

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672  
5431 SLAB HB 177 - HB 185

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

21B177

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,

A large, stylized handwritten signature in black ink, appearing to read "Steve Cowper".

Steve Cowper  
Governor

cc

Offered by Pourchot  
May 5, 1987

LETTER OF INTENT

CSHB 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

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

No. 2

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						
<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: Maureen McClintock, Director Phone: 465-2790  
Division: Workers' Compensation Date: 3/17/87  
Approved by Commissioner: Jim Sampson 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.

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	\$40.5	
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

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

SC5CSHB 177 (L&C)

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

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

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

Agency Affected: Labor

Title: "An Act relating to...the  
second injury fund"

BRU: Workers' Compensation

Sponsor: Governor

Components: Workers' Compensation

Requestor: Senate Labor and Commerce

**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>						
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<b>REVENUE</b>						
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**FUNDING: (Thousands of Dollars)**

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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)

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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

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

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

Bill Version: CSHB 177 (Jud)  
Publish Date: \_\_\_\_\_

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

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

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

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
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CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
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<b>CAPITAL</b>						
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**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: 04/28/87

Approved by Commissioner: Jim Sampson Date: 04/28/87  
Agency: Labor

Distribution (by preparer):

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

CSHB 177 (Jud)

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Supplies		<u>2.2</u>
	Total	\$123.3

HB

178

# STATE OF ALASKA

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF OCCUPATIONAL LICENSING

STEVE COWPER, GOVERNOR

P. O. BOX D  
JUNEAU, ALASKA 99811-0800  
PHONE: (907) 465-2534

DATE: May 6, 1987

TO: Senate Labor and Commerce Committee  
Senator Tim Kelley, Chairman  
Senator Dick Eliason, Vice Chairman  
Senator Rick Uehling  
Senator Bettye Fahrenkamp  
Senator Mike Szymanski

FROM: *KM* Kathy Marshall, Director  
Division of Occupational Licensing  
Department of Commerce & Economic  
Development

SUBJECT: Budget and Fees for the Licensing of Nurses

The attached information provides a response to questions raised at the May 1, 1987 committee hearing on CSHB 178 (L&C) regarding the budget and licensing fees for nurses. In particular, the questions presented by Senator Fahrenkamp are also addressed.

Response to questions asked by Senator Fahrenkamp:

1. Are you aware of the report by the Governor's Transition Team on the Division of Occupational Licensing, which states that, to the extent possible, boards should collect fees which cover their own costs, and where it is not possible (for example, when there are very small numbers of licensees), that the additional funds needed should come from the general fund, not from the licensing fees of other professions?  
  
A: Yes. In fact the division presented this statement to the Governor's Transition Team. In many of the licensed occupations where there are smaller numbers of licensees, it would be unreasonable to expect the licensees to pay an incredible amount in licensing fees to support the licensing function. In this case, those occupations would require general funds to supplement its operations. Because of the large number of licensees, the regulation of nurses in Alaska has the potential of being supported by license fees.
2. Why did the budget upon which the decision to raise nurse's license fees:
  - a. Include a position which has not been funded for over a year (PCN #2031, \$25,775 annually).

A: This statement is partially inaccurate. PCN 2031 was funded at the start of FY 87 in the division's administration component. Mid way through the year, the incumbent was promoted to a vacant position, PCN 2015 in the investigations component. Because the need for clerical support was greater in the investigations component, PCN 2031 was also transferred to the investigations component. Consequently in FY 88, funding for PCN 2031 has been eliminated and funding for PCN 2015 reinstated. The nursing budget was prepared based on the current level of services to reflect actual costs to the extent possible. Attached is Budget Form C+ which indicates the transfer of the position from the administrative component to the investigative component.

b. Not reflect the Governor's proposed 10% pay cut?

A: The budget and fee proposal were prepared prior to the Governor's proposed 10% pay cut. Attached is a current scenario which includes the Governor's 10% cut.

c. Why was it not reduced to reflect the lower number of licensees? 25% less nurses were licensed this year, yet the budget was not reduced 25%. Licensees in other fields have shown declines as high as 47%. Rather than raising fees to fund the current operating costs of the division, I would like to see the division's budget reduced to reflect the lowered number of licensees and the consequent lesser demands on staff.

A: The division could not justify reducing the budget by 25% even if the number of licensees were reduced by 25% for two reasons. First of all, the division is already understaffed. The division regulates 25 occupations and provides staff support to 18 boards. Over the past year, the budget has been cut 13% or \$251,000 in spite of the fact that two new occupations have been added.

FY 86	FY 87 Rev.	FY 88 (Gov.)
2,037.2	1,877.8	1,786.3

Secondly, the division's work load is not directly related to the number of licensees. Licensing Examiners, for example, do more than license individuals. They also staff the 18 boards, public notice and prepare minutes for mandated meetings, answer thousands of requests for information, and conduct examinations. In addition, the number of investigations and hearings associated with an occupation, particularly a large occupation such as nursing, do not necessarily decrease as the number of licensees decrease. In FY 86, there were 38 complaints against nurses and seven cases in litigation. To date, there have been 40 complaints and 10 cases in litigation.

3. What efforts are made by the division to solicit comment from the nurses regulated when regulation changes are proposed?

A: All regulation projects follow the Administrative Procedure Act and follow the guidelines of the drafting manual for Administrative Regulations written by the Department of Law. Basically, the procedures are:

- a. The proposed changes or requests by the board are drafted into regulation form.
- b. The board concurs with a rough draft version of the proposal.
- c. Public noticing of the proposal is made to newspapers, legislators, and interested persons.
- d. An opportunity for public comment is provided through holding hearings and written comments.
- e. Final editing and adoption of the proposed regulations by the board (if overwhelming public response is negative, the project goes back to step 1).
- f. Final review and approval by the Attorney General's office.
- g. The project is filed with the Lt. Governor's office with an effective date.

4. What effect would elimination of the Board of Nursing have on the license fees of nurses?

A: Elimination of the board would save approximately \$20.0 in travel and per diem costs for board meetings and travel to exams. However, in order to use the examinations, the state board is required to pay a \$3.0 membership fee to the National Council for State Boards of Nursing. The Board of Nursing participates in the development of the exam including nominating delegates to write examination questions. If the board were eliminated, it is doubtful that the National Council would allow the state to use the exams. In addition, there would not be a body of experts to develop regulations in response to changes in nursing practice or to discipline licensees who have violated the statute.

5. What effect would a 25% reduction in division funding have on the license fees of nurses? Precisely what services would be lost? Why would there be any reduction in level of service, there being at least 25% less licensees to regulate in all professions?

May 6, 1987

A: The division's FY 88 budget is \$1,786.3. A reduction of 25% represents a loss of \$446.6. Since licensing and board meetings are mandated, the enforcement of the statutes and investigations would be eliminated. Complaints would not be investigated and hearings would not be scheduled. The budget for the Board of Nursing would be reduced by \$84.8, from \$339.2 to \$254.4. Since the current revenue generated by nursing fees is \$202.0, fees would still have to be increased in order for them to be self-supporting. However, in the absence of enforcement, regulation of the occupation would appear to be meaningless.

KM/1t7212t  
Attachments  
050687b

<b>TRANSFERS FROM/DELETIONS:</b> AGENCY <u>Commerce and Economic Development</u> BRU <u>Occupational Licensing</u> COMPONENT <u>Administration</u> PROJECT _____	<b>FUNDING INFORMATION</b>	<b>TRANSFERS TO/ADDITIONS:</b> AGENCY <u>Commerce and Economic Development</u> BRU <u>Occupational Licensing</u> COMPONENT <u>Investigations</u> PROJECT _____																																																																		
What is being transferred from or deleted from this unit? Why? Include PCN and position title.  PCN 2031 (Clerk I) is being held vacant to realize vacancy savings in FY 87. The position is transferred to the investigations component to supplant the FY 87 revised budget deletion of PCN 2015 (Clerk III). In addition, \$2.0 in personal services is transferred to help fund the personal services shortfall in investigations.	<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:10%;">AMOUNT</th> <th style="width:80%;">EXPEND. BY OBJECT</th> <th style="width:10%;">AMOUNT</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2.0</td> <td>100 Pers. Service</td> <td style="text-align: center;">2.0</td> </tr> <tr> <td></td> <td>200 Travel</td> <td></td> </tr> <tr> <td></td> <td>300 Contractual</td> <td></td> </tr> <tr> <td></td> <td>400 Supplies</td> <td></td> </tr> <tr> <td></td> <td>500 Equipment</td> <td></td> </tr> <tr> <td></td> <td>600 Lands/Bldgs.</td> <td></td> </tr> <tr> <td></td> <td>700 Grants, Claims</td> <td></td> </tr> <tr> <td></td> <td>800 Miscellaneous</td> <td></td> </tr> <tr> <td style="text-align: center;">2.0</td> <td style="text-align: center;">TOTAL</td> <td style="text-align: center;">2.0</td> </tr> </tbody> </table> <table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:10%;">AMOUNT</th> <th style="width:80%;">EXPEND. BY OBJECT</th> <th style="width:10%;">AMOUNT</th> </tr> </thead> <tbody> <tr> <td></td> <td>I-A Transfe</td> <td></td> </tr> <tr> <td></td> <td>1002 Fed. Receipts</td> <td></td> </tr> <tr> <td></td> <td>1003 CF Hatch</td> <td></td> </tr> <tr> <td style="text-align: center;">2.0</td> <td>1004 General Fund</td> <td style="text-align: center;">2.0</td> </tr> <tr> <td></td> <td>1006 I-A Receipts</td> <td></td> </tr> <tr> <td></td> <td>Other</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">1</td> <td>15 PFT</td> <td style="text-align: center;">1</td> </tr> <tr> <td></td> <td>16 PPT</td> <td></td> </tr> <tr> <td></td> <td>17 Non Permanent</td> <td></td> </tr> <tr> <td style="text-align: center;">12</td> <td>18 Staff Months</td> <td style="text-align: center;">1</td> </tr> </tbody> </table>	AMOUNT	EXPEND. BY OBJECT	AMOUNT	2.0	100 Pers. Service	2.0		200 Travel			300 Contractual			400 Supplies			500 Equipment			600 Lands/Bldgs.			700 Grants, Claims			800 Miscellaneous		2.0	TOTAL	2.0	AMOUNT	EXPEND. BY OBJECT	AMOUNT		I-A Transfe			1002 Fed. Receipts			1003 CF Hatch		2.0	1004 General Fund	2.0		1006 I-A Receipts			Other					1	15 PFT	1		16 PPT			17 Non Permanent		12	18 Staff Months	1	What is being transferred to or added to this unit? Why? Include PCN and position title.  The FY 87 revised budget included the deletion of two positions, PCN 2015 (Clerk III) and PCN 2041 (Investigator I). PCN 2031 is transferred from the administration component and is deleted in place of PCN 2015.
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**C4 TRANSFER WITHIN ADJUSTED BASE**

AGENCY Commerce and Economic Development  
 BRU Occupational Licensing  
 COMPONENT Administration

FY 88

Page 1 of 1  
 Revised Date: \_\_\_\_\_

2050

DETAIL 10P  
 REVISED 5/4/87  
 REDUCTION--25 PERCENT  
 REDUCTION--50 PERCENT CONTRACTORS

OCCUPATIONAL LICENSING  
 FY88 Projected Budget--REDUCTION  
 Ten % Personal Service Reduction

LICENSING AREAS	ANNUAL FEES	FY 88 LICENSEES	FY 88 BUDGET	AVERAGE REVENUE	DIFFERENCE
ARCHITECTS, ENGINEERS, LS	50	3,550	267,301	275,940	8,639
ATHLETIC COMMISSION	50	17	4,760	330	(4,430)
AUDIOLCGY	30	15	2,481	615	(1,866)
BARBERS & HAIRDRESSERS	50	2,129	136,964	134,665	(2,299)
CHIROPRACTORS	50	97	29,955	6,750	(23,205)
COLLECTION AGENCY	50	73	8,743	4,240	(4,503)
CONCERT PROMOTERS	30	13	2,303	428	(1,875)
CONTRACTORS @ 75%	90	3,996	224,144	388,730	164,586
DENTAL	90	497	95,394	64,774	(30,620)
DISPENSING OPTICIANS	50	54	9,054	4,065	(4,989)
ELECTRICAL EXAMINERS	125	395	50,941	62,601	11,660
GEOLOGISTS	20	25	2,775	500	(2,275)
GUIDES	120	1,255	142,779	87,051	(55,728)
MARINE PILOTS	150 *	68	32,990	10,475	(22,515)
MEDICAL	150	856	167,448	147,050	(20,398)
MORTUARY SCIENCE	30	87	9,744	2,880	(6,864)
NATUROPATHY	50	2	1,869	273	(1,596)
NURSING	32.50	5,218	339,242	201,999	(137,243)
NURSING HOME ADMIN.	30	41	5,855	1,534	(4,321)
OPTOMETRY	50	67	16,507	5,863	(12,644)
PHARMACY	90	348	50,972	37,699	(13,273)
PHYSICAL THERAPY	100 *	150	20,166	18,480	(1,686)
PSYCHOLOGISTS	100 *	81	39,046	10,331	(28,715)
PUBLIC ACCOUNTANCY	100 *	527	82,204	85,965	3,761
VETERINARY EXAMINERS	50	129	27,992	8,723	(19,269)
<b>FY 88 TOTALS</b>	<b>Ave= 70</b>	<b>19,690</b>	<b>1,771,631</b>	<b>1,559,981</b>	<b>(211,650)**</b>

