

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

4839 HLAB SB 61 - SB 88

41

POSITION PAPER
SB 61

This bill deals with the return to work of those State employees who have been injured on the job and were terminated from their positions after that injury.

Passage of the bill will benefit the State in terms of the depth of training and experience the worker who was injured on the job will bring back to the workforce.

The bill makes the obligations of both the employer and the employee clear and it has built in safeguards which ensure that a State's expert in the field will determine the employee's readiness to return to work. This will ensure that the matter is dealt with in a consistent manner.

There is no fiscal impact on the Division of Personnel. Any extra work that may be involved can be absorbed into normal workflow.

The Division of Personnel supports the intent of this legislation.

Diana DeSimone
Diana DeSimone, Director
Division of Personnel

1/27/87
Date

Garrey Peska
Commissioner Garrey Peska
Department of Administration

1/27/87
Date

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 61
Publish Date: _____

REQUEST _____

Revision Date: _____
Title: SB 61

Agency Affected: Administration
BRU: Personnel

Sponsor: Szymanski
Requestor: _____

Components: Centralized Administrative Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

There is no fiscal impact on the Division of Personnel. Any extra work that may be involved can be absorbed into normal workflow.

Prepared By: Diana DeSimone *Diana DeSimone* Phone: 465-4430
Division: Personnel Date: 1/22/87

Approved by Commissioner: Garrey Pesko *Garrey Pesko* Date: 1/26/87
Agency: Department of Administration

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



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
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1984 OCT 11 10 38 AM

October 11, 1984

MEMORANDUM

TO: Representative Mike Szymanski

FROM: Sharon Haley
Legislative Analyst

RE: Priority Rehire For Disabled State Employees
Research Request 35-025

You have asked about instituting a policy of preferential rehire for State employees who are forced to leave their jobs due to work-related disabilities. Short summaries of rehire policies in Washington, Oregon, and Idaho as well as the U.S. Postal Service and the Municipality of Anchorage are provided below. A discussion of policy alternatives for amending Alaska law along similar lines follows.

WASHINGTON

An employee of the State of Washington who becomes disabled cannot be terminated for at least sixty days. Supervisors have broad discretion to extend leave without pay to the injured employee and fill the position temporarily until the employee is able to resume his or her duties. If the injured employee is out longer than sixty days and is terminated from his or her position, the employee is eligible to be placed on the Reduction In Force (RIF) list for that job class when he or she is ready to return to work. Persons on the RIF list have the right of first hire when vacancies in that job class appear.

If the disabled employee is not able to resume the duties of his or her former job class and seeks reemployment in an alternate job class, the employee must go through the normal application and testing procedures to be certified to the register for the alternate job class. Once certified, the disabled employee is entitled to hiring preference over applicants on the open competitive register. If the alternate job class constitutes a promotion, the disabled employee has second hire priority after those on the RIF list. If the alternate job class is a demotion or lateral transfer, reemployment preference over open competitive candidates is at the discretion of the hiring authority.

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Under Washington law, a person whose disability keeps them out of work for more than 120 days is referred to a vocational rehabilitation counselor for evaluation and vocational rehabilitation planning. A person who is permanently disabled may qualify for the state's equal employment opportunity program for the handicapped. Washington State civil service rules allow handicapped persons to test for any job class for which they meet the minimum qualifications, whether or not that register is open for recruitment. State agencies have the option of using the list of qualified handicapped workers, in preference to the regular register when filling vacancies.

Incentive for state agencies (or any employer) to hire workers with occupational injuries is provided by the Preferred Worker Program, which excludes the worker from the computation of workers' compensation premiums for a period of three years. The benefits due the worker in the event of an injury during the three-year period are covered by the state's Second Injury Fund.

OREGON

Of the states contacted, Oregon has the strongest laws for rehiring injured employees. Oregon civil rights law provides that an injured employee has the right to reinstatement on demand in his or her former position, or in any other job, if a position is available and the worker able to perform the duties of the job. In the state system, responsibility for rehiring the injured employee falls on each agency. Oregon statutes also require "reasonable accommodation" for the special needs of handicapped workers. In the state personnel system, this may include some restructuring of the job.

IDAHO

Idaho personnel rules provide that when an employee is absent due to injury or illness, the job is held open for the employee and may not be declared vacant for at least six months. If the worker has not returned to work within six months and is terminated, for an additional 12 months the worker is eligible to be placed on the lay-off register for that agency if the doctor has cleared the employee for return to work. If the employee is not able to resume the same job duties, the agency has some discretion to modify work for the employee, but there is no program or policy to further accommodate workers who must change job classes.

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U.S. POSTAL SERVICE

The U.S. Postal Service goes beyond the requirements of federal law to return injured employees to work. Under federal law, an injured federal employee who is able to return to work within one year has the right to return to the same or an equivalent position in the same agency. If it takes longer than a year to return to work, the employee has the right to priority placement in the same or equivalent position in that or another federal agency. The returning federal employee is credited with wage step increases and other benefits based on length of service for the entire time he or she was out on disability compensation.

A partially or temporarily disabled postal employee is on leave status until the doctor certifies that the employee is able to return to work. The worker is either returned to his or her former job, with some modification of duties if needed, or transferred to an alternate job. In planning a placement, the post office considers the risk of reinjury and the potential compensation costs as well as the skills and abilities of the worker. Only if this assessment indicates that the worker will not be returned to federal service is the employee terminated.

The responsibility for finding or creating a job falls on the local postmaster. To encourage the placement of partially disabled workers, the salary of a partially disabled employee is not paid out of the operating unit's budget, nor are the hours worked by a partially disabled worker counted in computing the operating unit's productivity rating. Thus the operating units are able to show a higher productivity, for which they are rewarded, by utilizing partially disabled workers.

ANCHORAGE

The Municipality of Anchorage has implemented a modified work program for municipal employees injured on the job. The stated purposes of the program are to minimize long-term costs to the municipality and to return the employee to good health and productive employment at the earliest opportunity.

Under the modified work program, an injured worker who is able to resume partial duties will be placed in modified work for up to three months while the worker is in transition back to full duties. If rehabilitation requires a complete change in employment, participation in the modified work program may exceed three months. The worker is paid his or her full regular salary during the period of modified work. If the worker's permanent job placement is at a lower salary than his or her old job, two-thirds of the difference is paid to the employee through the city's workers compensation account. Workers whose disability precludes them from placement in a permanent position receive a worker's compensation settlement.

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While providing modified work is the responsibility of each municipal agency, a job placement coordinator for the municipality as a whole oversees the development of modified jobs and placements. According to Harry Sjoberg, Risk Manager for the municipality, the city's experience with the program has shown significant reductions in compensation claims and changes in the attitudes of supervisors and injured employees alike. Prior to institution of the modified work program, the prevailing pattern was that supervisors were not inclined to rehire an employee at anything less than 100 percent productivity. Employee morale suffered from prolonged periods off work. Mr. Sjoberg said that now less work time is lost, supervisors show more concern for the circumstances of their injured employees, and rehabilitation is quicker.

ALASKA

Under the Alaska personnel rules, leave without pay due to a disability is at the discretion of the supervisor, but in any case may not exceed the employees length of service or 24 months, whichever is shorter. The supervisor may cancel leave without pay upon notice to the absent employee. If the employee does not report for duty on the specified date, he or she may be terminated immediately.

A disabled classified employee terminated "in good standing" has rehire rights for two years from the date of termination. This means that they will be placed on the transfers and rehires list for that job class, which agencies may use in preference to the regular register when seeking applicants to fill vacancies. A few departments such as Health and Social Services have internal policies requiring agency heads to use the transfer and rehire list first, but most departments leave this to the discretion of the supervisor.

Injured State workers who are unable to resume the duties of their former job have few advantages in seeking other State jobs. They must go through the same process as anyone else of finding job classes for which they qualify, waiting for an open recruitment period for that class, taking applicable tests, getting on the job register, and successfully competing with other applicants. If the worker is fortunate enough to still be on leave and thus retain permanent employee status, he or she may be eligible for noncompetitive appointment at the discretion of the hiring authority.

State law provides that workers absent from work more than 90 days due to an on-the-job injury have a right to vocational rehabilitation evaluation. This includes an assessment of skills and abilities, aid in planning for training and rehabilitation, and job placement assistance.

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If the worker qualifies as severely handicapped and is a client of the Division of Vocational Rehabilitation, the worker may be referred to a State job and hired noncompetitively if the hiring authority chooses.

State workers whose occupational injuries disable them from resuming their former job duties qualify for a disability pension under the Public Employees Retirement System. The pension is terminated in one year, however, unless the recipient submits evidence that he or she meets the qualifications for federal Social Security disability income (SSI). Federal standards for SSI are stringent; the worker must be unable to hold any gainful employment, not merely his or her former job.

Policy alternatives to facilitate reemployment of injured State workers in Alaska, patterned after some of the preferential rehire programs in other jurisdictions, are listed below:

POLICY OPTIONS

1. Employees could be guaranteed the right to disability leave.
2. Injured workers returning to work could be placed on the lay-off list, which assures them priority placement within their former job class.
3. Injured workers unable to resume the duties of their former job class could be allowed to test for any other job class for which they meet the minimum qualifications, whether or not recruitment is open.
4. Hiring preference in alternate job classes for which the worker qualifies could be granted by making the worker eligible for the lay-off, promotion, or transfer and rehire lists. Eligibility for the lay-off list would guarantee the worker first priority placement, while the promotion and the transfer and rehire lists would give the worker preference only at the option of the hiring authority.
5. A modified work program could provide injured workers job duties tailored to their capabilities during a period of transition back to full duties or to a new job.
6. State agencies could be given incentives to rehire disabled State workers, such as omitting the disabled worker from the calculation of their worker's compensation assessment.
7. State employees injured in the course of their employment could be guaranteed State jobs when doctors certify that the employees

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are able to return to work. The employee would be reemployed in their original job class if they were able to perform the duties, in an alternate job class for which they qualify, in an alternate job class for which they may be retrained, or in a modified job tailored to their individual capabilities.

8. The injured worker could also be extended the right to receive pay no less than the pay he or she received prior to injury, regardless of the final job placement.

These policy changes could be effected by amending AS 39.25.150 to direct the Department of Administration to provide for these policies in the personnel rules. Alternatively, reemployment could be mandated for all employers in the state under the workers' compensation or civil rights laws. Copies of the Oregon law and the Postal Service policy manual, both of which are regarded by vocational rehabilitation professionals as model policies, are attached.

Because the State is a self-insurer and is liable for workers' compensation benefits as well as for the disability pension payments, it may be in the State's financial interests as well as the interests of the injured worker to implement a preferential rehire policy and return the worker to a job as quickly as possible. Approximately 1,200 injured State employees file worker's compensation claims per year, of which about 200 to 250 include a claim for wage loss due to being out of work more than three days. Compensation is also paid for loss of earning capacity if the injured worker's prospective employment pays less than his or her former job. Compensation for wage loss is generally calculated at two-thirds of the lost wages, but because workers' compensation is tax exempt, the take home compensation is worth more than two-thirds of net wages lost.

* * * * *

I am still expecting some additional information from other states to come in the mail. If upon reviewing the material I find that it provides any significant information on this issue that I have not adequately covered here, I will forward it on to you with a supplemental memo. Meanwhile, I hope that this memorandum provides you with the information that you need.

If you have any further questions please call me.

SH

Services Division, Washington, DC 20415. The notification must include the individual's name, social security number, date of birth, Civil Service Annuity claim number (CSA-Civil Service Account), date of reemployment, Form 2485, Certificate of Medical Examination and whether retirement deductions will be made from the salary for the position to which reemployed.

546.6 Relocation Considerations

.61 **Scope.** In some cases, former employees receiving OWCP compensation may have relocated to other geographic areas. Every effort must be made to reemploy these individuals within their current area of residence by treating them as if they had been employed at that office at the time of injury. Any offer to reemploy in a different location will be considered only after all reasonable attempts have been made to rehire within the area of the former employee's present domicile.

.62 **Expense.** Any relocation and travel expenses will be the responsibility of the former employee. However, under certain mitigating circumstances the SAPMG for E&LR, or the SAPMG's designee, may authorize relocation and travel expenses consistent with the provisions of Handbook M-9, *Travel*.

546.7 Reemployment Procedures

.71 Offer of Appointment

.711 **Evaluation.** Upon receipt and evaluation of the OWCP referral containing documented medical limitations, and evaluation of the medical officer's recommendations, the appointing official will determine if a reemployment offer can be made.

.712 **Interview.** During the preemployment interview, the appointing officer will ensure that the individual receives the following information:

a. In-depth analysis of medical limitations and the individual's responsibility to work within the prescribed work limitation tolerances.

b. If applicable the status of injury compensation and disability retirement benefits and future eligibility.

c. A full explanation of all restoration rights and benefits (see 546.4).

d. Full particulars regarding the position, including title, duties, grade, salary, location of work assignment, and all other information required in a preemployment interview. (See Handbook P-11, 264.8 and 265.)

e. Instructions for completion and submission of any required employment forms.

.713 Appeal

a. Those employees who fully recover in less than one year from the date on which OWCP compensation began, may appeal to the Merit Systems Protection Board (MSPB) if they believe a proposed offer of reemployment does not meet the requirements of Office of

Personnel Management regulations 5 CFR Part 353. The letter of appeal must be submitted within 20 days after the date of the offer or 20 days after the date of reemployment, whichever is later.

b. Those employees or former employees whose full recovery extends beyond one year, or whose partial recovery falls either within or beyond one year of compensation, may appeal to the Merit Systems Protection Board only when they have requested restoration through formal application to the installation head and restoration has been refused them. An appeal to the denial of restoration must be filed with MSPB within 20 days from the day the denial letter is received. Upon restoration, however, the employees are not given the right to appeal the nature of the restoration.

.72 **Refusal of Reemployment Offer.** When a former employee refuses an offer of suitable employment within the OWCP defined medical limitations, the appointing officer must do the following:

a. Offer the individual an opportunity to sign a declination of employment.

b. Advise the individual that the effect of such refusal may result in the termination or reduction of compensation benefits by the Department of Labor.

c. Notify the OWCP district office by telephone of the declination and reasons given.

d. Within 2 working days, forward a full written summary of the former employee's interview, including the signed declination, and medical evaluations or other pertinent information to the OWCP district office. OWCP has the responsibility to notify the Retirement and Insurance Division, Office of Personnel Management, when disability retirement status is to be evaluated.

.73 **Refusal to Reemploy.** The appointing official may not be able to accommodate the former employee for medical reasons or other considerations. If the former employee will not be reemployed, the appointing officer must:

a. Notify the employee in writing of that fact, with a copy to the OWCP; and

b. Include a paragraph informing the individual of the right to appeal to the Merit Systems Protection Board.

.74 **Processing Personnel Actions.** The reemployment of former employees injured or disabled on duty requires uniform information on Form 50-B, *Request for Personnel Action (Processing Copy for New Hires Only)*, before forwarding to the Employee and Labor Relations Information Center. (See 612.5 of Handbook P-11.)

547 Return to Duty

547.1 Therapy Obligations

The installation head must ensure that an employee reports for scheduled therapy treatment. The employee

must be advised that failure to keep appointments with a physician or hospital is a form of absenteeism. Control office/control point personnel will report failures to keep appointments to the OWCP district office.

547.2 Medical Reports

.21 Progress reports received from the attending physician may show the employee is capable of some work during convalescence or after medical treatment has been completed.

.22 If not, this information is requested by the control office/control point from the attending physician or the OWCP district office by use of Form CA-17.

.23 If the attending physician submits a medical report, Form CA-17, indicating that the employee is medically capable of performing some of the normal duties for a limited number of hours, or other work of a different nature than the employee's former assignment, the installation head must make every reasonable effort to place the employee in an appropriate assignment.

547.3 Fitness-For-Duty Determination

.31 **Determining Fitness.** The fact that an injured or ill employee is scheduled for a series of treatments or appointments with a physician or hospital does not, by itself, establish that the employee is not fit-for-duty in the interim. Control personnel will recommend, upon medical justification, to the installation head that any employee being treated by a physician or hospital be required to report to a USPS medical unit (or contract equivalent) for a fitness-for-duty examination. Only an installation head is authorized to approve a fitness-for-duty examination.

.32 **Examination Report.** This physical examination may include the parts of the anatomy being treated, provided the examination in no way disturbs or interferes with the treatment regimen. The results of this examination will be brought to the attention of the OWCP district office for consideration.

.33 **Physician Report Questioned.** If the medical officer questions the medical procedures and/or determination of the employee's attending physician, no administrative action may be taken to change the employee's compensation or employment status until the medical issue is settled.

.34 **Resolving Determination.** The following procedures apply only to fitness-for-duty determinations incident to an on-the-job injury or illness. Fitness-for-duty determinations for other purposes are not covered by this instruction.

a. The physician or hospital must, for each visit of the employee, make a professional statement, using Form CA-17, showing the employee either:

(1) Fit-for-duty; or

(2) Fit for limited duty, and the work tolerance limitations due to the injury; or

(3) Not fit for duty with an expected return-to-duty date.

b. If the physician or hospital is unable to predict an employee's fitness for duty on either a short-term or long-term basis, the control office/control point supervisor may request information from the OWCP by sending Form 2573, Request—OWCP Claim Status, in duplicate, to the OWCP district office. If OWCP does not respond within a maximum of 60 days, or if the OWCP response does not explain the situation, a fitness-for-duty examination may be recommended to the installation head as provided in 547.31, .32, and .33. However, a fitness-for-duty examination can be initiated at any time to determine the duty status of the injured employee.

c. If the results of the fitness-for-duty examination disagree with the findings of the attending physician, the matter, along with justification for the USPS position, is referred by the control office/control point supervisor to the OWCP Deputy Commissioner for resolution.

d. A fitness-for-duty determination is not limited to the employee's regular duties, but should be based on whether the employing installation has any temporary alternative duties available which the employee may safely perform.

Services Division, Washington, DC 20415. The notification must include the individual's name, social security number, date of birth, Civil Service Annuity claim number (CSA-Civil Service Account), date of reemployment, Form 2485, Certificate of Medical Examination and whether retirement deductions will be made from the salary for the position to which reemployed.

546.6 Relocation Considerations

.61 **Scope.** In some cases, former employees receiving OWCP compensation may have relocated to other geographic areas. Every effort must be made to reemploy these individuals within their current area of residence by treating them as if they had been employed at that office at the time of injury. Any offer to reemploy in a different location will be considered only after all reasonable attempts have been made to rehire within the area of the former employee's present domicile.

.62 **Expense.** Any relocation and travel expenses will be the responsibility of the former employee. However, under certain mitigating circumstances the SAPMG for E&LR, or the SAPMG's designee, may authorize relocation and travel expenses consistent with the provisions of Handbook M-9, *Travel*.

546.7 Reemployment Procedures

.71 Offer of Appointment

.711 **Evaluation.** Upon receipt and evaluation of the OWCP referral containing documented medical limitations, and evaluation of the medical officer's recommendations, the appointing official will determine if a reemployment offer can be made.

