

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988  
5336 SJUD HB 122 - HB 185  
908

From the perspective of the prosecutor: There was adequate grounds for a charge in this case. The victim wants to give her partner another chance and does not want anything on his record. The defendant's attorney contacts the prosecutor with information that she wants charges dismissed. After prosecutor refuses to dismiss charges, a motion is filed with a signed statement from the victim requesting dismissal of the charges based on the compromise reached between the defendant and the victim. Further investigation is ordered to determine the history of the relationship (restraining orders, arrests, police reports, child abuse reports, completion of counseling or other conditions on previous convictions or deferred prosecution cases, review of medical history of victim for unreported abuse incidents, etc.). A second interview with victim is scheduled to determine her level of understanding of the implications of her decision. If she still wants to have the civil compromise and the prosecutor believes there has been past violence or future violence is inevitable, the preparation for a trial is begun. Subpoenas are served for necessary witnesses and evidence. A trial date is requested and preparation is made to cross examine the victim about her ability to predict future violence. This preparation includes the need to bring out the level of victimization of the victim while not alienating her from seeking help from the criminal justice system in the future. The expert witness is prepared to explain to the court the research available concerning the occurrence and reoccurrence of domestic violence, the characteristics of victims and offenders, the viability of an alleged offender voluntarily successfully completing treatment and positively changing his pattern of violence. Generally the trial is at least 3-4 hours.

From the perspective of the expert witness: Is this different from  times when victims called to drop charges when the criminal justice system believed domestic violence to be a private matter best settled by the two individuals without interference or monitoring by the court? Are the victim and her partner going to interpret the court's granting of a civil compromise as approval for this incident to reoccur since it carried no punishment or admonition? Is the alleged offender the type of person who will continue in counseling voluntarily and not drop out within a few months? Is the incident in this case a one time incident or a culmination of a pattern of psychological, sexual, and/or physical abuse? Do the individuals in the couple/family speak independently or is there an existing pattern of victimization that forces the victim to take responsibility for the alleged offender's needs and actions? What is the probability of the victim to assess danger in the relationship and call for assistance in the future? If there are children in the home, what effect has/ will this have on them? To what degree do other problems in the home impact the probability of future violence; e.g. substance abuse, mental illness, finances, family or social support, etc.?

From a public policy perspective: In the past six years, there has been a serious effort to change law enforcement and criminal justice response to domestic violence. Based on research that has been completed, there is good reason to believe that when domestic violence is made public the first few times it occurs, the individuals are less likely to continue in an escalating violence pattern.

It is not likely that the average battering partner will undergo and complete counseling voluntarily. The use of a fairly lengthy suspended jail term has been the most effective in screening and motivating individuals to utilize existing counseling or community/self help resources.

Arrest in domestic violence cases does not appear to be a sufficient deterrent. Arrest often needs to be combined with a realistic threat of jail or actual jail time, lengthy monitoring to ensure lack of reoffense, and rehabilitation of behaviors that culminate in abuse. The use of fines has not been as effective since it generally penalizes the victim and the children and not just the offender. The use of deferred prosecution also penalizes the victim by requiring her continued cooperation in testifying about her partner's behavior, leaving her open to further intimidation until the deferred time is over.

A victim of abuse who does not clearly hear from all resources that the abuse is not her fault and is not to be tolerated, will generally not leave the abusive relationship until the violence reaches the severity of risking her life or the lives of the children. By that time, the need for counseling for the entire family is so great that government will need to subsidize the majority of the cost (either through actual counseling services or support services such as welfare, medical payments, foster care, special education for the children, and/or jail)

Since the public policy goal in intervention in domestic violence cases is to stop the violence at its earliest discernible onset, the use of a civil compromise defeats this purpose. A civil compromise states clearly that the first time is not serious and should not be considered part of a pattern. This reinforces the partners to continue viewing the violence as a private concern that can best be handled in their own home. It reassures the alleged offender that his behavior is understandable and acceptable. It restates for the victim that "overreacted" since the judge now accepts a promise as a remedy for the harm done to her. It does nothing to stop the impression on the children that nothing will happen to you if you use violence in the home to get what you want.

It is unfortunate that by the time law enforcement and prosecutors have screened a domestic violence case, the event is not likely to be insignificant. The only advantage to this practice is that by the time the system does intervene, it is clear that the situation is out of the control of the individuals involved.

In order to restore the order, there is a current practice of offering "first time offenders" an alternative sentence of 60-90 days of suspended jail time, with perhaps a few to serve or credit for serving the day of the arrest, as long as he completes mandatory counseling or a court approved rehabilitation effort and has no similar violation for one year. This provides the offender with a method for changing his behavior with little negative impact from a criminal record. The victim has an opportunity to see if the violence will stop before she has to end the relationship. Each member of the family is made aware of the seriousness of the violence and where to receive counseling or self help support. If the victim wishes, the family remains intact as long as there is no reoccurrence of violence. There is a hold on the offender that is not dependent of the victim having to testify about the details of the original incident. Should rehabilitation not be successful and society needs to be protected from this offender, the suspended jail time can be reimposed.

This appears to be a successful method of intervening in the violence while still offering the individuals a chance to repair their lives/relationship with little present or future cost to the family and government.

HB

139

REQUEST: \_\_\_\_\_

Bill Version: CSHB 139(Jud)  
Publish Date: HOUSE 3/11/87

Revision Date:  
Title: Jurisdiction of superior and  
district courts, qualifications...  
Sponsor: Gruenberg, Sund, Pettyjohn...  
Requestor: House Judiciary Committee

Agency Affected: Alaska Court System  
BRU: Trial Courts

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        | . . . . | . . . .                | . . . . | . . . . | . . . . | . . . . |
| TOTAL OPERATING        | 0.0     | 0.0                    | 0.0     | 0.0     | 0.0     | 0.0     |
| <hr/>                  |         |                        |         |         |         |         |
| CAPITAL                | . . . . | . . . .                | . . . . | . . . . | . . . . | . . . . |
| <hr/>                  |         |                        |         |         |         |         |
| REVENUE                | . . . . | . . . .                | . . . . | . . . . | . . . . | . . . . |

| FUNDING:      |         | (Thousands of Dollars) |         |         |         |         |
|---------------|---------|------------------------|---------|---------|---------|---------|
| General Funds | 0.0     | 0.0                    | 0.0     | 0.0     | 0.0     | 0.0     |
| 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)

No fiscal impact.

Prepared by: Karla Forsythe, General Counsel  
Division: Alaska Court System

Phone: 264-8228  
Date: 2-19-87

Approved by: *Stephanie J. Cole*  
Stephanie J. Cole, Deputy Director  
Agency: Alaska Court System

Date: 2-19-87

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

# State of Alaska

House Majority Leader

COMMITTEES

HOUSE HEALTH, EDUCATION  
AND SOCIAL SERVICES  
HOUSE JUDICIARY  
HOUSE RULES



P.O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-3718  
465-4968/4986

914 CLAY COURT  
ANCHORAGE, ALASKA 99503  
(907) 276-6844

Representative Max F. Gruenberg, Jr.  
District 11  
Spenard, Upper Midtown Anchorage

## MEMORANDUM

April 3, 1987

TO: Senator Jay Kerttula  
Chair  
Senate Judiciary Committee

FROM: Max F. Gruenberg, Jr. *MFG*

RE: HB 139, An Act relating to the jurisdiction of the superior and district courts: judicial disqualification, disciplinary actions, and impeachment; the procedure for judicial retirement due to incapacity or disability; proceedings before magistrates; and amending Rule 16(a), Alaska District Court Rules of Civil Procedure."

*Beta*  
APR 6 1987

I would appreciate it if you would schedule a hearing on HB 139 as soon as it is possible.

HB 139 passed the House unanimously. HB 139 grew out of a bill which passed out of Senate Judiciary near the end of last session as HB 516. HB 516 provided a procedure for the impeachment of court of appeals judges and district court judges and the disqualification of judges for cause.

Hb 139 incorporates HB 516, with some technical changes suggested by legal counsel. At the request of the court system, I have also added a number of other provisions, which increase the jurisdiction of district courts, give magistrates explicit authority to handle violations, and clarify the law regarding judicial retirement.

HB 139 was amended in House Judiciary to require that public reprimands of judicial officers are put in the voting pamphlet. It was also amended to allow the preemptory challenge of a judge in small claims court.

If you have any questions, please contact my legislative assistant, Mark Handley, x3718. Thank you very much.

*trud*

HB

140

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

No. 2

**REQUEST:** \_\_\_\_\_

Bill Version: CSHB 140(Hess)  
Publish Date: HOUSE 3/11/87

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

Title: "An act relating to Parole."

Agency Affected: Department of Corrections  
BRU: \_\_\_\_\_

Sponsor: Rep. Swackhammer, Gruenberg

Requestor: \_\_\_\_\_

Comments: \_\_\_\_\_

**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          |       |       |       |       |       |       |
| <b>TOTAL OPERATING</b> | 0     | 0     | 0     | 0     | 0     | 0     |

|                |   |   |   |   |   |   |
|----------------|---|---|---|---|---|---|
| <b>CAPITAL</b> | 0 | 0 | 0 | 0 | 0 | 0 |
|----------------|---|---|---|---|---|---|

|                |   |   |   |   |   |   |
|----------------|---|---|---|---|---|---|
| <b>REVENUE</b> | 0 | 0 | 0 | 0 | 0 | 0 |
|----------------|---|---|---|---|---|---|

**FUNDING: (Thousands of Dollars)**

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

**POSITIONS:**

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

**ANALYSIS : (Attach a separate page if necessary)**

See attached pages.

*Susan Knighton*

Prepared by: Susan Knighton, Research Analyst IV

Phone: 465-3376

Division: Administrative Services

Date: 3/6/87

Approved by Commissioner: *William L. King for*  
Susan Humphrey-Barnett

Date: 3/6/87

Agency: Department of Corrections

**Distribution (by preparer):**

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

## CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSHB 140(Hess)

The statute changes included in House Bill 140 will have no fiscal impact on the Department of Corrections but will increase the level of service provided to those offenders supervised by the Parole Board. Changes that were made to the Parole Board law during 1985 have extended supervision requirements to include many misdemeanants and minor non-violent felony offenders. With the limited resources of the Parole Board, it would be better to concentrate on the more serious offenders.

### Sections 1 and 2:

The effect of the amendments to AS 33.16.010(a) and AS 33.16.010(c) will be to eliminate mandatory parole for persons sentenced to terms of imprisonment of 181 days to 2 years. Mandatory parole places an offender under the supervision of the Parole Board for the amount of good time earned while incarcerated.

Anyone sentenced to 2 years or more of imprisonment will continue to serve a term of mandatory parole under the supervision of the Parole Board.

At any one time, there are around 140 offenders who were sentenced to terms of imprisonment of 181 to 2 years and are on mandatory parole. This represents one-third of the Parole Board's total caseload.

They are offenders convicted of misdemeanors or minor felony offenses. The state will be better served by allowing the Parole Board to concentrate its limited resources on the more serious offenders.

### Section 3:

Under its current policies, the Parole Board is not releasing Class A felons until they have served at least one-third of the period of confinement imposed. This amendment will not increase the amount of time currently being served by Class A felons, but will bring the law into line with current practice.

### Sections 4 and 5:

These sections amend the methods that the Parole Board may use to release an offender to the jurisdiction of the field Probation/Parole staff. These methods may be used when a parolee had demonstrated good behavior and adjusted to supervision.

For a discretionary parolee, the Parole Board will have the authority to release an offender to a period of probation after the successful completion of two years of parole. If the discretionary parolee has no court imposed probation to follow, he will remain under the supervision of the Parole Board for the full term of his sentence.

For a mandatory parolee, the Parole Board will have the authority to release the offender to the term of probation imposed by the courts as long as this term of probation is equal to or exceeds the period of mandatory parole.

## CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSHB 140(Hess)

These changes will allow for more flexible treatment of offenders who are doing well on parole by enabling transfer to field probation supervision. They will allow the Parole Board to concentrate on more serious, at-risk offenders.

### Sections 6 - 8:

These sections amend the definitions in AS 33 to agree with the changes made in Sections 1 through 5.

### Section 9:

This amendment will allow mandatory parolees with probation sentences to follow to serve the mandatory parole and probation time concurrently.

The current population is serving an average of 6 months on mandatory parole followed by 3 years on probation supervision. This change in the statutes will reduce the period of supervision from a total of 3.5 years to 3.0 years. The savings are estimated at: 2,500 clients x .5 years x \$1,898/year, \$2,372,500 over three years or \$790,800 per year. These estimates are based on an average field supervision cost of \$5.20 per day. The savings in staff time will allow the field probation staff to concentrate on clients needing supervision and newly assigned cases.

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: CSHB 140(Hess)  
Publish Date: HOUSE 3/11/87

REQUEST \_\_\_\_\_  
Revision Date: \_\_\_\_\_  
Title: "An Act relating to parole."  
\_\_\_\_\_  
Sponsor: Rep. Swackhammer ....  
Requestor: House HESS

Agency Affected: Public Safety  
BRU: Alaska State Troopers  
\_\_\_\_\_  
Components: Detachments & CIB

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           |       |       |       |       |       |       |

FUNDING:: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

No fiscal impact is anticipated.