\* Indicates fees increases pending

\*\*Amount of revenue shortfall

DETAIL 10P  
 REVISED 5/4/87  
 REDUCTION--25 PERCENT  
 REDUCTION--50 PERCENT CONTRACTORS

OCCUPATIONAL LICENSING  
 FY88 Projected Budget--REDUCTION  
 Ten % Personal Service Reduction  
 Including Nursing Fee Increase

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OPTOMETRY	50	67	16,507	3,863	(12,644)
PHARMACY	90	348	50,972	37,699	(13,273)
PHYSICAL THERAPY	100 *	150	20,166	18,400	(1,686)
PSYCHOLOGISTS	100 *	81	39,046	10,331	(28,715)
PUBLIC ACCOUNTANCY	100 *	527	82,204	85,985	3,781
VETERINARY EXAMINERS	50	129	27,992	8,723	(19,269)
<b>FY 88 TOTALS</b>	<b>Ave= 71</b>	<b>19,690</b>	<b>1,771,631</b>	<b>1,707,650</b>	<b>(63,981)**</b>

\* Indicates fees increases pending

\*\*Amount of revenue shortfall

# HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX V, JUNEAU 99811

(907) 465-3892



May 1, 1987

## MEMORANDUM:

To: Senator Tim Kelly, Chair  
Senate Labor and Commerce Committee

From: Representative Dave Donley

Re: HB 178 - Board of Nursing

HB 178 extends the Board of Nursing for four years and makes miscellaneous changes to the nursing statutes to:

1. correct statutorily inconsistent language
2. expand disciplinary powers of the Board
3. clarify licensing and examination procedures
4. clean up technical and procedural problems with existing statute such as proper use of specific nursing titles

Each of the changes were incorporated in the House Labor and Commerce Committee committee substitute, at the request of the Board. The House L&C version was amended on the floor to correct a technical problem on page 3, line 12 (include Canadian territory as well as province).

HB 178 passed the House unanimously on April 15. It has a zero fiscal note and is endorsed by both the Board of Nursing and the Division of Occupational Licensing.

DAVID T. WALKER  
ATTORNEY AT LAW  
MENDENHALL BUILDING  
320 FOURTH STREET, SUITE B  
JUNEAU, ALASKA 99801  
(907) 580-3537

May 1, 1987

**HAND DELIVERED**

Senator Tim Kelly, Chairman  
Senate Labor & Commerce Committee  
Capitol Building, Room  
Juneau, Alaska 99811

Re: House Bill 178

Dear Senator Kelly:

I am the registered lobbyist for the Alaska Nurses' Association.

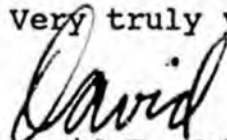
House Bill 178 continues the existence of the Board of Nursing. The Association recognizes that the Board of Nursing performs a vital and necessary service for the public and the profession by regulating the practice of nursing in Alaska. The Association strongly supports and endorses continuation of the Board of Nursing. The Association requests the Labor and Commerce Committee to approve legislation continuing the Board.

Insofar as I am aware, the Association has not taken a position on the proposed fee increases. I am moved to comment that the State requires licensing of certain professionals, my clients included, as being necessary to protect the public health and safety by establishing minimum qualifications for licensure. In my view, it is poor public policy to require regulatory boards in a state with a small professional population to be self-supporting. The public is the primary beneficiary of the regulation and the public must be primarily responsible for paying the costs.

Senator Tim Kelly, Chairman  
Senate Labor & Commerce Committee  
May 1, 1987  
Page Two

The Association has always appreciated the legislature's interest in providing quality health care and the opportunity to work with the legislature to improve health care in Alaska. If you have a question concerning the Association's position on this bill, or on any other matters related to nursing or health care, please do not hesitate to call.

Very truly yours,



David T. Walker

DTW:jp

cc: Members of the Labor & Commerce Committee  
Alaska Nurses' Association

HB

179

# STATE OF ALASKA

AUDIT DIVISION  
POUCH W  
JUNEAU, ALASKA 99811-3300

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

January 14, 1987

SUMMARY OF: A Performance Report on the Department of Commerce and Economic Development, Board of Psychologist and Psychological Associate Examiners, December 19, 1986.

### PURPOSE OF THE REPORT

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Board of Psychologist and Psychological Associate Examiners. Our examination was conducted to determine if the Board has been operating in an efficient, effective manner and whether the Board should be reestablished. The law now specifies that the Board will terminate on June 30, 1987.

### REPORT CONCLUSION

In our opinion, the Board of Psychologist and Psychological Associate Examiners should be reestablished. The regulation and licensing of qualified professionals is necessary to protect the public's health, safety, and welfare. The Board provides this service by establishing minimum educational and experience requirements that provide reasonable assurance that persons licensed are qualified. Also, assurances that those licensed act in a competent manner are provided by active investigation of complaints and revocation or suspension of licenses when appropriate.

### FINDINGS AND RECOMMENDATION

1. The Board should adhere to regulations concerning Board powers to deny applicants from licensure by examination.

A PERFORMANCE REPORT ON THE  
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT  
BOARD OF PSYCHOLOGIST AND PSYCHOLOGICAL ASSOCIATE EXAMINERS

December 19, 1986

Audit Control Number

08-1270-87-R

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

Deputy Commissioners, Department of  
Commerce and Economic Development Greg Baker  
Terry Elder

Members of the Board of Psychologist  
and Psychological Associate Examiners

Chairperson	Vacant
Member	Margaret E. Fischer, Ph.D.
Member	James F. Harper, Ph.D.
Member	Dennis M. Scholl, Ph.D.
Member	Linda Olsen-Webber, Ph.D.

# STATE OF ALASKA

AUDIT DIVISION  
POUCH W  
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE  
BUDGET AND AUDIT COMMITTEE

December 19, 1986

Members of the Legislative Budget  
and Audit Committee:

In accordance with the provisions of Titles 24 and 44 of the  
Alaska Statutes (sunset legislation), the attached report is  
submitted for your review.

A PERFORMANCE REPORT ON THE  
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT  
BOARD OF PSYCHOLOGIST AND PSYCHOLOGICAL ASSOCIATE EXAMINERS

December 19, 1986

Audit Control Number

08-1270-87-R



Gerald L. Wilkerson, CPA  
Legislative Auditor  
Division of Legislative Audit

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## PURPOSE OF THE REPORT

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Board of Psychologist and Psychological Associate Examiners to determine if the Board has been operating in an efficient and effective manner.

As required by legislative intent, this report shall be considered during the legislative oversight function in determining whether the Board of Psychologist and Psychological Associate Examiners should be reestablished. The law currently specifies that this Board will terminate on June 30, 1987.

The major areas of our examination were the licensing, examination, administration, complaint, and affirmative action functions of the Board. We reviewed and evaluated the following:

1. Applicable statutes and regulations.
2. Tests of files and documents of licensees.
3. Interviews with the licensing examiner.
4. Complaints filed with the Division of Occupational Licensing, Equal Employment Opportunity Office, Attorney General's Office, and the Ombudsman Office.
5. Discussions with Board members.
6. Minutes of Board meetings and Division correspondence files.
7. Attorney General's Opinions applicable to professional boards.

## ORGANIZATION AND FUNCTION

The Board of Psychologist and Psychological Associate Examiners (PPAE) was established under the provisions of Title 8, Chapter 86 of the Alaska Statutes. The Board consists of four licensed psychologists and one public member appointed by the Governor and approved by the Legislature.

The Board regulates licensed psychologists and psychological associates in the State. A psychologist is licensed to use psychological principles, methods, and procedures for the treatment of emotional and mental disorders. A psychological associate is licensed to perform psychological services under the supervision of a licensed psychologist. Legislation recently passed (Chapter 63, SLA 1986) allows a psychological associate who has completed at least five years of licensed practice to petition the Board for certification to practice without supervision.

The Board's duties are basically the following:

1. Examining and issuing licenses to qualified applicants.
2. Establishing or amending rules and regulations necessary and desirable to enforce State statutes.
3. Holding hearings in order to revoke or suspend the license of a person violating the psychologist and psychological associate statutes and regulations.

An applicant may be licensed by passing an exam given by the Board or by credentials. For credentials, an applicant must provide proof of licensure by another authority with equal licensing requirements.

In order to qualify for licensure as a psychologist by examination, an applicant must pass a written examination, have a doctorate degree, and one year of experience. The examination is composed of two parts: an objective national examination composed by the Professional Examination Service and an essay examination composed by the Board.

Psychological associates may qualify for the examination if they have three years supervised experience after obtaining a Master's degree.

## REPORT CONCLUSION

### Policy Issues

This report contains policy issues raised as a result of our evaluation of various Board practices. The final policy decisions affecting these practices are not within the scope of this report but require legislative consideration. In debating these issues, the oversight committees should take into consideration the findings and recommendation presented in this report so the potential impact of policy changes can be evaluated.

### Report Conclusion

In our opinion, the Board of Psychologist and Psychological Associate Examiners should be reestablished. The regulation and licensing of qualified professionals is necessary to protect the public's health, safety, and welfare. The Board provides this service by establishing minimum educational and experience requirements that provide reasonable assurance that persons licensed are qualified. Also, assurances that those licensed act in a competent manner is provided by active investigation of complaints and revocation or suspension of licenses when appropriate.

However, the following finding describes an area where weaknesses or conflicts exist. We have made a recommendation which, if implemented, will improve the efficiency and effectiveness of the Board.

The Board should adhere to regulations for denying applicants the right to take the psychology examination. Two applicants were improperly denied the right to take the psychology examination.

## FINDINGS AND RECOMMENDATION

### Recommendation No. 1

The Board should adhere to regulations concerning Board powers to deny applicants from licensure by examination.

The Board inappropriately denied a person the right to take the psychology exam based on the allegation of unethical conduct. The Attorney General's Office determined that the Board's action was not authorized under existing statute or regulation.

12 AAC 60.055 permits the Board to deny an applicant for licensure if the applicant has . . .

- (1) been found guilty of incompetence by another state or jurisdiction;
- (2) violated the ethical standards for providers of psychological services as established by another state agency or jurisdiction;
- (3) misrepresented his or her qualifications to the board in any way; or
- (4) been found to be practicing psychological services without a license.

In this instance there was no actual finding or decision by another State agency or jurisdiction.

Similarly, another applicant for licensure by examination was not allowed to take the examination pending the outcome of an investigation by the Division of Occupational Licensing. Board of Psychology regulations do not prohibit a person from taking the psychology exam merely based on an investigation. According to the Licensing Examiner, the Board tabled their decision to act on the application without even reviewing the applicant's file.

Alaska Statute 08.86.070 provides for the Board to impose disciplinary sanctions. Those disciplinary sanctions apply to licensed psychologists and psychological associates. The Board does not have the authority to deny applicants the right to take the psychology examination as long as other minimum requirements are met. Denial of that right cannot be based on mere allegations or outstanding investigations.

## ANALYSIS OF PUBLIC NEED

### Limited Analysis

The following analyses of board activities relate to the public need factors defined in the "sunset" law. These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

- I. The extent to which the board, commission, or program has operated in the public interest.
  - A. The Board has promulgated regulations concerning continuing education requirements. In addition, public hearings have been held to consider regulation changes regarding course requirements for graduate programs in psychology, criteria for practicing psychology without supervision as a psychological associate, and the qualifications for persons performing psychological-related activities that are exempt from licensure. The public is notified about upcoming examinations and meetings and is invited to provide input at Board meetings.
  - B. The Board has developed goals and objectives. Some of the goals the Board achieved in 1986 includes:
    - (1) Reviewing applications for licensure and examination.
    - (2) Conducting examinations twice a year.
    - (3) Reviewing investigative reports.
    - (4) Considering regulatory changes to psychology regulations.
  - C. The Board prepared forms to document continuing education by licensed psychologists.
- II. The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices which it has adopted, and any other matter, including budgetary, resource, and personnel matters.
  - A. The Board needs to clarify AS 08.86.180 which defines the Board's jurisdiction over the practice of psychology. The statutes which govern the Board prohibit any person, unless they are licensed or exempt, to practice psychology in the State.

to a permit process and allow applicants for licensure by credentials to be issued a temporary permit provided they meet criteria similar to licensing requirements.