.712 **Interview.** During the preemployment interview, the appointing officer will ensure that the individual receives the following information:

- a. In-depth analysis of medical limitations and the individual's responsibility to work within the prescribed work limitation tolerances.
- b. If applicable the status of injury compensation and disability retirement benefits and future eligibility.
- c. A full explanation of all restoration rights and benefits (see 546.4).
- d. Full particulars regarding the position, including title, duties, grade, salary, location of work assignment, and all other information required in a preemployment interview. (See Handbook P-11, 264.8 and 265.)
- e. Instructions for completion and submission of any required employment forms.

.713 Appeal

a. Those employees who fully recover in less than one year from the date on which OWCP compensation began, may appeal to the Merit Systems Protection Board (MSPB) if they believe a proposed offer of reemployment does not meet the requirements of Office of

Personnel Management regulations 5 CFR Part 353. The letter of appeal must be submitted within 20 days after the date of the offer or 20 days after the date of reemployment, whichever is later.

b. Those employees or former employees whose full recovery extends beyond one year, or whose partial recovery falls either within or beyond one year of compensation, may appeal to the Merit Systems Protection Board only when they have requested restoration through formal application to the installation head and restoration has been refused them. An appeal to the denial of restoration must be filed with MSPB within 20 days from the day the denial letter is received. Upon restoration, however, the employees are not given the right to appeal the nature of the restoration.

.72 **Refusal of Reemployment Offer.** When a former employee refuses an offer of suitable employment within the OWCP defined medical limitations, the appointing officer must do the following:

- a. Offer the individual an opportunity to sign a declination of employment.
- b. Advise the individual that the effect of such refusal may result in the termination or reduction of compensation benefits by the Department of Labor.
- c. Notify the OWCP district office by telephone of the declination and reasons given.
- d. Within 2 working days, forward a full written summary of the former employee's interview, including the signed declination, and medical evaluations or other pertinent information to the OWCP district office. OWCP has the responsibility to notify the Retirement and Insurance Division, Office of Personnel Management, when disability retirement status is to be evaluated.

.73 **Refusal to Reemploy.** The appointing official may not be able to accommodate the former employee for medical reasons or other considerations. If the former employee will not be reemployed, the appointing officer must:

- a. Notify the employee in writing of that fact, with a copy to the OWCP; and
- b. Include a paragraph informing the individual of the right to appeal to the Merit Systems Protection Board.

.74 **Processing Personnel Actions.** The reemployment of former employees injured or disabled on duty requires uniform information on Form 50-B, *Request for Personnel Action (Processing Copy for New Hires Only)*, before forwarding to the Employee and Labor Relations Information Center. (See 612.5 of Handbook P-11.)

547 Return to Duty

547.1 Therapy Obligations

The installation head must ensure that an employee reports for scheduled therapy treatment. The employee

was received for purposes of certain rights and benefits based upon length of service.

.42 Rights and Benefits upon Partial Recovery

.421 Seniority. Individuals, reemployed into bargaining unit positions will be credited with seniority in accordance with the collective bargaining agreement covering the position to which reemployed.

.422 Probationary Period. Reemployed individuals who have completed their probationary periods, or would have completed their probationary periods but for their compensable injuries, will not be required to serve a new probationary period.

.423 Leave Credit. Former employees who were eligible to accrue leave under ELM 510 will be credited with the total time compensation was received from OWCP for purposes of computing leave rate accrual upon reemployment.

.424 Retirement. Former employees who were covered by the Civil Service Retirement Act (see ELM 560) will be credited with the time spent on OWCP compensation in computing retirement credit.

.425 Salary Determination. The following salary restoration criteria must be met (*Note:* The term "Grade/Step," as used below, means "Grade/Salary" for individuals in a non-step salary schedule):

a. Reemployment to the Former Grade/Step. These individuals reemployed into a position with the same grade/step as held at the time of injury or disability will receive the current salary for that grade/step from the appropriate salary schedule.

b. Reemployment to a Higher Grade. Those individuals reemployed to a position with a grade higher than that of the position held at the time of injury or disability will be placed in the higher grade at the current salary for the grade/step held at the time of injury or disability. If that salary is between steps in the higher grade, the individual's salary will be increased to the next higher step.

c. Reemployment to a Lower Grade/Step.

(1) Salary Below Maximum of Lower Grade. The individual will be placed in any higher step in the lower grade which is less than one full step above the current salary for the grade/step of the position held at the time of injury or disability.

(2) Salary Above Maximum of Lower Grade. In those cases where the current salary for the grade/step held at the time of injury or disability exceeds the maximum salary of the lower grade position, the employee will be afforded a saved rate at the higher grade/step salary. These saved rate provisions apply for an indefinite period and are subject to the rules of the salary schedule to which assigned.

d. Reemployment to a Position in a Different Salary Schedule. When an individual is reemployed to a position in a salary schedule different from the schedule under which paid at the time of injury or disability, once reemployed, the individual will be treated under the rules applicable to the salary schedule to which reemployed:

(1) The individual will be reemployed at the grade appropriate for the position to which reemployed.

(2) The individual will be placed in any higher step in the new grade which is less than one full step above the current salary for the grade/step of the position held at the time of injury or disability.

(3) If reemployment is to a nonstep schedule, the individual will be placed at a salary equal to the current salary for the grade/step of the position held at the time of injury or disability.

(4) If the current salary for the grade/step held at the time of injury or disability exceeds the maximum salary of the new grade, the individual will be given a saved rate. These saved rate provisions apply for an indefinite period and are subject to the rules of the salary schedule to which assigned:

e. Former Position Under Different Salary Schedule. Where the position held at the time of injury or disability is no longer under the same salary schedule, the current salary for the former grade/step will be determined by:

(1) Regional Compensation Division, for field, district, and regional positions.

(2) Office of Compensation, Headquarters, for Headquarters and Headquarters-related positions.

f. Step Increases. Upon reemployment, permanently, partially disabled individuals begin a new waiting period for step increases.

.43 Rights and Benefits Upon Full Recovery. See 546.122.

546.5 Retirement Considerations

.51 Status. Pursuant to the Civil Service Retirement Act, a former employee who applied for and received Civil Service disability retirement status will cease to be an annuitant upon reemployment and restoration of that individual's wage earning capacity.

.52 Reinstatement of Eligibility

.521 If an annuitant, reemployed under the procedures in this section, is later found unable to successfully perform in the new position due to the original compensable injury or disability, and is again separated, the employee will be entitled to the restoration of disability retirement status under the Civil Service Retirement Act.

.522 If an employee becomes disabled for the position due to a new injury or disability after entry into that position, the employee would have a right to apply for a new Civil Service disability retirement status.

.53 Refunded Retirement Deductions. A former employee who withdrew retirement deductions based on previous employment, may redeposit the amount refunded, plus interest, after reemployment to a position from which retirement deductions are withheld.

.54 Notification. Upon reemployment of a disability annuitant (or in advance, if possible), the appointing official must notify the Office of Personnel Management, Compensation Group, Room 3305, Attention: Annuitant

be made to assign the employee to work within the employee's craft, within the employee's regular schedule, and as near as possible to the regular work facility to which normally assigned.

.142 Former Employees. When a former employee has partially recovered from a compensable injury or disability, the USPS must make every effort toward reemployment consistent with medically defined work limitation tolerances. Such an employee may be returned to any position for which qualified, including a lower grade position than that held when compensation began.

.15 Employee Appeal Rights. An employee who believes the proper consideration for reemployment was not received may appeal to the Merit Systems Protection Board, under 5 CFR, 353.

546.2 Collective Bargaining Agreements

Reemployment under this section will be in compliance with applicable collective bargaining agreements. Individuals so reemployed will receive all appropriate rights and protection under the applicable collective bargaining agreement.

.21 Contractual Considerations

.211 Scope. Collective bargaining agreement provisions for filling job vacancies and promotions, and procedures relating to retreat rights due to reassignment, will be complied with before an offer of employment is made to a former postal employee on the OWCP rolls for more than 1 year.

.212 Reemployment. A former employee will be offered reemployment in a residual vacancy (a vacancy which has been posted for bid or application and for which there are no successful bidders or applicants), or may work as an unassigned regular or as a part-time flexible. Regional Directors, Employee and Labor Relations (APMG, Employee Relations, for Headquarters and Administrative Support Facilities (ASFs) may waive minimum qualification requirements (including written examinations) in individual cases for former employees injured on duty who are being considered for reemployment when there is evidence (including that submitted by the medical officer) that the employee can be expected to perform satisfactorily in the position within ninety days after assignment.

.22 Types of Appointments

.221 Former career employees will be reemployed as career full-time or part-time employees.

.222 Former substitute rural carriers will be reemployed as substitute rural carriers or in any other position for which they qualify.

.223 Former casual and temporary employees will be reemployed as casual or temporary employees. Upon satisfactory demonstration of ability to meet job requirements during two 90-day casual appointments or one 180-day temporary appointment, the employee's

status may be noncompetitively converted to a career appointment (NOA 501).

546.3 OWCP Referrals

.31 General. OWCP will make referrals of current and former postal employees who may be candidates for reemployment.

.32 Work Limitation Tolerances. The individual's physician of record, or other physician selected by the individual or OWCP, will furnish OWCP with a definitive medical summary, clearly documenting the medical limitations that will have to be accommodated. The OWCP District Medical Director evaluates the work limitation tolerances, submitted by the physician of record, and upon concurrence, refers them to the USPS for consideration.

.33 USPS Medical Review

.321 Reemployment Physical Examination

a. The medical officer will evaluate fully all medical records referred to the USPS from the OWCP district offices.

b. A complete physical examination, paid for by the USPS, will be required by the appointing officer. The result of the physical examination will be documented on Form 2485, *Certificate of Medical Examination*.

c. The medical officer will make a statement of concurrence with the OWCP documented medical limitations, or further restrict the former employee's work limit tolerances. The medical officer can in no way liberalize the medical limitations rendered by the OWCP district offices.

.322 Special Considerations

a. An individual referred for reemployment consideration by OWCP may have some degree of concurrent disability, not caused by or related to the original job injury or disability. The medical officer should examine for any concurrent medical condition that might prevent the individual from performing the duties of the position for which the individual is being considered.

b. The medical officer will carefully evaluate all concurrent disabilities and include their potential impact in the recommendation for reemployment to the appointing official.

c. All former employees, now permanently, partially disabled, have some type of residual handicap. The medical officer, conducting the physical examination, will be responsible for assigning the correct handicap code as defined in Handbook P-11, *Personnel Operations*, Chapter 6.

546.4 Restoration Rights

.41 OPM Regulations. OPM has responsibility for the implementing regulations of 5 USC 8151. These regulations are codified in 5 CFR Part 353. 5 USC 8151(a) provides that an individual, injured or disabled on duty, who resumes employment with the USPS is to be credited with the time during which compensation

was received for purposes of certain rights and benefits based upon length of service.

.42 Rights and Benefits upon Partial Recovery

.421 Seniority. Individuals, reemployed into bargaining unit positions will be credited with seniority in accordance with the collective bargaining agreement covering the position to which reemployed.

.422 Probationary Period. Reemployed individuals who have completed their probationary periods, or would have completed their probationary periods but for their compensable injuries, will not be required to serve a new probationary period.

.423 Leave Credit. Former employees who were eligible to accrue leave under ELM 510 will be credited with the total time compensation was received from OWCP for purposes of computing leave rate accrual upon reemployment.

.424 Retirement. Former employees who were covered by the Civil Service Retirement Act (see ELM 560) will be credited with the time spent on OWCP compensation in computing retirement credit.

.425 Salary Determination. The following salary restoration criteria must be met (*Note:* The term "Grade/Step," as used below, means "Grade/Salary" for individuals in a non-step salary schedule):

a. Reemployment to the Former Grade/Step. These individuals reemployed into a position with the same grade/step as held at the time of injury or disability will receive the current salary for that grade/step from the appropriate salary schedule.

b. Reemployment to a Higher Grade. Those individuals reemployed to a position with a grade higher than that of the position held at the time of injury or disability will be placed in the higher grade at the current salary for the grade/step held at the time of injury or disability. If that salary is between steps in the higher grade, the individual's salary will be increased to the next higher step.

c. Reemployment to a Lower Grade/Step.

(1) *Salary Below Maximum of Lower Grade.* The individual will be placed in any higher step in the lower grade which is less than one full step above the current salary for the grade/step of the position held at the time of injury or disability.

(2) *Salary Above Maximum of Lower Grade.* In those cases where the current salary for the grade/step held at the time of injury or disability exceeds the maximum salary of the lower grade position, the employee will be afforded a saved rate at the higher grade/step salary. These saved rate provisions apply for an indefinite period and are subject to the rules of the salary schedule to which assigned.

d. Reemployment to a Position in a Different Salary Schedule. When an individual is reemployed to a position in a salary schedule different from the schedule under which paid at the time of injury or disability, once reemployed, the individual will be treated under the rules applicable to the salary schedule to which reemployed:

(1) The individual will be reemployed at the grade appropriate for the position to which reemployed.

(2) The individual will be placed in any higher step in the new grade which is less than one full step above the current salary for the grade/step of the position held at the time of injury or disability.

(3) If reemployment is to a nonstep schedule, the individual will be placed at a salary equal to the current salary for the grade/step of the position held at the time of injury or disability.

(4) If the current salary for the grade/step held at the time of injury or disability exceeds the maximum salary of the new grade, the individual will be given a saved rate. These saved rate provisions apply for an indefinite period and are subject to the rules of the salary schedule to which assigned.

e. Former Position Under Different Salary Schedule. Where the position held at the time of injury or disability is no longer under the same salary schedule, the current salary for the former grade/step will be determined by:

(1) Regional Compensation Division, for field, district, and regional positions.

(2) Office of Compensation, Headquarters, for Headquarters and Headquarters-related positions.

f. Step Increases. Upon reemployment, permanently, partially disabled individuals begin a new waiting period for step increases.

.43 Rights and Benefits Upon Full Recovery. See 546.122.

546.5 Retirement Considerations

.51 Status. Pursuant to the Civil Service Retirement Act, a former employee who applied for and received Civil Service disability retirement status will cease to be an annuitant upon reemployment and restoration of that individual's wage earning capacity.

.52 Reinstatement of Eligibility

.521 If an annuitant, reemployed under the procedures in this section, is later found unable to successfully perform in the new position due to the original compensable injury or disability, and is again separated, the employee will be entitled to the restoration of disability retirement status under the Civil Service Retirement Act.

.522 If an employee becomes disabled for the position due to a new injury or disability after entry into that position, the employee would have a right to apply for a new Civil Service disability retirement status.

.53 Refunded Retirement Deductions. A former employee who withdrew retirement deductions based on previous employment, may redeposit the amount refunded, plus interest, after reemployment to a position from which retirement deductions are withheld.

.54 Notification. Upon reemployment of a disability annuitant (or in advance, if possible), the appointing official must notify the Office of Personnel Management, Compensation Group, Room 3305, Attention: Annuitant

659.410 Discrimination against workers applying for workers' compensation benefits prohibited. It is an unlawful employment practice for an employer to discriminate against a workman with respect to hire or tenure or any term or condition of employment because the workman has applied for benefits or invoked or utilized the procedures provided for in ORS 656.001 to 656.794 and 656.802 to 656.824, or of 659.400 to 659.435 or has given testimony under the provisions of such sections. [1973 c.660 §4]

659.415 Reinstatement of worker receiving compensable injuries; certificate of physician evidencing ability to work; effect of collective bargaining agreement. (1) A worker who has sustained a compensable injury shall be reinstated by the worker's employer to the worker's former position of employment upon demand for such reinstatement, provided that the position is available and the worker is not disabled from performing the duties of such position. If the former position is not available, the worker shall be reinstated in any other position which is available and suitable. A certificate by a duly licensed physician that the physician approves the worker's return to the worker's regular employment shall be prima facie evidence that the worker is able to perform such duties.

(2) Such right of reemployment shall be subject to the provisions for seniority rights and other employment restrictions contained in a valid collective bargaining agreement between the employer and a representative of the employer's employees.

(3) Any violation of this section is an unlawful employment practice. [1973 c.660 §5; 1979 c.8.3 §3; 1981 c.874 §14]

659.420 Employment of injured worker in other available and suitable work; certificate of physician; effect of collective bargaining agreement. (1) A worker who has sustained a compensable injury and is disabled from performing the duties of the worker's former regular employment shall, upon demand, be reemployed by the worker's employer at employment which is available and suitable.

(2) A certificate of the worker's attending physician that the worker is able to perform described types of work shall be prima facie evidence of such ability.

(3) Such right of reemployment shall be subject to the provisions for seniority rights and other employment restrictions contained in a valid collective bargaining agreement between

the employer and a representative of the employer's employees.

(4) Any violation of this section is an unlawful employment practice. [1973 c.660 §6; 1979 c.812 §4]

659.425 Discrimination against mentally or physically impaired persons in employment or public accommodation prohibited; mental disorder treatment not evidence of inability to work or manage property. (1) For the purpose of ORS 659.400 to 659.435, it is an unlawful employment practice for any employer to refuse to hire, employ or promote, to bar or discharge from employment or to discriminate in compensation or in terms, conditions or privileges of employment because:

(a) An individual has a physical or mental impairment which, with reasonable accommodation by the employer, does not prevent the performance of the work involved;

(b) An individual has a record of a physical or mental impairment; or

(c) An individual is regarded as having a physical or mental impairment.

(2) It is an unlawful employment practice for an employment agency to fail or refuse to refer for employment, or otherwise discriminate against, any individual because that individual is a handicapped person, or to classify or refer for employment any individual because that individual is a handicapped person.

(3) It is an unlawful employment practice for a labor organization, because an individual is a handicapped person, to exclude or to expel from its membership such individual or to discriminate in any way against such individual.

(4) It is an unlawful practice for any place of public accommodation, resort or amusement as defined in ORS 30.675, or any person acting on behalf of such place, to make any distinction, discrimination or restriction because a customer or patron is a handicapped person.

(5) Receipt or alleged receipt of treatment for a mental disorder shall not constitute evidence of a person's inability to perform the duties of a particular job or position, or of a person's inability to acquire, rent or maintain property. [1973 c.660 §7; 1979 c.640 §3]

659.430 Discrimination against handicapped persons in real property transactions prohibited; advertising discriminatory preference prohibited; assisting discriminatory practices prohibited. (1) No person because the purchaser, lessee or renter is a handicapped person shall:

LWOP for an initial period of up to 1 year from the date OWCP compensation began.

.92 Extensions. If the employee is unable to return to work at the end of the 1 year period on LWOP, the LWOP may be extended for successive additional periods of up to 6 months. Extensions are granted only if it appears that the employee is likely to return to work within the period of the extension.

.93 Separations. If it is not likely that the employee will be able to return to work at the end of one year of LWOP or during the authorized extended period, the employee may be separated. Before any employee who is on the rolls of the OWCP can be separated, the postal official must submit a comprehensive report to the General Manager, Employee Relations (Region), with appropriate recommendations and retain the employee on the rolls of the Postal Service pending a decision.