*JML*  
*2/25/87*

Prepared by: Francis C. Allan *F.C.A.*  
Division: Alaska State Troopers  
Approved by Commissioner: William R. Nix *(Signature)*  
Agency: Public Safety

Phone: 269-5691  
Date: 2/23/87  
Date: 2/23/87

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

BILL NO: HB 140

DATE: March 3, 1987

TITLE: "An Act relating to parole."

CONTACT: Maj. Walter J. Gilmour  
Acting Director  
Alaska State Troopers

DEPARTMENT OF  
PUBLIC SAFETY

POSTAL PERMIT /  
NO. 5100  
ANCHORAGE, ALASKA

This bill does not impact the Department of Public Safety.

  
\_\_\_\_\_  
William R. Nix  
Acting Commissioner

THE FOLLOWING PAGES WERE TREATED AS  
A UNIT IN THE ORIGINAL FILE.

**HOUSE BILL 140**

HOUSE BILL 140  
INDEX

1. Committee Substitute House Bill 140 (Jud)
2. Bill Summary
3. Fiscal Notes
4. Position Papers
5. Support Letters
6. Committee Hearings
7. Miscellaneous
8. Current Statutes

## SUMMARY OF MANDATORY PAROLE BILL

Mandatory parole is the supervision time a misdemeanor or felony offender must complete immediately after being released from incarceration. The supervised time is determined by the amount of good time an inmate earns during incarceration.

181 days is the current minimum for mandatory parole eligibility. Under the new bill being submitted, this eligibility would be increased to a minimum of two years as outlined in Sections 1 and 2. This would decrease the parole work load by an estimated 130 cases at the current time. This in turn allows the probation/parole officer to devote more time to the long term offender who, as statistics show, require more supervision. The majority of short term offenders falls under probation guidelines, therefore, there is no need for double supervision as there is under current statute. It should also be pointed out that the misdemeanor offender was not intended to be supervised by the parole board, as is currently the case.

Section 3 of the current statute allows certain Class A felons discretionary parole after serving only 1/4 of the sentence. Under the proposed bill, those particular Class A felons are eligible after 1/3 of the sentence. This was the parole board's original intent and the intent of the 1985 legislature as noted on page 4 of the House Journal Supplement which is found in the miscellaneous section of this packet.

Sections 4 and 5 amend the methods that the Parole Board may use to release a parolee to probation. In the event an offender is released to discretionary parole, the Parole Board may release the offender to serve court ordered probation time after successful completion of two years of parole. A mandatory parolee may be released to serve probation as long as the term of probation and the period of suspended imprisonment each equal or exceed the mandatory parole period.

In the proposed bill, Section 6 defines mandatory parole and Section 7 defines parolee. Section 8 amends the definitions to comply with the changes made in sections 1 through 5.

In the event both mandatory parole supervision and probationary supervision are required upon release, section 9 allows for the mandatory parole time and the probation time to be served concurrently.

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

**REQUEST:** \_\_\_\_\_

Bill Version: CSHB 140 (JUD)

Publish Date: 03-26-87

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

Title: "An act relating to Parole."

Agency Affected: Department of Corrections

BRU: \_\_\_\_\_

Sponsor: Rep. Swackhammer, Gruenberg

Requestor: \_\_\_\_\_

Comments: \_\_\_\_\_

**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          |       |       |       |       |       |       |
| <b>TOTAL OPERATING</b> | 0     | 0     | 0     | 0     | 0     | 0     |

|                |   |   |   |   |   |   |
|----------------|---|---|---|---|---|---|
| <b>CAPITAL</b> | 0 | 0 | 0 | 0 | 0 | 0 |
|----------------|---|---|---|---|---|---|

|                |   |   |   |   |   |   |
|----------------|---|---|---|---|---|---|
| <b>REVENUE</b> | 0 | 0 | 0 | 0 | 0 | 0 |
|----------------|---|---|---|---|---|---|

**FUNDING: (Thousands of Dollars)**

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

**POSITIONS:**

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

**ANALYSIS : (Attach a separate page if necessary)**

See attached pages.

*Susan Knighton*

Prepared by: Susan Knighton, Research Analyst IV

Phone: 465-3376

Division: Administrative Services

Date: 3/6/87

Approved by Commissioner: *William L. King for*  
Susan Humphrey-Barnett

Date: 3/6/87

Agency: Department of Corrections

**Distribution (by preparer):**

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

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: HB 140

REQUEST  
Revision Date: \_\_\_\_\_  
Title: "An Act relating to parole."

Publish Date: \_\_\_\_\_

Agency Affected: Public Safety  
BRU: Alaska State Troopers

Sponsor: Rep. Swackhammer ....  
Requestor: House HESS

Components: Detachments & CIB

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           |       |       |       |       |       |       |

FUNDING:: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

No fiscal impact is anticipated.

Prepared by: Francis C. Allan *F.C.A.*

Phone: 269-5691

Division: Alaska State Troopers

Date: 2/23/87

Approved by Commissioner: William R. Nix *(Signature)*

Date: 2/25/87

Agency: Public Safety

Distribution (by preparer):

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

*JML*  
*2/25/87*

BILL NO: HB 140

DATE: March 3, 1987

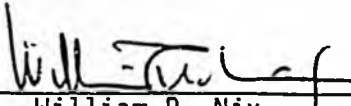
TITLE: "An Act relating to parole."

CONTACT: Maj. Walter J. Gilmour  
Acting Director  
Alaska State Troopers

DEPARTMENT OF  
PUBLIC SAFETY

RECEIVED  
MAR 10 1987

This bill does not impact the Department of Public Safety.

  
\_\_\_\_\_  
William R. Nix  
Acting Commissioner

POSITION PAPER  
DEPARTMENT OF CORRECTIONS

BILL: H.B. 140

DATE: March 9, 1987

TITLE: "An Act relating to Parole"

CONTACT: Samuel H. Trivette  
Executive Director  
Parole Board

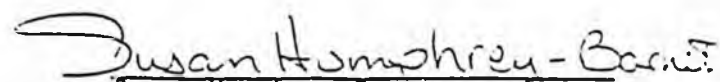
This Administration supports House Bill #140. The primary purpose of the bill is to adjust the parole statutes to eliminate duplication and ensure the supervision of more serious prisoners upon release from jail.

Since statehood, prisoners sentenced to serve two years or longer have been placed on mandatory parole supervision. The prisoners must follow standard and special parole conditions the same as prisoners released on parole by the Parole Board. Rehabilitative and other counseling services are made available and behavior is monitored by parole officers. Most other states and the federal government have mandatory parole laws similar to this law.

This bill would eliminate supervision only on misdemeanants and short-term felony offenders. A great majority of these short-term felony offenders will be on probation supervision. This allows the Parole Board and parole officers to concentrate resources on the more serious offenders. Therefore, this bill will result in very few prisoners being released without supervision. Most would be misdemeanants. And clearly 99% of the presumptively-sentenced offenders would be on mandatory parole supervision, taking care of the more serious cases.

The bill allows the merging of mandatory parole and probation cases when the probation period exceeds the mandatory parole period. Again, the purpose is to minimize the duplication of Parole Board and Correction's staff time spent on supervising the same offender for the court system and Parole Board.

Finally, the bill clarifies parole eligibility on class A felons. When House Bill 141 passed in 1985, the commentary at page four was contradictory on whether eligibility would be at one-third or one-fourth of the sentence. The testimony in committee and on the House floor was eligibility would be one-fourth only for class B felony, class C felony and misdemeanants. This bill conforms to that intent.

  
Susan Humphrey-Barnett  
Commissioner

POSITION PAPER

HB 140

The Alaska Public Defender Agency and the Office of Public Advocacy are totally reactive agencies which provide representation to indigent persons when appointed by the court. These agencies do not make policy nor do they initiate litigation. Only proposed legislation with fiscal or program ramifications for these agencies can be said to have a direct agency impact. Thus, the Public Defender Agency and Office of Public Advocacy submit position papers for legislation which will affect these agencies fiscally or programatically or will require these agencies to litigate constitutional issues raised by the legislation.

Fiscal impact:  X  None                      See attached fiscal note \_\_\_\_\_  
Program impact:  X  None                      See analysis below \_\_\_\_\_  
Constitutional impact:  X  None              See analysis below \_\_\_\_\_  
Other:  Legislative request                   See analysis below  X

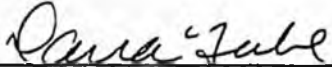
This bill will streamline the current system of mandatory parole, particularly by clarifying that a probationary period may run concurrently with a period of mandatory parole. Judges often set precise conditions of probation which they expect an offender to follow once he or she is released from prison. Under current law, most prisoners serve a period of mandatory release parole prior to starting their probationary term, thus creating the potential for a "limbo" period prior to the commencement of formal court probation and its attendant conditions. This bill further limits the necessity of mandatory parole to those prisoners who have sentences of more than two years, thus obviating the need for expensive supervision for the least serious offenders. All of these changes will streamline the mandatory parole system and free the time of overburdened parole officers to supervise the more serious offenders.


Section 3, which deals with discretionary parole, is somewhat problematical. Currently, those persons who are convicted of unclassified felonies may not be eligible for discretionary parole until they have served one third of their sentence. This provision ensures that a person serving a lengthy sentence for First or Second Degree Murder will not be released prior to serving at least one third of their term of imprisonment. All other offenses allow parole eligibility at the discretion of the parole board after service of one fourth of a sentence.

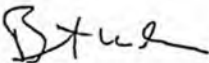
Section 3 of this bill adds Class A offenses to the list of crimes requiring service of at least one third of the sentence prior to discretionary parole rather than one fourth. Although persons convicted of Class A felonies are normally not eligible for discretionary parole due to the requirement that they receive a presumptive sentence even on a first offense, a discrete group of persons convicted of Class A felonies have received the right to discretionary parole eligibility

from the three judge sentencing panel due to unusual mitigating circumstances in their cases. Since Class A felony prisoners are not normally eligible for discretionary parole, the legislature may not wish to deprive those persons with extraordinarily mitigating circumstances from consideration after one quarter of their term. It should be noted that if the parole board does not wish to grant discretionary parole after one quarter of a sentence due to the circumstances of the offense, nothing in this bill will deprive the parole board of its discretion to deny parole application.


Based on the above reasons, the Public Defender Agency and Office of Public Advocacy support all provisions of this bill except Section 3. The Public Defender Agency and Office of Public Advocacy oppose Section 3 of this bill.

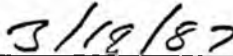
  
\_\_\_\_\_  
Dana Fabe, Director  
Public Defender Agency

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Brant McGee, Director  
Office of Public Advocacy

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Commissioner Garrey Peska  
Department of Administration

  
\_\_\_\_\_  
Date

# STATE OF ALASKA

## DEPARTMENT OF CORRECTIONS

BOARD OF PAROLE

STEVE COWPER, GOVERNOR

ALASKA BOARD OF PAROLE  
POUCH T  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3384

March 6, 1987

Representative Swackhammer  
Rm. 106  
Capital Building  
Juneau, AK

Re: House Bill #140

Dear Rep. Swackhammer:

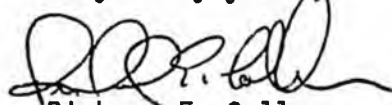
I strongly support passage of H.B. #140. As you are aware this legislation will return our Parole Supervision caseloads to a level comparable to 1985, before the comprehensive Revision of the Parole Laws effective January 1, 1986.

From an administration point of view it is very difficult to supervise misdemeanants because the periods of supervision are very short and the individual has very little to lose for non-compliance. Their attitude is that they have earned the Good Time and it shouldn't be subject to be taken away. The felons that fall into this less than two year sentence category are often subject to a residual period of probation to follow release anyway, certainly the ones the Judge thought were in need of supervision have probation to follow. We could better utilize our resources and manpower by concentrating on supervising serious felons. I believe that closer supervision of this higher risk group would provide better public protection.

The second section of this bill changes Parole Eligibility back to one-third for Class A felons. They were subject to this minimum from 1974 to 1985 and I believe it was changed in 1986 only due to a misunderstanding or a drafting error. However, to my knowledge, no one has been paroled by the Board, even since the Law was changed to one-quarter, before they completed at least one-third of their term. So a statutory change now will not have a fiscal impact but would be good public policy in my opinion.

Thank you for your efforts on this legislation and I appreciate the opportunity to provide you with my comments.

Very truly yours,



Richard E. Collum  
Parole Board Officer

REC:rs

February 27, 1987

Representative C.E. Swackhammer  
P.O. Box 417  
Soldotna, Alaska 99669

re: House Bill 140

Dear Representative Swackhammer:

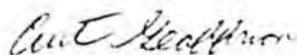
Thank you for your letter of 02-20-87, reference House Bill 140. I support the bill 100%, as I believe all probation officers do.

I will not attempt to explain each and every detail, nor offer examples as to why I disagree with present statutes. Simply stated, probation officers are wasting their time supervising clients with six months supervision or less. Precious resources such as time, man power and money are being wasted by requiring probation officers to supervise short term felons and misdemeanants. We must be allowed to concentrate our efforts where they are needed. At the present time, probation officers are over-loaded with burdensome paperwork, high caseloads and needless supervision of clients. House Bill 140 would assist in allowing probation officers to focus their attention where it belongs i.e., with individuals convicted of serious offenses and who received sentences of two years or more.

Legislators should scrutinize the role of probation officers within the state of Alaska. Careful review will demonstrate the cost effective nature of releasing inmates to probation/parole supervision. This includes intensive supervision which offers a tremendous savings and alleviates over-crowding as well. House Bill 140 would allow probation officers to supervise the more serious offender. It would also incorporate concurrent supervision of probationers/parolees which would assist probation officers in the course of their duties.