B. The Board has proposed statutory changes to clarify exactly when confidentiality may be waived if a client threatens serious harm to her/himself or to another person, or to property in such a way that a person's life might be in danger. In addition, the Board has proposed legislation to clarify under what conditions the board may impose disciplinary sanctions against a psychologist for lewd conduct.

IV. The extent to which the board, commission, or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service which it has provided.

A. The public is invited to attend Board meetings. Notices of meetings and examinations are published in at least 3 major newspapers and a time for public comment is reserved at Board meetings.

V. The extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

A. Public notices of proposed regulations are published in major newspapers. Public comment to proposed regulations, both written and oral, are considered at Board meetings.

VI. The efficiency with which public inquiries or complaints regarding the activities of the board, commission, or agency filed with it, with the department to which a board or commission is administratively assigned, or with the Office of the Ombudsman have been processed and resolved.

A. Most complaints filed with OL allege unlicensed activity. For the most part, these complaints are investigated and resolved in a timely manner. Investigations could be hampered because statutory language concerning licensing exemptions to the practice of psychology is difficult to interpret (see II. A.). Based on records at OL, there were 6 complaints filed at OL in FY 86, 20 filed in FY 85, and 19 filed in FY 84. Currently, only one investigative case is outstanding.

B. Review of recently closed Ombudsman's case files showed no significant complaints.

APPENDIXES

APPENDIX A  
BOARD OF PSYCHOLOGIST AND PSYCHOLOGICAL ASSOCIATE EXAMINERS  
REVENUES COMPARED WITH EXPENDITURES

For the Fiscal Year Ended June 30, 1986  
(Unaudited)  
(Note 1)

Average Revenue (See Schedule 1 and Note 2)	\$ 8,808.00
Expenditures (See Note 3)	<u>22,045.28</u>
Excess of Revenues over Expenditures	<u><u>\$ (13,237.28)</u></u>

Schedule 1  
Types of Revenues

<u>Revenues</u>	<u>Amount Prior to 11/20/86</u>	<u>Amount Effective 11/20/86</u>	<u>Collection Time</u>
Application Fee	\$ 25	\$ 20	With submittal of application
Examination Fee	\$125	\$ 90	With submittal of application
Credential Review Fee	\$125	\$ 50	With submittal of application
Initial License Fee	\$200	\$200	With submittal of application
License Renewal	\$200	\$200	Every Four Years

Note 1

This revenue/expenditure comparison was prepared from available records and discussions with Occupational Licensing personnel. The records were not audited by us and, accordingly, we do not express an opinion on the Board's Statement of Revenues Compared with Expenditures.

Note 2

A significant portion of revenues is composed of license renewal fees. Licenses are renewed every four years and the last renewal date was June 30, 1985. Because of the renewals, revenues vary substantially every fourth year. Therefore, we averaged revenues collected in fiscal years 83, 84, 85 and 86 in order to obtain a representative amount of average annual revenues collected.

APPENDIX B  
BOARD OF PSYCHOLOGIST AND PSYCHOLOGICAL  
ASSOCIATE EXAMINERS  
EXAMINATION STATISTICS

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Failed at Least one Section	4	4	4	2	3
Passed	<u>9</u>	<u>5</u>	<u>3</u>	<u>8</u>	<u>4</u>
Total	<u>13</u>	<u>9</u>	<u>7</u>	<u>10</u>	<u>7</u>

APPENDIX C  
BOARD OF PSYCHOLOGIST AND PSYCHOLOGICAL  
ASSOCIATE EXAMINERS  
ADMINISTRATIVE STATISTICS

Schedule 1  
Number of Licenses

	<u>As of June 30, 1986</u>
Licensed Psychologists	94
Licensed Psychological Associates	<u>14</u>
Total	<u>108</u>

Schedule 2  
Licenses Issued by Fiscal Year

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Psychologists	7	10	7	12	9
Psychological Associates	<u>2</u>	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>
Total	<u>9</u>	<u>12</u>	<u>8</u>	<u>14</u>	<u>10</u>

STEVE COWPER, GOVERNOR

**DEPARTMENT OF COMMERCE &  
ECONOMIC DEVELOPMENT**

POUCH D  
JUNEAU, ALASKA 99811  
PHONE: 465-2500

OFFICE OF THE COMMISSIONER

February 6, 1987

Mr. Gerald Wilkerson  
Legislative Auditor  
Division of Legislative Audit  
P.O. Box W  
Juneau, AK 99811

FEB 17 1987


Dear Mr. Wilkerson:

The department agrees that the Board of Psychologist and Psychological Associate Examiners should be continued and concurs with the recommendation that the board should adhere to regulations concerning the board powers to deny applicants from licensure by examination. It should be noted, however, that, although the board initially inappropriately denied an applicant from licensure by examination, an attorney general's opinion was sought prior to the examination and the candidate was permitted to take the examination on schedule.

The issue was whether or not the board has the power to deny a license by examination or licensure by credentials based on allegations of unethical conduct or pending the results of ongoing investigations. Under its current regulations, the board does not have this authority. Since the board has the responsibility to ensure only qualified, competent individuals receive licenses to practice, the department would recommend that the board amend 12 AAC 60.055 to add another section: "(5) is not the subject of an unresolved complaint, review procedure or disciplinary proceeding." There is a current applicant for licensure who has been accused of several counts of sexual misconduct in another state. Under the existing regulation, the board is required to license the applicant. The department believes the public safety will be in danger if this applicant is licensed prior to the allegation being substantiated. Several regulatory boards have similar provisions in statute or regulation.

Thank you again for the opportunity to comment on your findings.

Sincerely,

  
J. Anthony Smith  
Commissioner

JAS/KM/ssC19  
020687b

# STATE OF ALASKA

AUDIT DIVISION  
POUCH W  
JUNEAU, ALASKA 99811-3300

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

February 23, 1987

Members of the Legislative Budget  
and Audit Committee:

We have reviewed the Board's response to the preliminary audit report on the Performance Report on the Department of Commerce and Economic Development, Board of Psychologist and Psychological Associate Examiners. Our comments follow.

The Board has proposed regulations requiring a psychological associate (PA) to have 60 credit hours of program study after five years of supervised experience in order to practice unsupervised. In the Board's opinion, 60 credit hours of study is necessary to insure adequate public protection. The Board gave an example of a PA practicing but only seeing three clients per week for a year (three hours) and has three face-to-face supervision sessions each year. We believe the 60 credit hour educational requirement is excessive.

Currently, a PA is required to have a Master's degree (24 credit hours) and three years of weekly supervision and pass a national examination in order to be licensed as a PA. Legislation amending AS 08.86.164 recently passed that allows a PA who has completed at least five years of licensed practice to petition the Board for certification to practice without supervision (monthly contact and quarterly face-to-face meetings). The Board is required to grant the petition if the PA satisfies the criteria established by the Board by regulation. Proposed regulations include requiring the PA to have documented at least five years of supervised practice which included at least an average of 1,500 hours of supervised practice per year. This would prevent a non-experienced PA from being certified to practice unsupervised.

The new legislation also requires the Board to propose regulations defining the academic programs that are required to be included in obtaining the Master's degree. Testimony was given by the Division of Occupational Licensing during the legislative hearings. At the hearings it was stated that the main purpose of the bill was to define an acceptable masters program through regulation so that the Board could agree that a PA can practice psychology after a certain amount of time. Therefore, the Board's definition of programs to be included in a PA's Master's degree along with supervised experience should be adequate to protect the public.

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

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

Bill Version: CSHB 179 (Fin)  
Publish Date: HOUSE 4/23/87

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

Agency Affected: Commerce & Economic Dev.

Title: An Act extending the termination date of the Board of Psychologist & Psych.

TRU: Occupational Licensing

Sponsor: House Labor & Commerce

Associate Examiners: \_\_\_\_\_

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

Components: All

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

CAPITAL						
---------	--	--	--	--	--	--

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Funding for continuation of the Board of Psychologist and Psychological Associate Examiners is budgeted in the department's FY 88 operating budget request and is anticipated to be covered primarily through program receipts.

Prepared by: Jennifer Strickler, Management Analyst  
Division: Occupational Licensing

Phone: 465-2111  
Date: 3/16/87

Approved by Commissioner: JJ Anderson Smith  
Agency: Commerce and Economic Development

Date: 3/17/87

Distribution (by preparer):

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

HB

185

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 4, 1988

SUBJECT: SCS CSHB 185 (L&C)

TO: Senator Tim Kelly, Chairman  
Senate Labor and Commerce Committee  
ATTN: John Ringstad

FROM: Jack Chenoweth  
Legislative Counsel

Article II, section 13 directs that the subject of a bill be expressed in its title. Under Rule 41(b) of the Uniform Rules of the Alaska Legislature, amendment of a bill is not in order if the amendment would require a title change other than a clerical or technical change.

The draft Senate Labor and Commerce Committee Substitute accompanying this memorandum incorporates several amendments, including those that require title changes. The two title changes are, in my judgment, necessary clerical or technical changes that are allowable within the exception specified by Rule 41(b). Specifically --

The bill deletes provisions relating to, and the title deletes reference to, the "small business economic development revolving loan fund." This program was established in legislation adopted during the first session within changes made to the Alaska Industrial Development and Export Authority. As there is no need to carry these provisions as an enactment in this legislation, they may properly be deleted as a technical change.

The title is also revised to refer to the current program as the "fisheries" enhancement loan program, the current correct name, rather than (as introduced and retained in the House-passed version) the "salmon" enhancement loan program, which the bill's provisions would have this program become. Clearly this is a clerical correction.

JBC:bb  
wkb3/076

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

March 3, 1988

SUBJECT: Draft SCS CSHB 185 (L&C)

TO: Senator Tim Kelly, Chairman  
Senate Labor and Commerce Committee  
ATTN: John Ringstad

FROM: Jack Chenoweth  
Legislative Counsel

This is a first session bill carried forward. In addition to the changes specifically requested in the memorandum of Assistant Attorney General Jeffery Bush and the directive that I delete all matter pertaining to the Mining Loan program (AS 27.09), I have deleted references to materials no longer relevant because of amendments made by other legislation enacted during the first session.

With the inclusion of the new material in bill section 15, the draft is almost certainly unconstitutional as a violation of article II, section 13's directive that bills be confined to a single subject. Section 15 makes an amendment to the salmon enhancement tax rather than to an existing loan program, and the reference in the text of the amended material to "outstanding loans. . . under AS 16.10.510" is too remote to tie this provision in to the main topic of the bill.

I have revised the lead-in language in the second of each pair of sections that are "double amended" -- sections 12, 19, 21, 23, 25, 27 and 29 -- to read "repealed and reenacted" rather than "amended". This is a drafting requirement for sections with delayed effective dates in order to avoid problems with any intervening amendments that the legislature may enact to take effect after the effective date of the first but before the effective date of the second.

Senator Tim Kelly  
Page 2  
March 3, 1988

I have had to make title changes to correspond to these additions and deletions. Please note Uniform Rule 41(b), which reads:

An amendment to a bill introduced in the other house is not in order if the amendment requires a change of the bill title other than a clerical or technical change.

This draft makes changes in the House-passed bill that are beyond mere "clerical or technical [changes]." Further consideration of the bill as drafted must be accompanied by a concurrent resolution adopted under Rule 54, authorizing suspension of Rule 41(b) and other related rules.

May I prepare a related concurrent resolution to accompany the bill draft?

JBC:gc  
WKG2:22

ALASKA STATE SENATE



SENATOR TIM KELLY  
ANCHORAGE/EAGLE RIVER  
CHAIRMAN

SENATOR DICK ELIASON  
SITKA  
VICE CHAIRMAN

LABOR AND COMMERCE COMMITTEE

MEMBERS  
SENATOR BETTYE FAHRENKAMP  
FAIRBANKS

SENATOR RICK UEHLING  
ANCHORAGE

SENATOR MIKE SZYMANSKI  
ANCHORAGE

March 10, 1988

To: Speaker Grussendorf

From: Sen. Kelly

During the Senate Labor & Commerce Committee's review of HB 185, it was found that two changes needed to be made in the title. Jack Chenoweth of our legal staff has stated in an opinion that these changes are technical and therefore are an exception specified within Rule 41(b).

I am attaching copies of the bill as it passed the House, & as passed out of Senate Labor & Commerce and of Mr. Chenoweth's memo. If you have further concern on this matter, please let me know.