.94 Deciding Appropriate Action. In considering the action to take in matters involving extended leave, the installation head sends Form 2573, *Request for OWCP Claim Status*, in duplicate, to the appropriate OWCP district office; and, upon receiving a completed Form 2573 from OWCP, does one of the following:

a. Extends LWOP for an additional period, at the end of which an additional determination must be made;

b. Authorizes a fitness-for-duty examination by a medical officer as provided in 547.31, .32, and .33 if OWCP does not respond within a maximum of 60 days or if OWCP's response does not explain the situation; or

c. Request permission to terminate LWOP as required in .93; and

d. Terminates LWOP after receiving permission from the General Manager, Employee Relations (Region) as follows:

(1) If the employee has 5 or more years of creditable civilian service, inform the employee of retirement rights. Allow the employee 14 calendar days to file a retirement application under the Civil Service Retirement Act.

(2) If the employee does not file a retirement application within the 14 day period, terminate LWOP and take action to separate the employee as described in 365 and 568.

(3) If the employee has less than 5 years creditable civilian service, terminate LWOP and take action to separate the employee as described in 365.

546 Reemployment of Employees Injured On Duty

546.1 Law

.11 General. The USPS has legal responsibility to employees with job-related disabilities under 5 U.S.C. 8151 and the Office of Personnel Management's (OPM) regulations, as outlined below.

.12 Disability Fully Overcome Within 1 Year

.121 Obligation. When the injury or disability is fully overcome within one year after the commencement of compensation payments from OWCP, or after compensable disability recurs, the USPS must give an

employee the right to resume employment in the former or equivalent position.

.122 Rights and Benefits. Upon reemployment, all rights and benefits which an employee would have had or acquired in the former position, had there been no injury or disability, must be restored.

.13 Disability Fully Overcome More Than 1 Year

.131 Obligation. When the injury or disability is fully overcome more than one year after compensation began, the USPS must give an employee priority consideration for reemployment into the former position or an equivalent one.

.132 Reemployment List. The names of all former employees who fully recover from their compensable disabilities more than one year after compensation begins must be entered on a reemployment list in two groups. *Group one* will include all such former employees who are entitled to 10 point veteran preference. *Group two* will include all other such former employees. Persons in *group one* will be considered for employment before persons in *group two*, and persons in *group two* will be considered before other sources of recruitment, such as transfers from other agencies, reinstatements, or appointments from hiring registers.

.133 Rights and Benefits. The same as 546.122.

.14 Disability Partially Overcome

.141 Current Employees. When an employee has partially overcome a compensable disability, the USPS must make every effort toward assigning the employee to limited duty consistent with the employee's medically defined work limitation tolerances (see 546.32). In assigning such limited duty, the USPS should minimize any adverse or disruptive impact on the employee. The following considerations must be made in effecting such limited duty assignments:

a. To the extent that there is adequate work available within the employee's work limitation tolerances; within the employee's craft; in the work facility to which the employee is regularly assigned; and during the hours when the employee regularly works; that work shall constitute the limited duty to which the employee is assigned.

b. If adequate duties are not available within the employee's work limitation tolerances in the craft and work facility to which the employee is regularly assigned, within the employee's regular hours of duty, other work may be assigned within that facility.

c. If adequate work is not available at the facility within the employee's regular hours of duty, work outside the employee's regular schedule may be assigned as limited duty. However, all reasonable efforts shall be made to assign the employee to limited duty within the employee's craft and to keep the hours of limited duty as close as possible to the employee's regular schedule.

d. An employee may be assigned limited duty outside of the work facility to which the employee is normally assigned only if there is not adequate work available within the employee's work limitation tolerances at the employee's facility. In such instances, every effort will

Services Division, Washington, DC 20415. The notification must include the individual's name, social security number, date of birth, Civil Service Annuity claim number (CSA-Civil Service Account), date of reemployment, Form 2485, Certificate of Medical Examination and whether retirement deductions will be made from the salary for the position to which reemployed.

546.6 Relocation Considerations

.61 Scope. In some cases, former employees receiving OWCP compensation may have relocated to other geographic areas. Every effort must be made to reemploy these individuals within their current area of residence by treating them as if they had been employed at that office at the time of injury. Any offer to reemploy in a different location will be considered only after all reasonable attempts have been made to rehire within the area of the former employee's present domicile.

.62 Expense. Any relocation and travel expenses will be the responsibility of the former employee. However, under certain mitigating circumstances the SAPMG for E&LR, or the SAPMG's designee, may authorize relocation and travel expenses consistent with the provisions of Handbook M-9, *Travel*.

546.7 Reemployment Procedures

.71 Offer of Appointment

.711 Evaluation. Upon receipt and evaluation of the OWCP referral containing documented medical limitations, and evaluation of the medical officer's recommendations, the appointing official will determine if a reemployment offer can be made.

.712 Interview. During the preemployment interview, the appointing officer will ensure that the individual receives the following information:

- a. In-depth analysis of medical limitations and the individual's responsibility to work within the prescribed work limitation tolerances.
- b. If applicable the status of injury compensation and disability retirement benefits and future eligibility.
- c. A full explanation of all restoration rights and benefits (see 546.4).
- d. Full particulars regarding the position, including title, duties, grade, salary, location of work assignment, and all other information required in a preemployment interview. (See Handbook P-11, 264.8 and 265.)
- e. Instructions for completion and submission of any required employment forms.

.713 Appeal

a. Those employees who fully recover in less than one year from the date on which OWCP compensation began, may appeal to the Merit Systems Protection Board (MSPB) if they believe a proposed offer of reemployment does not meet the requirements of Office of

Personnel Management regulations 5 CFR Part 353. The letter of appeal must be submitted within 20 days after the date of the offer or 20 days after the date of reemployment, whichever is later.

b. Those employees or former employees whose full recovery extends beyond one year, or whose partial recovery falls either within or beyond one year of compensation, may appeal to the Merit Systems Protection Board only when they have requested restoration through formal application to the installation head and restoration has been refused them. An appeal to the denial of restoration must be filed with MSPB within 20 days from the day the denial letter is received. Upon restoration, however, the employees are not given the right to appeal the nature of the restoration.

.72 Refusal of Reemployment Offer. When a former employee refuses an offer of suitable employment within the OWCP defined medical limitations, the appointing officer must do the following:

- a. Offer the individual an opportunity to sign a declination of employment.
- b. Advise the individual that the effect of such refusal may result in the termination or reduction of compensation benefits by the Department of Labor.
- c. Notify the OWCP district office by telephone of the declination and reasons given.
- d. Within 2 working days, forward a full written summary of the former employee's interview, including the signed declination, and medical evaluations or other pertinent information to the OWCP district office. OWCP has the responsibility to notify the Retirement and Insurance Division, Office of Personnel Management, when disability retirement status is to be evaluated.

.73 Refusal to Reemploy. The appointing official may not be able to accommodate the former employee for medical reasons or other considerations. If the former employee will not be reemployed, the appointing officer must:

- a. Notify the employee in writing of that fact, with a copy to the OWCP; and
- b. Include a paragraph informing the individual of the right to appeal to the Merit Systems Protection Board.

.74 Processing Personnel Actions. The reemployment of former employees injured or disabled on duty requires uniform information on Form 50-B, *Request for Personnel Action (Processing Copy for New Hires Only)*, before forwarding to the Employee and Labor Relations Information Center. (See 612.5 of Handbook P-11.)

547 Return to Duty

547.1 Therapy Obligations

The installation head must ensure that an employee reports for scheduled therapy treatment. The employee

must be advised that failure to keep appointments with a physician or hospital is a form of absenteeism. Control office/control point personnel will report failures to keep appointments to the OWCP district office.

547.2 Medical Reports

.21 Progress reports received from the attending physician may show the employee is capable of some work during convalescence or after medical treatment has been completed.

.22 If not, this information is requested by the control office/control point from the attending physician or the OWCP district office by use of Form CA-17.

.23 If the attending physician submits a medical report, Form CA-17, indicating that the employee is medically capable of performing some of the normal duties for a limited number of hours, or other work of a different nature than the employee's former assignment, the installation head must make every reasonable effort to place the employee in an appropriate assignment.

547.3 Fitness-For-Duty Determination

.31 **Determining Fitness.** The fact that an injured or ill employee is scheduled for a series of treatments or appointments with a physician or hospital does not, by itself, establish that the employee is not fit-for-duty in the interim. Control personnel will recommend, upon medical justification, to the installation head that any employee being treated by a physician or hospital be required to report to a USPS medical unit (or contract equivalent) for a fitness-for-duty examination. Only an installation head is authorized to approve a fitness-for-duty examination.

.32 **Examination Report.** This physical examination may include the parts of the anatomy being treated, provided the examination in no way disturbs or interferes with the treatment regimen. The results of this examination will be brought to the attention of the OWCP district office for consideration.

.33 **Physician Report Questioned.** If the medical officer questions the medical procedures and/or determination of the employee's attending physician, no administrative action may be taken to change the employee's compensation or employment status until the medical issue is settled.

.34 **Resolving Determination.** The following procedures apply only to fitness-for-duty determinations incident to an on-the-job injury or illness. Fitness-for-duty determinations for other purposes are not covered by this instruction.

a. The physician or hospital must, for each visit of the employee, make a professional statement, using Form CA-17, showing the employee either:

(1) Fit-for-duty; or

(2) Fit for limited duty, and the work tolerance limitations due to the injury; or

(3) Not fit for duty with an expected return-to-duty date.

b. If the physician or hospital is unable to predict an employee's fitness for duty on either a short-term or long-term basis, the control office/control point supervisor may request information from the OWCP by sending Form 2573, Request—OWCP Claim Status, in duplicate, to the OWCP district office. If OWCP does not respond within a maximum of 60 days, or if the OWCP response does not explain the situation, a fitness-for-duty examination may be recommended to the installation head as provided in 547.31, .32, and .33. However, a fitness-for-duty examination can be initiated at any time to determine the duty status of the injured employee.

c. If the results of the fitness-for-duty examination disagree with the findings of the attending physician, the matter, along with justification for the USPS position, is referred by the control office/control point supervisor to the OWCP Deputy Commissioner for resolution.

d. A fitness-for-duty determination is not limited to the employee's regular duties, but should be based on whether the employing installation has any temporary alternative duties available which the employee may safely perform.

be made to assign the employee to work within the employee's craft, within the employee's regular schedule, and as near as possible to the regular work facility to which normally assigned.

.142 Former Employees. When a former employee has partially recovered from a compensable injury or disability, the USPS must make every effort toward reemployment consistent with medically defined work limitation tolerances. Such an employee may be returned to any position for which qualified, including a lower grade position than that held when compensation began.

.15 Employee Appeal Rights. An employee who believes the proper consideration for reemployment was not received may appeal to the Merit Systems Protection Board, under 5 CFR, 353.

546.2 Collective Bargaining Agreements

Reemployment under this section will be in compliance with applicable collective bargaining agreements. Individuals so reemployed will receive all appropriate rights and protection under the applicable collective bargaining agreement.

.21 Contractual Considerations

.211 Scope. Collective bargaining agreement provisions for filling job vacancies and promotions, and procedures relating to retreat rights due to reassignment, will be complied with before an offer of employment is made to a former postal employee on the OWCP rolls for more than 1 year.

.212 Reemployment. A former employee will be offered reemployment in a residual vacancy (a vacancy which has been posted for bid or application and for which there are no successful bidders or applicants), or may work as an unassigned regular or as a part-time flexible. Regional Directors, Employee and Labor Relations (APMG, Employee Relations, for Headquarters and Administrative Support Facilities (ASFs) may waive minimum qualification requirements (including written examinations) in individual cases for former employees injured on duty who are being considered for reemployment when there is evidence (including that submitted by the medical officer) that the employee can be expected to perform satisfactorily in the position within ninety days after assignment.

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b. A complete physical examination, paid for by the USPS, will be required by the appointing officer. The result of the physical examination will be documented on Form 2485, *Certificate of Medical Examination*.

c. The medical officer will make a statement of concurrence with the OWCP documented medical limitations, or further restrict the former employee's work limit tolerances. The medical officer can in no way liberalize the medical limitations tendered by the OWCP district offices.

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a. An individual referred for reemployment consideration by OWCP may have some degree of concurrent disability, not caused by or related to the original job injury or disability. The medical officer should examine for any concurrent medical condition that might prevent the individual from performing the duties of the position for which the individual is being considered.

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was received for purposes of certain rights and benefits based upon length of service.

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.423 Leave Credit. Former employees who were eligible to accrue leave under ELM 510 will be credited with the total time compensation was received from OWCP for purposes of computing leave rate accrual upon reemployment.

.424 Retirement. Former employees who were covered by the Civil Service Retirement Act (see ELM 560) will be credited with the time spent on OWCP compensation in computing retirement credit.

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a. Reemployment to the Former Grade/Step. These individuals reemployed into a position with the same grade/step as held at the time of injury or disability will receive the current salary for that grade/step from the appropriate salary schedule.

b. Reemployment to a Higher Grade. Those individuals reemployed to a position with a grade higher than that of the position held at the time of injury or disability will be placed in the higher grade at the current salary for the grade/step held at the time of injury or disability. If that salary is between steps in the higher grade, the individual's salary will be increased to the next higher step.

c. Reemployment to a Lower Grade/Step.

(1) Salary Below Maximum of Lower Grade.

The individual will be placed in any higher step in the lower grade which is less than one full step above the current salary for the grade/step of the position held at the time of injury or disability.

(2) Salary Above Maximum of Lower Grade. In

those cases where the current salary for the grade/step held at the time of injury or disability exceeds the maximum salary of the lower grade position, the employee will be afforded a saved rate at the higher grade/step salary. These saved rate provisions apply for an indefinite period and are subject to the rules of the salary schedule to which assigned.

d. Reemployment to a Position in a Different Salary Schedule. When an individual is reemployed to a position in a salary schedule different from the schedule under which paid at the time of injury or disability, once reemployed, the individual will be treated under the rules applicable to the salary schedule to which reemployed:

(1) The individual will be reemployed at the grade appropriate for the position to which reemployed.

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.521 If an annuitant, reemployed under the procedures in this section, is later found unable to successfully perform in the new position due to the original compensable injury or disability, and is again separated, the employee will be entitled to the restoration of disability retirement status under the Civil Service Retirement Act.

.522 If an employee becomes disabled for the position due to a new injury or disability after entry into that position, the employee would have a right to apply for a new Civil Service disability retirement status.

.53 Refunded Retirement Deductions. A former employee who withdrew retirement deductions based on previous employment, may redeposit the amount refunded, plus interest, after reemployment to a position from which retirement deductions are withheld.

.54 Notification. Upon reemployment of a disability annuitant (or in advance, if possible), the appointing official must notify the Office of Personnel Management, Compensation Group, Room 3305. Attention: Annuitant

LWOP for an initial period of up to 1 year from the date OWCP compensation began.

.92 Extensions. If the employee is unable to return to work at the end of the 1 year period on LWOP, the LWOP may be extended for successive additional periods of up to 6 months. Extensions are granted only if it appears that the employee is likely to return to work within the period of the extension.

.93 Separations. If it is not likely that the employee will be able to return to work at the end of one year of LWOP or during the authorized extended period, the employee may be separated. Before any employee who is on the rolls of the OWCP can be separated, the postal official must submit a comprehensive report to the General Manager, Employee Relations (Region), with appropriate recommendations and retain the employee on the rolls of the Postal Service pending a decision.

.94 Deciding Appropriate Action. In considering the action to take in matters involving extended leave, the installation head sends Form 2573, *Request for OWCP Claim Status*, in duplicate, to the appropriate OWCP district office; and, upon receiving a completed Form 2573 from OWCP, does one of the following:

a. Extends LWOP for an additional period, at the end of which an additional determination must be made;

b. Authorizes a fitness-for-duty examination by a medical officer as provided in 547.31, .32, and .33 if OWCP does not respond within a maximum of 60 days or if OWCP's response does not explain the situation; or

c. Request permission to terminate LWOP as required in .93; and

d. Terminates LWOP after receiving permission from the General Manager, Employee Relations (Region) as follows:

(1) If the employee has 5 or more years of creditable civilian service, inform the employee of retirement rights. Allow the employee 14 calendar days to file a retirement application under the Civil Service Retirement Act.

(2) If the employee does not file a retirement application within the 14 day period, terminate LWOP and take action to separate the employee as described in 365 and 568.

(3) If the employee has less than 5 years creditable civilian service, terminate LWOP and take action to separate the employee as described in 365.

546 Reemployment of Employees Injured On Duty

546.1 Law

.11 General. The USPS has legal responsibility to employees with job-related disabilities under 5 U.S.C. 8151 and the Office of Personnel Management's (OPM) regulations, as outlined below.

.12 Disability Fully Overcome Within 1 Year

.121 Obligation. When the injury or disability is fully overcome within one year after the commencement of compensation payments from OWCP, or after compensable disability recurs, the USPS must give an

employee the right to resume employment in the former or equivalent position.

.122 Rights and Benefits. Upon reemployment, all rights and benefits which an employee would have had or acquired in the former position, had there been no injury or disability, must be restored.

.13 Disability Fully Overcome More Than 1 Year

.131 Obligation. When the injury or disability is fully overcome more than one year after compensation began, the USPS must give an employee priority consideration for reemployment into the former position or an equivalent one.

.132 Reemployment List. The names of all former employees who fully recover from their compensable disabilities more than one year after compensation begins must be entered on a reemployment list in two groups. *Group one* will include all such former employees who are entitled to 10 point veteran preference. *Group two* will include all other such former employees. Persons in *group one* will be considered for employment before persons in *group two*, and persons in *group two* will be considered before other sources of recruitment, such as transfers from other agencies, reinstatements, or appointments from hiring registers.

.133 Rights and Benefits. The same as 546.122.

.14 Disability Partially Overcome

.141 Current Employees. When an employee has partially overcome a compensable disability, the USPS must make every effort toward assigning the employee to limited duty consistent with the employee's medically defined work limitation tolerances (see 546.32). In assigning such limited duty, the USPS should minimize any adverse or disruptive impact on the employee. The following considerations must be made in effecting such limited duty assignments:

a. To the extent that there is adequate work available within the employee's work limitation tolerances; within the employee's craft; in the work facility to which the employee is regularly assigned; and during the hours when the employee regularly works; that work shall constitute the limited duty to which the employee is assigned.

b. If adequate duties are not available within the employee's work limitation tolerances in the craft and work facility to which the employee is regularly assigned, within the employee's regular hours of duty, other work may be assigned within that facility.

c. If adequate work is not available at the facility within the employee's regular hours of duty, work outside the employee's regular schedule may be assigned as limited duty. However, all reasonable efforts shall be made to assign the employee to limited duty within the employee's craft and to keep the hours of limited duty as close as possible to the employee's regular schedule.

d. An employee may be assigned limited duty outside of the work facility to which the employee is normally assigned only if there is not adequate work available within the employee's work limitation tolerances at the employee's facility. In such instances, every effort will

659.410 Discrimination against workers applying for workers' compensation benefits prohibited. It is an unlawful employment practice for an employer to discriminate against a workman with respect to hire or tenure or any term or condition of employment because the workman has applied for benefits or invoked or utilized the procedures provided for in ORS 656.001 to 656.794 and 656.802 to 656.824, or of 659.400 to 659.435 or has given testimony under the provisions of such sections. [1973 c.660 §4]

659.415 Reinstatement of worker receiving compensable injuries; certificate of physician evidencing ability to work; effect of collective bargaining agreement. (1) A worker who has sustained a compensable injury shall be reinstated by the worker's employer to the worker's former position of employment upon demand for such reinstatement, provided that the position is available and the worker is not disabled from performing the duties of such position. If the former position is not available, the worker shall be reinstated in any other position which is available and suitable. A certificate by a duly licensed physician that the physician approves the worker's return to the worker's regular employment shall be prima facie evidence that the worker is able to perform such duties.