In conclusion, legislators should request testimony from individuals such as Sam Trivette, if they desire a comprehensive over-view of the nature of this bill. Additionally, myself and others will be willing to offer our assistance as requested, in an effort to secure passage.

Sincerely,



Curt Geoffrion  
Probation/Parole Officer III

# STATE OF ALASKA

STEVE COWPER, GOVERNOR

## DEPARTMENT OF CORRECTIONS

NORTHERN REGION

March 17, 1987

C.E. Swackhammer  
State Representative  
Box V  
Juneau, Alaska 99811

Dear Representative Swackhammer:

I am responding to your letter dated 02-20-87. I am sorry for the late response, however, I have just returned from the lower 48, due to a death in my family.

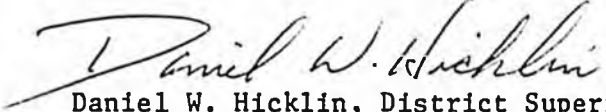
Regarding H.B. 140, I conferred with Ken Brown, Regional Director, and was informed that the Department of Corrections is extremely supportive of your bill.

If passed, your bill would have a positive effect on my district caseload. My district is 100,000 square miles (approximately the size of the state of Oregon). The district caseload has been as high as 175 offenders this year, and is covered by myself and two other probation officers. A total of 18% of our caseload is located in Bethel, the other 82% is located in 50 plus villages in the Yukon-Kuskokwim Region.

I am sure with your law enforcement background, you can see we are spread about as thin as we can be, and still provide protection to the public.

If there is anything that I may do to assist the passing of H.B. 140, please feel free to contact me.

Yours, for a better Alaska,

  
Daniel W. Hicklin, District Superior  
DEPARTMENT OF CORRECTIONS  
Probation/Parole  
Bethel, Alaska

DWH:gp

C.E. Swackhammer

March 17, 1987

Page 2

cc: Susan Humphrey-Barnett, Commissioner  
Art Schmidt, Deputy Commissioner  
Ken Brown, Regional Director  
File

BSN: 200

ALASKA HOUSE OF REPRESENTATIVES  
CSHB 140(JUD)

1ST SESSION 15TH LEG

4/10/87 10:44 AM

|   |          | 36 | YEAS | 0 | NAYS        | 4 | EXC | 0 | ABS       |   |             |
|---|----------|----|------|---|-------------|---|-----|---|-----------|---|-------------|
| Y | ADAMS    | Y  |      | Y | DONLEY      | Y |     | Y | HUDSON    | Y | POURCHOT    |
| Y | BARNES   | Y  |      | Y | ELLIS       | Y |     | Y | KOPONEN   | Y | RIEGER      |
| Y | BOUCHER  | Y  |      | Y | FRANK       | Y |     | Y | LARSON    | E | SHULTZ      |
| Y | BOYER    | Y  |      | Y | FURNACE     | Y |     | Y | MARTIN    | Y | SPRINGER    |
| Y | BROWN    | Y  |      | Y | GOLL        | Y |     | Y | MENARD    | E | SUND        |
| Y | CATO     | Y  |      | Y | GRUENBERG   | Y |     | Y | MILLER    | Y | SWACKHAMMER |
| Y | COLLINS  | Y  |      | Y | GRUSSENDORF | Y | E   | Y | NAVARRE   | Y | TAYLOR      |
| Y | COTTEN   | Y  |      | Y | HANLEY      | Y |     | Y | PEARCE    | Y | ULMER       |
| Y | DAVIDSON | Y  | E    | Y | HERRMANN    | Y |     | Y | PETTYJOHN | Y | WALLIS      |
| Y | DAVIS    | Y  |      | Y | HOFFMAN     | Y |     | Y | PHILLIPS  | Y | ZAWACKI     |

STATE OF ALASKA  
THE LEGISLATURE

POUCHY - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907.465.3800

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

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

Mary Van Nimwegen

H. Finance April 7, 1987 1:30 pm  
H. Judiciary March 25, 1987 1:30 pm  
H. HESS March 10, 1987 8:30 am

information on that prisoner may come to the board's attention. For example, a prospective employment plan may no longer be possible, or the prisoner is unable to immediately enter a residential treatment program upon release, or the prisoner is subsequently involved in a major disciplinary action. With this provision the board can change conditions or decide that the prisoner is not appropriate for discretionary parole, and rescind its previous action or merely delay the prisoner's release date. Due process safeguards are built in to protect the prisoner's liberty interest.

Subsections (c) and (d) set out the minimum amount of a sentence a prisoner must serve before being eligible for discretionary parole. For discretionary parole eligible prisoners, the minimum term is decreased from one-third of the sentence under current law to one-fourth of the sentence, except for an individual convicted of first or second degree murder, kidnapping, or misconduct involving a controlled substance in the first degree. With this latter group, the minimum term remains one-third or the mandatory minimum, whichever is greater. The sentencing court may further restrict parole eligibility under AS 12.55.115. Parole eligibility is reduced by this bill only for first-time non-presumptive Class B or C felony offenders and for misdemeanants.

AS 33.16.110 codifies existing practice by setting out the information which the board must consider when determining a prisoner's suitability for discretionary parole.

AS 33.1. '20 was enacted in 1984 as a portion of the Victim's Rights Legislation and gives a victim the right to comment in writing on a pending discretionary parole decision. The board is required to consider those comments. The board also has a duty to notify a victim if a prisoner is released on either discretionary or mandatory parole.

AS 33.16.130 places the responsibility for requesting discretionary parole on the prisoner rather than making the board responsible for reviewing all potentially eligible prisoners. Working with institutional staff, the prisoner would prepare a parole release plan, including the prisoner's plans for employment, treatment, residence and other relevant material, for presentation to the board. A hearing on the granting of parole is required. If the board denies an application for discretionary parole, a written decision must be issued and provided to the prisoner. This section mirrors current practice, but the procedural safeguards are made more specific.

ALASKA PAROLE BOARD  
MANDATORY PAROLE INFORMATION  
1985 - 1986

|      | <u>Supplemental Conditions Set</u> | <u>Mandatory Parole Revocation Hearings</u> |
|------|------------------------------------|---|
| 1985 | 179 Cases                          | 25  |
| 1986 | 373 Cases                          | 57  |

# MEMORANDUM

# State of Alaska


TO: Tom Wright  
Legislation Aide  
Rep. Swackhammer's Office

DATE: March 9, 1987

FILE NO.:

THRU: TELEPHONE NO.: 907-465-3384

SUBJECT: Mandatory Parole

FROM: Samuel H. Trivette  
Executive Director  
Parole Board 

Per your request of March 7, 1987, I researched out files and also contacted the National Institute of Corrections Information Center to obtain additional information on mandatory parole in other jurisdictions. Unfortunately no national data is being gathered on mandatory parole. However, I did discuss this issue at length with Brian Bemus at the Information Center. He has extensive knowledge in this area. He only knows of two states that have abolished mandatory parole supervision. Some other states require the Parole Board to parole prisoners prior to "flat-time" dates but don't call it mandatory parole.

Mr. Bemus stated that most states have a system similar to ours. That is, prisoners with only longer sentences go on supervision subject to conditions set by the Parole Board. At least one state has the supervision lengths tied to the seriousness of the crime. So he agrees House Bill 140 is fairly typical of mandatory parole laws.

Another point I think is important. Alaska is fairly unique in having "split sentences", that is a prison sentence with probation to follow. In most states a judge can impose only a short county jail sentence as a condition of probation. Otherwise the judge sends the offender to prison, and there is no probation to follow. I checked two of our larger correctional facilities today and over 95% of the felons sentenced for classified felony crimes have split sentences, i.e.; have jail time and probation to follow. The importance is most felons will be supervised on probation without mandatory parole, so the public will be protected.

THE PRECEDING PAGES WERE TREATED AS  
A UNIT IN THE ORIGINAL FILE.

HB

143

RE: ORIGINAL Bill

# POSITION PAPER

Department of Commerce  
& Economic Development

HB 143 "An Act relating to the assessment of civil penalties under the Alaska Securities Act; and providing for an effective date."

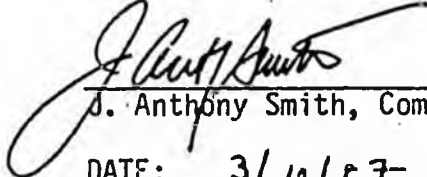
The Department of Commerce and Economic Development supports passage of HB 143 as drafted.

The Governor's transmittal letter as spread in the journal of Friday, February 20, 1987, on pages 279 and 280, accurately describes the amendments being requested to the Alaska Securities Act under Section 45.55.200; Orders, Injunctions and Powers of the Administrator.

The inclusion of the additions at 45.55.200(b), (c) and (d) as well as the addition to 45.55.210(a) will give a wide range of latitude to the Administrator of Securities in curing deficiencies under the Alaska Securities Act and violations thereunder. While it is now possible for the Administrator of Securities to issue cease and desist orders, they are often ignored or neglected by those individuals to whom they are directed. The ability to assess a monetary penalty will strengthen the enforcement capability of the Division of Banking, Securities and Corporations.

We should now point out that the imposition of civil penalties gives us an alternative to the shutting down totally of an enterprise or operation who has violated the Securities Act. Under the present scheme, our alternative is simply to order a business to cease and desist its operation in toto. With the addition of the civil penalties remedies, applicants and/or registrants may continue in business having corrected their deficiencies and paid civil penalties to remind them to not repeat the violations.

The department supports and urges passage of the bill.

  
\_\_\_\_\_  
J. Anthony Smith, Commissioner  
DATE: 3/10/87

JAS/LPC/wfs5526W  
31087a

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

## DEPARTMENT OF LAW

POUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

OFFICE OF THE ATTORNEY GENERAL

March 23, 1984

The Honorable Fritz Pettyjohn  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Re: SB 432, "an Act amending  
the Alaska Security's Act"

Dear Senator Pettyjohn:

At the Senate Labor and Commerce Committee hearing on February 15, 1984, you requested our opinion with respect to the effect on the jurisdictional scope of SB 432. This legislation would clarify the existing Alaska Security's Act to better reach fraudulent or high pressure out-of-state sales of oil and gas lease hold interests on state or federal lands in Alaska.

The Administration believes that Alaska is well served by having an ability to regulate sales of land or lease hold interests located in Alaska, even where the transactions take place outside the state between non-residents of the state. The state may protect the legitimate concerns of its citizens by exercising the right to sue according to the doctrine of parens patriae. This doctrine is recognized in Alaska. State v. First National Bank of Anchorage, 660 P.2d 406, 420-21 (Alaska 1982); Public Defender Agency v. Superior Court, 534 P.2d 947 (Alaska 1975).

Because we believe there is a substantial state interest in preventing fraudulent sales of oil and gas leases located within the state's border, we believe a constitutional challenge against Alaska's assertion of jurisdiction provided by the proposed legislation would fail. A claim that the jurisdiction afforded by the proposed legislation violates an out-of-state citizen's rights under the Due Process Clause, Full Faith and Credit Clause or Commerce clause of the U.S. Constitution would, in all likelihood, be dismissed. See generally, Aldens, Inc., v. Packel, 524 F.2d 38 (3rd Cir. 1975). The Aldens case is instructive because it involved a challenge to Pennsylvania's right to enforce state credit sales laws as applied to an

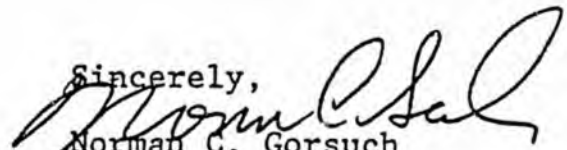
Illinois corporation operating a mail order business in all fifty states and where all orders were accepted in Chicago. In that case, the court performed a thorough and comprehensive analysis of a variety of constitutional issues and concluded that none of the constitutional provisions were violated by enforcement of Pennsylvania's laws.

The currently accepted approach to Due Process Clause limitation challenges is one of interest analysis where the court focuses on whether a state has sufficient interest "to justify any exercise of its sovereignty in connection with the transaction and dispute." Id. at 42-43, (citing McGee v. International Company, 355 U.S. 220 (1957)) emphasis in original. The court further noted in Alden that a relatively low threshold of state interest is needed to justify jurisdiction. Id. at 43.

In conclusion, because Alaska has a substantial interest in transactions involving land or interest of land within its borders, we believe a court would find that the exercise of jurisdiction through the proposed legislation does not interfere with an out-of-state defendant's due process or other constitutional rights.

Please feel free to call if we can be of additional assistance.

Sincerely,



Norman C. Gorsuch  
Attorney General

NCG:eer

cc: Senator Richard I. Elaison  
Chairman, Senate Labor and  
Commerce Committee

Senator Bob Mulcahy  
Vice-Chairman, Senate Labor  
and Commerce Committee

Senator Patrick Rodey  
Senate Labor and Commerce  
Committee

Senator John C. Sackett  
Senate Labor and Commerce  
Committee

The Honorable Fritz Pettyjohn  
Senate Bill 432

March 23, 1984  
Page #3

Connie Sipe  
Assistant Attorney General  
Consumer Protection

Jeff Bush Ø  
Assistant Attorney General  
Commercial

BILL SHEFFIELD  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 2, 1984

Mr. James C. Miller, III  
Chairman  
Federal Trade Commission  
Washington, DC 20580

Dear Mr. Chairman:

In recent years, we have seen a huge increase in the number of questionable companies taking advantage of the Bureau of Land Management's noncompetitive oil and gas leasing program, as well as the State of Alaska's competitive leasing program. Many of these companies are reaping sizable profits at the expense of innocent investors across the nation through misrepresentations and high-pressure sales techniques.