ALASKA STATE SENATE



SENATOR TIM KELLY  
ANCHORAGE/EAGLE RIVER  
CHAIRMAN

MEMBERS  
SENATOR BETTYE FAHRENKAMP  
FAIRBANKS

SENATOR DICK ELIASON  
SITKA  
VICE CHAIRMAN

LABOR AND COMMERCE COMMITTEE

SENATOR RICK UEHLING  
ANCHORAGE

SENATOR MIKE SZYMANSKI  
ANCHORAGE

SECTIONAL ANALYSIS SCSCSHB 185 (L&C)

Sec. 1 AS16.10.500. The title of the Fisheries Enhancement Loan Program is changed to the Salmon Enhancement Loan Program. The lending authority for enhancement and rehabilitation activities is deleted.

Sec. 2 AS16.10.505. Clarifies that principal and interest payments are deposited in the revolving loan fund.

Sec. 3 AS16.10.507(a). This is a technical change to reflect the name change in section 1.

Sec. 4 AS16.10.510. The substantive change here is to remove the requirement that a nonprofit corporation be approved by a regional association in order to qualify for a preconstruction loan. There are also a number of technical changes.

Sec. 5 AS16.10.515. This adds new sections that reorganize the existing statute for clarity.

Sec. 6 & 7 AS16.10.520. These sections clarify that the intent of the existing law is that no one will get more than \$1,000,000 in loans in a single fiscal year.

Sec. 8 AS16.10.560. Adds the definitions of department and regional aquaculture association and clarifies the definition of salmon hatchery.

Sec. 9 & 10 AS26.15.040(d). These sections repeal language relating to the procedures for disbursing veteran's loans. Additionally they provide that after June 30, 1989 the fund will no longer be revolving.

Sec. 11 AS26.15.040(e). This section makes a couple of technical changes and inserts language to clarify that a person assuming a veteran's loan is eligible to assume more than one type of loan, but the total may not exceed \$125,000.

Sec. 12 AS27.09.010(b). This makes the repayment provisions of the mining loan program consistent with other loan programs.

Sec. 13 AS41.98.175(a). This repeals the lending authority under the outdoor recreational, open space, and historical properties development fund. No loans have been made under this

program and none are anticipated. The bill leaves intact the authority to make grants under this program.

Sec. 14 AS44.33.024. This creates a new foreclosure expense account within DCED. With the repeal of the revolving funds the individual expense are also repealed. This new account will be used by the department for all loan programs and will be subject to appropriation.

Sec. 15 AS44.33.245(a). This repeals the lending authority under the Child Care Facility Revolving Loan Fund.

Sec. 16 & 17 AS44.33.255(d). These sections provide that after June 30, 1989 the program will no longer be revolving.

Sec. 18 & 19. AS45.88.030(d). These sections provide that after June 30, 1989, the alternative energy revolving loan fund will no longer be revolving.

Sec. 20 & 21. AS45.89.030(h). These sections provide that after June 30, 1989, the residential energy conservation loan program will no longer be revolving.

Sec. 22 & 23. AS45.90.010. These sections provide that after June 30, 1989, the tourism revolving loan will no longer be revolving.

Sec. 24 & 25. AS45.90.020(d). These sections repeal language relating to the disbursing of small business loans. Additionally, they provide that after June 30, 1989, the program will no longer be revolving.

Sec. 26 & 27. AS45.98.010. These sections provide that after June 30, 1989, the historical district revolving loan fund will no longer be revolving.

Sec. 28. AS45.98.030. This section makes technical amendments in light of the repeal of the lending authority under this program.

Sec. 29. Repealers effective upon implementation of the bill:

AS 16.10.320(b); commercial fishing obsolete provisions

AS 16.10.520(c); Salmon enhancement - provisions moved to AS 16.10.518(a).

AS 16.10.520(e); Salmon enhancement - loan limits now clarified in sections 6 & 7 of the bill.

AS 16.10.540; Salmon enhancement - repeals voluntary assessment as collateral.

AS 26.15; Veterans loans - repeals lending authority.

- AS 41.30; Area redevelopment - repeals redevelopment loan program administered through Alaska State Development Corporation.
- AS 41.98; Outdoor recreational - repeals lending authority.
- AS 44.33.020(b); Repeals the general power of DCED to make veteran's loans.
- AS 44.33; Child care - repeals lending authority.
- AS 45.88; Alternative energy - repeals lending authority.
- AS 45.89; Residential energy conservation - repeals lending authority.
- AS 45.90; Tourism - repeals lending authority.
- AS 45.92; Fisheries product revolving loan guarantee program - repeals the program.
- AS 45.94; Forest products business loan guarantee program - repeals the program.
- AS 45.95; Small business - repeals lending authority.
- AS 45.98 Historical districts - repeals lending authority.
- SEC. 3 & 4, ch.  
156 SLA 1984; Repeals the continuing appropriations from the revolving loan funds after their repeal.

Sec. 30. Repealers effective July 1, 1988:

- AS 26.15.090; Veteran's revolving fund.
- AS 26.15.095; Foreclosure expense account of veteran's revolving fund.
- AS 44.33.240,242; Child care revolving loan fund.
- AS 45.88; Alternative energy revolving loan fund.
- AS 45.89; Residential energy conservation fund.
- AS 45.90.015; Foreclosure expense account in tourism revolving loan fund.
- AS 45.95; Small business revolving loan fund.

AS 45.98.015; Foreclosure expense account in the  
historical district revolving loan fund.

Sec. 31 & 32 are the effective dates.

LETTER OF INTENT  
P 3 L 4-8

go0737X  
Chenoweth  
3/4/88

Original sponsor: Rules/Governor

P 4 L 20-21 OL

1 IN THE HOUSE

BY THE LABOR AND  
COMMERCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 185 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act repealing certain state loan programs and  
7 provisions of certain state loan programs; creating a  
8 special foreclosure expense account; making miscella-  
9 neous changes to the fisheries enhancement loan  
10 program, the Alaska World War II veterans' loan  
11 program, the mining loan program, the outdoor  
12 recreational, open space, and historic properties  
13 development program, the child care facility loan  
14 program, the alternative energy revolving loan pro-  
15 gram, the residential energy conservation program,  
16 the tourism revolving loan program, the small busi-  
17 ness revolving loan program, and the historical  
18 district revolving loan program; and providing for an  
19 effective date."

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

21 \* Section 1. AS 16.10.500 is amended to read:

22 ARTICLE 9. SALMON [FISHERIES] ENHANCEMENT LOAN PROGRAM.

23 Sec. 16.10.500. DECLARATION OF POLICY. It is the policy of the  
24 state, under AS 16.10.500 - 16.10.560, to promote the enhancement of  
25 the state's salmon fisheries by means of grants for organizational and  
26 planning purposes to regional associations described in AS 16.10.510  
27 which have qualified under AS 16.10.380, and by means of long-term,  
28 low interest loans for hatchery planning, construction, and operation  
29 [AND FOR PLANNING AND IMPLEMENTATION OF ENHANCEMENT AND REHABILITATION

1 ACTIVITIES INCLUDING, BUT NOT LIMITED TO, LAKE FERTILIZATION AND  
2 HABITAT IMPROVEMENT).

3 \* Sec. 2. AS 16.10.505 is amended to read:

4 Sec. 16.10.505. SALMON [FISHERIES] ENHANCEMENT REVOLVING LOAN  
5 FUND. There is created within the Department of Commerce and Economic  
6 Development a revolving loan fund to be known as the salmon [FISHER-  
7 *TYPO* IES] enhancement revolving loan fund. The fund shall be used to carry  
8 out the purposes of AS 16.10.500 - 16.10.560 and for no other purpose.  
9 All principal and interest payments and all money chargeable to prin-  
10 cipal or interest that is collected through liquidation by foreclosure  
11 or other process on loans made under AS 16.10.500 - 16.10.620, shall  
12 be paid into the salmon enhancement revolving loan fund.

13 \* Sec. 3. AS 16.10.507(a) is amended to read:

14 (a) There is established as a special account within the salmon  
15 [FISHERIES] enhancement revolving loan fund the foreclosure expense  
16 account. This account is established as a reserve from fund equity.

17 \* Sec. 4. AS 16.10.510 is repealed and reenacted to read:

18 Sec. 16.10.510. POWERS AND DUTIES OF THE DEPARTMENT. The  
19 department may

20 (1) make loans to permit holders, qualified under AS 16.-  
21 10.400 - 16.10.475, for the preconstruction activities, construction,  
22 and operation of salmon hatchery facilities;

23 (2) make loans for preconstruction activities necessary to  
24 obtain a salmon hatchery permit under AS 16.10.400 - 16.10.475;

25 (3) designate agents and delegate powers to them as neces-  
26 sary;

27 (4) adopt regulations necessary to carry out its functions;

28 (5) establish loan terms;

29 (6) establish regional and local offices and advisory

1 groups to carry out, or assist in carrying out, the duties and author-  
2 ity of the department;

3 (7) make grants for organizational and planning purposes to  
4 qualified regional associations that have formed a nonprofit corpora-  
5 tion, in amounts not exceeding \$100,000 per region;

6 (8) make grants to qualified regional associations that  
7 have formed nonprofit corporations in amounts not exceeding the  
8 amounts appropriated by the legislature from salmon enhancement taxes  
9 collected under AS 43.76.010 and 43.76.011.

10 \* Sec. 5. AS 16.10 is amended by adding new sections to read:

11 Sec. 16.10.515. LOAN ELIGIBILITY. (a) In order to be eligible  
12 for a salmon hatchery preconstruction loan, the applicant must be a  
13 nonprofit corporation whose permit application under AS 16.10.400 -  
14 16.10.475 has been accepted or approved by the Department of Fish and  
15 Game.

16 (b) In order to be eligible for a salmon hatchery construction  
17 or operation loan, the applicant must be a nonprofit corporation and  
18 hold a permit under AS 16.10.400 - 16.10.475 for the project for which  
19 funding is requested.

20 Sec. 16.10.518. LOAN TERMS. (a) All loans shall be secured by  
21 collateral satisfactory to the department, including a first deed of  
22 trust, an assignment of lease and leasehold improvements, an assign-  
23 ment of future revenue from the sale of aquaculture products, or tax  
24 assessments from fishermen collected under AS 43.76.

25 (b) The interest rate on loans made under AS 16.10.500 - 16.-  
26 10.560 is nine and one-half percent a year.

27 (c) The maximum loan term is 30 years.

28 \* Sec. 6. AS 16.10.520(a) is repealed and reenacted to read:

29 (a) The total of all loans for a single salmon hatchery made to

1 a regional aquaculture association or to a nonprofit corporation whose  
2 hatchery project has been approved by a regional aquaculture associa-  
3 tion may not exceed \$10,000,000 in a single fiscal year.

4 \* Sec. 7. AS 16.10.520(b) is repealed and reenacted to read:

5 (b) The total of all loans for a single salmon hatchery made to  
6 a nonprofit corporation not approved by a regional aquaculture asso-  
7 ciation may not exceed \$1,000,000 in a single fiscal year.

8 \* Sec. 8. AS 16.10.560 is amended to read:

9 Sec. 16.10.560. DEFINITIONS. In AS 16.10.500 - 16.10.560

10 (1) "commissioner" means the commissioner of commerce and  
11 economic development;

12 (2) "department" means the Department of Commerce and  
13 Economic Development;

14 (3) "regional aquaculture association" means an association  
15 that has been certified by the commissioner of fish and game as qual-  
16 ified under AS 16.10.380;

17 (4) "salmon hatchery" means a private, nonprofit facility,  
18 holding a permit under AS 16.10.400 - 16.10.475, for the artificial  
19 incubation of salmon eggs, which may include means for the rearing of  
20 juvenile salmon, for release in the natural waters of the state for  
21 common use.

22 \* Sec. 9. AS 26.15.040(d) is amended to read:

23 (d) [MONEY LOANED SHALL BE DELIVERED TO THE BORROWER IN THE FORM  
24 OF A WARRANT DRAWN ON THE TREASURY, VOUCHERED IN THE MANNER PRESCRIBED  
25 FOR STATE DISBURSING OFFICERS, AND CHARGED AGAINST THE ALASKA WORLD  
26 WAR II VETERANS' REVOLVING FUND. EACH VOUCHER SHALL BE APPROVED BY  
27 THE COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT OR ANY BONDED  
28 DEPUTY AUTHORIZED TO ACT AS A CERTIFYING OFFICER.] Upon repayment of  
29 loans by installments, or otherwise, in accordance with the prescribed

1 terms, or upon liquidation by foreclosure or other process, or upon  
2 receipt of interest [OR OTHER REVENUE], the money so received shall be  
3 turned over to the commissioner of revenue for deposit in the Alaska  
4 World War II veterans' revolving fund.

5 \* Sec. 10. AS 26.15.040(d) is repealed and reenacted to read:

6 (d) Upon repayment of loans by installments, or otherwise, in  
7 accordance with the prescribed terms, or upon liquidation by foreclo-  
8 sure or other process, or upon receipt of interest, the money so  
9 received shall be turned over to the commissioner of revenue for  
10 deposit in the general fund.