(2) Such right of reemployment shall be subject to the provisions for seniority rights and other employment restrictions contained in a valid collective bargaining agreement between the employer and a representative of the employer's employees.

(3) Any violation of this section is an unlawful employment practice. [1973 c.660 §5; 1979 c.813 §3; 1981 c.874 §14]

659.420 Employment of injured worker in other available and suitable work; certificate of physician; effect of collective bargaining agreement. (1) A worker who has sustained a compensable injury and is disabled from performing the duties of the worker's former regular employment shall, upon demand, be reemployed by the worker's employer at employment which is available and suitable.

(2) A certificate of the worker's attending physician that the worker is able to perform described types of work shall be prima facie evidence of such ability.

(3) Such right of reemployment shall be subject to the provisions for seniority rights and other employment restrictions contained in a valid collective bargaining agreement between

the employer and a representative of the employer's employees.

(4) Any violation of this section is an unlawful employment practice. [1973 c.660 §6; 1979 c.813 §4]

659.425 Discrimination against mentally or physically impaired persons in employment or public accommodation prohibited; mental disorder treatment not evidence of inability to work or manage property. (1) For the purpose of ORS 659.400 to 659.435, it is an unlawful employment practice for any employer to refuse to hire, employ or promote, to bar or discharge from employment or to discriminate in compensation or in terms, conditions or privileges of employment because:

(a) An individual has a physical or mental impairment which, with reasonable accommodation by the employer, does not prevent the performance of the work involved;

(b) An individual has a record of a physical or mental impairment; or

(c) An individual is regarded as having a physical or mental impairment.

(2) It is an unlawful employment practice for an employment agency to fail or refuse to refer for employment, or otherwise discriminate against, any individual because that individual is a handicapped person, or to classify or refer for employment any individual because that individual is a handicapped person.

(3) It is an unlawful employment practice for a labor organization, because an individual is a handicapped person, to exclude or to expel from its membership such individual or to discriminate in any way against such individual.

(4) It is an unlawful practice for any place of public accommodation, resort or amusement as defined in ORS 30.675, or any person acting on behalf of such place, to make any distinction, discrimination or restriction because a customer or patron is a handicapped person.

(5) Receipt or alleged receipt of treatment for a mental disorder shall not constitute evidence of a person's inability to perform the duties of a particular job or position, or of a person's inability to acquire, rent or maintain property. [1973 c.660 §7; 1979 c.640 §3]

659.430 Discrimination against handicapped persons in real property transactions prohibited; advertising discriminatory preference prohibited; assisting discriminatory practices prohibited. (1) No person because the purchaser, lessee or renter is a handicapped person shall:

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act relating to rights of
injured state employees."
Sponsor: Szymanski
Requestor: _____

Agency Affected: Department of Administration
BRU: Personnel

Components: Centralized Administrative Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:	0	0	0	0	0	0
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

There is no fiscal impact on the Division of Personnel. Any extra work that may be involved can be absorbed into normal workflow.

Prepared By: *Diana DeSimone*
Division: Personnel

Phone: 465-4430

Date: 1-21-88

Approved by Commissioner: John M. Andrews
Agency: Department of Administration

Date: 1/25/88

Distribution (by preparer):

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

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: SB 61 (6)
PUBLISH DATE: Senate 3/23/88

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Labor
Title: " An Act relating to rights of
injured state employees." BRU: Workers' Compensation
Sponsor: Szymanski & Kerttula Components: Workers' Compensation
Requestor: Senate Finance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Macquelyn McClintock Phone: 465-2790
Division: Workers' Compensation Date: 03/01/88
Approved by Commissioner: Jim Sarapson Date: 03/01/88
Agency: Department of Labor

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

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION : SB 61
PUBLISH DATE : _____

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Labor
 Title: " An Act relating to rights of
injured state employees." BRU: Workers' Compensation
 Sponsor: Szymanski & Kerttula Components: Workers' Compensation
 Requestor: Senate Finance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Macquelyn McClintock Phone: 465-2790
 Division: Workers' Compensation Date: 03/01/88
 Approved by Commissioner: Jim Sampson Date: 03/01/88
 Agency: Department of Labor

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

Bill No. Senate Bill 61
Title "An Act relating to rights of injured
state employees."

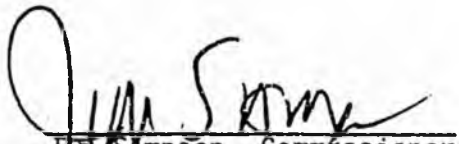
Date April 23, 1987
Contact: Jacque McClintock
465-2790

The Department of Labor supports this legislation which provides rehire rights for injured state employees.

Under the provisions of this bill, the state is required to reemploy an injured state employee in the former job position if the employee is medically able to perform the duties of the position or, if not medically able, to rehire the employee in a modified or comparable position. This bill applies to all state employees who have sustained an occupational injury or illness and who wish to return to work for the state.

This bill will afford return to work protection for injured state employees, and should, overall, reduce the state's costs of workers' compensation by returning injured and disabled employees to suitable gainful employment.

APPROVED:


Jim Sampson, Commissioner
Department of Labor

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HOUSE COMMITTEE REPORT

(7)

Date referred: 4/10/87

FURTHER REFERRALS: Finance

DATE: 5/5/87

The Labor & Commerce Committee has considered CSSB 64(R1s) am

"An Act relating to the Alaska Industrial Development and Export Authority; and providing for an effective date."

RECOMMENDS:

- replace with HCSSB 64 (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:

D.A. Brubaker

Clyde Davidson

Bill Korman

David Jolley

A. Ellis

SIGNING OTHER RECOMMENDATIONS:

W. Funnace NO REC

Scott M... NO REC


Chairman's signature

Alaska State Legislature
Representative Niilo Koponen

Pouch V
Juneau, Alaska 99811
(907) 465-4992

542 4th Avenue, Suite C
Fairbanks, Alaska 99701
(907) 456-8161

MEMORANDUM

TO: HOUSE LABOR & COMMERCE SUBCOMMITTEE
FROM: REPRESENTATIVE NIILLO KOPONEN 
DATE: 5 MAY 1987
RE: Amendment to CSSB 64 (Rules) am

I suggest the following amendment, by insertion into Section 39 of the bill:

(2) "business enterprise" means a single proprietorship, corporation, cooperative, firm, partnership, or other association of persons organized in any manner, for any creditworthy business purpose [OTHER THAN ON A NONPROFIT BASIS];

This memorandum analyzes CS for Senate Bill No. 64 (Finance) "An Act relating to the Alaska Industrial Development and Export Authority; and providing for an effective date."

The legislation would accomplish three main objectives.

1. Creating an export financing program as a major focus of the Alaska Industrial Development and Export Authority (previously called "AIDA" and hereafter called "AIDEA");
2. Emphasizing small business enterprises in the AIDEA statutes; and
3. Providing a mechanism for infrastructure development in certain cases with no financial risk to the State of Alaska.

These are the key parts of the bill. Additionally, throughout legislative consideration of this bill, one other issue has been discussed - at what point should the Legislature be required to approve AIDEA participation in certain types of projects on an equity basis? CSSB 54 (L & C) placed this point at \$50 million, CSSB 64 (IT) required legislative approval for any project, while CSSB 64 (Finance) places the line at \$10 million. It is the strong feeling of the administration that AIDEA could effectively do its work on any of the proposed scenarios, but that overall economic development efforts for the state would be seriously hampered if the bill were to become stalled over a point.

A sectional analysis follows:

SECTION 1 amends the statutory section (AS 44.88.010) setting forth legislative findings and policy with respect to AIDEA. It inserts references to "export small business" enterprises throughout the section to give emphasis to these types of enterprises as the target of AIDEA's financing assistance. It also inserts four new paragraphs of findings (on pages 1 and 2 of the bill) relating to the importance to the state's economy of expanding and facilitating financing for export businesses in Alaska.

On page 3 of the legislation (still a part of Section 1), new language provides a finding that it is in the public interest to encourage export activities by providing financial assistance for such activities in cooperation with federal, state and private institutions. This new language also provides a finding that it is in the public's interest to give AIDEA the power to acquire ownership interests in certain types of projects and to issue taxable, as well as tax exempt, bonds to accomplish its statutory purposes.

SECTION 2 adds a new subsection to the findings and policies section (AS 44.88.010). The new subsection finds it to be a policy of the state and a public purpose to provide financial support, in cooperation with federal, state and private institutions, to increase the export of Alaska goods, entrepreneurial talent, raw materials, and services.

SECTION 3 creates a new statutory section (AS 44.88.060). This new statutory section creates the AIDEA revolving fund. The intent is to create a single fund into which all of AIDEA's assets will be deposited. Within the revolving fund, there will be the economic development account, the enterprise development account, and a number of other accounts. There are provisions later in the legislation defining AIDEA's ability to use assets of these various accounts. The revolving fund is created as a revolving fund so that payments on loans purchased or held by AIDEA in the fund can remain there and be used for AIDEA's purposes without necessitating an annual legislative appropriation.

SECTION 4 relates to the statement of AIDEA's purposes and contains provisions substantially similar to those described with respect to SECTION 1; that is, it adds references to export and small business enterprises in connection with AIDEA's purposes, and it adds new paragraphs which contain statements of AIDEA's purpose with respect to exporting transactions (such as to foster the expansion of Alaskan exports, to cooperate with other organizations for that purpose, to provide a source of guarantees, and so on). This amendment also (in paragraph (2) on page 5 of legislation) provides a reference to the statute which specifies the types of projects in which AIDEA may take an ownership interest.

SECTION 5 amends AIDEA's general powers (AS 44.88.080) by inserting language to clarify that AIDEA's power to issue bonds includes the power to incur debt generally.

SECTION 6 also amends the general powers section; it adds new powers relating to financing and assisting export transactions, including the power to participate with other programs pertaining to the exportation of Alaskan goods, services or raw materials, the power to provide export finance training to its staff, the power to coordinate with various, federal programs, and the power to guarantee loans to qualified exporters. This section also adds, as a general statement of AIDEA's powers, the power to provide financing assistance for small business enterprises.

SECTION 7 amends AIDEA's administrative procedure statutory section (AS 44.88.085). This amendment is a new technical, clean up matter reflecting the addition of new powers and purposes for AIDEA and, therefore, the need to adopt regulations in addition to those currently referenced in (b) - (e) of AS 44.88.085.

SECTION 8 repeals and reenacts AS 44.88.085(c). Generally speaking, this part of AIDEA's statutes is intended simply to establish a procedure for the adoption by AIDEA of its regulations. The current provisions of AS 44.88.085(c) include both a general power to adopt regulations and an express duty to adopt regulations with respect to certain matters. In SECTION 12 of the legislation (to be discussed below), additional matters are set forth with respect to which AIDEA will have an express duty to adopt regulations. The repeal and reenactment of AS 44.88.085(c) in this section of the legislation is necessary to preserve the general power to adopt regulations while also moving the statement of matters as to which AIDEA must adopt regulations to the same part of the statute as those matters described in SECTION 12.

SECTION 9 makes the same changes to AS 44.88.085(d) as those made to AS 44.88.085(a) under SECTION 7 (described above).

SECTION 10 makes the same changes to AS 44.88.085(e) as described in SECTION 9.

SECTION 11 makes the same changes to AS 44.88.085(f) as described in SECTION 9 and also makes a minor drafting style correction.

SECTION 12 (beginning on page 9 of the legislation) creates a new subsection (g) to AS 44.88.085. This new subsection contains those matters (referred to in connection with SECTION 8 above) as to which AIDEA must adopt regulations under the current provisions of AS 44.88.085(c).

SECTION 12 also creates a new subsection (h). Subsection (h) directs AIDEA to adopt certain regulations in connection with its program for encouraging the export of Alaska goods, services, and raw materials. These regulations must establish criteria for eligibility of exporters under the program, set forth equity and collateral requirements, and include other similar matters.

SECTION 13 amends AIDEA's statutory section pertaining to the issuance of bonds (AS 44.88.090). The changes made to AS 44.88.090(a) by this section are intended to set forth clearly that AIDEA's bond issuance powers also extend to the issuance of bonds for AIDEA's development project financing. The term "development project" is defined later in the legislation and contemplates those projects into which AIDEA may take an ownership interest.

SECTION 14 repeals and reenacts AS 44.88.090(e). The reason for the repeal and reenactment is to reorganize the subsection into a clearer form. Otherwise, the changes made in that subsection are only for the purpose of making it clear that AIDEA's bond issuing power extends to its export financing program and development project program, as stated above, with respect to SECTION 13.

SECTION 15 makes the same amendment to AS 44.88.090(g) as described with respect to SECTION 14.

SECTION 16 makes the same amendment to AS 44.88.090(h) as described with respect to SECTION 14.

SECTION 17 amends the statutory section authorizing AIDEA to enter into agreements with trustees (AS 44.88.100). Again, the changes are intended to make it clear that AIDEA's power to enter into agreements with trustees applies to its programs for export and development project financing.

SECTION 18 amends AIDEA's capital reserve fund statute (AS 44.88.105). The capital reserve fund created in AS 44.88.105 can be used by AIDEA to secure its bonds, but there are some limitations on that use. One of the limitations is the requirement in AS 44.88.105(f) that at least 20% of the principal amount of a loan be retained by the originating institution. The amendment makes it clear that this limitation applies to bonds issued under the export program.

SECTION 19 amends the statute that contains the state's pledge not to limit or alter AIDEA's power to fulfill contracts it enters into with bondholders and federal agencies. The amendment makes it clear that this pledge applies also with respect to export and development project financing. The amendment also contains some minor drafting style corrections.

SECTION 20 amends the statute that exempts AIDEA's property from local taxation (AS 44.88.140). The amendment again is for clarification purposes, the intent being to make it clear that the provisions of this statute apply also to development projects financed by AIDEA. The amendment contains a few minor drafting style corrections. Provisions have also been made for AIDEA to report annually to the Governor and the Legislature the extent of holdings the authority has which are tax exempt.

SECTION 21 amends the statutory section which created the enterprise development fund (AS 44.88.155). The amendment turns the "fund" into an "account" within the revolving fund created in SECTION 3 (as discussed earlier).

SECTION 22 amends AS 44.88.155(b) to reflect the change described in SECTION 21.

SECTION 23 amends AS 44.88.155(c) to reflect the change described in SECTION 21. In addition, the amendment made in this section contains a minor drafting style correction.

SECTION 24 amends AS 44.88.155(d) to provide that the various loan limitations set forth in this subsection apply only to loans financed with assets of the enterprise development account.

SECTION 25 amends AS 44.88.155(e) to reflect the change described in SECTION 21 and to make a minor drafting style correction.

SECTION 26 amends AS 44.88.155(f) to reflect the change described in SECTION 21. This amendment also adds language at the end of that subsection to make it clear that AIDEA may pledge assets of the enterprise development account only to secure bonds issued for the financing of "projects," a term which is defined in AS 44.88.220. Accordingly, bonds issued for the financing of development projects and exporting transactions cannot be secured by pledges of the assets of the enterprise development account.

SECTION 27 amends AS 44.88.155 by adding a new subsection (h) to make it clear that the provisions of that section (and, thus, the provisions relating to the enterprise development account) apply only with respect to loans purchased for "projects" under AS 44.88.155 - 44.88.159.

SECTION 28 amends the statute that creates AIDEA's loan insurance account (AS 44.88.157). The amendment takes the loan insurance account out of the enterprise development fund and puts it in the revolving fund. The amendment also limits the application of the loan insurance account to the financing of projects under AS 44.88.155.

SECTION 29 amends AS 44.88.157(b) to conform to the amendment described in SECTION 28 which limits the application of the loan insurance account to the financing of projects under AS 44.88.155.

SECTION 30 amends AS 44.88.157(k) to reflect the changes described in SECTION 29.

SECTION 31 amends AS 44.88.157(l) to reflect the changes described in SECTION 29.

SECTION 32 amends the small enterprise loan account statute (AS 44.88.158). The amendment inserts the phrase "small business enterprise" in place of small enterprise, and it takes the account out of the enterprise development fund and puts it into the revolving fund.

SECTION 33 amends AS 44.88.158(b) to reflect the changes made in SECTION 32. The amendment in this section also permits AIDEA to purchase or participate in the purchase of loans to small business enterprises without being limited to purchasing only the portion guaranteed by the federal government. However, with respect to language in AS 44.88.158(b) relating to the purchase of those guaranteed portions, the amendment in this section adds a permission to AIDEA to purchase the guaranteed portion of a loan made to pay the cost of an exporting transaction for a small business enterprise. The amendment in this section also contains a minor drafting style correction.

SECTION 34 amends the statutory section which sets a formula for how AIDEA must determine interest rates on loans it purchases (AS 44.88.159). The amendment makes it clear that this applies only to projects purchased under AS 44.88.155 - 44.88.159 (that is, projects purchased with assets of the enterprise development account).

SECTION 35 makes the same change with respect to the economic development fund (AS 44.88.172) as SECTION 32 makes with respect to the enterprise development fund; that is, it turns it into an account of the revolving fund. The amendment made in this section also makes it clear that the economic development account may be used only for the financing of "development projects," a term which is defined in SECTION 37 (discussed below). The economic development account is the source of financing for the projects that AIDEA expects to own or operate. The amendment includes language which (1) prohibits the pledge of assets in the enterprise development account (AS 44.88.155 - SECTIONS 21 through 27) in connection with the financing of a development project, and (2) directs AIDEA to make the financing assistance offered under the economic development account in the form of a loan to the maximum extent possible. The latter provision is in AIDEA's current law, but it is codified with the temporary and special acts. This amendment places it in the permanent statutes. Finally, the amendment in this section also includes a minor drafting style correction.

SECTION 36 requires AIDEA to obtain legislative approval for issuance of bonds for the acquisition, financing or operation of a development project.

SECTION 37 amends the statute which provides certain exemptions for AIDEA from the operation of other statutes (AS 44.88.159). The amendment in this section would exempt loans purchased or financed in whole or in part by AIDEA from the operation of the state's usury law. It would also make it clear that a guaranty by AIDEA in connection with its export financing program is not insurance for purposes of the state's insurance code.

SECTION 38 stipulates that the authority may not charge a penalty for prepayment of a loan after five years from the inception of the loan.

SECTION 39 defines authority as the Alaska Industrial Development and Export Authority.