In an effort to gain greater State control over the secondary sales of these leases where the leased land is located in Alaska, I have introduced a bill in our State Legislature to amend the Alaska Securities Act. The purpose of this proposed legislation is to bring these secondary lease sales under the jurisdiction of the Act, thereby making these sales subject to State regulation. I have enclosed a copy of the bill (SB 432) for your reference.

It is my understanding that the Federal Trade Commission would like to express its support for this legislation. Your comments or suggestions would be appreciated. I would appreciate your forwarding any comments to the Honorable Richard I. Eliason, Chairman, Senate Labor and Commerce Committee, State Capitol, Pouch V, Juneau, Alaska 99811.

Thank you for your offer of support in this matter.

Sincerely,

Bill Sheffield  
Governor

Enclosure:

cc w/enc. Art Cornell  
Federal Trade Commission  
Washington, D.C. 20580

cc w/o enc. Jeffrey W. Bush  
Assistant Attorney General  
Department of Law

Introduced: 2/9/84  
Referred: Labor and Commerce  
and Judiciary

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2

SENATE BILL NO. 432

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act amending the Alaska Securities Act."

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

8 \* Section 1. AS 45.55.260(c) is amended to read:

9 (c) For the purpose of this section, an offer to sell or to buy  
10 is made in this state, whether or not either party is then present in  
11 this state, when the offer (1) originates from this state; [OR] (2) is  
12 directed by the offeror to this state and received at the place to  
13 which it is directed, or at a post office in this state in the case of  
14 a mailed offer; or (3) in the case of an offer to sell or to buy an  
15 interest or participation in oil, gas, or mining rights, titles, or  
16 leases, or in payments out of production under those rights, titles,  
17 or leases, if the oil, gas, or mining right, title, or lease is on  
18 land, including submerged land, located in the state, regardless of  
19 where the offer to sell or the offer to buy is made.

# State of Alaska

House Majority Leader

COMMITTEES

HOUSE HEALTH, EDUCATION  
AND SOCIAL SERVICES  
HOUSE JUDICIARY  
HOUSE RULES



P.O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-3718  
465-4968/4986

914 CLAY COURT  
ANCHORAGE, ALASKA 99503  
(907) 276-6844

Representative Max F. Gruenberg, Jr.  
District 11  
Spenard, Upper Midtown Anchorage

## MEMORANDUM

DATE: May 6, 1987  
TO: ALL SENATE LABOR & COMMERCE COMMITTEE MEMBERS  
FROM: Max F. Gruenberg, Jr. *MFG*  
RE: CSHB 143(L&C), "An Act relating to the Alaska Securities Act."

CSHB 143(L&C) passed the House by a vote of 33-5. It will allow the state to assess civil penalties for violations of the Alaska Securities Act in addition to, or as an alternative to, the present criminal sanctions in the act.

HB 143 was amended in the House Labor and Commerce Committee to include last year's House Bill 126. As a result, HB 143 will allow the state to prosecute fraudulent investment schemes in Alaskan oil and gas leases, land, and mineral rights as well as Alaskan corporations and limited partnerships.

HB 143 has zero fiscal notes from the Department of Law and the Department of Commerce. It will be enforced to the extent that present resources allow.

In 1985 HB 126 passed the House 36-0. HB 143 received unanimous "Do-Pass" recommendations from the Labor and Commerce Committee and the Judiciary Committee. It received ten "Do-Passes" and one "No Recommendation" from the Finance Committee.

SECTIONAL ANALYSIS  
CSHB 143(L&C)

Section 1

AS 45.55.140(a)(5) Exempts securities issued in connection with an employee benefit plan from the registration requirements of the Alaska Securities Act.

Section 2

AS 45.55.200 Allows the state to assess civil penalties for violations of the Alaska Securities Act in addition to the present civil sanctions which may be imposed.

Section 3

AS 45.55.210(a) Allows the state to impose civil penalties in addition to the criminal penalties which can presently be imposed for violations of the Alaska Securities Act.

Section 4

AS 45.55.260(c) Allows the state to prosecute fraudulent out-of-state sales of Alaskan oil, gas, mining rights and other interest in Alaskan land or mineral production rights.

Section 5

Provides for an immediate effective date.

**MEMORANDUM** (Brief Communications)

State of Alaska

|        |                          |   |                   |
|--------|--------------------------|---|-------------------|
| TO:    | Name<br>Senator Kerttula | Dept./Div./Sect.                            | Mail Stop         |
| FROM:  | Name<br>Jeff Bush        | Dept./Div./Sect.<br>Attorney General's Ofc. | Telephone<br>3600 |
| SUBJ.: | HB 143 (Securities Bill) |   | Date<br>5/15      |

Here is some additional background material, plus a sectional analysis, for HB 143. With luck, we can get the bill <sup>scheduled and</sup> through the Finance Committee and onto the Floor before everyone goes home. Call me if you have any questions.



## SECTIONAL ANALYSIS

### CSHB 143(L&C)

Section 1. Slightly broadens the exemption for securities issued by employee pension plans, from an exemption for investment contracts to an exemption for all securities. This exemption applies only to issuances made directly to the employee by the plan, such as an issuance of shares in the company. This exemption does not apply to actual investments of the plan or trust. This section also repeals obsolete language.

Section 2. Adds new subsections (b) and (c), which provide that the administrator of securities (director of the Division of Banking, Securities and Corporations, Department of Commerce and Economic Development) may issue administrative orders imposing fines for violations of the Alaska Securities Act. Subsection (b) authorizes fines of up to \$25,000 for knowing or intentional violations, while subsection (c) provides for fines of up to \$5,000 for other violations. Subsection (d) then provides that notice and opportunity for hearing must precede the imposition of any fine. The authority to issue administrative fines is consistent with the Revised Uniform Securities Act of 1985.

Section 3. Simply provides that the imposition of administrative fines does not preclude criminal prosecution under the Alaska Securities Act.

Section 4. This section amends the Alaska Securities Act to extend its scope to include offers to buy or sell interests in oil, gas, or mining rights on land located in the state, regardless of where the offer or sale occurs. These provisions, originally proposed by Governor Sheffield in Senate Bill 432 (1984) and House Bill 126 (1985), are in response to numerous complaints of fraudulent oil and gas leasing schemes. This amendment would extend the jurisdiction of the state's securities regulators and of our courts over these fraudulent schemes, even if the "investment" sales are not made in our state or to Alaska residents.

Section 5. Provides an immediate effective date.

#### Attachments:

1. Position paper of DCED on original HB 143 (the civil penalty provisions of the current bill).
2. Revised Uniform Securities Act of 1985, sec. 602(b), which provides for the imposition of administrative penalties of up to \$25,000.

3. 1985 House Journal pp. 155-156, setting out the Governor's transmittal letter for HB 126, the provisions of which are now contained in sec. 4 of this bill.
4. Letter from former Attorney General Norman C. Gorsuch to former Senator Fritz Pettyjohn regarding the constitutionality of SB 432 (1984), the provisions of which are contained in sec. 4 of the current bill. The State's jurisdictional claim was upheld by the Alaska Superior Court in State v. Alaska Land Leasing, Case No. 3AN-83-8867.

HB 143 "An Act relating to the assessment of civil penalties under the Alaska Securities Act; and providing for an effective date."

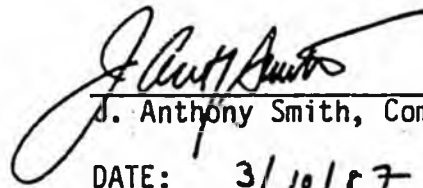
The Department of Commerce and Economic Development supports passage of HB 143 as drafted.

The Governor's transmittal letter as spread in the journal of Friday, February 20, 1987, on pages 279 and 280, accurately describes the amendments being requested to the Alaska Securities Act under Section 45.55.200; Orders, Injunctions and Powers of the Administrator.

The inclusion of the additions at 45.55.200(b), (c) and (d) as well as the addition to 45.55.210(a) will give a wide range of latitude to the Administrator of Securities in curing deficiencies under the Alaska Securities Act and violations thereunder. While it is now possible for the Administrator of Securities to issue cease and desist orders, they are often ignored or neglected by those individuals to whom they are directed. The ability to assess a monetary penalty will strengthen the enforcement capability of the Division of Banking, Securities and Corporations.

We should now point out that the imposition of civil penalties gives us an alternative to the shutting down totally of an enterprise or operation who has violated the Securities Act. Under the present scheme, our alternative is simply to order a business to cease and desist its operation in toto. With the addition of the civil penalties remedies, applicants and/or registrants may continue in business having corrected their deficiencies and paid civil penalties to remind them to not repeat the violations.

The department supports and urges passage of the bill.



J. Anthony Smith, Commissioner

DATE: 3/10/87

ignated officer or employee may apply to the court for an order compelling compliance.

(e) A request for an order of compliance may be addressed to either:

(1) the [name of court having general trial jurisdiction] Court if the person is subject to service of process in this State; or

(2) a court of another state able to assert jurisdiction over the person refusing to testify or produce, if the person is not subject to service of process in this State.

Not later than the time the [Administrator] requests an order for compliance, the [Administrator] shall either send notice of the request by registered or certified mail, return receipt requested, to the respondent at the last known address or take other steps which are reasonably calculated to give the respondent actual notice.

**SECTION 602. ENFORCEMENT.**

(a) If the [Administrator] reasonably believes, whether or not based upon an investigation conducted under Section 601, that (i) the sale of a security is subject to registration under this [Act] and the security is being offered or has been offered or sold by the issuer or another person in violation of Section 301 or (ii) a person is acting as a broker-dealer or investment adviser in violation of Section 201 or Section 203, the [Administrator], in addition to any specific power granted under this [Act] and subject to compliance with the requirements of Section 712, may issue, without a prior hearing, an order against the person or persons engaged in the prohibited activities, directing them to desist and refrain from further activity unless and until the security is registered or the person has been licensed under this [Act]. The cease and desist order shall state the section of this [Act] or rule or order of the [Administrator] under this [Act] which the [Administrator] reasonably believes has been or is being violated.

(b) If the [Administrator] reasonably believes, whether or not based upon an investigation conducted under Section 601, that a person has violated this [Act] or a rule or order of the [Administrator] under this [Act], the [Administrator] may, in addition to any specific power granted under this [Act], after notice and hearing in an administrative proceeding unless the right to notice and hearing is waived by the person against whom the sanction is imposed:

- (1) issue a cease and desist order against the person;
- (2) censure the person if the person is a licensed broker-dealer, sales representative, or investment adviser;
- (3) bar or suspend the person from association with a licensed broker-dealer or investment adviser in this State;
- (4) issue an order against an applicant, licensed person, or other person who knowingly violates this [Act] or a rule or order of the [Administrator] under this [Act], imposing a civil penalty up to a maximum of [\$2,500] for a single violation or of [\$25,000] for multiple violations in a single proceeding or a series of related proceedings; or
- (5) initiate one or more of the actions specified in Section 603 as applicable.

(c) Imposition of the sanctions under this section is limited as follows:

(1) if the [Administrator] revokes the license of a broker-dealer, sales representative, or investment adviser or bars a person from association with a licensed broker-dealer, or investment adviser under this section or Section 212, the imposition of that sanction precludes imposition of the sanction specified in subsection (b)(4); and

(2) the imposition by the [Administrator] of one or more sanctions under subsection (b) with respect to a specific violation precludes the [Administrator] from later imposing

any other sanctions under subsection (b)(1) through (4) with respect to the violation.

(d) For purposes of determining a sanction, if any, to be imposed under subsection (b)(1) through (4), the [Administrator] shall consider, among other factors, the frequency and persistence of the conduct constituting a violation of this [Act] or a rule or order of the [Administrator] under this [Act], the number of persons adversely affected by the conduct, and the resources of the person committing the violation.

**SECTION 603. POWER OF COURT TO GRANT RELIEF.**

(a) Upon a showing by the [Administrator] that a person has violated or is about to violate this [Act] or a rule or order of the [Administrator] under this [Act], the [insert name of the appropriate court] may grant or impose one or more of the following appropriate legal or equitable remedies:

(1) upon a showing of a violation of this [Act] or a rule or order of the [Administrator] under this [Act]:

- (i) a temporary restraining order, permanent or temporary prohibitory or mandatory injunction, or a writ of prohibition or mandamus;
- (ii) a civil penalty up to a maximum of [\$2,500] for a single violation or of [\$25,000] for multiple violations in a single proceeding or a series of related proceedings;
- (iii) a declaratory judgment;
- (iv) restitution to investors;
- (v) the appointment of a receiver or conservator for the defendant or the defendant's assets; and
- (vi) other relief as the court deems just.

(2) upon a showing that the defendant is about to violate this [Act] or a rule or order of the [Administrator] under this [Act] only:

- (i) a temporary restraining order;
- (ii) a temporary or permanent injunction; or
- (iii) a writ of prohibition or mandamus.

(3) In determining the appropriate relief to grant, the court shall consider enforcement actions taken and sanctions imposed by the [Administrator] under Section 602 in connection with the transactions constituting violations of this [Act] or a rule or order of the [Administrator] under this [Act].

