3)	2.00 †	† 2.00 Firemens Relief Fund
MS	3.00	3.00 GP	0.50 †	
MO	2.00	2.00 GP	None	
MT	2.75	2.75 GP	0.75 †	† 1.25 Firemens Pension
NE	1.00	1.00 GP	0.75 †	
NV	3.00	3.00 GP	None	
NH	2.00	5.00 Pr	None	
NJ	2.00	5.00 Pr(3)	None	
NM	3.00	3.00 GP	None	
NY	2.60	2.60 GP	1.25 †	
NC	2.50	2.50 GP	1.00 †	† 0.50 Firemens Relief Fund
ND	2.50	2.50 GP	None	
OH	2.50	2.50 GP	0.75 †	
OK	4.00	4.00 GP	0.31 †	
OR	2.25	5.00 Pr(3)	1.00 †	
PA	2.00	5.00 Pr	None	
RI	2.00	5.00 Pr(3)	None	
SC	2.00	2.00 GP	None	† 1.10 Fire Dept & Inspectic
SD	2.50	2.50 GP	0.50 †	
TN	2.50	2.50 GP	0.75 †	
TX	3.50	3.50 GP	1.25 †	
UT	2.25	5.00 Pr	None	
VT	2.00	2.00 GP	None	
VA	2.75	2.75 GP	None	
WA	2.00	0.95 Pr	None	
WV	4.00	4.00 GP	0.50 †	
WI	2.38	0.50 GP	None	† 2.00 Fire Dept Dues
WY	2.50	0.75 Pr	None	

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 16, 1987

SUBJECT: Domestic insurer tax exemption
(HB 230)

TO: Representative Dave Donley

FROM: Michael F Ford *M.F.*
Legislative Counsel

You have asked whether the domestic insurer tax exemption under AS 21.09.210(c) is a constitutionally valid exercise of the state's taxing authority. In light of the latest U.S. Supreme Court decision striking down a state law that imposed a different rate of tax on foreign insurers, this form of exemption would appear to be equally defective. In Metropolitan Life Insurance Company v. Ward, 470 U.S. ___, 84 L.Ed 2d 751 (1985), the court held that neither the promotion of domestic business within a state nor the encouragement of capital investment are legitimate reasons that would permit discrimination against foreign corporations, in light of the equal protection clause. The court also noted that this type of discrimination would also be prohibited under the commerce clause. See Bacchus Imports, Ltd. v. Dias, 468 U.S. ___, 82 L Ed 2d 200(1984). The exemption contained in AS 21.09.210(c) creates an impermissible discrimination between foreign and domestic insurers.

The present language of sec. 2 in HB 230 that limits the exemption to corporations organized before July 1, 1987 and may eliminate this issue as a practical matter. To avoid any possibility of litigation, the exemption should probably be repealed rather than limited.

MFF:mkr
m11/029

5-0948B
Ford
4/16/87

Original sponsors: Ulmer, Goll,
Navarre, et al.

1 IN THE HOUSE BY THE LABOR AND COMMERCE COMMITTEE
2 CS FOR HOUSE BILL NO. 230 (L&C)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the premium tax on certain insur-
7 ers."

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

9 * Section 1. AS 21.09.210(b) is amended to read:

10 (b) Each insurer, and each formerly authorized insurer with
11 respect to premiums received while an authorized insurer in this
12 state, shall pay tax on the total direct premium income received
13 during the year ending on the preceding December 31 and paid for the
14 insurance of property or risks resident or located in the state in-
15 cluding [OTHER THAN] wet marine and transportation insurance, after
16 deducting from the total direct premium income the applicable cancel-
17 lations, returned premiums, the unabsorbed portion of any deposit
18 premium, all policy dividends, unabsorbed premiums refunded to policy-
19 holders, refunds, savings, savings coupons and other similar returns
20 paid or credited to policyholders with respect to their policies. No
21 deductions may be made of cash surrender value of policies. Consider-
22 ations received on annuity contracts are not included in the direct
23 premium income and are not subject to tax. The tax shall be paid to
24 the director annually before April 1, and [, EXCEPT AS PROVIDED IN AS
25 21.69.390(c),] is computed at the rate of three and one half percent.

26 [(1) FOR DOMESTIC AND FOREIGN INSURERS, EXCEPT HOSPITAL AND
27 MEDICAL SERVICE CORPORATIONS, 2.7 PERCENT;

28 (2) FOR HOSPITAL AND MEDICAL SERVICE CORPORATIONS, SIX
29 PERCENT OF THEIR GROSS PREMIUMS LESS CLAIMS PAID].

1 * Sec. 2. AS 21.09.210 is amended by adding a new subsection to read:

2 (j) The tax paid to the director under (b) of this section shall
3 be deposited in the general fund. The Department of Administration
4 shall separately account for 10 percent of the tax collected under
5 (b) of this section and deposited in the general fund. The annual
6 estimated balance in the account may be used by the legislature to
7 fund

8 (1) the State Fire Commission (AS 44.41) and other fire
9 prevention and training services; or

10 (2) consumer protection services administered by the direc-
11 tor of the division of insurance.

12 (3) efforts by the Division of Medical Assistance to
13 establish and enforce appropriate risk management procedures under
14 AS 18.20.75 in order to reduce potential liability claims.

15 * Sec. 3. AS 21.33.055(a) is repealed and reenacted to read:

16 (a) Each nonadmitted insurer shall pay a tax on premium receipts
17 as provided under AS 21.09.210(b).

18 * Sec. 4. AS 21.33.061(c) is repealed and reenacted to read:

19 (c) Each insurer shall pay a tax on premium receipts as provided
20 under AS 21.09.210(b).

21 * Sec. 5. AS 21.66.110 is repealed and reenacted to read:

22 Sec. 21.66.110. TITLE INSURANCE PREMIUM TAX. Each title insur-
23 ance company shall pay a tax on premiums received as provided under
24 AS 21.09.210(b).

25 * Sec. 6. AS 21.09.210(d), 21.09.210(h), and AS 21.69.390(c) are
26 repealed.

27 * Sec. 7. This Act applies to the tax due by April 1, 1988 on
28 direct premium income received after June 30, 1987, and to the tax
29 due for subsequent years.



GASTINEAU CHAPTER

ALASKA STATE FIREFIGHTERS ASSOCIATION

P.O. BOX 187

JUNEAU, ALASKA 99802

April 16, 1987

Representative Fran Ulmer
House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Ulmer:

The House of Representatives will be reviewing HB230. This Bill is intended to assist in the funding of the State Fire Marshal's Office. I don't know if you can understand the importance of this office to the firefighters of this state.

This Bill will help insure continued training of firefighters, both paid and volunteer in the areas of fire prevention, building inspection, public fire education, Fire Service Training, and investigation of fires across the state to better evaluate causes and to work to eliminate those we can.

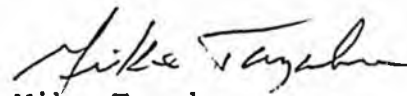
Alaska has the highest fire deaths per capita in the United States. As a volunteer firefighter, I need your support of this Bill to stop fires from taking our families, friends, and property.

It would be disastrous to the citizens of this state should this office be under funded.

I urge you to vote for HB230. Thank you for your support of the Alaska State Firefighters.

Sincerely,

GASTINEAU CHAPTER
ALASKA STATE FIREFIGHTERS' ASSOC.


Mike Tagaban
President

MT:djo

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version : HB 230
Publish Date : _____

REQUEST: _____

Revision Date: _____
Title: An act relating to the premium tax on certain insurers.
Sponsor: Rep. Illmer
Requestor: House Labor & Commerce

Agency Affected: Public Safety
BRU: Fire Prevention
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0
CAPITAL		0	0	0	0	0
REVENUE		1,250.0	2,500.0	2,500.0	2,500.0	2,500.0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		0	0	0	0	0

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary) The division of insurance estimates that 1,250.0 would be generated in FY88 and 2,500.0 in subsequent years. There is no fiscal impact on Public Safety. The bill creates additional revenue which may be available to fund the Fire Commission and other fire prevention/training programs. We intend to submit a supplemental budget ~~in FY88~~ to utilize this revenue source.

Prepared by: Gordon E. Brunton *GEB* Phone: 465-4331
Division: Fire Prevention Date: 4/15/87

Approved by Commissioner: *J* *Ward* Date: 4/15/87
Agency: Public Safety

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

JMR
4/14/87

House Bill 230

The Division of Fire Prevention would fund the following on a priority basis should the Legislature appropriate monies generated by HB 230:

Priority	Amount	BRU	Description
1.	110.0	FP	Provide funding to cover plan review program receipts shortfall. The downturn in the economy is projected to result in a substantial shortfall which would cause the loss of 1.5 more positions in FY 88.
2.	412.7		Restore positions lost in FY 87 & FY 88:
	62.2	FP	a. PCN 12-2002 Anch. Supervisor
	56.5	FP	b. PCN 12-2010 DFMI Anchorage
	54.9	FST	c. PCN 12-2022 Ed Spec I Juneau
	53.0	FST	d. PCN 12-2020 Ed Spec I (Public Education Specialist)
	58.0	FP	e. PCN 12-2008 DFMI Fairbanks
			f. Restore 10% Governor's cut (Personal Services)
	79.0	FP	(1) Fire Prevention BRU
	11.0	FST	(2) Fire Service Training BRU
	18.0	FP	g. Restore Premium Pay cut in FY 88 (13.1) and need increase.
	20.1	FST	h. Restore funds to keep FST Supervisor position.
3.	180.0		Fund State Fire Commission