SECTION 40 amends the definition section of the AIDEA statutes (AS 44.88.220). It adds new definitions for "development project" and "revolving fund." The development project definition includes those facilities described in paragraph (A)(i) of the definition of "project" under AIDEA's current statutes. The intent is to define development projects (that is, those projects with respect to which AIDEA may acquire an ownership interest) to include the basic resource development and infrastructure types of projects. The definition of revolving fund refers to the revolving fund created under SECTION 3.

SECTION 41 adds new provisions to AIDEA's statutes. The new provisions will become AS 44.88.300 - 44.88.390 and will relate to export assistance.

Under AS 44.88.300, AIDEA would work with financial institutions to determine which exporting transactions qualify for AIDEA assistance. The AIDEA assistance would be provided in the form of a guaranty of a loan for the exporting transactions.

Under AS 44.88.310, the transaction would qualify only if it has some significant contact with or benefit to the State of Alaska. That contact or benefit, generally speaking, would have to be in the form of a minimum percentage (25%) of the transaction resulting in the sale of Alaska materials abroad, the rendering of services abroad by an Alaska business, or providing similar benefits.

Under AS 44.88.320, AIDEA could guarantee up to 90 percent of a loan made to finance a transaction that qualifies under AS 44.88.310, but AIDEA would first have to find that the guaranty is reasonably necessary to stimulate or facilitate the making of the loan.

Under AS 44.88.330, the financing institution involved in the transaction would be required to make the first credit investigation with respect to the transaction.

Under AS 44.88.340, AIDEA would be required to keep confidential sensitive information about the transaction or the exporter involved in the transaction confidential.

Under AS 44.88.350, AIDEA would be allowed to establish fees by regulation to cover the costs of administering the export assistance program.

Under AS 44.88.360, a guarantee issued by AIDEA for an export transaction would guarantee against political or commercial loss of principal and interest on an eligible export transaction.

AS 44.88.370 would make it clear that a guaranty does not constitute a general obligation of the state.

AS 44.88.380 would shield officers, employees and agents of AIDEA from personal liability in connection with any guaranty AIDEA issues.

Under AS 44.88.390, the guarantee could be secured by an export insurance account into which AIDEA could deposit bond proceeds issued for the purpose as well as other amounts appropriated to AIDEA.

SECTION 42 directs the revision of statutes to change the name throughout.

SECTION 43 repeals subsection (c) of the statutory section amended by SECTIONS 32 and 33 (that is, AS 44.88.158). This repealer cleans up some outdated language and facilitates the financing of small business enterprises. SECTION 42 also repeals the requirement for legislative approval of each project financed from the economic development account; however, the bill retains the requirement elsewhere for legislative approval of any project over \$50,000,000 in size. SECTION 42 also repeals the AIDEA multifamily statutory section (AS 44.88.156).

SECTION 44 provides an immediate effective date.

No. 219

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: CSSB 64 (RULES)
Publish Date: 4-8-87

Revision Date: April 8, 1987
Title: An Act relating to the Alaska Industrial Development Authority
Sponsor: Kelly, Kerttula, Faiks, et al.
Requestor: _____

Agency Affected: Commerce & Econ. Dev.
BRU: Alaska Industrial Dev. Auth.
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		65.0	65.0	65.0	65.0	65.0
TRAVEL		10.0	10.0	10.0	10.0	10.0
CONTRACTUAL		25.0	15.0	15.0	15.0	15.0
SUPPLIES		5.0	5.0	5.0	5.0	5.0
EQUIPMENT		5.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		110.0	95.0	95.0	95.0	95.0

CAPITAL		16,000.0	31,000.0	36,000.0	36,000.0	36,000.0
---------	--	----------	----------	----------	----------	----------

REVENUE		16,110.0	31,095.0	36,095.0	36,095.0	36,095.0
---------	--	----------	----------	----------	----------	----------

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		16,110.0	31,095.0	36,095.0	36,095.0	36,095.0
TOTAL						

POSITIONS:

FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See Attached.

Prepared by: Bert Wagnon, Executive Director
Division: Alaska Industrial Development Authority

Phone: 274-1651
Date: April 8, 1987

Approved by Commissioner: J. Anthony Smith
Agency: Commerce and Economic Development

Date: April 8, 1987

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

FISCAL NOTE CSSB 64 (RULES)

ANALYSIS

Should this bill become law, the costs to be incurred in operating the expended program are subject to the demand. The figures in the note are estimates of what may occur under this legislation. It is intended that the operating costs would be absorbed into the existing budget of the Authority so that no increase above the current requested budget would be required. This is possible due to the fact that the Authority currently holds a position vacant that could be utilized to handle many of the functions required by this bill.

All funds, both operating and capital, would be Authority program receipts with no general fund appropriation required.

APR 16 1987

REP. TERRY MARTIN

ELECTIVE DISTRICT 13
MOUNTAIN VIEW
RUSSIAN JACK SPRINGS
NUNAKA VALLEY
ELMENDORF A.F.B.
CREEKSIDE
EAST ANCHORAGE



HOME
3960 REKA DRIVE-86
ANCHORAGE, AK 99508
PHONE 333-6990

DURING SESSION
P. O. BOX V
STATE CAPITOL BUILDING
JUNEAU, AK 99811
PHONE 465-3783

Alaska House of Representatives

April 15, 1987

Rep. Dave Donley, Chairman
House Committee on
Labor & Commerce
P.O. Box V
Juneau, Alaska 99811

Dear Rep. Donley:

As your records will show, HB 60, relating to export financing under the Alaska Industrial Development Authority, was referred to Labor & Commerce on January 21. Although I requested in early February that the bill be heard, it was not scheduled.

At the same time, the Senate version of the bill, SB 64, moved fairly easily through that body, and now awaits a hearing in your committee. I am asking with this letter that you bring the bill up, consider the substantial good it would provide the economy, and ask your committee to act on it.

To refresh your memory, these bills amend AIDA statutes to allow that agency to become more deeply involved in the financing, development and insurance of export products. Although the bill is considerably revised from its original version, and now incorporates many changes desired by the Cowper administration, I continue my wholehearted support of it because I believe it will provide services we currently lack.

I hope you will act on SB 64 as soon as possible. As you know, the end of the session is rapidly closing in on us, and it would be beneficial to the economy to have the bill enacted before we go home.

Thank you for your consideration of this request.

Best regards,

Handwritten signature of Terry Martin in cursive script.

Rep. Terry Martin

TM/jwm
cc: Senator Kelly



STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907.465.3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

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

Mary Van Nimwegen

HL+C 4-28-87 1:30p.m.

HL+C 5-5-87 1:30p.m.

S B

8 7

HOUSE COMMITTEE REPORT

(7)

Date referred: 3/27/87

FURTHER REFERRALS: Judiciary
Finance

DATE: 4/2/87

The Labor & Commerce Committee has considered CSSB 87(L&C)

"An Act relating to the credit card interest rate that may be charged by certain financial institutions."

RECOMMENDS:

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

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published 2/13/87
- zero with analysis

SIGNING DO PASS:

David Douley

Ellis

Cliff Davidson

~~_____~~

SIGNING OTHER RECOMMENDATIONS:

W. Furnace no amendments

cont. amendments - NO RISE

David Douley
Chairman's signature

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

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

May, 1988

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

Mary Van Nimwegen

HL+C

4-2-87

1:30p.m.

INTERNATIONAL CONSUMER RESEARCH INSTITUTE

RESEARCH AND PROGRAMS TO ADVANCE CONSUMER INTERESTS

Jo DeMars
Executive Director
Henry S. Reuss Federal Plaza
Room 1201
Milwaukee, WI 53203
414/271-1477

MEMORANDUM TO: Consumer Colleagues
FROM: Jo DeMars
SUBJ: Bank Card Research
DATE: January 26, 1987

I am pleased to share with you the results of a major piece of research that I hope will be of real value in the growing consumer effort to bring down the excessive interest rates being charged on many bank credit cards.

As you may know, the International Consumer Research Institute recently sent a questionnaire across the country to find out what people who care about consumers think of credit card interest rates. Well, it was almost unanimous -- 95 percent of those who responded said rates are too high.

What would be a fair rate? The overwhelming majority said 12 percent or less. That's fully six percent below the national average for bank credit cards.

We thought it was important to get this information out to the media right away. We also thought it was important to get to the media the "real numbers" on who is charging what. So we contacted one of the companies that survey banks.

We now have two solid pieces of information for the media. We have our own public opinion survey of consumer leaders who are virtually unanimous in saying rates are excessively high, and "rate data" for individual banks.

The ICRI has put this information together in a news release and mailed it to the media. Enclosed is a copy of what we sent.

If you are planning to be in contact with media in your area as part of the national effort announced earlier this month, please urge those journalists to publish the information that consumers really need on bank card rates.

And if our organization can be of any assistance to you in your own efforts to mount the fight against high credit card interest rates, write or call me here in Milwaukee. We have access to more data, and can also share with you a copy of a study done with the University of Wisconsin Center for Consumer Affairs that shows how important it is to get a strong educational effort going.

When you realize that today there are banks charging as much as 22 percent interest on consumer credit cards, while their "best customers" get loans at a prime rate of 7.5 percent, you also realize how important it is to get this information out...and get it out quickly.

ICRI NEWS RELEASE

INTERNATIONAL CONSUMER RESEARCH INSTITUTE
Henry S. Reuss Federal Plaza, Room 1201, Milwaukee, WI 53203

FOR RELEASE
JANUARY 29, 1987

FOR INFORMATION:
Ed Dooley
Christopher Smith
(202)659-5656

CONSUMER LEADERS SAY BANK CARD RATES TOO HIGH

MILWAUKEE, WI., January 29, 1987 -- America's consumer leaders are virtually unanimous in their belief that credit card interest rates are too high, with the overwhelming majority saying that an annual rate of no more than 12 percent is "about right", according to a survey released here today.

The survey, conducted by the International Consumer Research Institute (ICRI), found that 95 percent of the respondents believe banks are charging excessive interest rates on credit cards. When asked what rate they believed was "about right", 82 percent said 12 percent or less.

"At a time when the prime rate has fallen to 7.5 percent and lots of car loans are even lower, it's unbelievable that the national average for bank cards is still more than 18 percent," Jo DeMars, executive director of the ICRI, said.

DeMars noted that despite the dramatic drop in general interest rates over the last five years, credit card interest rates have actually risen. In 1980, when the prime rate stood at 18.39 percent, the average credit card

CONSUMER LEADER SURVEY

PAGE TWO

rate stood at 17.31 percent. Today, the prime rate is down more than 10 percentage points, but credit card rates have gone up. The national average is over 18 percent, and some banks charge in excess of 22 percent annually.

The nationwide survey of consumer leaders was undertaken between January 5th and 23rd, and results are being released to coincide with the efforts of a coalition of six national consumer organizations who are urging Americans to fight high credit card interest rates (see attached *Wall Street Journal* story).

These consumer organizations are advocating a national information and action campaign to convince consumers to switch to lower interest cards. A survey conducted a year ago found that consumer leaders believe Americans do not have the kind of comparative information they need to make informed decisions about which cards are the best value.

As a consumer issues organization, the International Consumer Research Institute has been working with state and national consumer groups, as well as *Bank Credit Card Observer*, a leading industry newsletter, to disseminate information on credit card interest rates and terms.

CONSUMER LEADER SURVEY

PAGE THREE

ICRI believes that forewarned is forearmed -- and only the informed consumer is forewarned. Enclosed with this release, is a table showing the wide range of rates and terms available to users of bank credit cards. All of the cards listed in the table are available nationally. Banks in your city can provide rates and terms available locally.

With the average bank card interest rate for January in the nation in excess of 18.00 percent, reflecting a spread of 10.50 to 22.20 percent, American consumers have real credit card options, but only if they know what these options are.

#

THE WALL STREET JOURNAL.

Journal to List Rates On Bank Credit Cards In Table Each Month

By a WALL STREET JOURNAL Staff Reporter

NEW YORK — Beginning today, The Wall Street Journal will publish a monthly table of selected bank credit card interest rates and terms.

The table, prepared by Bank Credit Card Observer, a newsletter published in Iselin, N.J., will list banks with the lowest rates on credit cards such as Visa and MasterCard among about 200 banks surveyed. All of the banks listed make their cards available to customers nationwide. For each bank, the table will list the annual fee to cardholders and the grace period, or time after purchases during which interest isn't charged.

The table also will list bank credit cards available nationwide that charge no annual fee. Such cards may be of interest to the approximately 36% of cardholders, by the newsletter's estimate, who pay their credit-card balances in full each month.

Currently, the survey shows only two no-fee cards, issued by Mercantile Trust Co. and Centerre Trust Co., both based in St. Louis. They carry interest rates of 19.8% and 22%, respectively.

The lowest rate in this month's survey is 10½% on cards issued by three Arkansas banks. Arkansas law limits credit-card interest to five percentage points above the Federal Reserve's discount rate, currently 5½%.

Bank credit-card rates have drawn increasing attention recently. Last week, a coalition of consumer groups launched a campaign to encourage consumers to switch away from high-interest cards. And the treasurer-elect of Illinois has criticized First National Bank of Chicago for the 19.8% rate it charges—a rate typical among large banks with major market shares in the credit-card business.

Bank Credit Card Interest Rates

January 1987

Banks with low interest rates offering bank credit cards nationally. Rates shown are for regular, not premium, cards and apply this month unless footnoted.

Bank	Int. Rate	Annual Fee	Grace Days
Union Natl. Little Rock, AR	v10.50%	\$20.00	00
Simmons 1st Natl. Pine Bluff, AR	v10.50	22.50	25
Twin City, N. Little Rock	v10.50	22.50	25
Union Trust, Stamford, Conn.	11.75	20.00	30
Republic Natl of Miami	v14.00	22.00	30
Society Natl. Cleveland	14.05	20.00	30
Utd. Bk&Tr. Hartford, Conn.	15.00	20.00	30
Conn Bk&Tr. Hartford	15.00	25.00	25
Phila SavF&Soc. Horsham, Pa.	v15.42	18.00	25
Idaho 1st Natl. Boise	v15.54	18.00	30
Bk of New Eng. Boston	15.72	21.00	25
Meridian, Reading, Pa.	15.73	15.00	25
Shawmut Bk NA, Boston	15.84	24.00	30
First Florida, Tampa	16.00	24.00	30
Zions 1st Natl. Salt Lake City	v16.50	20.00	28
State St Bk&Tr. Boston	16.50	25.00	28
Fleet Natl. Providence, RI	16.70	20.00	30
Norstar NY, Albany, NY	16.80	15.00	26
Dollar Dry Dock, New York	16.80	20.00	30
Mitsui Mfgers. Los Angeles	v16.95	20.00	30
Bank of New York	v16.98	18.00	30
Provident Natl. Philadelphia	16.99	18.00	25
1st Amer Natl. Nashville	17.00	15.00	25
Pittsburgh National	17.00	18.00	25
Republic Nat Houston	17.25	20.00	25

Banks without any annual fee offering credit cards nationally.

Mercantile Tr. St. Louis	19.80		25
Centerre Tr. St. Louis	22.00		00

v-Variable rate. po-Interest charged from date of posting. pu-Interest charged from date of purchase.

Source: Bank Credit Card Observer, Iselin, N.J.

Consumer Groups Increase the Pressure On Banks to Lower Credit Card Rates

By JOHN R. DORFMAN

Staff Reporter of THE WALL STREET JOURNAL

Consumer groups stepped up their pressure yesterday for banks to lower credit card interest rates.

In news conferences in six cities, leaders of a coalition of major consumer groups called for consumers to "fight and switch" by discarding high-interest credit cards and substituting credit cards from other banks.

"We think the big banks have just been plain greedy," said David Berliner, assistant director of Consumers Union, based in Mount Vernon, N.Y. He charged that most banks have failed to lower their rates on credit cards even though the cost of funds is down dramatically.

"If bankers ran gas stations, we'd still be paying \$1.40 per gallon," said Neil Fogarty, president of the Consumers League of New Jersey.

Joining in the "fight and switch" coalition were the Washington, D.C.-based groups Consumer Federation of America, Bankcard Holders of America, Public Citizen and the National Consumers League. Also in the coalition are many state and local consumer groups.

Six Banks Criticized

For special criticism, the coalition selected six large banks that it said issue about one-fourth of the nation's credit cards. The six were New York-based Citibank, which charges 19.8% interest on credit card balances; San Francisco-based Bank of America, 19.8%; New York-based Chase Manhattan Bank, currently 19.8% but dropping to 17.5% on Feb. 1; New York-based Manufacturers Hanover Trust Co., 17.8%; Chicago-based First National Bank of Chicago, 19.8%; and New York-based Chemical Bank, 19.5%.

In contrast to those rates, Gary Serota, president of Bankcard Holders, said that his group publishes a list of some 50 banks across the country with credit card interest rates of 16.5% or less. The banks are grouped by region. Some, but not all of them, issue credit cards nationwide.

In the most recent survey of 200 banks by Bank Credit Card Observer, the best interest rates available from banks that offer cards nationwide were from three Arkansas banks—Union National Bank in Little Rock, Simmons First National Bank in Pine Bluff, and Twin City Bank in North Little Rock. All three were charging 10.5%, in keeping with an Arkansas law that limits credit card interest rates to five percentage points above the Federal Reserve's discount rate. Republic National Bank in Miami was charging 14%, and Society National Bank in Cleveland was charging 14.05%.

Representatives for the six criticized

banks said that the rates charged are appropriate. "The cost of funds is less important for credit cards than it is for other loans," said a representative for Chase Manhattan. "You're dealing with millions of small transactions, each of which must be processed separately."

The Chase representative also noted that its premium cards will soon carry an interest rate of 16.5%, and that all of its cards offer "a substantial number of enhancements," such as travel rebates, collision insurance on rental cars and waiver of the annual fee when charges exceed a threshold amount.

Such enhancements didn't seem to carry much weight with the consumer-group leaders. Banks "refuse to compete on the basis of price" in the credit card market, said Mr. Serota. Instead, he charged, they compete on the basis of "unnecessary perks" such as "luggage tags or the chance to use a health club in Singapore when you travel."

A representative for Chemical Bank said, "We are currently conducting a review of our pricing structure. We will be innovative in responding to consumer needs."

A Manufacturers Hanover spokesman said, "We were the first of the major banks to drop our rates, from 19.8% to 17.8% in 1985." That step was taken to reflect a decline in the cost of funds, he said, and has been well-received by consumers. Manufacturers Hanover has issued more than one million credit cards since September 1985, he said.

'Value and Choice'

A Citibank spokeswoman said only, "We believe our cards provide value and choice to the consumer."

A spokesman for First National Bank of Chicago said the bank believes its fee structure is appropriate, "given the high costs associated with providing this convenient form of consumer credit."

A representative of Bank of America said that the bank believes its credit card interest rate is "below that of other major banks in California, and competitive with savings and loans that offer an equal grace, or interest-free, period."