(b) The [Administrator] is not required to post a bond in an action under this section.

(c) Upon a showing by the securities agency or administrator of another state that a person has violated the securities act of that state or a rule or order of the securities agency or administrator of that state, the court, in addition to any other legal or equitable remedies may impose one or more of the following remedies:

- (1) appointment of a receiver, conservator, or ancillary receiver or conservator for the defendant or the defendant's assets located in this State; and
- (2) other relief as the court deems just.

**SECTION 604. CRIMINAL PENALTIES.**

(a) A person who willfully violates a provision of this [Act], except Section 504, or a rule of the [Administrator] under this [Act], or who violates Section 504, knowing the statement made to be false or misleading in any material respect, is guilty of a [insert the language for felony under applicable state law].

(b) A person who willfully violates a stop order or a cease and desist order issued by the [Administrator] under this [Act] is guilty of a [insert the language for misdemeanor under applicable state law].

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

## DEPARTMENT OF LAW

POUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

OFFICE OF THE ATTORNEY GENERAL

March 23, 1984

The Honorable Fritz Pettyjohn  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Re: SB 432, "an Act amending  
the Alaska Security's Act"

Dear Senator Pettyjohn:

At the Senate Labor and Commerce Committee hearing on February 15, 1984, you requested our opinion with respect to the effect on the jurisdictional scope of SB 432. This legislation would clarify the existing Alaska Security's Act to better reach fraudulent or high pressure out-of-state sales of oil and gas lease hold interests on state or federal lands in Alaska.

The Administration believes that Alaska is well served by having an ability to regulate sales of land or lease hold interests located in Alaska, even where the transactions take place outside the state between non-residents of the state. The state may protect the legitimate concerns of its citizens by exercising the right to sue according to the doctrine of parens patriae. This doctrine is recognized in Alaska. State v. First National Bank of Anchorage, 660 P.2d 406, 420-21 (Alaska 1982); Public Defender Agency v. Superior Court, 534 P.2d 947 (Alaska 1975).

Because we believe there is a substantial state interest in preventing fraudulent sales of oil and gas leases located within the state's border, we believe a constitutional challenge against Alaska's assertion of jurisdiction provided by the proposed legislation would fail. A claim that the jurisdiction afforded by the proposed legislation violates an out-of-state citizen's rights under the Due Process Clause, Full Faith and Credit Clause or Commerce clause of the U.S. Constitution would, in all likelihood, be dismissed. See generally, Aldens, Inc., v. Packel, 524 F.2d 38 (3rd Cir. 1975). The Aldens case is instructive because it involved a challenge to Pennsylvania's right to enforce state credit sales laws as applied to an


Illinois corporation operating a mail order business in all fifty states and where all orders were accepted in Chicago. In that case, the court performed a thorough and comprehensive analysis of a variety of constitutional issues and concluded that none of the constitutional provisions were violated by enforcement of Pennsylvania's laws.

The currently accepted approach to Due Process Clause limitation challenges is one of interest analysis where the court focuses on whether a state has sufficient interest "to justify any exercise of its sovereignty in connection with the transaction and dispute." Id. at 42-43, (citing McGee v. International Company, 355 U.S. 220 (1957)) emphasis in original. The court further noted in Alden that a relatively low threshold of state interest is needed to justify jurisdiction. Id. at 43.

In conclusion, because Alaska has a substantial interest in transactions involving land or interest of land within its borders, we believe a court would find that the exercise of jurisdiction through the proposed legislation does not interfere with an out-of-state defendant's due process or other constitutional rights.

Please feel free to call if we can be of additional assistance.

Sincerely,



Norman C. Gorsuch  
Attorney General

NCG:eer

cc: Senator Richard I. Elaison  
Chairman, Senate Labor and  
Commerce Committee

Senator Bob Mulcahy  
Vice-Chairman, Senate Labor  
and Commerce Committee

Senator Patrick Rodey  
Senate Labor and Commerce  
Committee

Senator John C. Sackett  
Senate Labor and Commerce  
Committee

HB

160

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

450

Bill Version: CSIB 160(Fin)  
Publish Date: HOUSE 5/15/87

**REQUEST:** \_\_\_\_\_  
Revision Date: \_\_\_\_\_  
Title: Establishing the Commission  
on the Future of the Permanent Fund  
Sponsor: Boucher and Davidson  
Requestor: House Finance Committee

Agency Affected: Revenue  
BRU: \_\_\_\_\_  
Components: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

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

**FUNDING: (Thousands of Dollars)**

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

**POSITIONS:**

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

**ANALYSIS : (Attach a separate page if necessary)**

89

Funds will be absorbed in FY ~~88~~ Permanent Fund Corporation's budget.

AYA

Prepared by: Al Adams, Chair Phone: 465-3706  
Division: House Finance Committee Date: 5/15/87

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

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

TESTIMONY BY: DAVE ROSE

BEFORE HOUSE STATE AFFAIRS 04/03/88

IN SUPPORT OF HB 160

+1/87  
APFC

## THE FUND AND THE FUTURE

AS YOU KNOW, THE PERMANENT FUND WAS CREATED BY A VOTE OF THE PEOPLE IN NOVEMBER 1976, AND RECEIVED ITS FIRST DEPOSIT OF DEDICATED OIL REVENUES IN FEBRUARY 1977. NOW, IN THE SPRING OF 1987, THE FUND IS JUST A LITTLE OVER 10 YEARS OLD.

DESPITE ITS RELATIVELY RECENT CREATION, AND AFTER ONLY ONE DECADE OF PRUDENT INVESTMENT, THE PRINCIPAL OF THE PERMANENT FUND HAS ALREADY GROWN TO NEARLY \$8 BILLION, AND THE CUMULATIVE EARNINGS OF THE FUND HAVE ALREADY REACHED MORE THAN \$3.2 BILLION - WITH ANOTHER BILLION DOLLARS PLUS IN INCOME EXPECTED THIS FISCAL YEAR. WITH THAT KIND OF FINANCIAL CLOUT, YOUR FUND HAS, WITHOUT QUESTION, ESTABLISHED ITSELF AS A MAJOR FINANCIAL FORCE BOTH WITHIN AND WITHOUT THE STATE OF ALASKA.

LET'S CONSIDER FOR A MOMENT HOW THE PERMANENT FUND COMPARES IN SIZE TO OTHER LARGE FUNDS "OUTSIDE":

\* THE ALASKA PERMANENT FUND IS LARGER THAN ANY ENDOWMENT FUND. IT IS LARGER THAN THE TEXAS PERMANENT SCHOOL FUND, THE HARVARD UNIVERSITY ENDOWMENT, AND THE PRINCETON, YALE AND STANFORD ENDOWMENTS ALL PUT TOGETHER.

\* THE ALASKA PERMANENT FUND IS LARGER THAN ANY PRIVATE FOUNDATION. IT IS LARGER THAN THE FORD FOUNDATION, THE J. PAUL GETTY TRUST, AND THE ROCKEFELLER FOUNDATION.

\* THE ALASKA PERMANENT FUND IS LARGER THAN ANY UNION PENSION TRUST. IT IS LARGER THAN ANY SINGLE RETIREMENT FUND OF THE TEAMSTERS, THE ELECTRICAL WORKERS, OR THE UNITED MINE WORKERS.

\* IF THE ALASKA PERMANENT FUND WERE A CORPORATE PENSION FUND, IT WOULD BE THE FOURTEENTH LARGEST.

\* IF THE ALASKA PERMANENT FUND WERE A GOVERNMENT PENSION FUND, IT WOULD BE THE EIGHTEENTH LARGEST.

\* IF THE ALASKA PERMANENT FUND WERE A FORTUNE 500 COMPANY, IT WOULD RANK FIFTEENTH IN TERMS OF NET INCOME - SMALLER ONLY THAN GM, EXXON, MOBIL, FORD, IBM, TEXACO, CHEVRON, AT&T, DU PONT, GE, AMOCO, CHRYSLER, SHELL OIL, AND PHILIP MORRIS.

IN SHORT, THERE ARE FEW FUNDS LARGER THAN THE PERMANENT FUND, BUT YOUR FUND IS ONE OF THE LARGEST IN THE COUNTRY, AND CERTAINLY THE MOST UNIQUE. IN ALASKA, IT IS THE LARGEST PRODUCER OF NET INCOME IN OUR STATE OTHER THAN THE PETROLEUM INDUSTRY.

TO GIVE YOU AN IDEA JUST HOW SIGNIFICANT THE EARNINGS OF THE PERMANENT FUND ARE BECOMING WITHIN ALASKA, CONSIDER THE IMPACT OF JUST THAT PORTION OF FUND INCOME WHICH IS PAID OUT ANNUALLY IN DIVIDENDS. DID YOU KNOW THAT DIVIDENDS CONTRIBUTE MORE TO THE ECONOMY OF THE STATE OF ALASKA THAN SPENDING BY THE U.S. ARMY? IT'S TRUE. THIS YEAR, THE U.S. ARMY IS EXPECTED TO SPEND \$369 MILLION IN PURCHASES AND SALARIES IN ALASKA. THE 1987 PERMANENT FUND DIVIDEND PROGRAM ALONE WILL EXCEED THAT BY \$20 MILLION.

O.K. NOW LETS GET TO THE HEART OF THE MATTER. LETS DISCUSS HOW SHORT-TERM DECISIONS, BASED ON SHORT-TERM PROBLEMS CAN DO DAMAGE IN THE LONG RUN.

LETS TALK ABOUT THE NEED TO COMMUNICATE, THE NEED TO GET THE PUBLIC INVOLVED, THE NEED TO BE MORE DELIBERATIVE AND LESS "KNEE-JERK" IN CHARACTER.

LETS START BY LOOKING AT THIS CHART. (EXPLAIN THE DIFFERENCE A QUARTER'S PROJECTIONS CAN MAKE)

WHAT ARE THE LESSONS OF ALBERTA'S HERITAGE FUND? A FUND STARTED THE SAME YEAR AS OURS BUT OPERATING UNDER DIFFERENT GROUND RULES. WE HAVE LEARNED THAT A PUBLIC WHICH ISN'T KEPT INFORMED AND INVOLVED IN THE DECISION-MAKING, CAN FIND ITSELF WITH A FUND THAT IS CHARACTERIZED BY A LACK OF ACCOUNTABILITY WHICH, IN TURN CAN LEAD TO POLITICAL (MIS)MANAGEMENT, POOR INVESTMENTS, AND A NOT-VERY-BRIGHT-FUTURE.

WE CAN LEARN FROM ALBERTA THAT:

- A FUND (NO MATTER HOW LARGE IT IS) CANNOT BE ALL THINGS TO ALL PEOPLE; IT IS BETTER TO HAVE A MORE REALISTIC EXPECTATION;

- IN 1983, THE 30% OF OIL REVENUES THAT USED TO FLOW TO THE FUND WAS REDUCED TO 15%, AND ALSO ALL EARNINGS FROM THAT POINT ON WERE DEVOTED TO THE GENERAL FUND;

- NOW, JUST TWO DAYS AGO, THE DECISION WAS UNDERTAKEN NOT TO CONTRIBUTE EVEN THE 15%; IN OTHER WORDS, NO NEW MONEY WILL BE GOING INTO THE ALBERTA HERITAGE TRUST. NOT ONLY WILL IT STOP GROWING IN NOMINAL TERMS, IT WILL, OF COURSE, BEGIN TO DISSIPATE IN REAL TERMS BECAUSE IT WILL NOT BE KEEPING UP WITH INFLATION, AND THE QUALITY OF ITS INVESTMENTS ARE SUCH THAT THE PRINCIPAL HAS ALREADY BEGUN TO ERODE (EVEN IN NOMINAL TERMS). IN ADDITION, THE FUND HAS BEGUN MAKING INTEREST FREE LOANS TO THE GOVERNMENT. IT IS NOW COMPLETELY A TOOL OF

GOVERNMENT FISCAL MANAGEMENT, AND MANY OF THE PEOPLE OF ALBERTA PROBABLY NEVER WILL HAVE ANYTHING TO SHOW FOR ITS EXISTENCE IN THE FUTURE.

IF YOU DON'T MAKE LONG-TERM DECISIONS AND POLICY TO FIT A LONG-TERM FUND --- YOU WILL HAVE A SHORT-TERM FUND OR NO FUND AT ALL!! WHEN CONSIDERING CHANGE OF THE FUND'S MANAGEMENT ACT, I CANNOT EMPHASIZE TOO STRONGLY BOTH THE NEED FOR A DELIBERATIVE PROCESS AND ONE IN WHICH THE PUBLIC IS INVOLVED.

\* IT TOOK FOUR YEARS - FROM 1976 TO 1980 - TO CONCEIVE, CONSIDER, DEBATE AND DECIDE UPON THE EXISTING MANAGEMENT SYSTEM FOR THE PERMANENT FUND, AND ANOTHER TWO YEARS TO SETTLE ON THE EXISTING DISTRIBUTION SYSTEM - I.E. DIVIDENDS, INFLATION-PROOFING AND RESERVES. ALL ALASKANS HAVE BEEN AND CONTINUE TO BE WELL-SERVED BY THIS KIND OF CAREFUL DELIBERATIVE PROCESS.