The following program increases will assist in accomplishing the basic services as identified in "Alaska On Fire," Report of the Task Force on Fire Prevention and Control:

4.a	100.0	FST	Restore travel increase requested in the FY 86 budget. Will provide for non-employee travel and per diem for technical assistance teams, itinerant instructors, curricula workshops, firefighter and fire officer training, standards development and for staff certification visits. (Task Force Report [TF..], pp. 44-45)
-----	-------	-----	---

Priority	Amount	BRU	Description
4.b	40.0	FP	Restore travel funds for code enforcement cut in FY86-88. This would reinstate the high-risk priority inspection program; eliminate the charge back plan to users and other state agencies as proposed for FY 88; provide vital oversight and technical assistance to VPSO safety programs; provide better technical assistance to local fire departments while addressing fire hazards in the most critical occupancies. 23.6 lost in FY 87, 6.0 lost in FY 86. (TFR, p. 57)
5.	113.0	FST	Restore the FY 88 (38.0) and FY 87 (75.0) grants decrement. Many basic needs of the over 250 fire departments can be met at the local level. Regional training programs can be funded to better utilize existing facilities. Other organizations need assistance in specialty areas: <ul style="list-style-type: none"> a. Provide funds to assist with the Public Fire Safety Education seminar (cancelled in 1986). b. Provide 2 fire inspection training seminars (none held in last 2 years). c. Provide assistance to the Arson Seminar. d. Provide assistance to firefighters/fire chiefs conferences. e. Provide assistance to duplicate the Federal Community Volunteer programs (TFR, p. 46) f. Grant monies to assist local communities with the Learn Not To Burn program. (TFR, p. 42)

Priority	Amount	BRU	Description
6.	65.0	FP	<p>Restore contractual decrements of FY 88 (30.0) and FY 87 (35.0). These funds would provide the following services:</p> <ul style="list-style-type: none"> a. Publication of a fire service directory. b. Support publication of Fire Service Newsletter (none published for last 2 years). c. Publish directory of fire service equipment for use by local departments. (TFR, p. 49) d. Technical assistance to more timely adopt codes (our slow process is thoroughly addressed in TFR pp. 53-55). e. To contract or RSA to Information Systems Section funds to provide enhancements to the ANFIRS network. This would make the system more useful to local and state agencies who use the system. (TFR, p. 65) f. Contractual funds to computerize the Inspection File Maintenance system.
7.	50.0	FST	<p>Restore contractual decrements in FST and add funding to implement the Task Force recommendations:</p> <ul style="list-style-type: none"> a. Develop new curricula: <ul style="list-style-type: none"> (1) Haz-Mat, TFR, p. 45 (2) Arson, TFR, p. 51 (3) Firefighter career ladder, TFR, p. 45 (4) Fire Inspector, TFR, p. 54 (5) Public fire educator, TFR, p. 45 (6) Others as identified as needed. b. Computer program upgrade and integration.

Priority	Amount	BRU	Description
8.	30.0	FST	The Public Fire Safety Education Program has been transferred from FP to FST. Specific funding to administer an effective program never came with the position. Provide funding to administer a Public Education Program:
	25.0		a. Promote residential sprinkler and smoke detector demos (Fed. funds expire 9/87) TFR, pp. 39-41
	30.0		b. Lending library upgrade. Duplication and conversion of films to cassettes; establish resource centers in Fbks and Juneau to improve public access. TFR, p. 41
	5.0		c. Publish a resource guide for local communities. TFR p. 41
	15.0		d. Travel for Ed. Spec. and non-employee specialists to do in-service work and assist in local program planning.
	5.0		e. Supplies and materials.
9.	10.0	FP	Establish a toll-free Arson Hotline. TFR p. 31
10.	30.0	All	Arson Prevention & Enforcement activities. a. Support of Juvenile counseling b. Support of awareness & education campaign. TFR pp. 80-81
11.	30.0	All	Restore and add equipment funds. Equipment funds have been transferred to other components; purchases have been delayed. a. portable radios b. pagers c. computer hardware & software d. field investigation kits

Priority	Amount	BRU	Description
12.	40.0	FST	Provide refresher training to VPSO and rural school safety inspection program
13.	70.0	FST	Add 1 new Es. Spec. position to Fairbanks office.
14.	65.0	All	Add 1 new Administrative Assistant to perform budget and many duties of the deputy director position.

1,395.7	Budget increase
1,201.0	Existing Gov. Rev. FY 83 Total
2,596.7	Total Budget.



Official Business

Alaska State Legislature

House

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

March 30, 1987

TO: ALL REPRESENTATIVES

FROM: Representative Fran Ulmer

RE: HB 230

I am concerned about fire prevention for the following reasons:

**Alaska leads the Nation in deaths by fire. In 1985, the last year for which statistics have been finalized, there were 29 deaths. Of the 29 who died, 27 were in their homes, either single family or multi-family dwellings.

**Of these 29 deaths, ten children under the age of 9 were among the victims.

**Property losses in 1985 totaled \$38,819,596.

House Bill 230, "An Act relating to the premium tax on certain insurers", increases the tax on total direct premium income from 2.7% to 3.0% for each insurer. This tax increase is a return to the 1986 tax rate for over 90% of the insurance business in the State. Additionally, as many as 20 other states are using funds collected from the insurance industry for fire prevention and training.

House Bill 230 can provide funding for the State Fire Commission and adequately provide for fire prevention and training services -- services that will address the concerns stated above.

ALASKA STATE FIREFIGHTERS ASSOCIATION

P.O. Box 34324
Juneau, Alaska 99803-4324

RECEIVED JAN 29 1987

January 29, 1987

File
D(a)

The Honorable Fran Ulmer
Fifteenth Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Dear Madam:

The Alaska State Firefighters' Association and the Alaska Fire Chiefs' Association are strongly opposed to the FY88 budget cuts in the Division of Fire Prevention, Department of Public Safety.

The Governor's Transition Team recommended leaving the budget alone for this Division. The cuts represent too much reorganization with two positions not refilled, three people laid off, two positions downgraded, a Fire Marshal's Office moved to Anchorage, and most all of the programs cut back or eliminated. We find this too excessive for the safety of the public.

Realizing the condition of the State's finances, we have designed a proposal that is both a short and long term solution to the problem. The proposal is in draft form and additional information needs to be gathered.

Please review the enclosed proposal. I am available for comment or testimony. My contact phone numbers are 586-5245 and 789-7554.

Respectfully,

ALASKA STATE FIREFIGHTERS' ASSOC.

Gaylen E. Brevik
Gaylen E. Brevik
President

GEB:djo

enc.

c: Bob Haag, Legislative Liaison, ASFA

AN ALTERNATIVE
TO THE FY88 BUDGET FOR THE
DIVISION OF FIRE PREVENTION
DEPARTMENT OF PUBLIC SAFETY

Submitted By

Gaylen E. Brevik
President
Alaska State Firefighters' Association

January 26, 1987
(Revised January 27, 1987)

ALASKA STATE FIREFIGHTERS ASSOCIATION

P.O. Box 34324

Juneau, Alaska 99803-4324

P R O P O S A L

We have discovered a possible revenue income the State of Alaska can collect. The amount is approximately \$2,500,000. The exact amounts are not known. However, the figures in this Proposal are close estimates.

The insurance industry pays a 2.7% premium tax to the State of Alaska. Until last year, they paid a 3% tax. At 2.7%, the State collects approximately \$23,000,000. At 3% the State could collect \$25,500,000. At a .3% increase, an amount that industry is used to paying, the net increase to the State is \$2,500,000. We feel it is important to note that the State will be offering an invaluable service to the insurance industry and that the dollars will be used in the State of Alaska.

There are other states that collect a premium tax. Portions of the premium tax are then used for fire related services. These services include pension plans for volunteer firefighters, fire training, and public fire education. Some of the states involved are Kentucky, Illinois, Georgia, and Oklahoma.

Providing the State of Alaska could collect the tax from the insurance industry, the Alaska State Firefighters' Association and the Alaska Fire Chiefs' Association offer the following for planning the budget in FY88. The Fire Marshal's budget for FY86 was authorized at \$1,326,600. The Fire Service Training budget for that year was \$430,000. Both have been significantly reduced, too many times. Please consider reinstating the budget to those figures.

Last year the Legislature put into law the Alaska State Fire Commission. This Commission was never funded. Through this proposal, the much needed Commission can finally begin.

The Alaska State Firefighters' Association has assigned a committee to look into the possibility of a pension plan for the volunteer firefighters. They discovered several states have plans in place. They are recommending we follow the Illinois plan. It is simple and with a few changes could be easily adopted in our state. The financial picture

would appear similar to this:

Fire Marshal	\$1,326,600	
Fire Service Training	430,000	
Alaska State Fire Commission	180,000	
ASFA Pension Plan	563,400	
	<u>\$2,500,000</u>	
Reduce budget from premium tax .3%	\$2,500,000	→

The Alaska State Firefighters' Association and the Alaska Fire Chiefs' Association offer the following as some of the benefits of this plan:

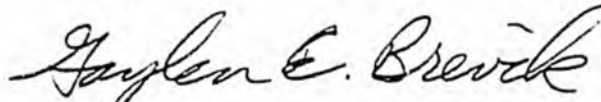
1. The firefighters are better trained. The public is more aware of fire prevention. Buildings are safer. We have fewer deaths by fire and less property damage.
2. The money appropriated to the Fire Marshal and Fire Service Training for FY88 can be used in other places to help offset the deficit.
3. The insurance industry gets more service for their money. For example: if a house burns up because of the rural, untrained fire department, the insurance company has to pay the damage. If the rural, trained fire department makes a good stop on the already burning house, then the insurance company has to pay less money; in some cases, alot less. What this means is less risk for the insurance industry.
4. In some areas, because of the training and education, the Insurance Services Office (ISO) rating may be lowered. When this happens, the rate the homeowner pays the insurance company is lowered; again, indicating the lower risk; in essence a safer place to live.
5. The State doesn't have to lay anyone off in the Division. This is a reasonable alternative.
6. The programs, desperately needed, can continue; i.e. investigations, public fire education, Firefighter One, instructors' classes (MOI), technical assistance teams, V.P.S.O. programs, and many more.
7. A volunteer firefighters' pension plan can be established. Finally, the volunteer firefighter can be thanked, in a small way, for all of his/her hours, weeks, months, and years of service.