In a related development, the treasurer-elect of Illinois, Jerome Cosentino, recently threatened to withdraw state business from First National Bank of Chicago, a unit of First Chicago Corp., because he considered First Chicago's 19.8% interest rate on credit cards too high. As reported last Friday, First Chicago has moved to expand its credit card operations by buying a Delaware bank, Beneficial National Bank USA of Wilmington, from Beneficial Corp. Delaware doesn't regulate interest rates or annual fees on credit cards.

CONSUMER BANK CARD CHOICES

RATE	BANK	FEE	TERMS
10.50%	UNION NATIONAL (AR)	\$20	No Grace Period
11.75%	UNION TRUST (CT)	\$20	30 days on new purchases
14.00%	CHEVY CHASE SAVINGS (MD)	\$18	30 days on new purchases
14.05%	SOCIETY NATIONAL (OH)	\$20	31 days on new purchases
15.58%	IDAHO 1ST NATIONAL (ID)	\$18	30 days on new purchase
19.80%	CITIBANK (S.D.)	\$20	30 days on new purchases
19.80%	MERCANTILE TRUST (MO)	\$0	25 days on new purchases
19.80%	BANK OF AMERICA (CA)	\$18	25 days on new purchases
20.40%	SECURITY PACIFIC (CA)	\$15	25 days on new purchases
21.60%	BANK ONE (OH)	\$30	30 days on new purchases
22.20%	VALLEY BANK (NV)	\$15	28 days on new purchases

A representative list of banks offering credit cards nationally shows the wide range of rates and terms currently available. Consumers are urged to comparison shop for credit cards.

Rates are subject to change. This information does not guarantee rates or terms.

SOURCE: Bank Credit Card Observer; Iselin, N.J.

TESTIMONY BEFORE SENATE LABOR & COMMERCE COMMITTEE

Mr. Chairman, my name is Wes Coyner and I am representing the Alaska Bankers Association who support passage of SB87. This bill is, in fact more of a consumer bill than a banking bill.

What this bill will do is provide a single legal maximum interest rate on the outstanding balances on credit cards.

Under current Alaska law we have a two tier interest rate structure which is outdated, and a relic of the days of high interest rates and high inflation.

We now have a maximum rate of 18% on the first \$1,000 owed on local bank cards and a lower rate on balances over \$1,000 that floats at five points above the federal discount rate. The discount rate has fallen recently and this lower rate on balances over \$1,000 is now 10.5%. That is the problem - rates are too high on balances under \$1,000 and too low on balances over \$1,000.

As a result of our current two tier system approximately 150,000 Alaskans who have VISA and MASTERCHARGE cards issued by Alaska banks, are not getting the full benefits of falling interest rates in todays market.

In addition, current statute places Alaska banks, who offer credit cards, at a competitive disadvantage with out of state banks who have captured approximately half of the Alaska credit card market. Ironically, most of those banks charge a higher interest rate than local banks.

Further, existing law discourages Alaska banks from issuing new cards, which in turn effects the number of people employed in their card operations and forces many Alaskans to use out of state cards at higher rates than Alaska law allows. State laws do not apply to out-of-state banks and credit unions who issue cards under more liberal laws of their home states, in the case of banks, and federal regulations for credit unions. Thirteen states have no limit and all but five states allow rates that vary from 18% to 30%. However, the legal maximum is not necessarily the rate charged.

As a side note, and as an example, Alaskan National Bank of the North recently sold their credit card operations to Seattle First National Bank. They reduced employment in that department by 10-14 employees and now Seattle First will be offering Alaska customers a card from Seattle at a 15% single rate not regulated by Alaska law but by Washington state.

Existing law allows our competitors from out of state to do things that we cannot do, and the law in its present form is not beneficial to lower income consumers.

We have a situation in which most of Alaska-issued card owners (approximately 2/3), who carry relatively low balances, wind up paying the maximum 18%, while a minority of the more affluent, who qualify for the premium bank cards with larger credit lines, can carry large balances and pay 10.5% on some of it. Consequently, to make up for lower earnings on this money, banks must push the rate to the maximum 18% on the lower balances. This has the effect of the more affluent using the cards as a source of cheap consumer credit and being subsidized by the average consumer who carries a smaller credit balance.

Our current structure has created inequities for banks doing business in Alaska, who want to provide jobs, and for the small or average consumer who desires a lesser interest rate.

Passage of SB87 would correct those inequities.

Banks would be able to compete on even terms with out of state banks by providing more cards to Alaskans seeking them, thereby expanding their card base, which in turn can lead to expanded operations and employment.

Most consumers would benefit by having one rate to consider rather than the confusing two tier system that now penalizes the lower balance user.

For those who are concerned about a maximum rate of 18% as set forth in SB87, Alaska banks are presently perceived to be an 18% card, when truly they are not. We cannot survive with an image of having an 18% card when our competitors are offering cards at far less.

In this regard, one of the two remaining Alaska banks offering credit cards will commit, in today's market, to a single or blended rate of 16.5%, or less, with passage of SB87. Thus, immediately reducing the 18% rate currently being paid by the approximately two thirds of holders of Alaska issued cards. Competition will certainly dictate that the other bank review the market to protect their interest.

Our current, out of step law, no longer protects or benefits the average consumer, who it was designed to protect and has put Alaska banks into a disadvantaged position against out of state card issuers.

SB87 will correct these problems and benefit both the consumer and the banks doing business in Alaska and creating employment.

The earlier this suggested change can be implemented, the sooner banks can compete by the same basic ground rules as out of state competitors and the sooner the consumer can take advantage of the lower interest rate at least one bank will commit to today and the other bank will review based on market conditions.

No. 44

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

SENATE
BILL VERSION: CSSB 87(L&C)
PUBLISH DATE: 2/13/87

REQUEST: _____

Revision Date: _____
Title: Credit Card Interest Rates

Agency Affected: Comm. & Econ. Dev.
BRU: Banking

Sponsor: Labor & Commerce
Requestor: Labor & Commerce

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-	-0-

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS :

Prepared by: Willis Kirkpatrick, Director
Division: Banking, Securities and Corporations

Phone: 465-2521
Date: February 11, 1987

Approved by Commissioner: *[Signature]*
Agency: Commerce and Economic Development

Date: February 11, 1987

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

...different...
...Humana claimed 65 percent...
...Anchorage, she says.

See Page J-2, HOSPITALS

A birthing room at Providence Hospital is equipped with many of the amenities of home.

Anchorage Daily News/Fran Durner

Alaska laws keep card rates high

You might not have noticed, but the interest you pay on your VISA or MasterCard depends very much on whether it was issued by an "Outside" bank like Citibank or Bank of America, or an Alaska bank. It can make a real difference, because the interest charged by local banks can be considerably less. But not as cheap as it could be. Therein lies an interesting story.

This is hard to believe, but sadly true: Alaska's law restricting interest rates on credit cards puts local banks at a competitive disadvantage with out-of-state financial institutions, results in local consumers paying higher rates, raises the possibility of local jobs being eroded and surprisingly, results in a minority of relatively affluent Alaskans being, in effect, subsidized by the rest of us.

You'd think legislators would rush to change this. In fact, they tried to. A bill did pass both the House and Senate, but it died in the confusion during final hours of the legislative session.

The law governing these interest rates is relatively obscure, a relic of the days of high interest rates, high inflation and the notion that economic problems can be solved by price controls and government regulation. But because of it, out-of-state financial institutions have been able to market their own credit cards aggressively here, capturing about half the Alaska charge card market. Because Alaska's limitations on interest don't apply to them, they can charge higher rates as well.

Alaska is one of five states that still have laws restricting interest rates on



tim bradner

locally issued credit cards that are lower than they would be on the open market. However, the problem is not so much the limit but the way the limit is structured.

We have a "two-tier" limit in Alaska, a top rate of 18 percent on the first \$1,000 owed, and a lower interest rate, applying to balances over \$1,000, that "floats" at five points over the federal discount rate. The discount rate has been falling, so this lower rate is now about 11.5 percent.

Like any price control, these limits create shortages and market distortions. The shortage is in the ability of the local banks to offer their lower-cost credit card services to large numbers of Alaskans, many of whom then turn to cards issued by out-of-state financial institutions to which the Alaska limits do not apply. Rates charged on these cards approach 20 percent. For example, Citibank and Bank of America charge 19.8 percent for their VISA and MasterCard accounts, as does Sears with its new Discover card.

But the most bizarre distortion is this:

The "two-tier" structure of Alaska's law creates a situation in which most of Alaska-issued card owners who carry relatively low balances wind up paying the maximum 18 percent, while a minority of the more affluent, who qualify for the premium bank cards with larger credit lines, can carry large balances and pay 11.5 percent on some of it. In effect, they are using the cards as a source of cheap consumer credit and are being subsidized by the rest of us who pay 18 percent.

This is the crux of the matter. Alaska bank earnings are marginal when servicing charge card accounts at 11.5 percent. To make up for lower earnings on this money, they must push the rate to the legal 18 percent maximum on the other money lent. Even with that, bank card services are no big money-maker for local banks.

Credit card operations are more complex and costly than conventional bank lending because of added costs in processing, handling and mailing. What this means is that to stay in the business, local banks must keep costs to a minimum, particularly the inevitable bad debt losses. They can do this by being very restrictive to whom they issue cards.

This has made Alaska a happy hunting ground for out-of-state financial institutions that are regulated under more liberal laws of their home states. With modern communications and data-processing technology, they locate card

See Page J-5, CREDIT

ANCHORAGE DAILY NEWS - SUNDAY, JULY 6, 1986

CREDIT: Laws keep rates high

Continued from Page J-1

operations in states with liberal laws and can aggressively promote their cards nationwide because they charge higher rates and have a huge volume to make up losses. Local banks, in contrast, have less volume, less margin and higher costs, partly because they maintain their operations and people here.

The legislation that died in Juneau would have wiped out this lower "tier" of interest limitation to leave just one limit on the total of the amount owed. In fact, in final versions of the bill, the top "cap" would have been reduced from 18 to 17 percent.

But the actual rate would be determined by competitive market forces here and would "float" down to around 16.5 percent, Alaska bank officials say. Because there no longer would be a need to subsidize the lower limit, rates for most people would go down. But the overall return to the banks would increase. A greater margin would permit more liberal card-issuing, more volume, an ability to capture back more market share from the Outsiders, and lower interest rates on charge cards for most Alaskans.

Cynics doubt rates would actually fall. Local bankers point to other states with relatively high legal limits, or even no limits, where actual rates, established by market competition, are lower. They point to Washington, where the legal ceiling is 18 percent but Seafirst and Rainier banks charge 15 percent on their cards.

Critics respond: the Alaska banking community is small and dominated by a few big banks. There might not be enough competition for market forces to bring down rates.

Most legislators finally grasped the subtle complexities of this issue, though not in time to see a change in the law this year. It's tempting in politics to rely on the notion that government can "fix" a problem with a regulation or a control. It's more difficult to see the long-range effects or to really trust that free-market forces and deregulation in the financial community can really benefit consumers.

If legislators do allow interest rate deregulation, it will be interesting indeed to see how free-market forces will actually perform.

Tim Bradner writes for an Alaska economic reporting service.

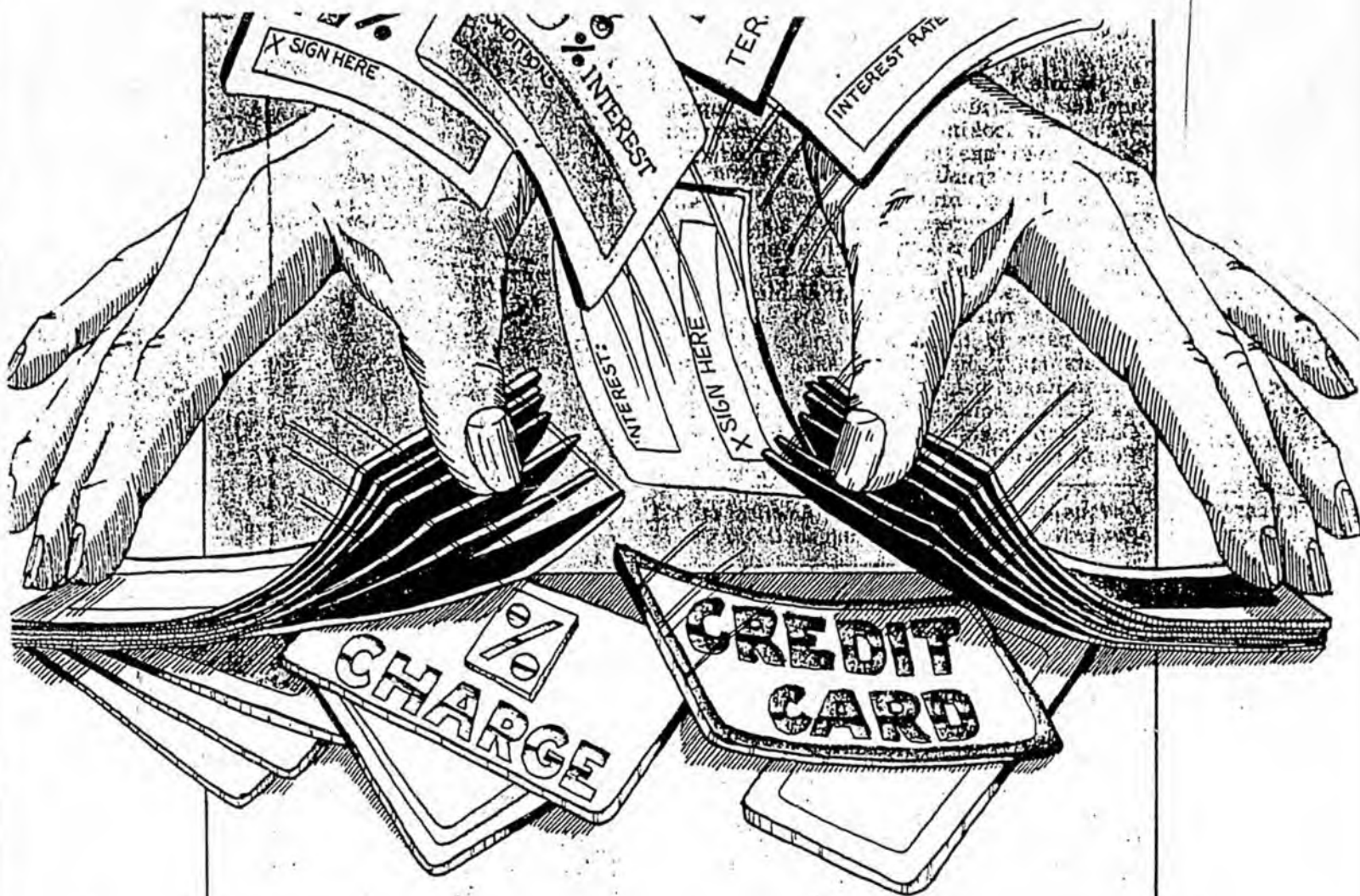
Styles/community/entertainment/tv

MATTER OF INTEREST

It pays to shop around for credit rates

Anchorage Daily News
Monday, February 2, 1987

017



BANK CARD INTEREST RATES

A sample of some Anchorage banks

Company	First \$1,000	Over \$1,000	Annual fees	Interest free period
Alaska Continental Bank	18.00%	10.50%	\$20	25 days
Alaskan Federal Credit Union	*14.85%	same	none	none
Alaska Mutual Bank	18.50%	same	\$18	21 days
Alaska National Bank of the North	15.00%	same	\$18	21 days
Alaska Pacific Bank	18.00%	10.50%	\$20	25 days
Alaska Statebank	18.00%	10.50%	\$20	25 days
Alaska USA Federal Credit Union	*13.90%	same	\$15	25 days
Fedalaska Federal Credit Union	18.00%	10.50%	\$20	25 days
First Federal Bank of Alaska	18.00%	10.50%	\$20	25 days
First Interstate Bank of Alaska	21.00%	same	\$20	25 days
First National Bank of Anchorage	18.00%	10.50%	\$20	25 days
National Bank of Alaska	18.00%	10.50%	\$20	25 days
Rainier Bank Alaska	15.00%	same	\$20	25 days
Alaska Bank Card Center	18.00%	10.50%	\$20	25 days

* Fluctuates

By JANE CARTWRIGHT

Daily News reporter

If you're unhappy with the interest rate you pay on your credit card, all you may have to do is drive down the street to a different bank.

Or apply for a "cheaper" card from an out-of-state bank.

Don't let the pleasure and convenience of the credit card — perhaps the most popular consumer invention ever — blind you to the reality of monthly payments, say experts. Shop around for the best interest rate, annual fee and interest-free grace period.

Banks that issue Visa or MasterCard set their own interest rates. Rates charged by Anchorage banks and credit unions vary widely — up to 6 percent.

Alaska USA Federal Credit Union currently charges its members the lowest rate at 13.9 percent. California-based First Interstate Bank of Alaska charges the highest at 21 percent.

The majority of Anchorage banks charge 18 percent on the first \$1,000 of unpaid balance and 10.5 percent on anything above that.

The annual interest rate is the amount the cardholder pays on the unpaid balance of the charge. Usually there's an interest-free or grace period before interest is tagged onto the balance. The length of the grace period varies, too. So does the annual fee charged to use the card.

So what? you may ask. If so, you're not alone.

One in four Americans carrying bank "plastic" doesn't know the rate of interest he is paying for the pleasure, according to a survey published in the Bank Credit Card Observer, a monthly industry newsletter.

The percentage of card holders who don't know may, in fact, be quite a bit higher, according to experts. Many people find it difficult to admit they don't know.

A surprising 78 percent of the 1,008 Americans surveyed said they see their cards as more of a convenience than a loan.

"The new year will challenge these beliefs," according to the New Jersey-based newsletter. "... Comparative shopping is entering a new era."

The new federal tax law calling for the phase-out of the tax deduction on bank credit card interest, among other things, may heighten consumer activism, according to the newsletter.

This and other factors may lead consumers to comparison shop for credit cards the way they shop for best buys on appliances and automobiles.

"Consumers are switching (banks) by the millions," said Steve E. Goodman, associate editor of the newsletter, in a telephone interview. "Banks that offer low-interest rates are being swamped by applications."

According to the newsletter's poll of the nation's 200 largest banks, the lowest interest rate on a bank card, 10.5 percent, is offered by the First Commercial Bank of Little Rock, Ark. The highest: 22.2 percent, by NCSB South Carolina in Columbia.

There's nothing to prevent a resident of Anchorage from applying for credit cards offered by banks Outside. In fact, many Alaskans do, according to Elgie Holstein, Washington, D.C., director of Bankcard Holders of America.

All you have to do is write to the bank and apply for a card.

"I do know that Alaska residents, like residents elsewhere in the country, are carrying credit cards issued by a local bank and also carrying a large number of cards issued by out-of-state banks," he said.

The average bank credit card interest is 18.5 percent, he said, even though interest rates on mortgages, cars and other loans "have fallen dramatically."

Holstein said the variation in rates here in Anchorage is not unusual.

"Regardless of where you live," he said, "you should shop around for the best deal on

credit cards."

Bankcard Holders of America will mail you a list of bank interest rates from across the country for \$1.

"If there's a dispute over a charge, you have to put it in writing," he explained. "So, it doesn't matter if the bank is two blocks away or 2,000 miles."