\* ALOT OF EFFORT HAS BEEN SPENT OVER THE LAST TEN YEARS ENSURING THAT ALL ALASKANS UNDERSTAND THAT THE PERMANENT FUND BELONGS TO THEM, THAT IT IS THEIR MONEY, THEIR CHILDREN'S MONEY, AND THAT HAS BEEN AN IMPORTANT AND WORTHWHILE EFFORT. MUCH OF THE CREDIT FOR THE SPECIAL APPROPRIATIONS MADE BY THE LEGISLATURE (WITH ALL DUE RESPECT TO THE LEGISLATORS) IS REALLY DUE TO THE PUBLIC AT-LARGE WHO HAVE VOICED SUCH STRONG AND CONSISTENT SUPPORT FOR THEIR PERMANENT FUND.

\* AT THE CORPORATION, PUBLIC INFORMATION IS A HIGH PRIORITY. WE GIVE ALOT OF SPEECHES, DISTRIBUTE ALOT OF WRITTEN MATERIAL - ANNUAL REPORTS, DIVIDEND BROCHURES, MONTHLY FINANCIALS, ETC, AND WE FIND AN ENORMOUS NEED AND DESIRE FOR THE INFORMATION, AND AN ENORMOUS GRATITUDE WHEN IT IS PROVIDED.

\* ALLOWING AND ENCOURAGING THE PUBLIC TO GET INVOLVED IN DECISION-MAKING REGARDING THE BEST USE OF THE PERMANENT FUND (AND ITS EARNINGS) WILL PAY BIG DIVIDENDS IN THE FUTURE - IN TERMS OF CONTINUED SUPPORT FOR ADDITIONAL APPROPRIATIONS IN THE FUTURE, IN TERMS OF ENSURING THAT THE PUBLIC UNDERSTAND THE COMMENDABLE PUBLIC RECORD THAT THE LEGISLATURE HAS DEVELOPED AS REGARDS THE PERMANENT FUND, IN TERMS OF A HEIGHTENED AWARENESS OF ALL THE MAJOR PUBLIC POLICY ISSUES WHICH WILL BE DEBATED IN THE FUTURE (BECAUSE IN DEBATING WHETHER OR NOT TO USE PERMANENT FUND EARNINGS, ONE HAS TO CONSIDER THE QUESTION IN TANDEM WITH ITEMS LIKE THE INCOME TAX, LIKE THE ELF, LIKE CAPITAL PROJECTS.)

\* YOU CANNOT POINT TO ANY DISADVANTAGE OF AN INFORMED CONSTITUENCY. IN EVERY INSTANCE, INFORMED DECISION-MAKERS MAKE THE BEST DECISIONS. IN A CASE LIKE THIS WHERE WE ARE TALKING ABOUT A LONG-TERM INSTITUTION LIKE THE PERMANENT FUND, YOU CAN TAKE THE TIME TO MOVE SLOWLY. ON THE TRUSTEE AND STAFF SIDE, WE MOVE SLOWLY, AND IT HAS PAID OFF.

\* AS THIS COMMITTEE KNOWS (BECAUSE YOU HAVE RECEIVED SO MANY OF THE BILLS), THERE IS A GREAT DEAL OF LEGISLATIVE INTEREST IN THE PERMANENT FUND. TO DATE, THERE HAVE BEEN 44 SEPARATE PIECES OF LEGISLATION INTRODUCED RELATING EITHER DIRECTLY OR INDIRECTLY TO THE PERMANENT FUND. THERE WILL BE MORE, PROBABLY NEXT WEEK. IN ADDITION, STAFF HAS DONE FINANCIAL PROJECTIONS ON AT LEAST ANOTHER 25 OTHER PROPOSALS WHICH HAVE NOT YET BEEN INTRODUCED AS LEGISLATION, BUT WHICH ARE OPTIONS UNDER CONSIDERATION. AND THERE ARE LIKELY TO BE MORE OF THESE AS WELL. TOGETHER, THESE PROPOSALS TELL ME SEVERAL THINGS:

\* FIRST, THE PERMANENT FUND IS GOING TO PLAY A BIG ROLE IN ALASKA'S FUTURE. IT'S UNAVOIDABLE, WHETHER YOU ARE TALKING ABOUT POSSIBLY FUNDING GOVERNMENT PROGRAMS WITH DIVIDEND CHECKOFFS, USE OF THE EARNINGS RESERVE ACCOUNT, CAPPING THE DIVIDENDS, ETC. THE PERMANENT FUND WILL BE A PART OF THE DEBATE.

\* SECOND, THERE ARE A LOT OF ALTERNATIVES TO CONSIDER, AND EACH ONE DESERVES CAREFUL CONSIDERATION FOR ITS IMPACT IN THE PRESENT AND THE FUTURE.

\* THIRD, IT IS GOING TO TAKE SOME TIME TO MAKE ALL THE OPTIONS AVAILABLE TO THE PUBLIC IN A MEANINGFUL WAY SO THEY CAN MAKE INFORMED DECISIONS.

\* FOURTH, GIVEN THE RECENT RISE IN OIL REVENUES, PERHAPS WE HAVE THE OPTION ONCE AGAIN, TO PUT OFF MAKING ANY MAJOR DECISIONS ABOUT THE USE OF PERMANENT FUND EARNINGS FOR AWHILE. MAYBE WE OUGHT TO USE THAT TIME TO BUILD UP THE FUND AS MUCH AS POSSIBLE FOR THE RAINY DAY WHICH WILL SURELY FOLLOW THE DECLINE OF REVENUES.

THE ALASKA PERMANENT FUND CORPORATION WOULD BE HAPPY TO WORK WITH THE COMMISSION. WE THINK IT IS IMPORTANT TO ALLOW THE DEBATE TO FOCUS JUST AS MUCH - PERHAPS MORE - ON THE LONG-TERM CONSEQUENCES AS THE SHORT-TERM. THERE IS NO DOUBT THAT THE DECISIONS WHICH WILL BE MADE ABOUT THE PERMANENT FUND IN THE NEXT FEW YEARS WILL HAVE IMPORTANT AND FAR-REACHING CONSEQUENCES IN 25, 50, EVEN 100 YEARS FROM NOW. WE

CAN BE CONFIDENT, HOWEVER, THAT IF WE ARE AS PRUDENT, IF WE ARE AS DELIBERATIVE, IF WE ARE AS INFORMED, AND IF WE ARE AS COMMUNICATIVE WITH THE PUBLIC IN THE FUTURE AS WE HAVE BEEN IN THE PAST, THEN ALL OF US --- AND THOSE OF THE GENERATIONS AHEAD --- WILL BE WELL SERVED. I BELIEVE THAT HB 160 SETS THE STAGE FOR THIS FUTURE.

HB

177

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

SCSCSHB 177 (L&C)

Bill Version: \_\_\_\_\_  
Publish Date: \_\_\_\_\_

**REQUEST:** \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: "An Act relating to...the  
second injury fund"  
Sponsor: Governor  
Requestor: Senate Labor and Commerce

Agency Affected: Labor  
BRU: Workers' Compensation  
Components: Workers' Compensation

**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          |       |       |       |       |       |       |
| <b>TOTAL OPERATING</b> | 0     | 0     | 0     | 0     | 0     | 0     |
| <b>CAPITAL</b>         |       |       |       |       |       |       |
| <b>REVENUE</b>         |       |       |       |       |       |       |

**FUNDING: (Thousands of Dollars)**

|               |  |         |         |         |         |         |
|---------------|--|---------|---------|---------|---------|---------|
| GENERAL FUND  |  | (123.3) | (123.3) | (123.3) | (123.3) | (123.3) |
| FEDERAL FUNDS |  |         |         |         |         |         |
| OTHER. *      |  | 123.3   | 123.3   | 123.3   | 123.3   | 123.3   |
| <b>TOTAL</b>  |  | 0       | 0       | 0       | 0       | 0       |

**POSITIONS:** \* = Second Injury Fund

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

**ANALYSIS :** (Attach a separate page if necessary)

See attached

Prepared by: Jacquelyn McClintock, Director Phone: 465-2790  
 Division: Workers' Compensation Date: 5/14/87  
 Approved by Commissioner: Jim Sampson Date: 5/14/87  
 Agency: Labor

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

Continuation of Fiscal Note

SCSCSHB 177 (L&C)

This legislation would allow the administrative expenses of operating the Second Injury Fund to be paid from the Fund itself rather than general funds. Thus, \$123.3 of Second Injury Fund dollars would be substituted for a like amount of general funds which are currently used to administer the Second Injury program.

The fund is supported by contributions from insurers and employers based on workers' compensation payments to injured workers and by certain penalties as provided by the Workers' Compensation Act.

The fund is used to reimburse insurers and employers who employ disabled workers under circumstances specified in the Workers' Compensation Act and for some rehabilitation costs. Adequate fund revenues are available to provide for administrative costs.

Approximate costs to administer the Second Injury Fund are as follows:

|   |        |            |
|---|--------|------------|
| Personal Services                             |        | \$92.6     |
| Management Analyst 75% of time                | \$40.4 |            |
| Hearing Officer for approximately 15% of time | 9.5    |            |
| Workers' Compensation Technician 100% of time | 34.5   |            |
| Pro-rata share of clerical support            | 8.2    |            |
| Travel  |        | 2.7        |
| Contractual                                   |        | 25.8       |
| Communications                                | 5.0    |            |
| Data Processing                               | 16.6   |            |
| Printing                                      | 1.0    |            |
| Copier, postage machine, etc.                 | 2.7    |            |
| Other (training, risk management)             | .5     |            |
| Supplies                                      |        | <u>2.2</u> |
|   | Total  | \$123.3    |

GOVERNOR  
02

118177

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 9, 1987

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

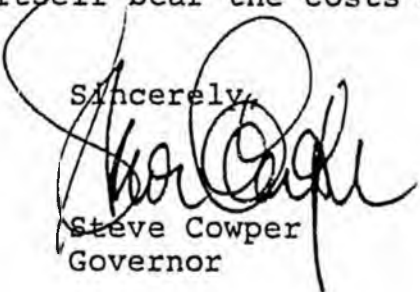
Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the workers' compensation law regarding the second injury fund.

The bill provides that expenses incurred in the administration of the second injury fund be paid from the fund itself instead of from the general fund of the state. This approach returns to the pre-1981 method of paying fund expenses. The financial condition of the fund has improved considerably in the past two years because of the funding formula enacted in 1981. The second injury fund is now in a position to pay for its own administration without jeopardizing the integrity of the fund and without jeopardizing the payment of the benefits for which the fund was created. Since the money in the fund is held in trust (i.e., it is not "state money"), the statute may specify this use of it without violating the dedicated-fund prohibition of art. IX, sec. 7 of the Alaska Constitution. Expenditures from the second injury fund will be authorized by annual appropriation.

Given the financial integrity of the fund, I think it is proper and prudent that the fund itself bear the costs of its administration.

Sincerely,

  
Steve Cowper  
Governor

Offered by Pourchot  
May 5, 1987

LETTER OF INTENT

CSHE 177 (Jud)

AN ACT RELATING TO THE SECOND INJURY FUND

It is the intent of the legislature that the funding source change proposed in HB 177 is to offset the amount of State General Fund monies currently being spent on administration of the Second Injury Fund. It is not to result in any increase in administrative staff or expense, nor is the expense of any other department operation to be charged against the fund.

Further, it is the intent of the legislature that in its FY 89 budget submittal the Department of Labor present the administrative costs of the Second Injury Fund as a separate component within the Workers' Compensation BRU. This will allow for proper legislative oversight of the operation of the Second Injury Fund.



Pat Pourchot

Bill Version: CSHB 177(Jud)  
 Publish Date: HOUSE 4/30/87

REQUEST: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
 Title: "An Act relating to ... the  
 second injury fund"  
 Sponsor: Governor  
 Requestor: House Labor and Commerce

Agency Affected: Labor  
 BRU: Workers' Compensation  
 Components: Workers' Compensation

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           |       |       |       |       |       |       |
| REVENUE           |       |       |       |       |       |       |

FUNDING: (Thousands of Dollars)

|               |  |         |         |         |         |         |
|---------------|--|---------|---------|---------|---------|---------|
| GENERAL FUND  |  | (123.3) | (123.3) | (123.3) | (123.3) | (123.3) |
| FEDERAL FUNDS |  |         |         |         |         |         |
| OTHER. *      |  | 123.3   | 123.3   | 123.3   | 123.3   | 123.3   |
| TOTAL         |  | 0       | 0       | 0       | 0       | 0       |

POSITIONS: \* = Second Injury Fund

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

ANALYSIS : (Attach a separate page if necessary)

See attached

Prepared by: Macquelyn McClintock, Director Phone: 465-2790  
 Division: Workers' Compensation Date: 3/17/87  
 Approved by Commissioner: Jim Samson Date: 3/17/87  
 Agency: Labor

Distribution (by preparer):

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

RECEIVED

MAR 19 1987

## Continuation of Fiscal Note

This legislation would allow the administrative expenses of operating the Second Injury Fund to be paid from the Fund itself rather than general funds. Thus, \$123.3 of Second Injury Fund dollars would be substituted for a like amount of general funds which are currently used to administer the Second Injury program.