At the 1986 Conference of the Alaska State Firefighters' Association and the Alaska Fire Chiefs' Association, held in Kodiak, it was resolved that we use all resources available to our membership in support of sufficient funding for programs within the Division of Fire Prevention, Department of Public Safety (Resolution 86-17). This Proposal meets the requirements of this and other Resolutions.

We know that the security of life, health, and property for all Alaskans is dependent on the efficiency of the Fire Service. We know the condition of the finances of our state. We know the financial resources of the insurance industry are used in other states, and we know that, with the details worked out, this July 1st the ideas in this Proposal can become a reality.

Respectfully submitted,

ALASKA STATE FIREFIGHTERS' ASSOC.

A handwritten signature in cursive script that reads "Gaylen E. Brevik".

Gaylen E. Brevik
President

GEB:djo

M M M M M DEPARTMENT OF PUBLIC SAFETY M M M M M

SHORT FORM PAGE	BUDGET COMPONENT	86 ACT	87 AUTH	87 REV	88 GOV	88 GOV - COMPARISON	87 REV
	NATURAL RESOURCE MANAGEMENT						
	FISH AND WILDLIFE PROTECTION						
2	ENFORCEMENT/INVESTIGATIVE SVCS	10313.0	10113.6	8745.2	7669.3	-1075.9	-12.3%
4	DIRECTOR'S OFFICE	276.3	284.6	196.5	196.5		
6	AIRCRAFT SECTION	865.8	818.8	716.2	716.2		
8	MARINE ENFORCEMENT	2447.6	2420.2	1933.7	1632.3	-301.4	-15.6%
	*** PROGRAM TOTAL ***	13902.7	13637.2	11591.6	10214.3	-1377.3	-11.9%
	PUBLIC PROTECTION						
	FIRE PREVENTION						
12	FIRE PREVENTION OPERATIONS	1277.5	1330.4	1240.8	1076.2	-164.6	-13.3%
14	FEDERAL COMMUNITY PROJECTS	6.2	10.0	10.0		-10.0	-100.0%
16	FIRE SERVICE TRAINING	218.8	337.6	299.6	214.8	-84.8	-28.3%
	*** PROGRAM TOTAL ***	1283.7	1678.0	1550.4	1291.0	-259.4	-16.7%
20	STATE FIRE COMMISSION		180.0				
	HIGHWAY SAFETY PLANNING AGENCY						
24	HWY SAFETY PLANNING OPERATIONS	1426.6	158.5	134.7	192.2	57.5	42.7%
26	FEDERAL GRANTS		1389.2	1389.2	1066.2	-323.0	-23.3%
	*** PROGRAM TOTAL ***	1426.6	1547.7	1523.9	1258.4	-265.5	-17.4%
	MOTOR VEHICLES						
30	DRIVER SERVICES	1276.5	1390.2	1122.8	940.2	-182.6	-16.3%
32	VEHICLE SERVICES	435.9	465.5	392.1	355.6	-36.5	-9.3%
34	FIELD SERVICES	4219.0	4378.9	4139.4	3870.7	-268.7	-6.5%
36	ADMINISTRATION	662.6	678.6	629.2	615.2	-14.0	-2.2%
38	COMMERCIAL VEHICLE SAFETY		131.7				
	*** PROGRAM TOTAL ***	6594.0	7044.9	6283.5	5781.7	-501.8	-8.0%
	*** PUBLIC PROTECTION TOTAL ***	9304.3	10450.6	9357.8	8331.1	-1026.7	-11.0%
	ADMINISTRATION OF JUSTICE						
	ALASKA STATE TROOPERS						
42	DETACHMENTS & C.T.D.	24236.0	26467.5	23795.5	21455.5	-2340.0	-9.8%
44	NARCOTICS UNIT	2457.7	2346.7	2146.7	1795.2	-351.5	-16.4%
46	WSIN	69.6	104.2	104.2		-104.2	-100.0%
48	DIRECTOR'S OFFICE	795.0	719.9	717.8	656.3	-61.5	-8.6%
50	CENTRAL COMMUNICATIONS	1343.3	1254.9	1220.3	1020.4	-199.9	-16.4%
52	COMMUNITY SERVICES	127.8	299.7	299.7	244.9	-54.8	-18.3%
54	JUDICIAL SERVICES	3568.0	3691.2	3538.9	2940.8	-598.1	-16.9%
56	PRISONER TRANSPORTATION	993.7	750.0	750.0	750.0		
58	SEARCH AND RESCUE	170.5	169.7	169.7	169.7		
60	BUILDING SECURITY	548.2	482.0	41.0		-41.0	-100.0%
62	RURAL TROOPER HOUSING				380.4	380.4	100.0%
	*** PROGRAM TOTAL ***	34309.8	36285.8	32783.8	29413.2	-3370.6	-10.3%
	VILLAGE PUB. SAFETY OF. PRO.						

ALASKA STATE FIREFIGHTERS ASSOCIATION

P.O. Box 34324

Juneau, Alaska 99803-4324

March 25, 1987

The Honorable Fran Ulmer
Fifteenth Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Dear Madam:

Thank you for supporting the Fire Service by submitting our Bill into legislation.

The Fire Marshal, Fire Service Training, and the Fire Commission do supply a needed service to the insurance industry.

Last year SB-376 was supposed to equalize the tax rate between foreign and domestic insurers. The statute did read 3% tax for foreign and 1.5% for domestic. With the passage of SB-376 it equaled 2.7% for both. Apparently, what was not noticed is that 92% of the industry is foreign insurers. That means over 90% of the insurance business done had a decrease in the tax levied by the State. We find that by adding the .3% back, the insurance industry will be paying what they've been paying all along. The State can collect over two million dollars.

It is important to think about the Fire Service. Each time our environment is made safer through inspections, plan reviews, training firefighters, and educating the public, the insurance industry risk decreases. This converts to millions of dollars in savings to the insurance companies.

More than twenty other states are using funds, collected from the insurance industry, for fire prevention and training. In the past, insurance companies have actually started their own fire departments to protect their insurers.

Judy Knight indicated that you may need some statistics. I have enclosed some statistics which may help. If you need more, let Bob Haag or me know.

Thank you again.

Sincerely,

ALASKA STATE FIREFIGHTERS' ASSOC.

Gaylen E. Brevik
Gaylen E. Brevik
President

GEB:djo
enclosures

Hazardous Conditions, such as leaks and spills, power lines down, aircraft standby and chemical emergencies where there was no ignition, and Malicious (deliberate) false Alarms calls decreased substantially from 1984 calls.

For the reader's benefit Overpressure Ruptures are steam, air, or gas vessel ruptures where there is no ensuing fire, Service Calls are such things as water removal, smoke or odor removal, animal rescue, assist police, etc. Good Intent Calls are incidents where a person, in good faith, thought there was a fire emergency which subsequently proved to be something like steam, or there was smoke, but not from a hostile fire.

MAJOR FIRES

Thirteen fires in 1985 resulted in individual losses exceeding \$500,000. Five of these occurred in Anchorage; one of these experienced \$500,000 in damage initially, then rekindled, causing an additional \$800,000 in loss. The largest single loss fire occurred in Barrow, a school district warehouse complex estimated at \$3,000,000.

1985 Fires by Property Use

FIXED PROPERTY USE	# INCIDENTS	INJURIES		DEATHS	\$ LOSS
		FS	CIV	CIVILIAN	
Unclassified	2				200
Public Assembly	61	1	1		2,233,130
Educational	32				1,780,505
Institutional	21				27,105
Residential	1,260	23	51	27	14,881,553
Store/Office	138	7			6,268,545
B's. Industry/ Utilities	53	1			3,021,684
Manufacturing	30				2,807,100
Storage	144	2	1		4,910,198
Special	1,729	3	66	2	2,989,576
TOTAL	3,475	37	70	29	38,819,596

*Copied From the 1985 Annual Report from the
Division of Fire Prevention*

1981 - 1985 COMPARISONS

	1981	1982	1983	1984	1985
Civilian Fire Deaths	28	16	27	35	29
Deaths/Million Pop.	64.3	34.7	54.5	66.9	54.2
Civilian Injuries	84	62	70	63	70
Firefighter Injuries	46	28	42	36	37
Number of Fires	3,119	3,109	3,214	3,680	3,475
Total Calls	7,777	10,527	14,035	14,876	14,813
\$ Losses (in millions)	\$40.6	\$42.6	\$72.8	\$34.5	\$38.8
\$ Loss per capita	\$93.29	\$92.44	\$146.98	\$65.95	\$72.56

FIRE DEATHS

Once again, Alaska leads the Nation in deaths by fire, based upon the number of fatalities per million population. Of the 29 who died, 27 were in their homes, either single or multi-family dwellings.

17 were males, 12 females. 10 were under the age of 9. The continued need to install and maintain smoke detectors is demonstrated by these losses.