Of the 82 million people in the U.S. who carry bank credit cards, almost two-thirds (63 percent) say they would be willing to switch to a card with a lower interest rate, according to the Bank Credit Card Observer.

Though there is a push in Congress for a national ceiling on interest rates, the banking industry opposes it.

"Legislation is not necessary unless there is evidence of a monopoly in the marketplace," said Mary-Liz Meany, Washington, D.C. spokeswoman for the American Bankers Association.

"With the issuance of bank cards, this isn't true. There's quite a lot of competition."

She said it's dangerous to compare credit card interest rates with interest charged for other types of consumer loans.

"They (card loans) are unsecured loans, risky loans, more expensive to process," Meany said. "The cost of administering the program is very high."

She said credit cards make less money for banks — 1.68 percent of balances before taxes — than mortgages (2.24 percent), installment loans (2.32 percent) or commercial loans (2.91 percent).

And the fees for credit cards are "more accurately described as service rates,"

Meany said. "They are a tremendous convenience and they are very popular."

However, in its February issue, Consumer Reports noted that last year consumers owed some \$70 billion in outstanding credit balances, "a virtual gold mine for card issuers, especially those who've planted millions of cards in the wallets of consumers."

The magazine reports that "lenders also believed that consumers were not sensitive to interest rates because they are hooked on their cards, and the lenders felt free to charge whatever interest the traffic will bear."

However, sensitivity by banks may be growing. Late last year Citibank, the largest issuer of credit cards in the country, dropped its rate from 19.8 percent to 16.8 percent on its premium cards. Chase Manhattan, the third largest credit-card issuer, quickly reduced its regular Visa and MasterCard accounts from 19.8 percent to 17.5 percent.

By law, Alaska banks cannot assess card holders more than 18 percent interest annually on credit balances of less than \$1,000.

For accounts with balances exceeding \$1,000, the interest rate floats 5 percentage points above the discount rate set by the Federal Reserve Bank — currently 5.5 percent.

The restrictions don't apply to out-of-state banks with branches in Alaska.

Rainier Bank Alaska offers a 15 percent interest rate — the same rate Rainier Bank charges its Washington customers. Transactions are processed through Seattle.

Seattle First National Bank processes transactions for four Alaska banks: Alaska National Bank of the North (15 percent), Alaska Mutual Bank (18.5 percent), Mount McKinley (18.5 percent) and First Bank (18.5 percent).

With SeaFirst's acquisition last month of the bank card operation at Alaska Bank of the North, the number of Anchorage institutions that issue and process their own cards shrank to three: two credit unions and a bank.

Competing with Alaska USA Federal Credit Union's 13.9 percent is Alaska Federal Credit Union's 14.85 percent. You must be a member to get a card. Alaska Federal charges no annual fee for use of a card. However, there is no grace period.

The one bank in Anchorage that issues its own card is First National Bank of Anchorage. The interest rate is 18 percent on the

CREDIT: It pays to shop around

Continued from Page D-1

first \$1,000 and 10.5 on anything above.

The bank offers a 25-day grace period and charges a \$20 annual fee.

Though there are only three financial institutions that issue and process their own cards, Alaska Bank Card Center processes cards in the name of 21 other financial institutions statewide. The center is a wholly owned subsidiary of National Bank of Alaska, the state's largest bank.

Rates for National Bank of Alaska's 50,000 cardholders are the same as those offered by the First National Bank of Anchorage.

Local bank officials say they encourage shopping around.

"I think people are becoming more cognizant of the different interest rates charged," said Vicki Wilts, member services manager for Alaska Federal Credit Union.

"Before, it didn't matter. People said, 'Give me the card and let me do my shopping.' We're now looking at a younger generation, the 28-to-45 age group, which is educated about how to spend money wisely."

Joan Easley, branch manager for Rainier Bank Alaska, agreed. "This is a sophisticated population that is very much aware of what interest rates are doing," she said. "We get calls from people who want to change cards."

Because rates in Alaska are lower than other parts of the country, out-of-state consumers apply here for Alaska cards, said Gloria Rager, bank card coordinator for Alaska Mutual Bank. "We get calls from East Coast consumers two or three times a day. People can afford to be choosy."

□ Write Bankcard Holders of America at 333 Pennsylvania Ave. S.E., Washington, D.C. 20003.

Hidden costs may offset low rates

By JANE CARTWRIGHT
Daily News reporter

Do lower interest rates on your bank credit card mean lower cost?

In its February issue, Consumer Reports warns: "Before you leap for the nearest interest-rate break, you should know about the creative ways banks and thrift institutions have found to charge you more even as they charge you less."

The magazine urges consumers to consider the following:

- **Annual fees.** A card with a lower interest rate may come with a higher annual fee. When Citibank lowered its interest rate, it raised the annual fee on premium-card accounts from \$40 to \$50.

- **Tiered pricing.** Some banks charge a higher interest fee on lower outstanding

balances and a lower interest fee on higher ones. Norstar Bank of Maine charges customers 15.5 percent on card balances of \$1,000 and over, 16.5 percent on balances below \$1,000.

- **Grace periods.** Some banks have started offering cards at a lower interest rate, but with no interest-free or grace period. Traditionally, a customer could pay off the entire unpaid balance before the normal 25-day grace period lapsed and incur no finance charge.

"Some banks have told us they make more profit by reducing the rate and wiping out the grace period," Robert Heady, publisher of The Bank Rate Monitor, is quoted as saying. His publication tracks interest rates.

Last fall, First Financial Savings, a

See Page D-2, HIDDEN

HIDDEN: Low rates may belie actual cost

Continued from Page D-1

Wisconsin bank, began offering some cards at a 14.9 percent interest rate, but eliminated the grace period.

Consumer Reports notes: "Let's say you make five \$50 purchases during a billing cycle and pay in full two weeks before the bill's arrival. With the normal 25-day grace period, you'd owe no interest.

"But without a grace period, those purchases would cost you \$3 to \$4 in interest even on a card with a relatively low 14.9 percent interest rate."

- **Variable rates.** Other banks offer a low-rate card, but the rate is variable. Marine Midland in New York, for example, offers a card with a 14.9 percent variable rate. The bank changes the rate every quarter according to a number of factors, including the cost of the funds. The rate, however, is not pegged to any outside index.

If you pay off your credit-card balances regularly and don't incur finance charges, a much higher rate down the line won't make much difference. But if you carry credit balances, it could.

"Before looking for a credit card that offers the best features in the crazy quilt of pricing schemes, consider first how you use credit," the magazine suggests. "If you are a 'convenience' user, who pays off balances promptly each month thus incurring no finance charges, grace periods count but interest rates do not.

"If you're a true credit user, who allows your unpaid balances to revolve into the next billing period, look for a lower interest rate. And, of course, the more heavily you charge, the more you'll save with the lower rate.

"When evaluating credit-card offers, look carefully at the fine print before you sign up. Check the annual fee. Does the bank charge you

interest at a higher rate if you purchase less on your card? Are there transaction fees for cash advances or even purchases?

"Your best bet is still with an old-fashioned credit card with a low interest rate, low annual fee, and the grace period. Such offers are likely to come from financial institutions that are trying to get more cards into the hands of consumers, rather than from banks that already have a large credit-card consumer base."

Consumer Reports notes that "pricing can be subtle."

Consider First Deposit National Bank in Tilton, N.H. It offered by mail a Visa card with no annual fees, no transaction fees, lower minimum monthly payments and a 1 percent rebate on every purchase made with the card.

The catch?

To get the card, you had to take out a \$1,000 cash advance at a hefty 21.9 percent interest rate.

ALASKA WOMEN'S LOBBY

POST OFFICE BOX 10-1571, ANCHORAGE, ALASKA 99510

February 11, 1987

Honorable Tim Kelly
Senate Labor and Commerce Committee
P.O. Box V
Juneau, Alaska 99811

Dear Chairman Kelly and members of the committee:

The Alaska Women's Lobby has consistently been opposed to efforts aimed at de-regulation or raising the legal limit on service charges and interest rates.

We cannot agree with the Alaska Banker's Association's characterization of SB 87 as a consumer bill rather than a banking bill.

The banks propose that if allowed to raise the limit on service charges on credit cards to a single rate of 18% per year there would be a result in consumer savings because they would not necessarily charge consumers the maximum allowed by law.

Over the years we have seen interest rates drop considerably as has the Federal discount rate and holders of Alaskan credit cards with balances of \$1,000 or less have yet to experience a savings.

The supporters of SB87 claim that they must push the rate charged on lower balances to the maximum because the lowering of the discount rate has not allowed them to charge high enough interest on balances over \$1,000. It would seem that the lowering of the discount rate might have resulted in increased profits for the banks if it was not met by a decrease in interest charged to the majority of consumers.

In previous years we have been told that if the statutes were not changed to allow for an increased maximum rate it would force Alaska's banks to give up their credit card operations and in fact Alaska National Bank of the North did so and is now offering Alaskan customers a card from Seattle at a 15% single rate. This resulted in an actual benefit to Alaskan consumers.

The present two-tier system does not penalize the lower balance user. The statutes do not mandate the banks to charge the maximum interest rate.

One of the two remaining banks offering in-state credit cards says if allowed to charge 18% to everyone they promise they will reduce the rate, "in today's market", the other bank, we are told will consider the question. These do not seem guarantees the consumer can count on.

If the two-tier system is outdated and is indeed responsible for causing the majority of holders of Alaska issued cards to pay 18% interest rates then we would not oppose providing a single maximum rate. That rate though, should guarantee a savings to Alaskan credit card holders, perhaps 16%.

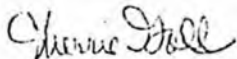
Or you might consider a single floating rate of a certain number of percentage points above the discount rate set by the Federal Reserve Bank. This way the rate could adjust to current market conditions. Another possibility would be a choice of the higher of the two.

Consumers are becoming more sophisticated and their choices are broad. Some Alaskan banks are charging a 15% single rate on out of state cards. Credit Unions offer even lower rates. There is a push in Congress for a national ceiling on interest rates.

We do not wish to prevent Alaskan banks from competing with out of state issuers in attracting credit card customers, but as you consider amending our current consumer-protective statutes we would urge you to assure that changes will result in an actual benefit to the average consumer.

Thank you for your consideration.

Sincerely,



Sherrie Goll
for the Alaska Women's Lobby

House subcommittee votes to limit credit card interest

By SANDY JOHNSON
The Associated Press

WASHINGTON — A House subcommittee voted Wednesday to impose an adjustable cap on credit card interest rates that if in effect today would set top rates at 13.8 percent — about five points below prevailing rates.

Along straight party lines, the Democratic-run Banking, Finance and Urban Affairs subcommittee on consumer affairs and coinage approved a ceiling of eight percentage points above the yield on one-year Treasury securities. The rate would be adjusted quarterly.

The ceiling, opposed by the credit card industry and some banking regulators, now goes to the full committee.

"Anyone who can't make a profit by borrowing money at 5.8 percent and lending at 13.8 percent should find another line of work," said Rep. Frank Annunzio, D-Ill., the subcommittee chairman.

Annunzio and other supporters of the ceiling noted that bank credit card interest rates have hovered at 18 percent while other interest rates, such as home mortgage, auto and corporate borrowing rates, have gradually

6 Anyone who can't make a profit by borrowing money at 5.8 percent and lending at 13.8 percent should find another line of work . . . The real reason for high interest rates is simple enough, and that is spelled 'record high profits.' 9

— Rep. Frank Annunzio, D-Ill.

declined over the last five years.

"The real reason for high interest rates is simple enough, and that is spelled 'record high profits,'" Annunzio said.

He and others cited Visa U.S.A. Inc.'s attempt last week to mobilize industry criticism of a new American Express "Optima" credit card offered at 13.5 percent as proof that a federal cap was necessary. A March 11 telegram from Visa President Charles Russell urged banks to "rethink your position in offering American Express products" and call the company to voice their opposition.

Annunzio said the Visa move "comes dan-

gerously close to embracing a conspiracy approach that smacks of antitrust violations."

"That sure sounds to me like a boycott threat, an action in restraint of trade that may very well be a violation of antitrust law," said Rep. Charles Schumer, D-N.Y.

"We can think of no better response to Mr. Russell's letter than for Congress to tell Visa and the banks that their irresponsibility requires the enactment of a maximum legal interest rate on credit cards," said Alan Fox,

spokesman for the Consumer Federation of America.

But David Hunt of the American Bankers Association argued that a federal attempt to regulate interest rates "would lead to a contraction in the supply of credit card credit." He also said card issuers simply would reprice their wares, perhaps raising annual fees or increasing charges for late payments.

The subcommittee vote was 5-3. The panel rejected a similar ceiling last year.

The legislation also would require credit card issuers to disclose key information up front: interest rates, annual fees and the grace period for payment. Current law requires disclosure, but not until after the consumer receives the card.

An estimated 75 million Americans hold 186 million bank credit cards. Consumers currently owe about \$85 billion on bank credit cards, a 150 percent increase in four years. The consumer federation said \$15 billion of that total pays for interest and annual fees.

House panel moves to cap credit card interest

By SANDY JOHNSON
THE ASSOCIATED PRESS

WASHINGTON — A House subcommittee, proclaiming a first-round victory for consumers, launched an attempt to impose a federal ceiling on credit card interest rates.

The ceiling would be set at eight percentage points above the yield on one-year Treasury securities, to be adjusted quarterly. If it were in effect today, top credit card rates would be 13.8 percent — nearly 5 percentage points below prevailing rates.

Proponents hailed Wednesday's

subcommittee vote, 5-3 along party lines, as good news for millions of credit card holders.

"With the prime rate at 7.5 percent and the Federal Reserve discount rate at 5.5 percent, there is no economic justification for credit card rates of 18, 19 and even 22 percent," said Rep. Frank Annunzio, D-Ill., chairman of the House Consumer Affairs and Coinage Subcommittee.

"Something had to be done, and the subcommittee has got the process off to a roaring start. The first battle for lower rates has been won by consumers," he said.

"There can be no question now that credit card issuers have been gouging American consumers," Rep. Charles Schumer, D-N.Y., said. "Clearly it is time for Congress to help bring fairness to the credit card market."

Opponents, however, warned the cap would simply shrink credit.

"Caps do not work," said Rep. Chalmers Wylie, R-Ohio. "Federally mandated caps could lead to severe restrictions in credit."

A spokesman for industry giant Visa said the ceiling would hurt those who most need credit.

"The only known result of (caps) is that the availability of credit becomes reduced" Visa Senior Vice President John Bennett said.

Visa came under fire at the hearing for its attempt last week to mobilize industry opposition to a new American Express "Optima" credit card offered at 13.5 percent.



Cardwars may shoot down interest rates

By WILLIAM KRONHOLM
The Associated Press

WASHINGTON — Cracks are showing in the once-solid front of bank credit card issuers, who have long kept interest rates hanging stubbornly in the high teens, suggesting that the cost of buying with plastic may be about to tumble.

American Express Co. recently fired the first big salvo in a possible credit card war when it unveiled its Optima card, carrying a 13.5 percent annual interest rate compared with rates of 18 percent or more for many Visa and Mastercard issuers.

More quietly, the AFL-CIO has begun offering credit cards with no annual fee and interest rates as low as 12.5 percent to most of its 13 million union members.

And earlier this week, the American Society of Travel Agents said its member agents would begin offering consumers a Mastercard at 10.5 percent beginning next month.

"I think we're off to the races," said John C. Pollock, an industry analyst and publisher of the Bank Credit Card Observer, a New Jersey-based newsletter. "The banks have to be very sobered by the American Express action, and we might well see a summer rate war."

Asked for a prediction, he suggested average credit card rates may decline by a full percentage point by summer's end.

Ray Denison, president of the AFL-CIO-affiliated Union Privilege Benefit Programs Corp., also predicted competitive pressure will force rates down.

He said the labor organization has seen an unprecedented response rate among union members, many of whom then transfer large amounts of high-rate debt onto their new low-rate AFL-CIO cards.

"There's no doubt there's a greater consciousness" about interest rates, he said. The AFL-CIO is sending brochures to some 10 million members, he said, and "our mailings are raising the consciousness of the average card-holder."

But it's not a unanimous prediction. With more than 80 million cardholders in the United States, the AFL-CIO mailings will hit only a small fraction of the market.

And Alan Fox of the Consumer Federation of America noted the Optima is targeted at affluent card-holders who already hold regular American Express cards.

"We could see a big price war breaking out at the upper levels because that's where the Optima card is focused," he said. "But there's still a question whether that will filter down" to the average consumer.

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1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2

SENATE BILL NO. 88

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 increases or surcharges to auto-
mobile insurance premiums."

7

8

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

9

* Section 1. AS 21.36.420(d) is amended to read:

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(d) An insurer that increases the premium or adds a surcharge to

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an automobile insurance policy shall give written notice of the in-

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crease or surcharge at least ²⁰~~15~~ days before it takes effect, stating

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the reason for the change and the right of appeal under AS 21.39.090.

14

This subsection does not apply to a

15

(1) premium increase resulting from a change requested by

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an insured, if the insured is notified at the time the request is made

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that the amount of the insured's premium will change as a result of

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the requested policy change; or

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(2) rate approved by the director if the insurer gives

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written notice of a premium increase to the insured at least ²⁰~~15~~ days

21

before the renewal date of the affected policy.

HUGHES THORSNESS GANTZ
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HAND DELIVERED

January 16, 1987

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MARCUS R. CLAPP*
KENNETH P. JACOBUS
GARY W. GANTZ
JERRY E. MELCHER
JOE M. HUDDLESTON
SIGURD E. MURPHY
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JOSEPH R. D. LOESCHER
KENNETH D. LOUGEE*
EARL M. SUTHERLAND
JOHN B. THORSNESS
GREGORY W. LESSMEIER*
JOHN V. ACOSTA*
DONNA P. WALKER***
WILLIAM M. WALKER***
DANIEL M. WOLD
DAVID S. CARTER
MARILYN MAY
LAWRENCE V. ALBERT
JOHN G. FRANK**
ANN S. BROWN*
BRIAN D. BJORKQUIST
JAMES N. BARKELEY
THOMAS R. LUCAS
TIMOTHY R. REDFORD
SHELFON E. WINTERS**
DOUGLAS R. SMITH
JOHN J. NOVAK
JOHN H. TINDALL
DAVID H. KNAPP
MICKALE C. CARTER
JOSEPH S. SLUSSER*
JAMES F. KLASEN

* FAIRBANKS OFFICE
** JUNEAU OFFICE
*** VALDEZ OFFICE

Senator Tim Kelly
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

Re: House Bill 476

Dear Senator Kelly:

I am writing to you on behalf of State Farm Insurance Company and Allstate Insurance Company regarding House Bill 476, introduced and passed by the House during the last legislative session but remained in the Senate Rules Committee when the session ended. This bill deals with premium increases in automobile insurance policies, and was introduced at our request to correct an ambiguity in AS 21.36.420, which was added by the legislature in 1984 via House Bill 16. We enclose herewith a copy of AS 21.36.420 for your information as well as a copy of the Department of Commerce and Economic Development's 1986 Position Paper favoring the legislation.