11 \* Sec. 11. AS 26.15.040(e) is amended to read:

12 (e) If a loan made under the veterans' loan program [(a)(3) OF  
13 THIS SECTION] is assigned by the borrower or if the real property that  
14 secures a loan made under the veterans' loan program [FORMER (a)(2) OR  
15 UNDER (a)(4) OF THIS SECTION] is transferred by the borrower, the  
16 commissioner of commerce and economic development shall allow the  
17 assignee or transferee to assume the outstanding indebtedness on the  
18 loan unless the commissioner determines in writing that the credit of  
19 the assignee or transferee is not satisfactory to assure repayment of  
20 the loan. The assignee or transferee may assume the outstanding  
21 indebtedness on the loan at the existing interest rate on the loan.  
22 An assignee or transferee is eligible for more than one type of loan,  
23 but the total may not exceed \$125,000 at any one time.

24 \* Sec. 12. AS 27.09.010(b) is repealed and reenacted to read:

25 (b) The mining loan fund is a revolving loan fund. Upon repay-  
26 ment of loans by installments, or otherwise, in accordance with the  
27 prescribed terms, or upon liquidation by foreclosure or other process,  
28 or upon receipt of interest, the money so received shall be deposited  
29 in the mining loan fund.

1 \* Sec. 13. AS 41.98.175(a) is amended to read:

2 (a) In addition to uses of fund money authorized in AS 41.98.-  
3 170, money of the fund shall be used [UTILIZED] to make grants to  
4 municipalities of up to one-half the nonfederal share of costs of  
5 projects described in AS 41.98.170 which are initiated by a municipal-  
6 ity [, AND LOANS OF AMOUNTS NECESSARY TO ENABLE MUNICIPALITIES TO MAKE  
7 OPTION PAYMENTS ON PARKS AND OPEN SPACE LAND FOR THE ACQUISITION OF  
8 WHICH FEDERAL FUNDS ARE ANTICIPATED].

9 \* Sec. 14. AS 44.33 is amended by adding a new section to read:

10 Sec. 44.33.024. SPECIAL ACCOUNT ESTABLISHED. There is estab-  
11 lished as a special account, administered by the Department of Com-  
12 merce and Economic Development, the foreclosure expense account. The  
13 department may expend money appropriated to the foreclosure expense  
14 account when necessary to protect the state's security interest in  
15 collateral on loans made by the department, or to defray expenses  
16 incurred during foreclosure proceedings after a default by an obligor.

17 \* Sec. 15. AS 44.33.245(a) is amended to read:

18 (a) The department may

19 [(1) MAKE LOANS FOR THE CONSTRUCTION, RENOVATION, AND  
20 EQUIPPING OF CHILD CARE FACILITIES, INCLUDING PRIVATE NONPROFIT CHILD  
21 CARE FACILITIES;

22 (2)] adopt regulations necessary to carry out the pro-  
23 visions of AS 44.33.240 - 44.33.275.

24 \* Sec. 16. AS 44.33.255(d) is amended to read:

25 (d) All principal and interest payments, and all money charge-  
26 able to principal or interest that is collected through liquidation by  
27 foreclosure or other process on loans made under AS 44.33.240 - 44.-  
28 33.275, shall be paid into the child care facility revolving loan  
29 fund.

1 \* Sec. 17. AS 44.33.255(d) is repealed and reenacted to read:

2 (d) All principal and interest payments, and all money charge-  
3 able to principal or interest that is collected through liquidation by  
4 foreclosure or other process on loans made under AS 44.33.240 - 44.-  
5 33.275, shall be paid into the general fund.

6 \* Sec. 18. AS 45.88.030(d) is amended to read:

7 (d) Upon repayment of loans by installments, or otherwise, in  
8 accordance with the prescribed terms, or upon liquidation by foreclo-  
9 sure or other process, or upon receipt of interest, the money so  
10 received [ALL PRINCIPAL AND INTEREST PAYMENTS ON LOANS MADE UNDER THIS  
11 CHAPTER] shall be paid into the alternative energy revolving loan  
12 fund.

13 \* Sec. 19. AS 45.88.030(d) is repealed and reenacted to read:

14 (d) Upon repayment of loans by installments, or otherwise, in  
15 accordance with the prescribed terms, or upon liquidation by foreclo-  
16 sure or other process, or upon receipt of interest, the money so  
17 received shall be paid into the general fund.

18 \* Sec. 20. AS 45.89.030(h) is amended to read:

19 (h) Upon repayment of loans by installments, or otherwise, in  
20 accordance with the prescribed terms, or upon liquidation by foreclo-  
21 sure or other process, or upon receipt of interest, the money so  
22 received [AMOUNTS REPAID ON A LOAN MADE UNDER THIS SECTION] shall be  
23 deposited to the residential energy conservation fund.

24 \* Sec. 21. AS 45.89.030(h) is repealed and reenacted to read:

25 (h) Upon repayment of loans by installments, or otherwise, in  
26 accordance with the prescribed terms, or upon liquidation by foreclo-  
27 sure or other process, or upon receipt of interest, the money so  
28 received shall be deposited to the general fund.

29 \* Sec. 22. AS 45.90.010 is amended to read:

1           Sec. 45.90.010. CREATION OF A TOURISM REVOLVING FUND. There is  
2 created in the Department of Commerce and Economic Development a  
3 tourism revolving fund. All principal and interest payments, and all  
4 money chargeable to principal or interest that is collected through  
5 liquidation by foreclosure or other process on loans made under this  
6 chapter, shall be paid into the tourism revolving fund.

7 \* Sec. 23. AS 45.90.010 is repealed and reenacted to read:

8           Sec. 45.90.010. LOAN REPAYMENTS. All principal and interest  
9 payments, and all money chargeable to principal or interest that is  
10 collected through liquidation by foreclosure or other process on loans  
11 made under this chapter, shall be paid into the general fund.

12 \* Sec. 24. AS 45.95.020(d) is amended to read:

13           (d) [MONEY LOANED SHALL BE DELIVERED TO THE BORROWER IN THE FORM  
14 OF A WARRANT DRAWN ON THE TREASURY, VOUCHERED IN THE MANNER PRESCRIBED  
15 FOR STATE DISBURSING OFFICERS, AND CHARGED AGAINST THE SMALL BUSINESS  
16 REVOLVING LOAN FUND. EACH VOUCHER SHALL BE APPROVED BY THE COMMIS-  
17 SIONER OR ANY BONDED DEPUTY AUTHORIZED TO ACT AS A CERTIFYING OFFI-  
18 CER.] Upon repayment of loans by installments, or otherwise, in  
19 accordance with the prescribed terms, or upon liquidation by foreclo-  
20 sure or other process, or upon receipt of interest [OR OTHER REVENUE],  
21 the money so received shall be turned over to the commissioner of  
22 revenue for deposit in the small business revolving loan fund.

23 \* Sec. 25. AS 45.95.020(d) is repealed to reenacted to read:

24           (d) Upon repayment of loans by installments, or otherwise, in  
25 accordance with the prescribed terms, or upon liquidation by foreclo-  
26 sure or other process, or upon receipt of interest, the money so  
27 received shall be turned over to the commissioner of revenue for  
28 deposit in the general fund.

29 \* Sec. 26. AS 45.98.010 is amended to read:

1           Sec. 45.98.010. CREATION OF HISTORICAL DISTRICT REVOLVING LOAN  
2 FUND. There is created in the Department of Commerce and Economic  
3 Development a historical district revolving loan fund. Upon repayment  
4 of loans made under this chapter by installments, or otherwise, in  
5 accordance with the prescribed terms, or upon liquidation by foreclo-  
6 sure or other process, or upon receipt of interest, the money so  
7 received shall be deposited to the historical district revolving loan  
8 fund.

9 \* Sec. 27. AS 45.98.010 is repealed and reenacted to read:

10           Sec. 45.98.010. LOAN REPAYMENTS. Upon repayment of loans made  
11 under this chapter by installments, or otherwise, in accordance with  
12 the prescribed terms, or upon liquidation by foreclosure or other  
13 process, or upon receipt of interest, the money so received shall be  
14 deposited to the general fund.

15 \* Sec. 28. AS 45.98.030 is amended to read:

16           Sec. 45.98.030. POWERS AND DUTIES OF THE DEPARTMENT. For pur-  
17 poses of administering this chapter, the Department of Commerce and  
18 Economic Development may

19           (1) [PRESCRIBE THE FORM AND PROCEDURE FOR SUBMITTING LOAN  
20 APPLICATIONS UNDER THIS CHAPTER;

21           (2)] designate agents and delegate powers to them as is  
22 necessary;

23           (2) [(3) IN CONSULTATION WITH THE HISTORIC SITES ADVISORY  
24 COMMITTEE,] adopt regulations necessary to carry out its functions [,  
25 INCLUDING REGULATIONS FOR THE PROCESS OF PLAN APPROVAL BY THE COMMIT-  
26 TEE];

27           (3) [(4)] establish amortization plans for the repayment of  
28 loans not to exceed 30 years.

29 \* Sec. 29. AS 16.10.320(b), 16.10.520(c), 16.10.520(e), 16.10.540;

1 AS 26.15.010(b), 26.15.010(c), 26.15.030(c)(6), 26.15.030(c)(7), 26.15.-  
2 040(a), 26.15.040(b), 26.15.040(c), 26.15.050, 26.15.060, 26.15.130, 26.-  
3 15.140, 26.15.160; AS 41.30; AS 41.98.175(b), 41.98.175(c); AS 44.33.-  
4 020(5), 44.33.245(b), 44.33.255(a), 44.33.255(b), 44.33.255(c), 44.33.260;  
5 AS 45.88.020(a)(1), 45.88.020(b), 45.88.020(c), 45.88.030(a), 45.88.030(b),  
6 45.88.030(c), 45.88.030(e), 45.88.500; AS 45.89.030(a), 45.89.030(b),  
7 45.89.030(c), 45.89.030(d), 45.89.030(e), 45.89.030(f), 45.89.030(g),  
8 45.89.030(i), 45.89.030(j), 45.89.030(k), 45.89.500(3), 45.89.500(4);  
9 AS 45.90.020(a)(1), 45.90.020(a)(4), 45.90.020(b), 45.90.030; AS 45.92;  
10 AS 45.94; AS 45.95.010(b), 45.95.010(c), 45.95.020(a), 45.95.020(e), 45.-  
11 95.030, 45.95.070; AS 45.98.020, 45.98.040(1), 45.98.040(2), 45.98.040(3),  
12 45.98.040(4); and secs. 3 - 4, ch. 156, SLA 1984, are repealed.

13 \* Sec. 30. AS 26.15.090, 26.15.095; AS 44.33.240, 44.33.242; AS 45.-  
14 88.010, 45.88.015; AS 45.89.010, 45.89.015; AS 45.90.015; AS 45.95.060,  
15 45.95.065; and AS 45.98.015 are repealed.

16 \* Sec. 31. Sections 1 - 9, 11 - 13, 15, 16, 18, 20, 22, 24, 26, 28, and  
17 29 of this Act take effect immediately under AS 01.10.070(c).

18 \* Sec. 32. Sections 10, 14, 17, 19, 21, 23, 25, 27, and 30 of this Act  
19 take effect July 1, 1989.

go0737X  
Chenoweth  
3/3/88

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE LABOR AND  
COMMERCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 185 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act repealing certain state loan programs and  
7 provisions of certain state loan programs, creating a  
8 special foreclosure expense account; making miscella-  
9 neous changes to the commercial fishing loan program,  
10 the fisheries enhancement loan program, the Alaska  
11 World War II veterans' loan program, the outdoor  
12 recreational, open space, and historic properties  
13 development program, the child care facility loan  
14 program, the alternative energy revolving loan pro-  
15 gram, the residential energy conservation program,  
16 the tourism revolving loan program, the small busi-  
17 ness revolving loan program, and the historical  
18 district revolving loan program; amending provisions  
19 of law authorizing termination of the salmon enhance-  
20 ment tax; and providing for an effective date."