The discussion of fire deaths would be incomplete without examining the rates. Fairbanks, for example, appears to have the highest urban fire death rate during 1985, with 148 deaths per million population, compared to Anchorage, which was 32. Similar comparisons show Naknek, for example, to have a fire death rate per million population during 1985, of 3,333. Small communities such as this, however, must be looked at over a longer period of time, as the real picture is biased by their size and experience.

Table No. 1 in the appendices lists the fatalities in Alaska since 1979 by location. Local departments are urged to compare their fatality problem with the rest of the state.

Division of Fire Prevention
FY88 Budget Analysis

	<u>GF</u>	<u>Total</u>
FY 87 Authorized	1,274.3	1,578.0
FY 87 Revised	1,146.7	1,540.4
FY 88 Governor's	897.3	1,291.0

1. FY 88 budget is a decrease of \$249.4 in GF from that of FY 87 revised i.e., 21.8%, and a 29.6% decrease for FY 87 Authorized.
2. The Governor's Budget
 - cuts two (2) Deputy Fire Marshall I's (Anchorage and Fairbanks) and one (1) Clerk Typist (Anchorage).
 - reclassify's Education Specialist I (Anchorage) to Administrative Assistant II.
 - reclassify's Education Specialist II in Fire Service Training to Administrative Officer I and transfers it from Juneau to Anchorage.
 - cuts one (1) Education Specialist I in Juneau Fire Service Training.
 - concurs with implementing a new fee schedule to agencies to defray costs.
 - moves Deputy Fire Marshall II from Juneau to Anchorage, making Juneau a one-man office.
 - eliminates completed Federal Community Project component.
 - moved \$16.4 personal services savings from deleted position to grant line in Fire Service Training.

Fire Prevention
FY 88/Governor's Budget

The same as submitted by the Commissioner and the Director of the Division.

I. Fire Operations

POSITION COUNT

TITLE	FY 87 REVISED	FY 88 GOVERNOR'S BUDGET	COMMENTS
Director	1	1	
Deputy Fire Marshal II	2	2	
Deputy Fire Marshal I	7	5	
FP Engineer	1	1	
Education Specialist	1 PPT	0	
Support Position	5	5	
	16 PPT	14 PPT	
	1 PPT		

Regional Offices

Anchorage 1 DFM II and 2 DFM I both FY 87 and FY 88

Fairbanks 1 DFM II and 2 DFM I both FY 87 and FY 88

Juneau 0 DFM II and 1 DFM I in FY 88
 1 DFM II and 1 DFM I in FY 87

II. Fire Service Training Program

- In FY 88, one Education Specialist position is cut from Juneau
- Added \$16.4 into the grant line item

PLAN REVIEW RECEIPTS

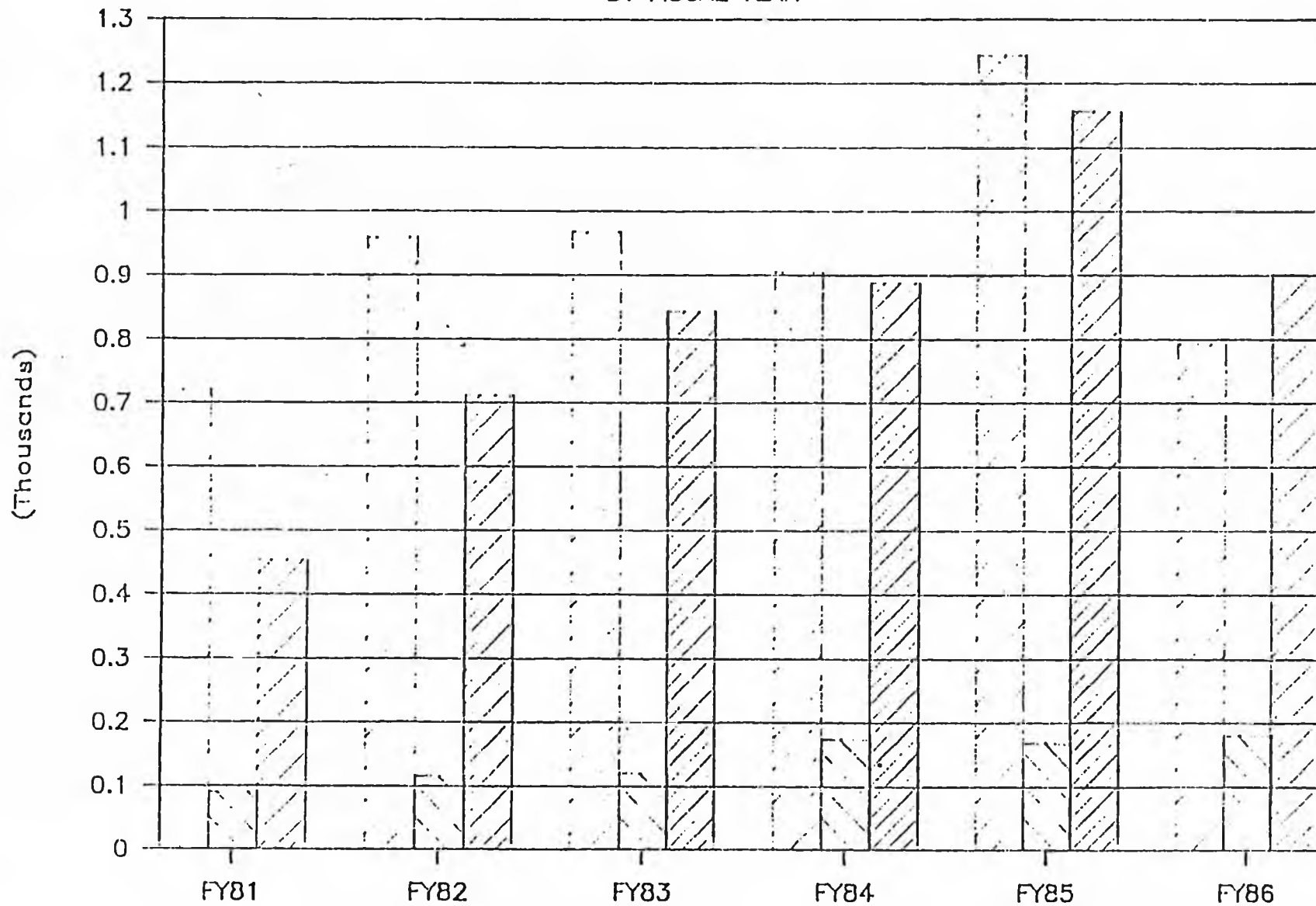
	FY86	FY87	Percentage
July	65,324.07	55,088.41	- 16%
August	21,616.40	29,705.65	+ 37%
September	34,985 50	10,993.62	- 69%
October	27,307.42	22,777.12	- 17%
November	33,271.00	6,644.20	- 80%
December	47,016.18	11,642.80	- 75%
January	20,989.79	9,225.88	- 56%
 	<hr/>	<hr/>	
TOTAL:	250,510.36	146,077.68	- 42%
Average Per Month:	35,787.19	20,868.24	
Estimate for 12 months: (FY87)		250,418.88	
Budgeted: (FY87)		297,000.00	
Shortfall: (FY87)		46,581.12	- 16%

BJN
2/13/87

NOTE: FY 88 Budget is funded \$297.0 in PR and if the downward trend holds and the receipts are lower, additional positions will have to be laid off in FY 88.