The ambiguity House Bill 476 was designed to correct is contained in subsection (d) of AS 21.36.420:

An insurer that increases the premium or adds a surcharge to an automobile insurance policy shall give written notice of the increase or surcharge at least 15 days before it takes effect, stating the reason for the change and the right of appeal under AS 21.39.090.

Senator Tim Kelly
January 15, 1987
Page 2

If this subsection is read literally, it could be interpreted to require an insurer to send an insured a statement of reasons for change in premium and a statement of the notice of right to appeal every time a premium is increased, regardless of the reason for the premium increase. Such a requirement would significantly affect the practical consequences of the way we presently do business. For example, when a general rate increase is approved by the Division of Insurance, our insureds receive at least fifteen days notice of this increase, and a brief explanation of the reasons for the increase. To present an insured with a statement telling them that they have a statutory right to appeal a premium increase already approved by the Division of Insurance is illusory, because the Department has already approved the increase. It in fact would be illegal for us to charge anything but the approved rate. To suggest by means of a notice that our insured has a right of appeal not only is misleading, but could generate wasteful litigation and/or administrative hearings.

The more practical problems we face are where our insured calls and tells us that he has either added a youthful driver to his policy or purchased a new car. If we follow the literal dictates of the present statute, we simply would not be able to accept coverage in either instance until at least fifteen days after the request was made in order to assure that our insured has been informed of his proper statutory right of notice and appeal. The same would be true of where our insured moves to a higher rated area. We would not be able to accept coverage unless our insured is able to contact us early enough so we can provide the fifteen day notice of increase and right of appeal. We do not believe that anyone intended AS 21.36.420 to have this effect, and we believe House Bill 476 would correct this ambiguity and thus urge its passage.

The present version of House Bill 476 requires written notice of the increase stating the reason for the change and the right of appeal in all instances except to: (1) a premium increase resulting from a change requested by an insured if the insured is notified at the time of the request that his or her premium will change, or (2) a rate increase approved by the Director if the insurer gives written notice to the insured of the rate increase at least fifteen days before the expiration date of the affected policy, which is when the increase would of course take effect. We do not believe these changes would affect in any way the original intent which prompted the enactment of AS 21.36.420. On the

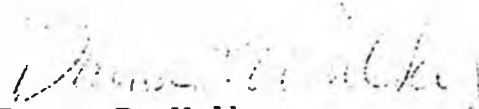
Senator Tim Kelly
January 15, 1987
Page 3

contrary, HB 476 would correct a negative effect not intended by the original legislation.

We do hope this ambiguity can be corrected this session and kindly request you calendar the bill. We will be happy to provide any assistance or further information you might desire. Thank you.

Sincerely,

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

By: 
Donna P. Walker

Enclosures
DPW/mh
1435A

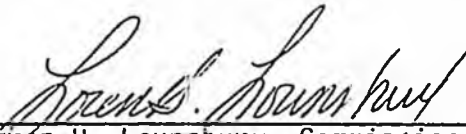
cc: Senator Jan Faiks

CSHB 476: "An Act relating to automobile insurance premiums."

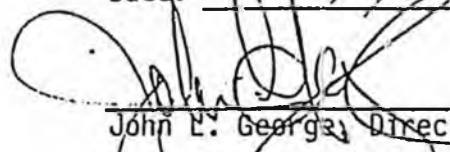
The department is in favor of this legislation. This proposal is intended to correct a deficiency in Ch 62 SLA 1984. The sponsor of that bill was attempting to provide an appeal mechanism for persons aggrieved by automobile insurance rate increases resulting from surcharges for an accident or violation appearing on that person's driving record, and which is alleged to be inappropriate.

Alaska Statute 21.36.420(d) was structured to require a notice of all premium increases by an insurer. The notice gives a reason for the increase and the right to an appeal under AS 21.39.090. It is not clear whether a notice of reason and notice of right to appeal is required on increases resulting from other than a change in the individual driving record. Such increases are subject to rate review and approval by the State before use and we believe that a right to appeal on top of the review process would be unduly wasteful of state resources.

This bill would clarify the requirement for notice by specifying the circumstances in which the notice is necessary and the scope of notice required. It does provide recourse for surcharges or increases that are not appropriate because a person was not convicted of a violation or at fault in an accident. We do not object to the notice of premium increase on approved rate filings because it is a fair thing to do. It does generate additional cost for the insurer which will ultimately be passed along to the consumer. It is, however, a reasonable and fair requirement.


Loren H. Lounsbury, Commissioner
Department of Commerce & Economic
Development

Date: 3/3/86


John E. George, Director of Insurance

Date: 3/3/86

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 476
Title: Automobile Insurance Premium

Sponsor: M. M. Miller
Requestor: John L. George
Date of Request: February 19, 1986

FISCAL DETAIL

Agency Affected: Division of Insurance
BRU: _____

Components: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY '91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING: (Thousands of dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary.

Prepared by: John L. George, Director
Division: Division of Insurance

Phone: 465-2515
Date: February 19, 1986

Approved by Commissioner: [Signature]
Agency: Commerce and Economic Development

Date: February 19, 1986

Distribution (by Agency preparing fiscal note):

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

SB 88: "An Act relating to increases or surcharges to automobile insurance premiums."

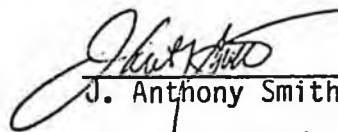
The Department of Commerce and Economic Development is in favor of this legislation.

The legislation proposes to introduce two exceptions to legislation adopted in 1984. That legislation, Ch. 62, SLA 1984, enacted AS 21.36.420, which requires that before a premium increase for automobile insurance can be applied, the insurer must first have sent a notice to the insured that the increase would take place. The statute also required that an insured be advised that he or she may request a hearing in Alaska before the insurer or its rating organization to appeal the application of the increased rate. The 1984 legislation provided for no exceptions.

The intent expressed during hearings held on the bill and by the sponsor was to provide notice of any rate increase for automobile insurance and entertain cases to provide an appeal mechanism for persons aggrieved by the rate changes because of points or surcharges applied to an insured. The proposed bill clarifies the notice of change provision by recognizing that there are situations where a lengthy period between notice and application does not really add to public protection and may, in fact, impair market availability. For example, change of car, addition of a young driver, or additional vehicles do increase the price of insurance and insureds know this is fact. Increases in such cases are not a surprise and a revision to the notice provision does not impact public protection.

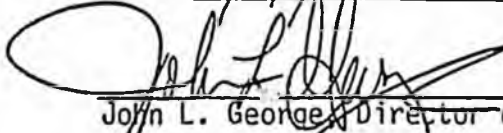
The real issue addressed with this proposal is the notice of a right to a hearing when a rate increase occurs. That feature is not reasonable in those cases where there is a change wrought by the insured and he is told that it will have a rate impact, or when an increase is due to a general rate increase which has been reviewed and approved by the Division of Insurance.

Our concern is that the absence of reasonable exceptions provides the opportunity for frivolous requests for hearings that would eventually burden the state with unnecessary hearings. This does not impair the ability of a person aggrieved by the application of the rating system from a hearing on the manner in which the system is applied if there is reason to believe that another application would be appropriate.



J. Anthony Smith, Commissioner

Date: 2/19/87



John L. George, Director of Insurance

Date: 2/18/87

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

REQUEST: SB 88

Bill Version: _____
Publish Date: _____

Revision Date: _____
Title: An Act relating to increases or surcharges to automobile insurance premiums

Agency Affected: Commerce & Economic Development
BRU: Insurance

Sponsor: Labor & Commerce Committee
Requestor: _____

Components: PUBLIC PROTECTION

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	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0

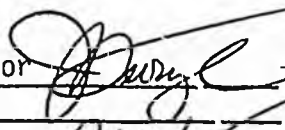
FUNDING: (Thousands of Dollars)

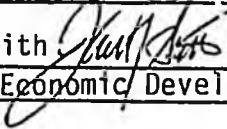
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: John L. George, Director  Phone: 465-2515
Division: Division of Insurance Date: February 10, 1987

Approved by Commissioner: J. Anthony Smith  Date: February, 1987
Agency: Commerce and Economic Development

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



Alaska State Legislature

Senate

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

January 27, 1987

MEMORANDUM

To: Senate Labor & Commerce Committee Members

From: Senator Tim Kelly, Chairman *TDK*
Labor & Commerce Committee

Subject: Proposed Committee Bill regarding Automobile
Insurance Premiums

Attached is a copy of proposed committee legislation to clarify a significant ambiguity regarding increases to automobile insurance premiums.

Last year, HB 476, which contained identical language, unanimously passed the House of Representatives. While favorably considered by Senate committees, the Rules Committee was unable to place the bill on the calendar in the closing days of the legislative session.

To my knowledge little opposition to this legislation has surfaced and the bill enjoys the support of the Division of Insurance.

Please let me know if you have objections or concerns about introducing this legislation as a committee bill.

IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to increases or surcharges to automobile insurance premiums."

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

* Section 1. AS 21.36.420(d) is amended to read:

(d) An insurer that increases the premium or adds a surcharge to an automobile insurance policy shall give written notice of the increase or surcharge at least 15 days before it takes effect, stating the reason for the change and the right of appeal under AS 21.39.090.

This subsection does not apply to a

(1) premium increase resulting from a change requested by an insured, if the insured is notified at the time the request is made that the amount of the insured's premium will change as a result of the requested policy change; or

(2) rate approved by the director if the insurer gives written notice of a premium increase to the insured at least 15 days before the renewal date of the affected policy.

Offered: 4/4/86
Referred: Rules

Original sponsor: M.M. Miller
by request

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2

CS FOR HOUSE BILL NO. 476 (Judiciary)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to automobile insurance premiums."

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

8

Section 1. AS 21.36.420(d) is amended to read:

9

(d) An insurer that increases the premium or adds a surcharge to

10

an automobile insurance policy shall give written notice of the in-

11

crease or surcharge at least 15 days before it takes effect, stating

12

the reason for the change and the right of appeal under AS 21.39.090.

13

This subsection does not apply to a

14

(1) premium increase resulting from a change requested by

15

an insured, if the insured is notified at the time the request is made

16

that the amount of the insured's premium will change as a result of

17

the requested policy change; or

18

(2) rate approved by the director if the insurer gives

19

written notice of a premium increase to the insured at least 15 days

20

before the renewal date of the affected policy.

DATE	PAGE	ACTION
01/14/86 (H)	1790	READ THE FIRST TIME - REFERRAL(S)
02/21/86 (H)	2199	HESS RPT 70P
02/21/86 (H)	2199	ZERO FISCAL NOTE JUDICIARY RULES

HB 474

AN ACT RELATING TO VOLUNTEER GUARDIANS AD LITEM IN THE OFFICE OF PUBLIC ADVOCACY.

BY REQ OF THE GOVERNOR

CO-SPONSORS: GRUENBERG, COTTEN, GOLL, TAYLOR, UEHLING

CURRENT STATUS: (H) FIN

DATE	PAGE	ACTION
01/15/86 (H)	1798	READ THE FIRST TIME - REFERRAL(S)
02/07/86 (H)	2000	HESS RPT CS(HESS) NEW TITLE 6DP INR
02/07/86 (H)	2000	FISCAL NOTE HSE SUPPL 81
02/07/86 (H)	2000	ZERO FISCAL NOTE
02/26/86 (H)	2230	JUD RPT CS(JUD) NEW TITLE 6DP INR FINANCE RULES

HB 475

CSHB 477

AN ACT RELATING TO JANUARY 15, MARTIN LUTHER KING DAY, A LEGAL HOLIDAY.

BY REQ OF THE GOVERNOR

CO-SPONSORS: UEHLING, KUISINEN, MILLER, HAY, COLLINS, GRUENBERG, GUNCAN

CURRENT STATUS: (H) FIN

DATE	PAGE	ACTION
01/15/86 (H)	1799	READ THE FIRST TIME - REFERRAL(S)
01/20/86 (H)	1829	SPONSOR SUBSTITUTE INTRODUCED
02/19/86 (H)	2086	SA RPT CS(SA) NEW TITLE 60P
02/19/86 (H)	2087	2 FISCAL NOTES HSF SUPPL 85
02/19/86 (H)	2087	ZERO FISCAL NOTE/ANALYSIS HSE SUPPL 85 FINANCE RULES

HB 476

CSHB 477

AN ACT RELATING TO AUTOMOBILE INSURANCE PREMIUMS.

BY REQ OF THE GOVERNOR

BY REQ

CSHB 477

CURRENT STATUS: (H) RES

DATE	PAGE	ACTION
01/15/86 (H)	1799	READ THE FIRST TIME - REFERRAL(S)
02/07/86 (H)	2281	LOAN RPT CS(LOANS) NEW TITLE 3DP 2NR
02/07/86 (H)	2281	FIN RPT CS(FIN) NEW TITLE 7DP INR
02/07/86 (H)	2281	RULES TO CALENDAR 4/18/86
02/15/86 (H)	2273	READ THE SECOND TIME
02/15/86 (H)	2273	FIN CS ADOPTED UNAN CONSENT
02/15/86 (H)	2273	ADVANCED TO THIRD READING UNAN CONSENT
02/15/86 (H)	2273	READ THE THIRD TIME CSHB 476(JUD)

PAGE 198

DATE	PAGE	ACTION
04/18/86 (H)	2773	PASSED Y33 H- X5 A2
04/18/86 (H)	2774	FURNACE NOTICE OF RECONSIDERATION
04/21/86 (H)	2811	RECONSIDERATION NOT TAKEN UP
04/21/86 (H)	2811	TRANSMITTED TO (S)
04/22/86 (S)	2433	READ THE FIRST TIME - REFERRAL(S)
05/02/86 (S)	2576	C&RA RPT 30P
05/10/86 (S)	2739	JUD RPT 30P INR RULES

HB 477

CSHB 477

AN ACT MAKING, AMENDING, AND REPEALING APPROPRIATIONS FOR ENERGY PROGRAMS; AND PROVIDING FOR AN EFFECTIVE DATE.

PRIME SPONSOR: RULES COMMITTEE

BY REQ OF THE GOVERNOR

CO-SPONSORS:

CURRENT STATUS: CHAPTER 41 SLA 86

DATE	PAGE	ACTION
01/15/86 (H)	1799	READ THE FIRST TIME - REFERRAL(S)
01/15/86 (H)	1799	GOVERNOR'S TRANSMITTAL LETTER
03/26/86 (H)	2492	LOAN RPT CS(LOANS) NEW TITLE 3DP 2NR
04/14/86 (H)	2698	FIN RPT CS(FIN) NEW TITLE 7DP INR
04/15/86 (H)		RULES TO CALENDAR 4/16/86
04/16/86 (H)	2742	READ THE SECOND TIME
04/16/86 (H)	2743	FIN CS ADOPTED UNAN CONSENT
04/16/86 (H)	2743	AM NO 1 FAILED Y5 N33 A2
04/16/86 (H)	2744	AM NO 2 FAILED Y1 N38 A1
04/16/86 (H)	2744	ADVANCED TO THIRD READING UNAN CONSENT
04/16/86 (H)	2745	READ THE THIRD TIME CSHB 477(FIN)
04/16/86 (H)	2745	PASSED Y39 H1
04/16/86 (H)	2745	EFFECTIVE DATE SAME AS PASSAGE
04/16/86 (H)	2750	TRANSMITTED TO (S)
04/17/86 (S)	2377	READ THE FIRST TIME - REFERRAL(S)
04/28/86 (S)	2506	RES REFERRAL WAIVED
04/30/86 (S)	2536	FIN RPT 3DP WITH AM 2NR
04/30/86 (S)	2560	RULES RPT CALENDAR 5/1
05/01/86 (S)	2561	READ THE SECOND TIME
05/01/86 (S)	2561	AM NO 1 ADOPTED UNAN CONSENT
05/01/86 (S)	2562	ADVANCED TO THIRD READING UNAN CONSENT
05/01/86 (S)	2562	READ THE THIRD TIME CSHB 477 FIN AM 5
05/01/86 (S)	2562	PASSED Y17 H1 A2
05/01/86 (S)	2562	EFFECTIVE DATE SAME AS PASSAGE
05/01/86 (S)	2567	TRANSMITTED TO (H) AS AMENDED
05/02/86 (H)	3059	HELD UNDER UNFINISHED BUSINESS
05/06/86 (H)	3152	CONCUR AM OF (S) Y32 N3 A5
05/06/86 (H)	3153	EFFECTIVE DATE SAME AS PASSAGE
05/06/86 (H)	3248	1:10 PM 5/5/86 TRANSMITTED TO GOVERNOR
05/24/86 (H)	3554	SIGNED INTO LAW CHAPTER 41 SLA 86
05/24/86 (H)		EFFECTIVE DATE OF LAW SEE CHAPTER

HB 478

AN ACT RELATING TO ESTABLISHING A HOUSE HABITAT AND OFFICE ON STAMP AND FEE; AND PROVIDING FOR AN EFFECTIVE DATE.

PRIME SPONSOR: MERTIN
CO-SPONSORS: UEHLING

CURRENT STATUS: (H) RES

PAGE 199

BILL HB0476
PAGE 02281
DATE 03/05/86
CHAMBER HOUSE
TEXT

The Community & Regional Affairs Committee has considered HOUSE BILL NO. 476 (relating to automobile insurance premiums), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 476 (C&RA) (same title) and reports it back as follows: Goll (Chairman), Wallis, Koponen and Marrou recommend do pass; Phillips and Furnace have no recommendation. A zero fiscal note was attached. HB 476 was referred to the Judiciary Committee.

BILL HB0476
PAGE 02568
DATE 04/04/86
CHAMBER HOUSE
TEXT

The Judiciary Committee has considered HOUSE BILL NO. 476 (relating to automobile insurance premiums), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 476 (Judiciary) (same title) and reports it back as follows: M.M. Miller (Chairman), Sund, Phillips and Gruenberg recommend do pass; Clocksin has no recommendation. HB 476 was referred to the Rules Committee for placement on the calendar.

BILL HB0476
PAGE 02576
DATE 05/02/86
CHAMBER SENATE
TEXT

The Community and Regional Affairs Committee considered <CS> <FOR HOUSE BILL NO. 476 (JUD) >(automobile insurance premiums) and a majority of the committee recommended do pass. The report was signed by Senator DeVries, Chairman and concurred in by Senators Sturgulewski and Coghill. CS FOR HOUSE BILL NO. 476 (JUD) was referred to the Judiciary Committee.

BILL HB0476
PAGE 02739
DATE 05/10/86
CHAMBER SENATE
TEXT

The Judiciary Committee considered <CS FOR HOUSE BILL NO. 476> <(JUD) >(automobile insurance premiums) and a majority of the committee recommended do pass. The report was signed by Senator Rodey, Chairman and concurred in by Senators Halford and Faiks. Senator Ziegler signed "no recommendation". CS FOR HOUSE BILL NO. 476 (JUD) was referred to the Rules Committee.

STATE OF ALASKA THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

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

Mary Van Nimwegen

HL+C

4-28-87

1:30 p.m.