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

22 \* Section 1. AS 16.10.335(a) is amended to read:

23 (a) Except as otherwise provided in (f) of this section, if [IF]  
24 the debtor defaults upon a note for which a limited entry permit has  
25 been pledged as security under AS 16.10.333 or 16.10.338, the commis-  
26 sioner shall provide the debtor, by both certified and first class  
27 mail sent to the debtor's last known address on file with the commis-  
28 sioner, with a notice of default that includes

29 (1) a description of the security given for the note

1 including the number assigned to the pledged permit by the commission;

2 (2) the date upon which the default occurred;

3 (3) the amount of arrearages as of the date of the notice,  
4 the total amount remaining on the note less unearned interest, and the  
5 amount of daily interest;

6 (4) a statement that the debtor may, within 15 days after  
7 the postmark date of the notice, request a hearing to submit evidence  
8 showing the debtor has not defaulted;

9 (5) a statement that the note may be reinstated if brought  
10 current within 60 days after the postmark date of the notice;

11 (6) a statement that the note may be paid in full less  
12 unearned interest within 120 days after the postmark date of the  
13 notice;

14 (7) the place where reinstatement or payment in full may be  
15 made; and

16 (8) a notice in at least 10-point bold type stating:  
17 "IMPORTANT: YOUR FAILURE TO REINSTATE OR PAY THIS NOTE IN FULL BY THE  
18 DATE SPECIFIED WILL RESULT IN A FORFEITURE OF ALL RIGHTS TO THE PERMIT  
19 AND THE POSSIBILITY OF LEGAL ACTION BEING INSTITUTED AGAINST YOU."

20 \* Sec. 2. AS 16.10.335 is amended by adding a new subsection to read:

21 (f) Notwithstanding (a) of this section, unless otherwise order-  
22 ed by the bankruptcy court, upon the discharge in bankruptcy of the  
23 debtor, the debtor's interest in the limited entry permit is termi-  
24 nated by operation of law without further notice. The commission  
25 shall immediately cancel an entry permit card issued to the debtor  
26 under the permit upon receipt by the commission of a certificate of  
27 terminatio.. containing a copy of the notice of discharge.

28 \* Sec. 3. AS 16.10.500 is amended to read:

29 ARTICLE 9. SALMON [FISHERIES] ENHANCEMENT LOAN PROGRAM.

1           Sec. 16.10.500.   DECLARATION OF POLICY.  It is the policy of the  
2 state, under AS 16.10.500 - 16.10.560, to promote the enhancement of  
3 the state's salmon fisheries by means of grants for organizational and  
4 planning purposes to regional associations described in AS 16.10.510  
5 which have qualified under AS 16.10.380, and by means of long-term,  
6 low interest loans for hatchery planning, construction, and operation  
7 [AND FOR PLANNING AND IMPLEMENTATION OF ENHANCEMENT AND REHABILITATION  
8 ACTIVITIES INCLUDING, BUT NOT LIMITED TO, LAKE FERTILIZATION AND  
9 HABITAT IMPROVEMENT].

10 \* Sec. 4.  AS 16.10.505 is amended to read:

11           Sec. 16.10.505.   SALMON [FISHERIES] ENHANCEMENT REVOLVING LOAN  
12 FUND.  There is created within the Department of Commerce and Economic  
13 Development a revolving loan fund to be known as the salmon [FISHER-  
14 IES] enhancement revolving loan fund.  The fund shall be used to carry  
15 out the purposes of AS 16.10.500 - 16.10.560 and for no other purpose.  
16 All principal and interest payments and all money chargeable to prin-  
17 cipal or interest that is collected through liquidation by foreclosure  
18 or other process on loans made under AS 16.10.500 - 16.10.620. shall  
19 be paid into the salmon enhancement revolving loan fund.

20 \* Sec. 5.  AS 16.10.507(a) is amended to read:

21           (a)  There is established as a special account within the salmon  
22 [FISHERIES] enhancement revolving loan fund the foreclosure expense  
23 account.  This account is established as a reserve from fund equity.

24 \* Sec. 6.  AS 16.10.510 is repealed and reenacted to read:

25           Sec. 16.10.510.   POWERS AND DUTIES OF THE DEPARTMENT.  The  
26 department may

27           (1)  make loans to permit holders, qualified under AS 16.10.  
28 16.10.475, for the preconstruction activities, construction, and  
29 operation of salmon hatchery facilities;

1 (2) make loans for preconstruction activities necessary to  
2 obtain a salmon hatchery permit under AS 16.10.400 - 16.10.475;

3 (3) designate agents and delegate powers to them as neces-  
4 sary;

5 (4) adopt regulations necessary to carry out its functions;

6 (5) establish loan terms;

7 (6) establish regional and local offices and advisory  
8 groups to carry out, or assist in carrying out, the duties and author-  
9 ity of the department;

10 (7) make grants for organizational and planning purposes to  
11 qualified regional associations that have formed a nonprofit corpora-  
12 tion, in amounts not exceeding \$100,000 per region;

13 (8) make grants to qualified regional associations that  
14 have formed nonprofit corporations in amounts not exceeding the  
15 amounts appropriated by the legislature from salmon enhancement taxes  
16 collected under AS 43.76.010 and 43.76.011.

17 \* Sec. 7. AS 16.10 is amended by adding new sections to read:

18 Sec. 16.10.515. LOAN ELIGIBILITY. (a) In order to be eligible  
19 for a salmon hatchery preconstruction loan, the applicant must be a  
20 nonprofit corporation whose permit application under AS 16.10.400 -  
21 16.10.475 has been accepted or approved by the Department of Fish and  
22 Game.

23 (b) In order to be eligible for a salmon hatchery construction  
24 or operation loan, the applicant must be a nonprofit corporation and  
25 hold a permit under AS 16.10.400 - 16.10.475 for the project for which  
26 funding is requested.

27 Sec. 16.10.518. LOAN TERMS. (a) All loans shall be secured by  
28 collateral satisfactory to the department, including a first deed of  
29 trust, an assignment of lease and leasehold improvements, an

1 assignment of future revenue from the sale of aquaculture products, or  
2 tax assessments from fishermen collected under AS 43.76.

3 (b) The interest rate on loans made under AS 16.10.500 - 16.-  
4 10.560 is nine and one-half percent a year.

5 (c) The maximum loan term is 30 years.

6 \* Sec. 8. AS 16.10.520(a) is repealed and reenacted to read:

7 (a) The total of all loans for a single salmon hatchery made to  
8 a regional aquaculture association or to a nonprofit corporation whose  
9 hatchery project has been approved by a regional aquaculture associa-  
10 tion may not exceed \$10,000,000 in a single fiscal year.

11 \* Sec. 9. AS 16.10.520(b) is repealed and reenacted to read:

12 (b) The total of all loans for a single salmon hatchery made to  
13 a nonprofit corporation not approved by a regional aquaculture asso-  
14 ciation may not exceed \$1,000,000 in a single fiscal year.

15 \* Sec. 10. AS 16.10.560 is amended to read:

16 Sec. 16.10.560. DEFINITIONS. In AS 16.10.500 - 16.10.560

17 (1) "commissioner" means the commissioner of commerce and  
18 economic development;

19 (2) "department" means the Department of Commerce and  
20 Economic Development;

21 (3) "regional aquaculture association" means an association  
22 that has been certified by the commissioner of fish and game as qual-  
23 ified under AS 16.10.380;

24 (4) "salmon hatchery" means a private, nonprofit facility,  
25 holding a permit under AS 16.10.400 - 16.10.475, for the artificial  
26 incubation of salmon eggs, which may include means for the rearing of  
27 juvenile salmon, for release in the natural waters of the state for  
28 common use.

29 \* Sec. 11. AS 26.15.040(d) is amended to read:

1 (d) [MONEY LOANED SHALL BE DELIVERED TO THE BORROWER IN THE FORM  
2 OF A WARRANT DRAWN ON THE TREASURY, VOUCHERED IN THE MANNER PRESCRIBED  
3 FOR STATE DISBURSING OFFICERS, AND CHARGED AGAINST THE ALASKA WORLD  
4 WAR II VETERANS' REVOLVING FUND. EACH VOUCHER SHALL BE APPROVED BY  
5 THE COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT OR ANY BONDED  
6 DEPUTY AUTHORIZED TO ACT AS A CERTIFYING OFFICER.] Upon repayment of  
7 loans by installments, or otherwise, in accordance with the prescribed  
8 terms, or upon liquidation by foreclosure or other process, or upon  
9 receipt of interest [OR OTHER REVENUE], the money so received shall be  
10 turned over to the commissioner of revenue for deposit in the Alaska  
11 World War II veterans' revolving fund.

12 \* Sec. 12. AS 26.15.040(d) is repealed and reenacted to read:

13 (d) Upon repayment of loans by installments, or otherwise, in  
14 accordance with the prescribed terms, or upon liquidation by foreclo-  
15 sure or other process, or upon receipt of interest, the money so  
16 received shall be turned over to the commissioner of revenue for  
17 deposit in the general fund.

18 \* Sec. 13. AS 26.15.040(e) is amended to read:

19 (e) If a loan made under the veterans' loan program [(a)(3) OF  
20 THIS SECTION] is assigned by the borrower or if the real property that  
21 secures a loan made under the veterans' loan program [FORMER (a)(2) OR  
22 UNDER (a)(4) OF THIS SECTION] is transferred by the borrower, the  
23 commissioner of commerce and economic development shall allow the  
24 assignee or transferee to assume the outstanding indebtedness on the  
25 loan unless the commissioner determines in writing that the credit of  
26 the assignee or transferee is not satisfactory to assure repayment of  
27 the loan. The assignee or transferee may assume the outstanding  
28 indebtedness on the loan at the existing interest rate on the loan.  
29 An assignee or transferee is eligible for more than one type of loan.

1 but the total may not exceed \$125,000 at any one time.

2 \* Sec. 14. AS 41.98.175(a) is amended to read:

3 (a) In addition to uses of fund money authorized in AS 41.98.-  
4 170, money of the fund shall be used [UTILIZED] to make grants to  
5 municipalities of up to one-half the nonfederal share of costs of  
6 projects described in AS 41.98.170 which are initiated by a municipal-  
7 ity [, AND LOANS OF AMOUNTS NECESSARY TO ENABLE MUNICIPALITIES TO MAKE  
8 OPTION PAYMENTS ON PARKS AND OPEN SPACE LAND FOR THE ACQUISITION OF  
9 WHICH FEDERAL FUNDS ARE ANTICIPATED].

10 \* Sec. 15. ~~AS 43.76.020(b) is amended to read:~~

11 (b) A salmon enhancement tax shall be terminated by the commis-  
12 sioner of revenue under (a) of this section following an election in a  
13 region if

14 (1) a petition is presented to the commissioner of commerce  
15 and economic development requesting termination of the salmon enhance-  
16 ment tax which is signed by at least 25 percent of the number of  
17 persons who voted under AS 43.76.015 in the election approving the  
18 salmon enhancement tax in the region;

19 ~~(2) the commissioner of commerce and economic development~~  
20 ~~determines that there are no outstanding loans to the qualified re-~~  
21 ~~gional association under AS 16.10.510 that are secured by the tax;~~

22 (3) an election is held in accordance with AS 43.76.015;  
23 the ballot shall ask the question whether the salmon enhancement tax  
24 for the region shall be terminated; the ballot shall be worded so that  
25 a "yes" vote is for continuation of the salmon enhancement tax and a  
26 "no" vote is for termination of the salmon enhancement tax;

27 (4) [(3)] a majority of the eligible interim-use permit and  
28 entry permit holders who vote in the election cast a ballot for the  
29 termination of the salmon enhancement tax; and

1           (5) [(4)] the qualified regional association provides  
2 notice of the election in accordance with AS 43.76.015 within two  
3 months after receiving notice from the commissioner of commerce and  
4 economic development that a valid petition under (1) of this sub-  
5 section has been received.

6 \* Sec. 16. AS 44.33 is amended by adding a new section to read:

7           Sec. 44.33.024. SPECIAL ACCOUNT ESTABLISHED. There is estab-  
8 lished as a special account, administered by the Department of Com-  
9 merce and Economic Development, the foreclosure expense account. The  
10 department may expend money appropriated to the foreclosure expense  
11 account when necessary to protect the state's security interest in  
12 collateral on loans made by the department, or to defray expenses  
13 incurred during foreclosure proceedings after a default by an obligor.

14 \* Sec. 17. AS 44.33.245(a) is amended to read:

15           (a) The department may

16                 [(1) MAKE LOANS FOR THE CONSTRUCTION, RENOVATION, AND  
17 EQUIPPING OF CHILD CARE FACILITIES, INCLUDING PRIVATE NONPROFIT CHILD  
18 CARE FACILITIES;

19                 (2)] adopt regulations necessary to carry out the pro-  
20 visions of AS 44.33.240 - 44.33.275.

21 \* Sec. 18. AS 44.33.255(d) is amended to read:

22           (d) All principal and interest payments, and all money charge-  
23 able to principal or interest that is collected through liquidation by  
24 foreclosure or other process on loans made under AS 44.33.240 - 44.-  
25 33.275, shall be paid into the child care facility revolving loan  
26 fund.

27 \* Sec. 19. AS 44.33.255(d) is repealed and reenacted to read:

28           (d) All principal and interest payments, and all money charge-  
29 able to principal or interest that is collected through liquidation by

1 foreclosure or other process on loans made under AS 44.33.240 - 44.-  
2 33.275, shall be paid into the general fund.