PROGRAM ACTIVITIES

BY FISCAL YEAR

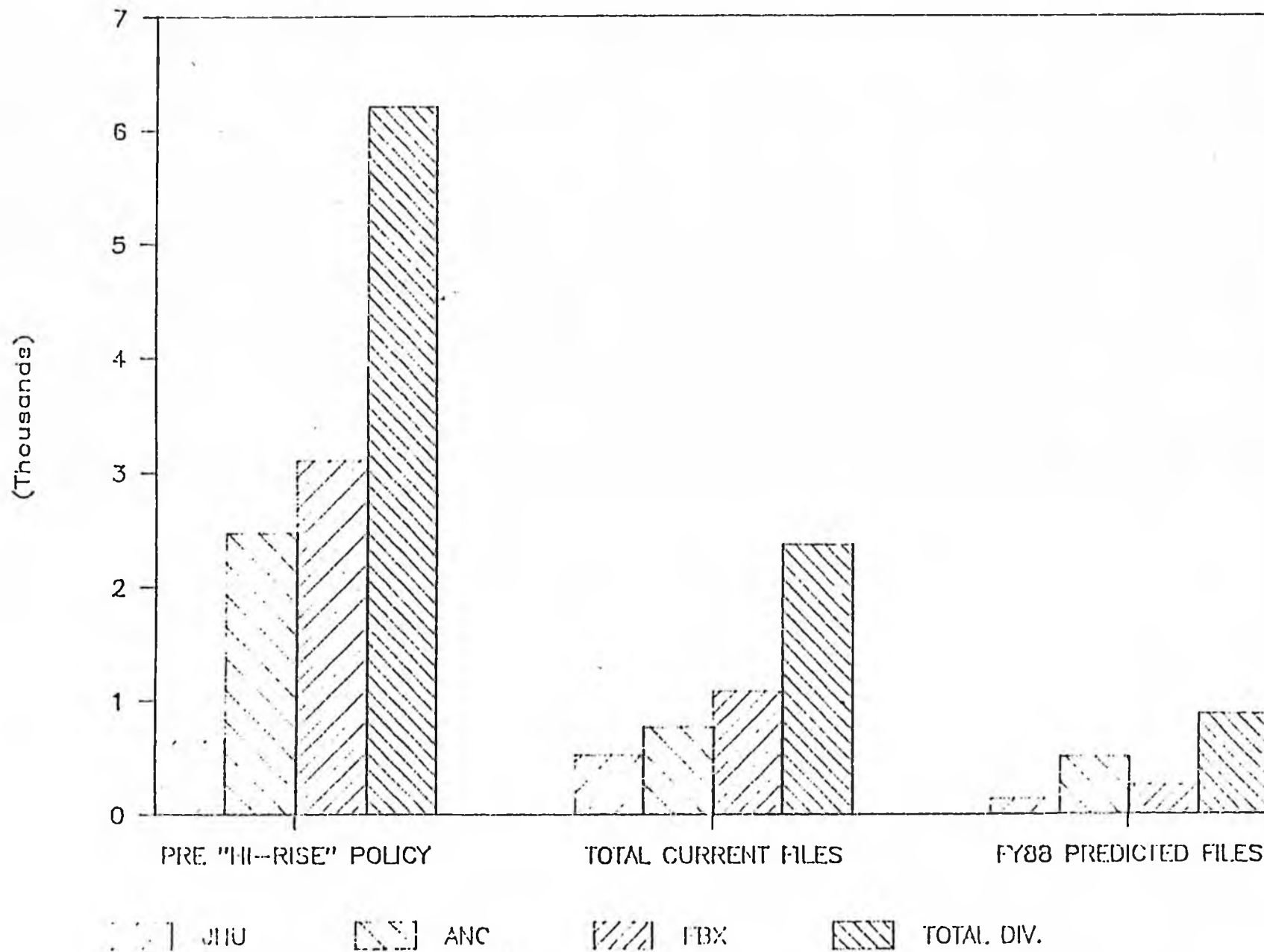


INSPECT

INVESTIGATE

PLATE CHECKS

INSPECTION PROGRAM HISTORY



FIRE SERVICE TRAINING - SUMMARY NARRATIVE FY88 BUDGET

As an effort to consolidate State programs and provide for more cost effective service to local fire departments, in FY86 the Fire Service Training Program was transferred from the Department of Education to the Department of Public Safety. In FY85 Fire Service Training's budget was \$436.6, at that time a modest budget for statewide assistance to local fire training programs and for providing programs which local fire departments had neither the expertise nor the financial resources to provide for themselves.

The FY88 proposed budget represents a cut of more than 50 per cent in three years, in a program which was already minimally funded. It has already resulted in the elimination of direct training programs:

- * Firefighter I training at the Anchorage Regional Fire Training Center
- * Senior officer training for rural fire departments
- * Fire protection management training for municipal and suburban fire departments
- * Technical Assistance Teams to local communities
- * Support of regional fire training centers

The effect of the proposed budget will be to virtually eliminate State assistance to local departments. Elimination of the coordinator position in southeastern Alaska and reclassification of the supervisory position to an administrative officer will place a burden on the already taxed position in Anchorage. The three professional positions now in existence carry out fire service assistance functions with minimal clerical help. Provision of additional help to the Anchorage position will ease a few of the administrative and financial duties now performed by the supervisor, but will not eliminate any of the work presently performed by the Anchorage position. Particularly with the responsibility for public fire education, that position will be able to assume very few of the additional responsibilities of either the southeastern coordinator or the supervisor.

In FY88, given the budget as proposed, the following functions will be accomplished as in FY87:

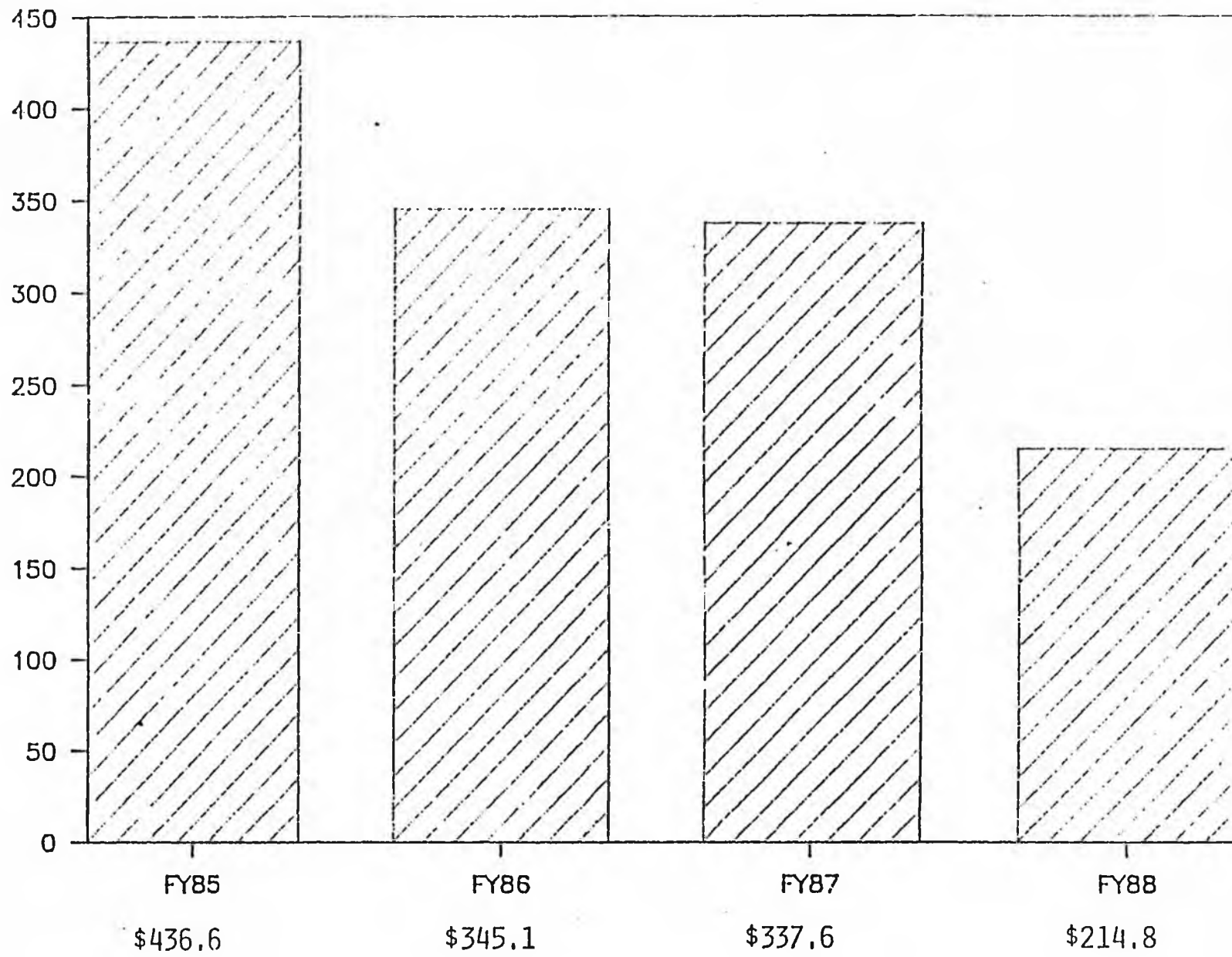
- * VPSO firefighter level training - 2 two-week courses
- * Maintenance of an audio visual lending library
- * Purchase of updated programs for lending library
- * Four outreach programs in conjunction with the National Fire Academy
- * One Train-the-Trainer program in Hazardous Materials
- * Training teams (itinerant instructors) to 4 local communities or fire departments
- * Training grants to 10 - 12 communities

(Summary Narrative FY83 Budget, FST, cont.)

In FY88, given the budget as proposed, the following functions will not be accomplished as in FY87:

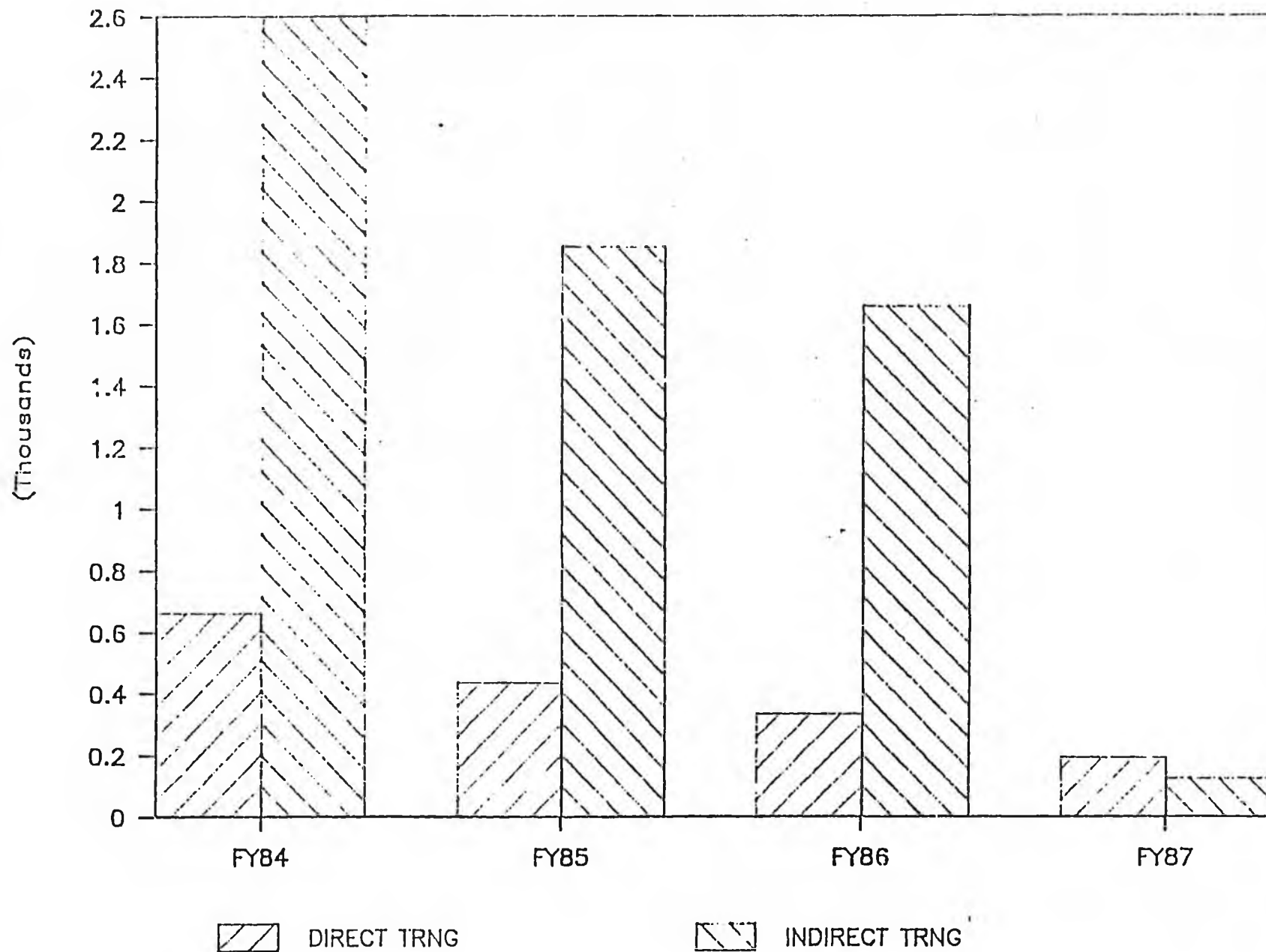
- * Instructor testing and certification
- * Firefighter testing and certification
- * Evaluation of local training programs for accreditation purposes
- * Completion of Hazardous Materials certification program and curriculum development
- * Completion of Firefighter II certification program and curriculum development
- * Existing curriculum and examination updates and revision
- * Training programs in Methods of Instruction for two levels of instructors
- * Training teams (itinerant instructors) to 12 local communities or fire departments
- * Training grants awarded to 20 - 30 fire departments or communities
- * Assistance to local communities or fire departments in developing public fire education programs
- * Sprinkler trailer demonstrations in southeast Alaska
- * State representation on advisory boards of regional fire training centers
- * Maintenance of State fire equipment (\$350,000+) at regional fire training centers
- * State representation on national training boards, input into national standards and training functions which affect Alaska's fire service

FIRE SERVICE TRAINING BUDGET FY85 - 88



TRAINING STATISTICS

FY 84 - 87



FIRE SERVICE TRAINING - INSTRUCTOR CERTIFICATION PROGRAM

Similar in function to the Department of Education's teacher certification program, the fire instructor certification program has been in existence for the past ten years. At this time there are 412 instructors certified at various levels of competence.

In FY87, 146 fire service applicants were tested and certified, 115 at the Instructor I level, and 30 at the Instructor II level. Applicants represent 32 fire departments which are listed below by area.

The FY88 budget will require elimination of this program due to the elimination of the position responsible for testing, certification, revision of examinations, and evaluation of applicant qualification for testing.

Fairbanks - 11 fire departments

Eielson Air Force Base	Nenana Dept of Public Safety
University of Alaska	Fairbanks Intl Airport
Fort Greely	Steese
North Star	North Pole
Fort Wainwright	Fairbanks City
Clear Air Force Station	

Kenai Peninsula - 4 fire departments

Soldotna	Homer
Anchor Point	Ridgeway

Kodiak Island - 3 fire departments

Kodiak City	U. S. Coast Guard Base
Bayside	

Southeastern - 5 fire departments

Juneau	Glacier
Auke Bay	

Rural - 3 fire departments

Chignik Bay	Takotna
Kotzebue	

Anchorage - 3 fire departments

Anchorage	Elmendorf Air Force Base
Fort Richardson	

Matanuska-Susitna Borough - 2 fire departments

Lakes	Wasilla
-------	---------

North Slope - 2 fire departments

Conoco	ARCO
--------	------

FIRE SERVICE TRAINING - FIREFIGHTER CERTIFICATION PROGRAM

Fire Service Training functions as the sole certification office for fire personnel training. Statewide there are 213 firefighters certified at the Firefighter I level, through State sponsored training programs as well as through local programs accredited by the State.

The Firefighter I training series sponsored by Fire Service Training was eliminated in FY87 due to revenue limitations. However, firefighters were certified from eight local training programs during this year. In FY88 this program will be eliminated due to the elimination of the position responsible for evaluating local Firefighter I training program accreditation and conducting proficiency examinations of applicants.

Those fire departments which certified firefighters in FY87 are:

Lynn Canal	Homer
Wasilla	Big Lake
Lakes	Nikiski
Auke Bay	Glacier

Other participating departments are:

Unalaska	Valdez
Anchorage	Kenai
Cordova	Fort Richardson
Ketchikan	Juneau area
Seward	Kodiak
Delta Junction	Petersburg
Fort Greeley	Mat Su Chiefs Association
Fairbanks	

FIRE SERVICE TRAINING - GRANTS PROGRAM FY87

Historically, between 35 and 50 fire departments or communities apply for local and regional fire training grants in any fiscal year, with 25 - 35 of these actually qualifying and receiving grants. The following is a list of those fire departments/communities which applied for and were denied grants in FY87 due to insufficient State revenues. Proposed FY88 budget would allow training grants to be issued to 10 - 12 fire departments or communities. With the decline of State assistance to local communities, it is anticipated that requests for fire training grants will increase considerably and become highly competitive in FY88.

Alaska Fire Chiefs Association
Grayling Volunteer Fire Department
Ekwok Volunteer Fire Department
Shageluk City Council
Port Heiden Volunteer Fire Department
City of Unalakleet
Ketchikan Fire Department
Cities of Sand Point and King Cove
Unalaska Fire Department
City of Hooper Bay
Cooper Landing Volunteer Fire Department
Yakutat Volunteer Fire Department
Chignik Bay Volunteer Fire Department
Nenana Fire Division
Nikiski Fire Department
Pitka's Point Traditional Council
Upper and Lower Kalskag
Homer Volunteer Fire Department
City and Borough of Juneau Fire Department
Kasaan Department of Public Safety
Chilkat Indian Village IRA
Meadow Lakes Volunteer Fire Department
Fairbanks North Star Borough Dept. of Community Safety
Toksook Bay Volunteer Fire Department
Hughes City Council
Kenny Lake Volunteer Fire Department
City of Aleknagik
City of Ouzinkie Volunteer Fire Department
Haines Volunteer Fire Department
Alaska Association of Fire and Arson Investigators

BRU NARRATIVE

FIRE PREVENTION

THE FIRE PREVENTION BRU IS A DIVISION HOUSED IN THE DEPARTMENT OF PUBLIC SAFETY, WITH REGIONAL OFFICES IN FAIRBANKS, ANCHORAGE, AND JUNEAU. THE RESPONSIBILITY OF THIS BRU IS TO FOSTER, PROMOTE, REGULATE, AND DEVELOP WAYS AND MEANS OF PROTECTING LIFE AND PROPERTY AGAINST FIRE, EXPLOSION AND PANIC.

THE MAJOR ACTIVITIES INCLUDE: (1) CONTINUAL DEVELOPMENT AND UPDATING OF ADMINISTRATIVE REGULATIONS WHICH FORMS THE BASIC STATE FIRE AND LIFE SAFETY CODE, (2) ENFORCEMENT OF THE CODE THROUGH INSPECTION OF THOSE FACILITIES CLASSIFIED AS "HIGH PRIORITY" BY THE DIVISION, (3) ENFORCE CODES THROUGH A PLAN REVIEW OF ALL NEW CONSTRUCTION, EXCEPT FOR DWELLING UNITS WHICH ARE A 3-PLEX OR SMALLER, AND (4) INVESTIGATE FIRES INVOLVING A DEATH, SERIOUS INJURY, A LARGER DOLLAR LOSS OR A CRIME TO PROVIDE MORE ACCURATE FIRE CAUSE INFORMATION.

OTHER PRIMARY RESPONSIBILITIES INCLUDE: (5) PROVIDE A CONTINUOUS FIRE PREVENTION PROGRAM THROUGH PUBLIC EDUCATION AND TRAINING, (6) COLLECT AND DISSEMINATE DATA THROUGH A STATE-FEDERAL-LOCAL FIRE INFORMATION NETWORK KNOWN AS "ANFIRS", (7) PROVIDE TECHNICAL ASSISTANCE TO LOCAL, PRIVATE AND OTHER STATE AGENCIES ON FIRE SAFETY RELATED ISSUES, AND (8) COORDINATE A STATEWIDE HAZARDOUS MATERIAL "RIGHT 2 KNOW" IDENTIFICATION PROGRAM.

THE FIRE SERVICE TRAINING COMPONENT OF THIS BRU MANAGES A TRAINING AND EDUCATION SERVICE WHICH PROVIDES INSTRUCTIONS IN FIRE SUPPRESSION FOR RURAL AND URBAN FIRE DEPARTMENTS AND VARIOUS TRAINING DESIGNED TO DEVELOP FIRE SERVICE PERSONNEL IN ALL RANKS TO MAXIMIZE THEIR EMERGENCY RESPONSE CAPABILITIES.