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Approximate costs to administer the Second Injury Fund are as follows:

|   |        |            |
|---|--------|------------|
| Personal Services                             |        | \$92.6     |
| Management Analyst 75% of time                | \$40.5 |            |
| Hearing Officer for approximately 12% of time | 7.6    |            |
| Workers' Compensation Technician 100% of time | 34.5   |            |
| Pro-rata share of clerical support            | 10.0   |            |
| Travel  |        | 2.7        |
| Contractual                                   |        | 25.8       |
| Communications                                | 5.0    |            |
| Data Processing                               | 16.6   |            |
| Printing                                      | 1.0    |            |
| Copier, postage machine, etc.                 | 2.7    |            |
| Other (training, risk management)             | .5     |            |
| Supplies                                      |        | <u>2.2</u> |
|   | Total  | \$123.3    |

HB

185

Alaska State Legislature



House of Representatives

MAR 21 1988

REPRESENTATIVE  
BETTE CATO  
DISTRICT 6  
BOX 775  
VALDEZ, ALASKA 99686  
(907) 835-4568  
WHILE IN JUNEAU  
P.O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-4858  
(907) 586-2660

COMMITTEES  
CHAIRMAN  
HOUSE TRANSPORTATION  
MEMBER  
COMMUNITY AND  
REGIONAL AFFAIRS  
LEGISLATIVE COUNCIL  
TRANSPORTATION  
BUDGET SUBCOMMITTEE

March 15, 1988

Ms. Phyllis M. Day  
Prince William Sound Aquaculture Corp.  
P. O. Box 1110  
Cordova, Alaska 99574

Dear Phyllis:

*Hi Pretty lady!*

Thank you for sending a copy of the correspondence you sent to all Senators regarding HB 185 which includes amendments to the Fisheries Enhancement Loan Program.

I asked a member of my staff to verify some information with Kate Graham of UFA and Senate Labor and Commerce relative to the language "no state service charges" to PNP's.

Kate stated that her understanding was that intent language would be used as the mechanism to address service charges. However, John Ringstad of Labor and Commerce stated that although there was discussion on this point, the department had responded with information negating ever having charged a service fee for grant programs, did not intend to begin assessing service charges, and thus, it was not necessary to weight the bill with a letter of intent or attach intent language onto the bill.

My staff discussed this element with Jeff Bush, Assistant Attorney General, who attended that hearing and confirmed this information.

Thank you again for writing, Phyllis, and for bringing to my attention FWSAC's position on the bill.

Sincerely yours,

*Bette*

Representative Bette Cato  
House District 6

# Prince William Sound Aquaculture Corporation

P.O. Box 1110  
Cordova, Alaska 99574  
Phone: (907) 424-7511



March 4, 1988

Senator Jay Kerttula  
Alaska State Senate  
Pouch V, MS 3100  
Juneau, Alaska 99811

*"Back up file"*

Dear Senator Kerttula:

House Bill 185 is scheduled to be discussed in the Senate's Finance, Labor and Commerce, Resources, and Judiciary Committees. Prince William Sound Aquaculture Corporation supports this bill for several reasons:

1. Salmon enhancement taxes were collected from commercial fishermen specifically for distribution to the regional aquaculture associations. These funds are vital to our organization as they constitute approximately 30% of our total budget. The recently enacted procurement code makes the former method of distributing enhancement tax revenues via contract impractical and cumbersome. HB 185 authorizes the Department of Commerce and Economic Development to make grants to regional aquaculture associations enabling disbursement of enhancement tax revenues in a timely manner. If this bill is not passed, the release of funds could be significantly delayed.

2. The Salmon Enhancement Revolving Loan Fund is extremely important to the viability of the private nonprofit hatchery program. From it private nonprofit hatchery operators are able to build new facilities, maintain existing one and pay for operations when there is a shortfall in revenues. HB 185 protects the integrity of the revolving loan fund by clarifying that all principal and interest payments and any money collected through liquidation or foreclosure be returned to the fund. This insures that any money paid back to the fund will be available for use for future hatchery projects.

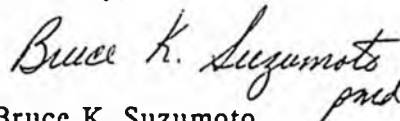
*Thomas Cordova  
when bill get  
to fund. I will  
come out*

March 4, 1988

3. HB 185 clarifies that only private nonprofit salmon hatcheries which release fish in the natural waters of the State for common use are eligible for a loan from the revolving loan fund. This provision insures that only nonprofit organizations who benefit a wide user group will be eligible for loan funds.

We urge your support of this bill to help maintain the highly successful statewide private nonprofit hatchery program. Thank you.

Sincerely,

Handwritten signature of Bruce K. Suzumoto in cursive script, with the initials 'pmd' written below the signature.

Bruce K. Suzumoto  
President

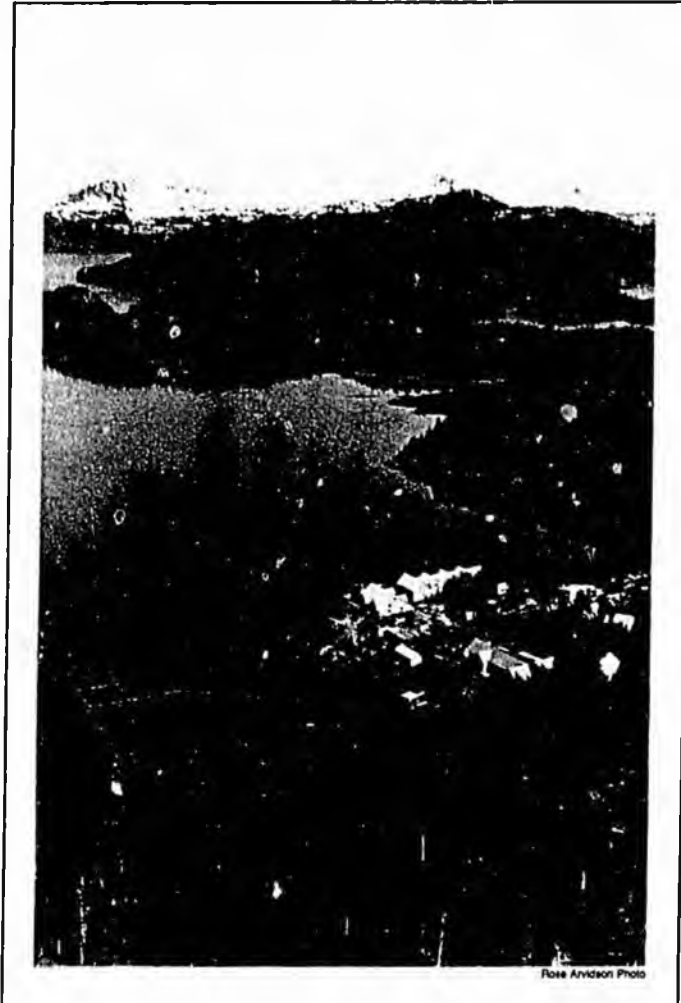
BKS/pmd

Enc: PWSAC Alaska Salmon Enhancement Tax  
PWSAC Brochure

CC: Senate Labor and Finance Committee Members  
Senate Resource Committee Members  
Senate Judiciary Committee Members  
Senate Finance Committee Members

# Prince William Sound Aquaculture Corporation

## Alaska Salmon Enhancement Tax



Prince William Sound Aquaculture Corporation's Armin F. Koernig Hatchery, shown here, and Esther Island Hatchery have generated over \$40 million in revenues for Area E commercial fishermen since 1977. A salmon enhancement tax has returned two percent of that income to the aquaculture corporation since 1985.

Prince William Sound Aquaculture Corporation  
P.O. Box 1110  
Cordova, Alaska 99574

### Alaska Salmon Enhancement Tax

Since 1985, Area E fishermen have paid the Prince William Sound Aquaculture Corporation two percent of all income from salmon catches for the purpose of salmon enhancement.

In 1980, the Alaska legislature created the Salmon Enhancement Tax, giving the Alaska Department of Revenue the authority to collect the tax with the approval of a majority of the fishermen served by a regional aquaculture association. Three other Alaskan aquaculture associations opted for the enhancement tax in 1981.

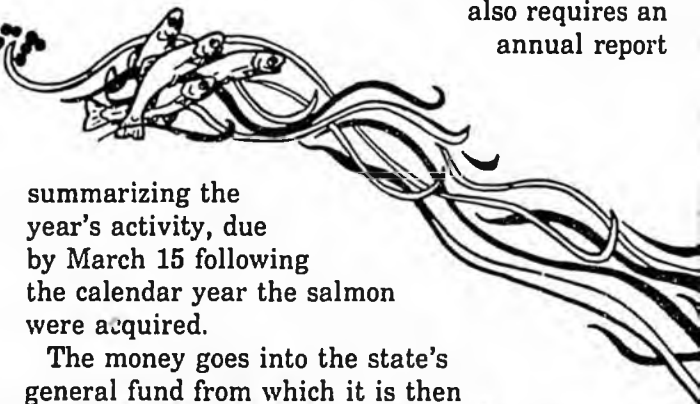
Although PWSAC received a voluntary assessment from Area E fishermen and processors, the corporation recognized the need for a more stable revenue source. In 1984, PWSAC asked the state to authorize an election among Area E fishermen. In January, 1985, a majority of those fishermen voted for the two percent enhancement tax, to begin with the 1985 season.

### How is the Enhancement Tax Collected?

The two percent enhancement tax is collected by the processors who buy salmon in Area E, in the form of income withheld from the fishermen. The value of the salmon is established by the actual price paid for the fish at that time. Additional payments made to fishermen—as in price settlements paid several months after the original sale—are also subject to the enhancement tax.

A report and payment of tax are due on the last day of the month following the month in which the fisherman received payment for the salmon. The

Department of Revenue also requires an annual report



summarizing the year's activity, due by March 15 following the calendar year the salmon were acquired.

The money goes into the state's general fund from which it is then

benefited from enhancement tax revenues from all gear types, with seine and drift gillnet fishermen contributing the majority of the income over the past three years.

The chart below shows the contribution by gear type, with three-year totals and percentages.

| Year    | Seine       | Drift Gillnet | Set Gillnet | Totals      |
|---------|-------------|---------------|-------------|-------------|
| 1984    | na          | na            | na          | na          |
| 1985    | \$370,686   | \$401,148     |             | \$772,819   |
| 1986    | \$227,174   | \$328,210     | \$835       | \$556,219   |
| 1987    | \$679,282   | \$400,930     | \$4,866     | \$1,085,078 |
| Totals  | \$1,277,142 | \$1,130,288   | \$6,685     | \$2,414,115 |
| Percent | 52.9%       | 46.8%         | 0.3%        |             |

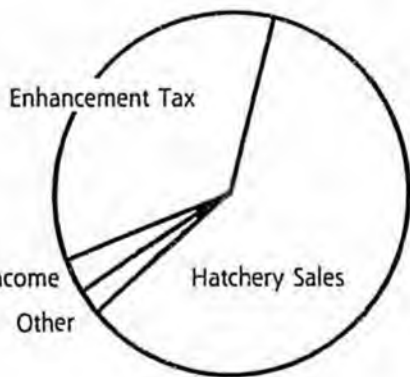
### Enhancement Tax Revenues

Revenues from the salmon enhancement tax may be used by PWSAC for any purposes mandated by the corporation's charter, subject to general state stipulations. Since the 1985 inception of the tax, the revenues have largely been used for operational expenses.

Enhancement tax income in 1987 made up 29.6% of the total revenues of the aquaculture corporation. The chart below shows the 1987 revenues.

#### 1987 Revenues

|                 |                    |       |
|-----------------|--------------------|-------|
| Hatchery Sales  | \$2,450,000        | 66.9% |
| Enhancement Tax | \$1,085,000        | 29.6% |
| Interest Income | 75,000             | 2.1%  |
| Other           | 51,000             | 1.4%  |
|                 | <u>\$3,661,000</u> | 100%  |



The amount of salmon enhancement tax money appropriated to PWSAC each year by the state legislature is based on an estimate—a forecast of the actual total revenue expected for that year. This system is necessary because—to use 1987 as an example year—the 1987 enhancement tax payment is disbursed to PWSAC near the beginning of the new fiscal year—July 1987—months before the tax on the 1987 catch is completely collected from the fishermen.

And how does the state arrive at the estimate for the payment? For the 1987 disbursement the Department of Commerce and Economic Development—the state agency which administers aquaculture funding—begins working with preliminary figures in the fall of 1986.

By February 1 of 1987, the Department of Revenue provides the actual collection figure for 1986, as shown in the Calculation Procedure Table (1); this amount is added to the prior three calendar years' collections (2) and divided by four to produce an actual rolling average of the four calendar years (3).

This amount becomes the estimate of what will be collected in 1987, and is sent to the legislature as a funding request. Assuming full funding by the legislature, the money is disbursed through the Dept. of Commerce on a quarterly basis. The first payment is expected after July, 1987, with the second in October.

The collection of the tax on the 1987 salmon catch begins in May and continues through the end of the year; the total collected is thus not known until the first months of 1988. In the example, the actual amount of tax collected for 1987 (4) is not the same as the payment made to PWSAC for 1987. The difference (5) is calculated in 1988 and added to the 1988 payment.