3 \* Sec. 20. AS 45.88.030(d) is amended to read:

4 (d) Upon repayment of loans by installments, or otherwise, in  
5 accordance with the prescribed terms, or upon liquidation by foreclo-  
6 sure or other process, or upon receipt of interest, the money so  
7 received [ALL PRINCIPAL AND INTEREST PAYMENTS ON LOANS MADE UNDER THIS  
8 CHAPTER] shall be paid into the alternative energy revolving loan  
9 fund.

10 \* Sec. 21. AS 45.88.030(d) is repealed and reenacted to read:

11 (d) Upon repayment of loans by installments, or otherwise, in  
12 accordance with the prescribed terms, or upon liquidation by foreclo-  
13 sure or other process, or upon receipt of interest, the money so  
14 received shall be paid into the general fund.

15 \* Sec. 22. AS 45.89.030(h) is amended to read:

16 (h) Upon repayment of loans by installments, or otherwise, in  
17 accordance with the prescribed terms, or upon liquidation by foreclo-  
18 sure or other process, or upon receipt of interest, the money so  
19 received [AMOUNTS REPAID ON A LOAN MADE UNDER THIS SECTION] shall be  
20 deposited to the residential energy conservation fund.

21 \* Sec. 23. AS 45.89.030(h) is repealed and reenacted to read:

22 (h) Upon repayment of loans by installments, or otherwise, in  
23 accordance with the prescribed terms, or upon liquidation by foreclo-  
24 sure or other process, or upon receipt of interest, the money so  
25 received shall be deposited to the general fund.

26 \* Sec. 24. AS 45.90.010 is amended to read:

27 Sec. 45.90.010. CREATION OF A TOURISM REVOLVING FUND. There is  
28 created in the Department of Commerce and Economic Development a  
29 tourism revolving fund. All principal and interest payments, and all

1 money chargeable to principal or interest that is collected through  
2 liquidation by foreclosure or other process on loans made under this  
3 chapter, shall be paid into the tourism revolving fund.

4 \* Sec. 25. AS 45.90.010 is repealed and reenacted to read:

5       Sec. 45.90.010. LOAN REPAYMENTS. All principal and interest  
6 payments, and all money chargeable to principal or interest that is  
7 collected through liquidation by foreclosure or other process on loans  
8 made under this chapter, shall be paid into the general fund.

9 \* Sec. 26. AS 45.95.020(d) is amended to read:

10       (d) [MONEY LOANED SHALL BE DELIVERED TO THE BORROWER IN THE FORM  
11 OF A WARRANT DRAWN ON THE TREASURY, VOUCHERED IN THE MANNER PRESCRIBED  
12 FOR STATE DISBURSING OFFICERS, AND CHARGED AGAINST THE SMALL BUSINESS  
13 REVOLVING LOAN FUND. EACH VOUCHER SHALL BE APPROVED BY THE COMMIS-  
14 SIONER OR ANY BONDED DEPUTY AUTHORIZED TO ACT AS A CERTIFYING OFFI-  
15 CER.] Upon repayment of loans by installments, or otherwise, in  
16 accordance with the prescribed terms, or upon liquidation by foreclo-  
17 sure or other process, or upon receipt of interest [OR OTHER REVENUE],  
18 the money so received shall be turned over to the commissioner of  
19 revenue for deposit in the small business revolving loan fund.

20 \* Sec. 27. AS 45.95.020(d) is repealed to reenacted to read:

21       (d) Upon repayment of loans by installments, or otherwise, in  
22 accordance with the prescribed terms, or upon liquidation by foreclo-  
23 sure or other process, or upon receipt of interest, the money so  
24 received shall be turned over to the commissioner of revenue for  
25 deposit in the general fund.

26 \* Sec. 28. AS 45.98.010 is amended to read:

27       Sec. 45.98.010. CREATION OF HISTORICAL DISTRICT REVOLVING LOAN  
28 FUND. There is created in the Department of Commerce and Economic  
29 Development a historical district revolving loan fund. Upon repayment

1 of loans made under this chapter by installments, or otherwise, in  
2 accordance with the prescribed terms, or upon liquidation by foreclo-  
3 sure or other process, or upon receipt of interest, the money so  
4 received shall be deposited to the historical district revolving loan  
5 fund.

6 \* Sec. 29. AS 45.98.010 is repealed and reenacted to read:

7 Sec. 45.98.010. LOAN REPAYMENTS. Upon repayment of loans made  
8 under this chapter by installments, or otherwise, in accordance with  
9 the prescribed terms, or upon liquidation by foreclosure or other  
10 process, or upon receipt of interest, the money so received shall be  
11 deposited to the general fund.

12 \* Sec. 30. AS 45.98.030 is amended to read:

13 Sec. 45.98.030. POWERS AND DUTIES OF THE DEPARTMENT. For pur-  
14 poses of administering this chapter, the Department of Commerce and  
15 Economic Development may

16 (1) [PRESCRIBE THE FORM AND PROCEDURE FOR SUBMITTING LOAN  
17 APPLICATIONS UNDER THIS CHAPTER;

18 (2)] designate agents and delegate powers to them as is  
19 necessary;

20 (2) [(3) IN CONSULTATION WITH THE HISTORIC SITES ADVISORY  
21 COMMITTEE,] adopt regulations necessary to carry out its functions [,  
22 INCLUDING REGULATIONS FOR THE PROCESS OF PLAN APPROVAL BY THE COMMIT-  
23 TEE];

24 (3) [(4)] establish amortization plans for the repayment of  
25 loans not to exceed 30 years.

26 \* Sec. 31. AS 16.10.320(b), 16.10.520(c), 16.10.520(e), 16.10.540;  
27 AS 26.15.010(b), 26.15.010(c), 26.15.030(c)(6), 26.15.030(c)(7), 26.15.-  
28 040(a), 26.15.040(b), 26.15.040(c), 26.15.050, 26.15.060, 26.15.130, 26.-  
29 15.140, 26.15.160; AS 41.30; AS 41.98.175(b), 41.98.175(c);

1 AS 44.33.020(5), 44.33.245(b), 44.33.255(a), 44.33.255(b), 44.33.255(c),  
2 44.33.260; AS 45.88.020(a)(1), 45.88.020(b), 45.88.020(c), 45.88.030(a),  
3 45.88.030(b), 45.88.030(c), 45.88.030(e), 45.88.500; AS 45.89.030(a),  
4 45.89.030(b), 45.89.030(c), 45.89.030(d), 45.89.030(e), 45.89.030(f),  
5 45.89.030(g), 45.89.030(i), 45.89.030(j), 45.89.030(k), 45.89.500(3),  
6 45.89.500(4); AS 45.90.020(a)(1), 45.90.020(a)(4), 45.90.020(b), 45.90.030;  
7 AS 45.92; AS 45.94; AS 45.95.010(b), 45.95.010(c), 45.95.020(a), 45.95.-  
8 020(e), 45.95.030, 45.95.070; AS 45.98.020, 45.98.040(1), 45.98.040(2),  
9 45.98.040(3), 45.98.040(4); and secs. 3 and 4, ch. 156, SLA 1984, are re-  
10 pealed.

11 \* Sec. 32. AS 26.15.090, 26.15.095; AS 44.33.240, 44.33.242; AS 45.-  
12 88.010, 45.88.015; AS 45.89.010, 45.89.015; AS 45.90.015; AS 45.95.060,  
13 45.95.065; and AS 45.98.015 are repealed.

14 \* Sec. 33. Sections 1 - 11, 13 - 15, 17, 18, 20, 22, 24, 26, 28, 30,  
15 and 31 of this Act take effect immediately under AS 01.10.070(c).

16 \* Sec. 34. Sections 12, 16, 19, 21, 23, 25, 27, 29, and 32 of this Act  
17 take effect July 1, 1989.



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

statutes for clarity. It also amends the statutes to make it clear that they apply only to salmon hatchery projects. Sections 1 and 4 of the bill.

The bill repeals the mandatory six-year deferral on interest and principal contained in AS 16.10.525 (sec. 21 of the bill), but retains the authority to defer interest and principal for up to 10 years. Section 5 of the bill. This will allow earlier repayment requirements if they are considered financially feasible. This will also cure a problem that exists when the department grants a preconstruction loan to assess a proposed project, but the project is then considered unfeasible. Despite the fact that no project ever is built in such a case, the state currently cannot collect on its preconstruction loan, nor charge interest, for at least six years.

The bill also changes the statutory loan limits. At present, these limits are ambiguous. See 1986 Inf. Op. Att'y Gen. (Aug. 13; 663-87-0020). This bill sets loan limits in terms of the total amount that may be loaned for a single project. Sections 6 and 7 of the bill. Also, the bill repeals AS 16.10.540 (sec. 21 of the bill), which specifically authorizes voluntary assessments by fishermen as collateral to repay loans. First, such voluntary assessments represent no real collateral because of their voluntary nature. Second, if the department were to change its position and consider a voluntary assessment as sufficient collateral, proposed AS 16.10.518(a) would permit the use of a voluntary assessment as collateral. Third, current practice is for these organizations to assess fishermen through salmon enhancement taxes under AS 43.76, and the bill approves this practice and recognizes these assessments as valid collateral. Section 5 of the bill.

Finally, the hearing procedure provisions of the Administrative Procedure Act (APA), AS 44.62.330 -- 44.62.630, currently apply to the fisheries enhancement loan program (AS 16.10.500 -- 16.10.620). The reason for this application is unclear, since the 10 other loan programs administered by the Department of Commerce and Economic Development, division of investments and division of accounting and collections, are not subject to the APA. The department has adopted regulations providing for administrative adjudication of loan issues for all of its loan programs, and there is no apparent reason for this particular program to be subject to different rules. This bill amends the APA, by repealing AS 44.62.330(a)(46), to remove that part of the

APA's applicability to the fisheries enhancement program. Section 21 of the bill.

3. Veterans' Revolving Loan Program. AS 26.15 establishes the Alaska veterans' loan program. Originally, the Department of Commerce and Economic Development was authorized to make four types of veterans' loans: personal loans, housing loans, business loans, and multiple dwelling (condominium) loans. AS 26.15.040(a). The authority to make housing loans was repealed in 1980 (sec. 77, ch. 106, SLA 1980), and the same legislation provided that no business loans could be made after July 1, 1981. Sec. 71, ch. 106, SLA 1980. Although the authority to make personal and multiple dwelling loans still exists, neither type of loan has been made since 1982.

At present, there is no money available in the veterans' revolving fund for any additional loans. Only a small amount of money still comes into the fund, since most loans have been transferred to the Alaska Industrial Development Authority (AIDA) or recently sold to the Alaska Housing Finance Corporation (AHFC). Sec. 102, ch. 138, SLA 1986. The money in the revolving fund, in turn, has been reappropriated to the general fund. Sec. 118, ch. 105, SLA 1985; secs. 18 and 23, ch. 129, SLA 1986; secs. 39, 427, and 645, ch. 130, SLA 1986.

This bill repeals all lending authority under the veterans' loan program, but leaves intact those statutes dealing with management and collections (secs. 9, 10 and 21 of the bill). The sentence added to AS 26.15.040(e), limiting the total amount that an assignee of a loan can assume, is taken from AS 26.15.040(c), which is repealed in sec. 21 of the bill.

These repealers and amendments do not affect AHFC veterans' mortgages under AS 18.56.

4. Mining Loans. This bill repeals all lending authority under the mining loan program, but leaves intact those statutes dealing with management and collections (secs. 11, 12, and 21 of the bill). This program has historically had a very high loan default rate and has consequently cost the state a great deal of money. With revenues declining, I do not believe that this program should be continued.

5. Area Redevelopment. AS 41.30 sets up a program for redevelopment loans administered by the Alaska State Development Corporation. This program, and the corporation, are both currently inactive, and there are no outstanding loans.

The entire program is repealed under this bill. Section 21 of the bill.

6. Outdoor Recreational, Open Space, and Historic Properties Development Fund. AS 41.98.170 establishes an outdoor recreational, open space, and historic properties development fund administered by the Department of Natural Resources, division of parks and outdoor recreation. The fund may be used by the state to develop recreational sites and to acquire and preserve historic sites, buildings, and monuments (AS 41.98.170), and for grants and loans to municipalities for similar purposes. AS 41.98.175(a). However, there has been no loan made under this program, and none is anticipated. This bill repeals the lending authority under the program, but leaves the remainder of the program intact. Sections 13 and 21 of the bill.

7. Child Care Facility Revolving Loan Fund. This bill repeals the lending authority for the child care facility program, AS 44.33.240 -- 44.33.275, but still retains the necessary collection statutes. Sections 14, 15, and 21 of the bill.