STATE OF ALASKA -- BUDGET UNIT SUMMARY

SALSFRMA 10:55 1/30/87

AGENCY: DEPARTMENT OF PUBLIC SAFETY
CATEGORY: PUBLIC PROTECTION

PROGRAM: FIRE PREVENTION

LEG. FIN.

COMPONENT DESCRIPTION	FY87 ATH	FY87 REV	TRANSFER	DECRMTS	INCRMNTS	GOVERNOR	HOUSE	SENATE	C. C.	BILLS
FIRE PREVENTION OPERATIONS	1330.4	1240.8	-5.0	-159.6		1076.2				
FEDERAL COMMUNITY PROJECTS	10.0	10.0		-10.0						
FIRE SERVICE TRAINING	337.6	299.6	-15.1	-69.7		214.8				
** TOTAL	1678.0	1550.4	-20.1	-239.3		1291.0				
** CHANGE VERSUS FY87 ATH				-114.2%	-100.0%	-100.0%	-23.0%	-100.0%	-100.0%	
OBJECT DESCRIPTION										
PERS. SERV.	1210.6	1151.0	-12.8	-229.3		908.9				
TRAVEL	103.1	96.5	10.0	-8.1		98.4				
CONTRACTUAL	253.1	223.1	-10.7	-1.6		210.8				
COMMODITIES	51.8	50.8		-3		50.5				
EQUIPMENT	2.0	2.0				2.0				
GRANTS, CLMS	57.4	27.0	-6.6			20.4				
FUNDING SUMMARY										
FED. RECEIPT	10.0	10.0		-10.0						
GENERAL FUND	1274.3	1146.7	-20.1	-229.3		897.3				
PGM RECEIPTS	330.6	330.6		-330.6						
OTHER FUNDS	63.1	63.1		330.6		393.7				
** GENERAL FUND CHANGE VS. FY87 ATH				-117.9%	-100.0%	-100.0%	-29.5%	-100.0%	-100.0%	
POSITIONS										
FULL TIME	20.0	19.0	1.0	-3.0		17.0				
PART TIME		1.0		-1.0						
STAFF MONTHS	240.0	238.0	12.0	-48.0		202.0				

06-12-01-00-00 (12-55-2-05-01-00)

STATE OF ALASKA -- COMPONENT BUDGET SUMMARY

SALSFRMA 10:55 1/30/87

AGENCY: DEPARTMENT OF PUBLIC SAFETY
CATEGORY: PUBLIC PROTECTIONPROGRAM: FIRE PREVENTION
SUB-PROGRAM: FIRE PREVENTION OPERATIONS

LEG. FIN.

----- F I S C A L Y E A R 1 9 8 8 -----

EXPENDITURES & FUNDING	(01) FY86 ACT	(02) FY87 ATH	(24)	(03) FY87 REV	(04) TRANSFER	(05) DECRMTS	(06) INCRMNTS	(23)	(08) GOVERNOR	(09) HOUSE	(10) SENATE	(11) C. C.	(12) BILLS
01 PERS. SERV.	1029.8	1021.3		961.7	-4.3	-159.6			797.8				
02 TRAVEL	80.8	67.7		67.7					67.7				
03 CONTRACTUAL	150.6	210.6		180.6	-7				179.9				
04 COMMODITIES	14.1	28.8		28.8					28.8				
05 EQUIPMENT	1.8	2.0		2.0					2.0				
06 LANDS/BLDGS													
07 GRANTS, CLMS	.4												
08 MISC.													
MM TOTAL EXPEND	1277.5	1330.4		1240.8	-5.0	-159.6			1076.2				
09 I-A TRANSFER	86.6	30.0		30.0					30.0				
1002 FED RCPTS	10.0												
1004 GEN FUND	1004.4	963.0		873.4	-5.0	-159.6			708.8				
1005 I/A RCPTS		36.8		36.8					36.8				
1011 LIC/PER/CT						297.0			297.0				
1013 PUBL/OTHER						33.6			33.6				
1028 PGM RCPTS	263.1	330.6		330.6		-330.6							
15 FULL TIME	17.0	17.0		16.0		-2.0			14.0				
16 PART TIME				1.0		-1.0							
17 TEMPORARY													
18 STAFF MONTHS	204.0	204.0		202.0		-36.0			166.0				

06-12-01-00-00 (12-55-2-05-01-00)

STATE OF ALASKA -- COMPONENT BUDGET ANALYSIS

SALSFRMA 10:55 1/ 37

AGENCY: DEPARTMENT OF PUBLIC SAFETY
CATEGORY: PUBLIC PROTECTION

PROGRAM: FIRE PREVENTION
SUB-PROGRAM: FIRE PREVENTION OPERATIONS

LEG. FIN.

***** FY87 REV ANALYSIS *****

OBJECT GROUP	VARIATION		DESCRIPTION: FY87 REV (\$1,240.8) VERSUS FY87 ATH (\$1,330.6)
01 PERS. SERV.	-59.6	-5.8%	HOLD THE EDUCATION SPECIALIST POSITION VACANT <659.6>.
03 CONTRACTUAL	-30.0	-14.2%	REDUCE PROFESSIONAL SERVICES <630.0>.
** TOTALS	-89.6	-6.7%	

***** GOVERNOR'S ANALYSIS (87 REV TO 88 GOV) *****

TOTAL GEN_FUND	OTH_FUND	PFT	PPT	DESC
-0.7	-0.7	0.0	0.0	0.0 TRANSFER P.C. MAINTENANCE AGREEMENTS #2008
-19.4	-19.4	0.0	0.0	0.0 TRANSFER RIP REQUIREMENT FOR FY88 #2009
15.1	15.1	0.0	0.0	0.0 REDUCED VACANCY AND TURNOVER #2010
-159.6	-159.6	0.0	-2.0	-1.0 REDUCE LOCAL CODE ENFORCEMENT #2011
0.0	0.0	0.0	0.0	0.0 CHANGE PROGRAM RECEIPTS TO PUBLICATIONS/OTHER SERV #2017
0.0	0.0	0.0	0.0	0.0 CHANGE PROGRAM RECEIPTS TO LICENSE/PERMITS/CERT. #2018

***** PROGRAM DESCRIPTION & PRIOR YEAR INFORMATION *****

1986 LEGISLATION: HB 647 (CH 108) \$33.6 GF FOR WARNING PLACARDS AND FOR MUNICIPAL REPORTING PROGRAMS FOR HAZARDOUS WASTES.

06-12-01-05-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET SUMMARY

SALSFRMA 10:55 1/30/87

AGENCY: DEPARTMENT OF PUBLIC SAFETY
 CATEGORY: PUBLIC PROTECTION

PROGRAM: FIRE PREVENTION
 SUB-PROGRAM: FEDERAL COMMUNITY PROJECTS

LEG. FIN.

----- F I S C A L Y E A R 1 9 8 8 -----

EXPENDITURES & FUNDING	(01) FY86 ACT	(02) FY87 ATH	(24)	(03) FY87 REV	(04) TRANSFER	(05) DECRMTS	(06) INCRMTS	(23)	(08) GOVERNOR	(09) HOUSE	(10) SENATE	(11) C. C.	(12) BILLS
01 PERS. SERV.													
02 TRAVEL	3.5	8.1		8.1			-8.1						
03 CONTRACTUAL	.7	1.6		1.6			-1.6						
04 COMMODITIES	2.0	.3		.3			-.3						
05 EQUIPMENT													
06 LANDS/BLDGS													
07 GRANTS, CLMS													
08 MISC.													
** TOTAL EXPEND	6.2	10.0		10.0			-10.0						
09 I-A TRANSFER													
1002 FED RCPTS	6.2	10.0		10.0			-10.0						
15 FULL TIME													
16 PART TIME													
17 TEMPORARY													
18 STAFF MONTHS													

06-12-01-05-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET ANALYSIS

SALSFEMA 10:55 1/30/87

AGENCY: DEPARTMENT OF PUBLIC SAFETY
CATEGORY: PUBLIC PROTECTION

PROGRAM: FIRE PREVENTION
SUB-PROGRAM: FEDERAL COMMUNITY PROJECTS

LEG. FIN.

***** FY87 REV ANALYSIS *****

***** GOVERNOR'S ANALYSIS (87 REV TO 88 GOV) *****

TOTAL GEN_FUND	OTH_FUND	PFT	PPT	DESC
-10.0	0.0	-10.0	0.0	0.0 THREE-YEAR FUNDING EXPIRES IN FY88 82012

06-12-01-10-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET SUMMARY

SALSFRMA 10:55 1/30/87

AGENCY: DEPARTMENT OF PUBLIC SAFETY
CATEGORY: PUBLIC PROTECTIONPROGRAM: FIRE PREVENTION
SUB-PROGRAM: FIRE SERVICE TRAINING

LEG. FIN.