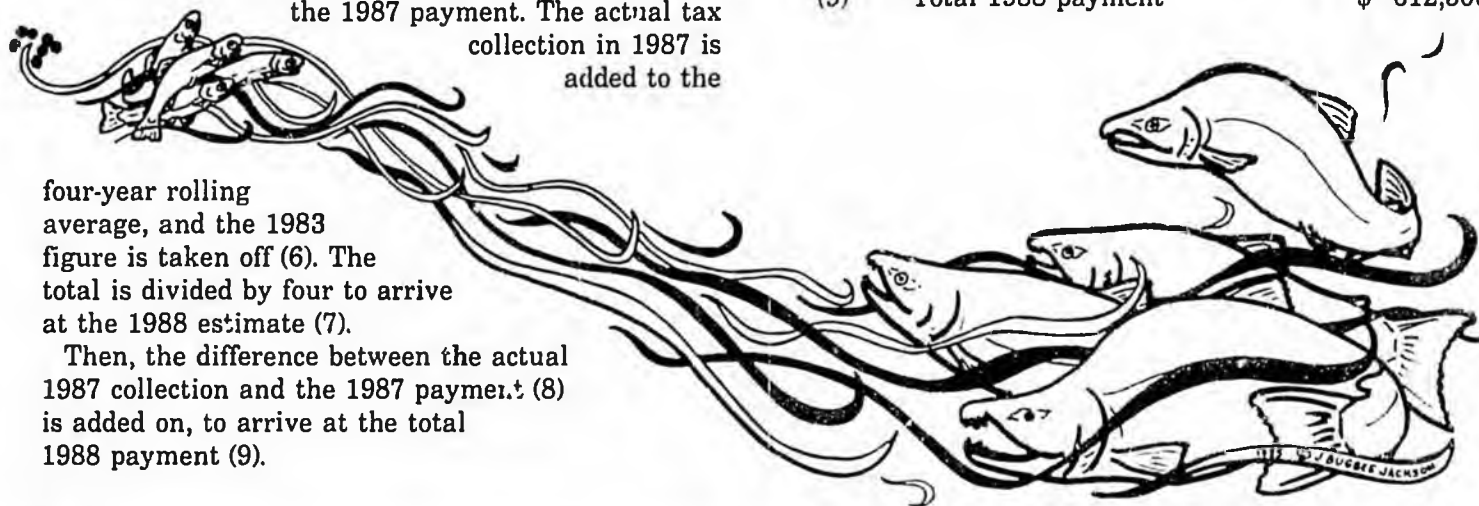
The 1988 payment is calculated in the same way as the 1987 payment. The actual tax collection in 1987 is added to the

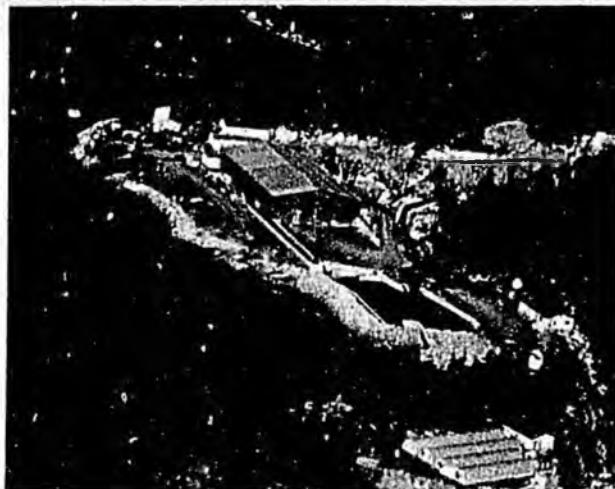
four-year rolling average, and the 1983 figure is taken off (6). The total is divided by four to arrive at the 1988 estimate (7).

Then, the difference between the actual 1987 collection and the 1987 payment (8) is added on, to arrive at the total 1988 payment (9).

### Calculation Procedure using hypothetical figures

|     |  |  |
|-----|--|--|
| (1) | Actual collection in 1986<br>2% of 1986 fish revenue                     | \$ 580,000                               |
| (2) | 1983 collection<br>1984 collection<br>1985 collection<br>1986 collection | 550,000<br>500,000<br>450,000<br>580,000 |
|     |  | <u>\$2,080,000</u>                       |
|     |  | \$2,080,000 ÷ 4 = \$520,000              |
| (3) | Four-year rolling average<br>for 1987 payment                            | \$ 520,000                               |
| (4) | Actual collection in 1987  | 600,000                                  |
| (5) | Difference between 1987<br>collection and payment                        | +\$ 80,000                               |
| (6) | 1984 collection<br>1985 collection<br>1986 collection<br>1987 collection | 500,000<br>450,000<br>580,000<br>600,000 |
|     |  | <u>\$2,130,000</u>                       |
|     |  | \$2,130,000 ÷ 4 = \$532,500              |
| (7) | Four-year rolling average<br>for 1988 payment                            | \$ 532,500                               |
| (8) | Difference between 1987<br>collection and payment                        | +\$ 80,000                               |
| (9) | Total 1988 payment   | \$ 612,500                               |





Esther Island Hatchery is PWSAC's newest facility, completed in 1985. In 1988, the multi-species hatchery is expected to release over 300 million salmon fry — pink, chum, coho, chinook and sockeye.



An Area E gillnet fisherman picks a salmon from his net.

## Prince William Sound Aquaculture Corporation

*A regional private non-profit association for  
the enhancement of salmon.*

P.O. Box 1110  
Cordova, Alaska 99574  
(907) 424-7511

# PRINCE WILLIAM SOUND AQUACULTURE CORPORATION



Photography by Rose Arvidson, Nancy Bird.  
Cordova, Alaska

Answering the need to save a declining Prince William Sound salmon industry, a group of volunteer fishermen from Cordova, Alaska, founded the PRINCE WILLIAM SOUND AQUACULTURE CORPORATION (PWSAC) in 1975. Just over a decade later, this private, non-profit regional association operates two of the largest and most productive salmon hatcheries in North America.

The beginning of PWSAC's hatchery program was marked by tremendous volunteer effort and a strong spirit of cooperation. An abandoned cannery at Port San Juan in the southwestern Sound was transformed into what is now the Armin F. Koernig (AFK) Hatchery. Since 1977, the hatchery has generated \$28.5 million in revenues for Area E commercial fishermen, and is now producing 115 million pink salmon fry each year.

The AFK Hatchery was only the first step toward realizing PWSAC's goal of supplementing the region's natural salmon runs for commercial, sport and subsistence fishing. Completed in 1985, the Esther Island Hatchery is a multi-species facility that in 1988 is expected to release over 300 million salmon fry destined for both the seine and gillnet fisheries.

The huge incubation building at Esther holds millions of pink and chum salmon eggs, as well as an expanding rearing program for chinook and coho. With a potential

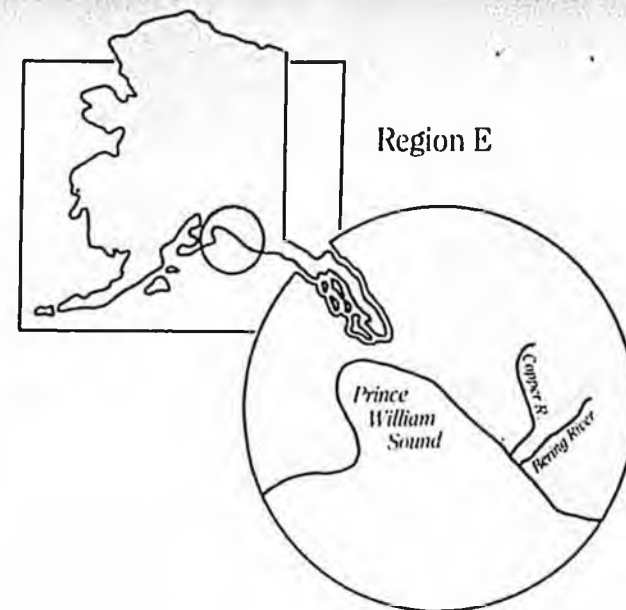


Armin F. Koernig Hatchery at Port San Juan.

capacity of up to 30 million eggs, a separate facility rears sockeye salmon for the enhancement of Sound lakes and streams. Esther and AFK Hatcheries are expected to generate more than \$20 million in annual revenue for Area E fishermen by 1989.

In addition to the two hatcheries, the aquaculture corporation supports other projects to help assure abundant salmon returns. Guided by a comprehensive 20-year plan benefiting all user groups, PWSAC works cooperatively with both the enhancement and management divisions of the Alaska Department of Fish and Game.

The success of PWSAC's enhancement program is built on a historic partnership of fishermen and state government. In 1985, Area E fishermen voted to pay a two percent assessment tax on their annual catch. In addition, the Alaska Department of

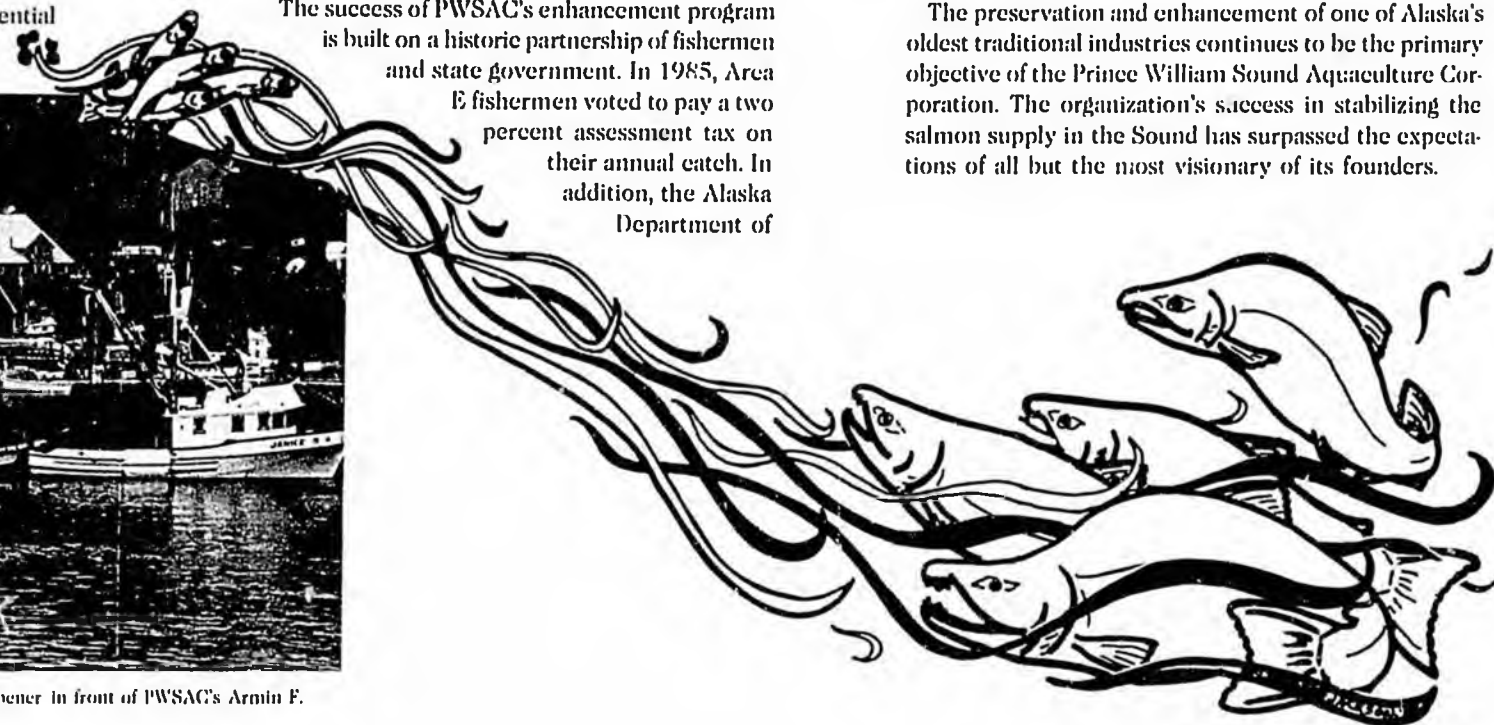


Commerce and Economic Development has provided loans for the construction of both PWSAC hatcheries. Legislators have responded with enthusiastic support to the spirit of self-sufficiency and cooperation which continues to motivate the aquaculture program.

The preservation and enhancement of one of Alaska's oldest traditional industries continues to be the primary objective of the Prince William Sound Aquaculture Corporation. The organization's success in stabilizing the salmon supply in the Sound has surpassed the expectations of all but the most visionary of its founders.



Prince William Sound seiners set their nets during a 1987 special opener in front of PWSAC's Armin F. Koernig Hatchery.





STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 16, 1987

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

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill repealing five active and various inactive state loan programs and making miscellaneous changes in other state loan programs. The programs affected are:

1. Commercial Fishing Loan Program
2. Fisheries Enhancement Loan Program
3. Veterans' Revolving Loan Program
4. Mining Loans
5. Area Redevelopment
6. Outdoor Recreational, Open Space, and Historic Properties Development Fund
7. Child Care Facility Revolving Loan Fund
8. Alternative Energy Revolving Loan Fund
9. Residential Energy Conservation Fund
10. Tourism Revolving Fund
11. Fishery Product Revolving Loan Guarantee Fund
12. Forest Products Business Loan Guarantee Program
13. Small Business Loans
14. Historical District Revolving Loan Fund

Each affected loan program will be discussed in turn. A section-by-section description of those loan programs administered by the Department of Commerce and Economic Development, prepared by that department, is also being made available to the legislature.

1. Commercial Fishing Loan Program. This bill repeals AS 16.10.320(b) (sec. 21 of the bill), a subsection that is now obsolete due to changes in federal law.

2. Fisheries Enhancement Loan Program. This bill makes numerous changes to the fisheries enhancement loan program, AS 16.10.500 -- 16.10.560. First, it changes the title of the loan fund to the "Salmon Enhancement Revolving Loan Fund" (secs. 1, 2, and 3 of the bill), and reorganizes the