8. Alternative Energy Revolving Loan Fund. This bill also repeals the lending authority for the alternative energy loan program, AS 45.88. The bill leaves intact those statutes dealing with management and collections. The bill also makes a technical amendment of AS 45.88.030(d), removing reference to "technology" in this subsection consistent with a 1979 amendment to the program (ch. 56, SLA 1979). Sections 16 and 21 of the bill.

9. Residential Energy Conservation Fund. This bill also repeals the lending authority for the residential energy conservation fund, AS 45.89, but leaves intact the statutes dealing with management and collection of existing loans. Sections 17 and 21 of the bill.

10. Tourism Revolving Fund. AS 45.90 provides a statutory scheme for tourism loans. However, in 1980 a session law was enacted to provide that no further loans would be made under the program after July 1, 1981. Sec. 71, ch. 106, SLA 1980. This bill repeals the lending authority statutes of the tourism revolving fund, but leaves intact those provisions of the statutes dealing with on-going management of the loan portfolio. Section 21 of the bill.

11. Fishery Product Revolving Loan Guarantee Fund. AS 45.-92 establishes a fishery product revolving loan guarantee

fund in the Department of Revenue. There is no outstanding loan under this program, and there is no money currently in the fund. This program is inactive, and this bill repeals it. Section 21 of the bill.

12. Forest Products Business Loan Guarantee Program. AS 45.94 establishes a forest products business loan guarantee fund in the Department of Revenue, under a statutory scheme similar to that of the fishery product revolving loan guarantee fund. No money has ever been appropriated to this fund, and it is therefore inactive. This bill repeals this program. Section 21 of the bill.

13. Small Business Loans. AS 45.95 establishes a small business loan program in the Department of Commerce and Economic Development. However, as with the tourism revolving fund, the legislature has prohibited making any further loans under this program. Sec. 71, ch. 106, SLA 1980. This bill repeals the statutory lending authority under this program, but leaves intact the loan management and collection statutes. Sections 18 and 21 of the bill.

14. Historical District Revolving Loan Fund. Finally, the bill repeals the lending authority under the historical district revolving loan fund. Sections 19, 20, and 21 of the bill.

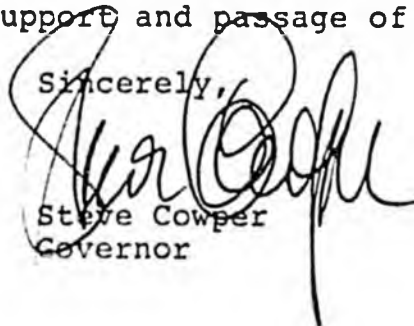
The bill also repeals secs. 3 and 4, ch. 156, SLA 1984, which provide that the balances in the tourism and small business revolving loan funds are appropriated annually to the general fund. Recent court decisions have called into question the validity of continuing appropriations such as these. Therefore, to avoid that question, and because I believe that annual appropriation of these balances would be a better approach, I am recommending the repeal of these continuing appropriations and the substitution of annual appropriations from the revolving funds. Thus, if this bill passes, the following language should be added to the budget bill, HB 75:

\* Sec. \_\_\_\_ . The cash balances of the Alaska World War II veterans' revolving fund (AS 26.15.090), the mining loan fund (AS 27.-09.010), the child care facility revolving loan fund (AS 44.33.240), the alternative energy revolving loan fund (AS 45.88.010), the residential energy conservation fund (AS 45.89.010), the tourism revolving fund (AS 45.90.010), the small business revolving

loan fund (AS 45.95.060), and the historical district revolving loan fund (AS 45.98.010), attributable to loans owned by those funds as of June 30 of the fiscal year, after any appropriations from the funds to the Department of Commerce and Economic Development for operating expenses, are appropriated from those funds to the general fund.

This bill cleans up the state loan statutes. It eliminates defunct loan programs that need not and should not remain in the statutes. I urge your support and passage of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name and title.

Steve Cowper  
Governor

## SECTIONAL ANALYSIS

### CSHB 185 (Fin)

Section 1. AS 16.10.500. The title of the Fisheries Enhancement Loan Program is changed to the Salmon Enhancement Loan Program. Also, this section deletes lending authority for "enhancement and rehabilitation activities," because to lend on these activities is not prudent since they do not produce revenue for debt service or operating costs. These activities can be funded by the regional association's enhancement tax or surplus fish revenues.

Section 2. AS 16.10.505. Clarifies that principal and interest payments received by the Department of Commerce and Economic Development (DCED) are deposited in the revolving loan fund.

Section 3. AS 16.10.507(a). "Fisheries" changed to "salmon".

Section 4. AS 16.10.510. Other than numerous technical changes, the only substantive change in this section is to remove the requirement that a nonprofit corporation be approved by a regional association in order to be eligible to receive a preconstruction loan (AS 16.10.510(2)).

Section 5. AS 16.10.515 and 16.10.518. Adds sections dealing with loan eligibility and loan terms, which are simply a reorganization of existing law for purposes of clarity.

Sections 6 and 7. AS 16.10.520(a) and 16.10.520(b). These sections deal with a recognized ambiguity in the law regarding loan limits. The limits set in this bill are the same as in present law, but the bill clarifies that these limits apply to the total of all loans to a facility in a single fiscal year.

Section 8. AS 16.10.560. Adds definitions for "department" and "regional aquaculture association", and clarifies the definition of "salmon hatchery".

Section 9. AS 26.15.040(d). This section repeals language relating to the procedures to be followed in disbursing veterans' loans. Also, this section is amended to recognize that only principal and interest payments are deposited in the revolving loan fund, and any other revenue must go to the general fund.

Section 10. AS 26.15.040(d). This amends the same statute as the previous section. Under this amendment, which will take effect in FY 89, all payments received under the veterans' loan program will be deposited in the general fund, rather than in the revolving loan fund.

Section 11. AS 26.15.040(e). This section removes a specific statutory cite reference which is repealed later in the bill and

replaces it with a more general reference. The sentence added to AS 26.15.040(e), limiting the total amount that an assignee of a loan can assume, is taken from AS 26.15.040(c), repealed later in the bill.

Section 12. AS 27.09.010(a). Amended to remove the lending authority for the mining loan program.

Section 13. AS 27.09.010(b). Amended to make repayment provisions consistent with other loan programs.

Section 14. AS 27.02.010(b). This amendment, effective in FY 89, provides that money received from mining loan payments will go to the general fund, rather than the revolving fund.

Section 15. AS 27.09.050. This removes the requirement that DCED consult with other experts before adopting regulations. This provision is no longer necessary, because the only authority left under the program will be collection on loans, which is within the expertise of DCED.

Section 16. AS 41.98.175(a). This repeals the lending authority under the outdoor recreational, open space, and historical properties development fund. No loans have been made under this program, and none are anticipated. The bill leaves intact the authority to make grants under this program.

Section 17. AS 44.33.025. This creates a new statute establishing a foreclosure expense account within DCED. Under current law, each revolving loan fund contains a special account, the foreclosure expense account, which is used by the department when necessary to protect the state's interest in collateral. (For example, these funds may be used to bid at foreclosure sales.) With the repeal of the revolving funds at the end of FY 88, the individual foreclosure expense accounts are also repealed. Therefore, this bill creates a new foreclosure expense account, which will be used by the department for all loan programs and will be subject to the appropriation process.

Section 18. AS 44.33.245(a). This section repeals the lending authority under the Child Care Facility Revolving Loan Program.

Section 19. AS 44.33.255(d). This section clarifies that money received through foreclosure which is otherwise chargeable to principal and interest is deposited in the revolving loan fund.

Section 20. AS 44.33.255(d). This section, effective in FY 89, provides that payments received on child care loans will be

deposited in the general fund, rather than the revolving loan fund.

Section 21. AS 45.88.030(d). This section clarifies that payments on loans under the Alternative Energy Revolving Loan Program are deposited in the revolving loan fund.

Section 22. AS 45.88.030(d). This section, effective in FY 89, provides that payments on alternative energy loans thereafter will be deposited in the general fund, rather than the revolving loan fund.

Section 23. AS 45.89.030(h). This section simply adds language to clarify that all revenues from the residential energy conservation loan program are deposited in the revolving loan fund.

Section 24. AS 45.89.030(h). This section then amends the residential energy conservation loan program, effective in FY 89, to provide that revenues under the program are deposited in the general fund, rather than the revolving loan fund.

Section 25. AS 45.90.010. This section adds language clarifying that principal and interest payments on tourism loans are deposited in the revolving loan fund.

Section 26. AS 45.90.010. Effective in FY 89, this section repeals the existence of the tourism revolving fund, and provides that payments on loans made under this program are thereafter deposited in the general fund.

Section 27. AS 45.95.020(d). This section repeals language relating to the procedures to be followed in disbursing small business loans. Also, this section is amended to recognize that only principal and interest payments are deposited in the revolving loan fund, and any other revenue must go to the general fund.

Section 28. AS 45.95.020(d). Effective in FY 89, this section provides that payments on small business loans will be deposited from then on in the general fund.

Section 29. AS 45.96. This section creates an economic development revolving loan fund within DCED. This loan fund is set up as a vehicle for utilization of available federal funds from the United States Economic Development Administration, which under the federal program must be used to make small business

loans in rural areas. No new state money is being requested for this program.

Section 30. AS 45.98.010. This section adds language clarifying that principal and interest payments on historical district loans are deposited in the revolving loan fund.

Section 31. AS 45.98.010. Effective in FY 89, this section repeals the historical district revolving loan fund, and provides that payments on loans made under this program are thereafter deposited in the general fund.

Section 32. AS 45.98.030. This section merely makes technical amendments in light of the repeal of the lending authority under this program.

Section 33. Repealers effective immediately:

- AS 16.10.320(b): Commercial Fishing--repeals obsolete provision.
- AS 16.10.520(c): Salmon Enhancement--provisions moved to AS 16.10.518(a).
- AS 16.10.520(e): Salmon Enhancement--loan limits, now clarified in secs. 6 & 7 of the bill.
- AS 16.10.540: Salmon Enhancement--Repeals voluntary assessments by fishermen as collateral for loans. Voluntary assessments represent no real collateral because of their voluntary nature. Also, current practice is for these organizations to assess fishermen through salmon enhancement taxes under AS 43.76.
- AS 26.15: Veterans' Loans--repeals lending authority.
- AS 27.09: Mining Loans--repeals lending authority.
- AS 41.30: Area Redevelopment--repeals chapter relating to redevelopment loans administered by the Alaska State Development Corporation. This program, and the corporation, are inactive, with no outstanding loans.
- AS 41.98: Outdoor Recreational...--repeals lending authority.

- AS 44.33.020(5): Repeals general power of DCED to make veterans' loans.
- AS 44.33: Child Care--repeals lending authority.
- AS 44.62.330(a)(46): Salmon Enhancement Loan Program removed from Administrative Procedures Act (this change is also contained in the Revisor's bill).
- AS 45.88: Alternative Energy--repeals lending authority.
- AS 45.89: Residential Energy Conservation--repeals lending authority.
- AS 45.90: Tourism--repeals lending authority.
- AS 45.92: Fishery Product Revolving Loan Guarantee Fund--repeals this inactive program, in the Department of Revenue, which has no outstanding loans and no money currently in the fund.
- AS 45.94: Forest Products Business Loan Guarantee Program--repeals this inactive program, in the Department of Revenue. No money has ever been appropriated to this program.
- AS 45.95: Small Business--repeals lending authority.
- AS 45.98: Historical District--repeals lending authority.
- Secs. 3 and 4,  
ch. 156, SLA 1984: Repeals these continuing appropriations from revolving loan funds, no longer necessary with the repeal of the programs.

Section 34. Repealers effective July 1, 1988:

- AS 26.15.090: Veterans' revolving fund
- AS 26.15.095: Foreclosure expense account within veteran's revolving fund.
- AS 27.09.010(a): Mining loan fund.
- AS 27.09.015: Foreclosure expense account within the mining

loan fund.

- AS 27.09.060(5): Definition of "fund" under mining loan program.
- AS 44.33.240: Child care facility revolving loan fund.
- AS 44.33.242: Foreclosure expense account within child care fund.
- AS 45.88.010: Alternative energy revolving loan fund.
- AS 45.88.015: Foreclosure expense account in alternative energy fund.
- AS 45.89.010: Residential energy conservation fund.
- AS 45.89.015: Foreclosure expense account in residential energy fund.
- AS 45.90.015: Foreclosure expense account within tourism revolving loan fund.
- AS 45.95.060: Small business revolving loan fund.
- AS 45.95.065: Foreclosure expense account in small business fund.
- AS 45.98.015: Foreclosure expense account in historical district revolving loan fund.

Secs. 35 & 36: All sections of the bill take effective immediately except for those relating to actual elimination of the loan funds which, for budget reasons, will exist until the end of FY 88 and will be repealed effective July 1, 1988.