EXPENDITURES & FUNDING	F I S C A L Y E A R 1 9 8 8												
	(01) FY86 ACT	(02) FY87 ATH	(24)	(03) FY87_REV	(04) TRANSFER	(05) DECRMTS	(06) INCRMTS	(23)	(08) GOVERNOR	(09) HOUSE	(10) SENATE	(11) C. C.	(12) BILLS
01 PERS. SERV.		189.3		189.3	-8.5	-69.7			111.1				
02 TRAVEL		27.3		20.7	10.0				30.7				
03 CONTRACTUAL		40.9		40.9	-10.0				30.9				
04 COMMODITIES		22.7		21.7					21.7				
05 EQUIPMENT													
06 LANDS/BLDGS													
07 GRANTS, CLMS		57.4		27.0	-6.6				20.4				
08 MISC.													
MM TOTAL EXPEND		337.6		299.6	-15.1	-69.7			214.8				
09 I-A TRANSFER													
1004 GEN FUND		311.3		273.3	-15.1	-69.7			188.5				
1005 I/A RCPTS		26.3		26.3					26.3				
15 FULL TIME		3.0		3.0	1.0	-1.0			3.0				
16 PART TIME													
17 TEMPORARY													
18 STAFF MONTHS		36.0		36.0	12.0	-12.0			36.0				

06-12-01-10-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET ANALYSIS

SALSFRMA 10:55 1/30/87

AGENCY: DEPARTMENT OF PUBLIC SAFETY
CATEGORY: PUBLIC PROTECTION

PROGRAM: FIRE PREVENTION
SUB-PROGRAM: FIRE SERVICE TRAINING

LEG. FIN.

***** FY87 REV ANALYSIS *****

OBJECT GROUP	VARIATION		DESCRIPTION: FY87 REV (\$299.6) VERSUS FY87 ATH (\$337.6)
02 TRAVEL	-6.6	-24.2%	REDUCE TRAVEL AND PER DIEM <\$6.6>.
04 COMMODITIES	-1.0	-4.4%	REDUCE OFFICE AND LIBRARY SUPPLIES <\$1.0>.
07 GRANTS, CLMS	-30.4	-53.0%	
** TOTALS	-38.0	-11.3%	

***** GOVERNOR'S ANALYSIS (87 REV TO 88 GOV) *****

TOTAL	GEN_FUND	OTH_FUND	PFT	PPT	DESC
-15.1	-15.1	0.0	0.0	0.0	DELETION OF PCN 2022 & RECLASSIFYING PCN 2021 #2013
0.0	0.0	0.0	1.0	0.0	FIRE SVC TRAINING CENTER CLERK III POSITION #2015
-69.7	-69.7	0.0	-1.0	0.0	TRAINING WILL BE SHIFTED TO LOCAL DEPARTMENTS #2016

STATE OF ALASKA -- BUDGET UNIT SUMMARY

SALSFRMA 10:55 1/30/87

AGENCY: DEPARTMENT OF PUBLIC SAFETY
CATEGORY: PUBLIC PROTECTION

PROGRAM: STATE FIRE COMMISSION

LEG. FIN.

COMPONENT DESCRIPTION	FY87 ATH	FY87 REV	TRANSFER	DECRMTS	INCRMNTS	GOVERNOR	HOUSE	SENATE	C. C.	BILLS
STATE FIRE COMMISSION	180.0									
** TOTAL	180.0									
** CHANGE VERSUS FY87 ATH				-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%
OBJECT DESCRIPTION										
PERS. SERV.	94.7									
TRAVEL	44.8									
CONTRACTUAL	25.4									
COMMODITIES	1.6									
EQUIPMENT	13.5									
FUNDING SUMMARY										
GENERAL FUND	180.0									
** GENERAL FUND CHANGE VS. FY87 ATH				-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%
POSITIONS										
FULL TIME	2.0									
STAFF MONTHS	24.0									

06 02-01-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET SUMMARY

SALSFRMA 10:55 1/30/87

AGENCY: DEPARTMENT OF PUBLIC SAFETY
 CATEGORY: PUBLIC PROTECTION

PROGRAM: STATE FIRE COMMISSION
 SUB-PROGRAM: STATE FIRE COMMISSION

LEG. FIN.

FISCAL YEAR 1988

EXPENDITURES & FUNDING	(01) FY86 ACT	(02) FY87 ATH	(24)	(03) FY87 REV	(04) TRANSFER	(05) DECRMTS	(06) INCRMNTS	(23)	(08) GOVERNOR	(09) HOUSE	(10) SENATE	(11) C. C.	(12) BILLS
01 PERS. SERV.		94.7											
02 TRAVEL		44.8											
03 CONTRACTUAL		25.4											
04 COMMODITIES		1.6											
05 EQUIPMENT		13.5											
06 LANDS/BLDGS													
07 GRANTS, CLMS													
08 MISC.													
MM TOTAL EXPEND		180.0											
09 I-A TRANSFER													
1004 GEN FUND		180.0											
15 FULL TIME		2.0											
16 PART TIME													
17 TEMPORARY													
18 STAFF MONTHS		24.0											

06-12-02-01-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET ANALYSIS

SALSFRMA 10:55 1/30/87

AGENCY: DEPARTMENT OF PUBLIC SAFETY
CATEGORY: PUBLIC PROTECTION

PROGRAM: STATE FIRE COMMISSION
SUB-PROGRAM: STATE FIRE COMMISSION

LEG. FIN.

***** FY87 REV ANALYSIS *****

OBJECT GROUP	VARIATION		DESCRIPTION: FY87 REV (90.0) VERSUS FY87 ATH (9180.0)
01 PERS. SERV.	-94.7	-100.0%	DUE TO REVENUE SHORTFALLS, THE COMMISSION WILL NOT BE ESTABLISHED IN FY87 <\$94.7>
02 TRAVEL	-44.8	-100.0%	DUE TO REVENUE SHORTFALLS, THE COMMISSION WILL NOT BE ESTABLISHED IN FY87 <\$44.8>
03 CONTRACTUAL	-25.4	-100.0%	DUE TO REVENUE SHORTFALLS, THE COMMISSION WILL NOT BE ESTABLISHED IN FY87 <\$25.4>
04 COMMODITIES	-1.6	-100.0%	DUE TO REVENUE SHORTFALLS, THE COMMISSION WILL NOT BE ESTABLISHED IN FY87 <\$1.6>
05 EQUIPMENT	-13.5	-100.0%	DUE TO REVENUE SHORTFALLS, THE COMMISSION WILL NOT BE ESTABLISHED IN FY87 <\$13.5>
** TOTALS	-180.0	-100.0%	

***** PROGRAM DESCRIPTION & PRIOR YEAR INFORMATION *****

1986 LEGISLATION: SB 209 (CH 84) \$180.0 GF FOR CREATION AND OPERATION OF THE ALASKAN STATE FIRE COMMISSION.



Official Business

Alaska State Legislature

House

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

M E M O R A N D U M

March 30, 1987

TO: Representative Dave Donley,
Chair, House Labor & Commerce Committee

FROM: Representative Fran Ulmer

RE: House Bill 230

As you know, today I introduced House Bill 230, "An Act relating to the premium tax on certain insurers". This bill was referred to the Labor & Commerce Committee as the committee of first referral.

I would appreciate it very much if you could schedule a hearing for this bill as soon as possible.

Thank you for your consideration.

REGIONAL FIRE TRAINING CENTER

APR 21 1987

ANCHORAGE REGIONAL FIRE TRAINING CENTER
ADVISORY COUNCIL

April 14, 1987

Honorable Dave Donley, Chairman
House Labor & Commerce Committee
Alaska State House
Pouch V
Juneau, Alaska 99811

Dear Representative Donley and Members,
House Labor & Commerce Committee:

In these times of declining revenue, I'm sure that any proposal that would increase funding to the state is something of a rarity. However, just such a situation appears to exist.

Until last year, the insurance industry had paid a 3% premium tax, which was then reduced to 2.7%. There now appears to be several compelling reasons for bringing that tax back to 3.0%, and that such increase would be in the best interest of all concerned. It is our understanding that such increase would be both feasible and legal, and would not represent any increase to the insurance industry over what they have been paying for years.

Since the budget proposal for FY-88 severely reduces funding for the State Fire Marshal's Office and the State Fire Service Training Program within the Department of Public Safety, it seems clear that the state will be able to do substantially fewer fire code reviews of building plans, fire prevention inspections, fire code violation abatement, arson investigation, training of firefighters at the Regional Training Centers and other related fire and life safety activities. With a reduction of these activities, the likelihood of accidental fires increasing is all but certain. With an increase in fires, (and we have already seen an increase in arson fires), the insurance companies face the prospect of increasing claims to pay.



1140 AIRPORT HEIGHTS ROAD
ANCHORAGE, ALASKA
99504

PHONE: (907) 278-4413

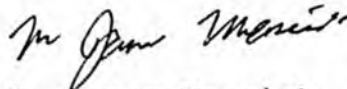


However, with the premium tax brought back to the previous level of 3.0%, an additional \$2.5 million may be available to the general fund.

Such action would appear to be in the best interests of both the Fire Service statewide and the insurance industry, which have the common goal of reducing fire losses, and at the same time, the general fund would also be enhanced.

HB-230, introduced by Representative Ulmer on March 30, would restore the full premium tax, and directs that certain funds may be used by the legislature for fire prevention services. We understand this bill has been assigned to your committee for hearings. Our Council urges your favorable consideration of this measure.

Sincerely Yours,



M. James Messick, Chairman
Anchorage Regional Fire
Training Center Council

MJM:mb

Blue Cross
of Washington and Alaska



6.FYI ✓
LC

3111 C Street, Suite 100
P.O. Box 10-2480
Anchorage, Alaska 99510-2480
(907) 561-5065

April 24, 1987

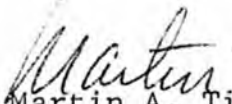
The Honorable Dave Donley
House of Representatives
P.O. Box V
Juneau, Alaska 99811

Dear Representative Donley:

Thank you for your attention in considering Blue Cross of Washington and Alaska's concerns about premium taxes. Increases in premium taxes will have a definite affect on the affordability and consequently the protection afforded by hospital and medical service corporation benefit programs.

The personal courtesy shown me by you and your staff is deeply appreciated.

Sincerely,


Martin A. Tirador
Senior Representative
Corporate Relations