

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5517 SSTA SB 113 - SB 148

Economic Impact: N/A.

Impact on Local Government: N/A.

Suggested Amendments: None.

Attachments: Attachment A: "Summary of DP Needs"

Department of Revenue  
Administrative Services Division  
Fiscal Note Analysis  
SB 113  
Summary of Data Processing Requirements  
2/25/87

Wang data entry processing	75.0 hours
Includes:	Data entry Batch lists Corrections Wang to IBM transfer
IBM Update jobs	30.0 hours
Includes:	Edits Batch listings Log sheets
DMS Online programs for lookup and changes	37.5 hours
Nightly Update of Changes	22.5 hours
Warrant Jobs	90.0 hours
Includes:	Printing warrants with different amounts. Include check stub messages. Modify warrant registers as needed for balancing. Create new program(s) for transferring accumulated contributions to the Arctic winter games account, and to account for the reserve necessary due to returned and cancelled PFD warrants.
Miscellaneous	45.0 hours
Includes:	Setting up test files on IBM Systems testing Administrative functions, i.e. paper work required by Admin. DP to add files and programs to tables.
TOTAL HOURS	300.0 hours

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: SB 113

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

REQUEST \_\_\_\_\_

Revision Date: 3/4/87

Title: "An act relating to the Arctic winter games..."

Sponsor: Bennett

Requestor: Senate State Affairs

Agency Affected: Revenue

BRU: Administrative Services

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	21.9	10.7	10.7	10.7	10.7
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	11.0	11.0	11.0	11.0	11.0
SUPPLIES	-	0.2	0.2	0.2	0.2	0.2
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	33.1	21.9	21.9	21.9	21.9
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	33.1	21.9	21.9	21.9	21.9
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	33.1	21.9	21.9	21.9	21.9

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	3	2	2	2	2
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

(See attached)

Prepared By: Ervin B. Jones  
Division: Administrative Services

Phone: 465-2313

Date: 2/25/87 3/4/87

Approved by Commissioner: [Signature]  
Agency: Revenue

Date: 3/5/87

Distribution (by Agency preparing fiscal note):

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

Department of Revenue  
Administrative Services Division  
Fiscal Note Analysis  
SB 113  
2/25/87  
Rev. 3/4/87

Assumptions:

1. The bill will take effect for the 1988 permanent fund dividend year and application. The 1987 dividend application has already been printed.
2. There are seven other bills which if signed into law, would result in some form of "check-off" on the 1988 dividend application. The Department of Revenue has no insight as to which, and how many, of these bills will become law. This fiscal note, and all related fiscal notes, is prepared on the assumption that the subject bill is the only bill of this nature which will become law. The passage of multiple bills with varying formulas (\$5, half of dividend, all or part of dividend, etc.) will inevitably have a compounding effect. Whereas there may be savings in some areas, there will be increased costs in others.
- 3) All costs of administering this law will be borne by the general fund, of which the trust fund is an account.
- 4) The incremental cost of computer resources will result in a chargeback by the Department of Administration.
- 5) Whereas the cost of programming changes will be a one-time cost, the cost of document review, data capture, data processing chargeback, and the extra page in the dividend application will be continuing.
- 6) Contributions will only be honored to the extent of available funds. Garnishments and assignments will take precedence in the order established by statute. Contributions will then be honored in the order listed on the form schedule, which will be in the order they become law.

Program Summary:

The provision of a new contribution decision on the dividend application will cause additional administrative cost in several areas:

- a) An additional page added to each application, a schedule of contribution decisions.
- b) The computer system will need to be changed to account for the change in the program, to establish new accounting controls and to provide for the transfer of funds to the trust account (see Attachment A).
- c) Each of approximately 540,000 PFD applications will need to be visually reviewed and coded as to decision on the contribution decision. Each application will be data captured with additional attention and keystrokes expended on each positive decision.

1. Positions

1 PPT Analyst/Programmer V, R21  
@ \$5,638.47/Mo including salary  
and benefits for 2 months = \$11.2

PCN 04-1125 would be funded for an  
additional two months, in accordance  
with Attachment A. Ongoing maintenance  
of new programs would be accomplished  
by existing staff.

1 PPT Document Processor I, R7  
@ \$2,117.76/Mo, including salary and  
benefits for 3 months = \$6.3

This position would assist in the manual  
review and coding of 540,000 applications  
for the new contribution decision. This  
position represents the equivalent of the  
additional time and effort.

1 PPT Data Processing Clerk I, R8,  
@ \$2,221.64/Mo, including salary and  
benefits for 2 months = \$4.4

This position would assist in the data  
capture of the additional contribution  
decisions. The position represents the  
equivalent value of the additional time  
and effort.

TOTAL Personal Services \$21.9

2. Other Expenditures:

a) Travel: None.

b) Contractual:

Data Processing Chargeback \$5.0  
Add additional page to PFD  
booklet \$6.0

c) Supplies: \$0.2

d) Equipment: Use existing equipment 0.0

TOTAL COST \$33.1

3. Funding: General Fund.

4. Section Cost Analysis: N/A.

Computations: N/A.

Economic Impact: N/A.

Impact on Local Government: N/A.

Suggested Amendments: None.

Attachments: Attachment A: "Summary of DP Needs"

Department of Revenue  
Administrative Services Division  
Fiscal Note Analysis  
SB 113

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2/25/87

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Miscellaneous	45.0 hours
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TOTAL HOURS	300.0 hours

SPB

121

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: SB 121  
Publish Date: \_\_\_\_\_

REQUEST \_\_\_\_\_

Revision Date: Bill/Res No: SB 121  
Title: An Act relating to retirement  
credited service for temporary service  
Sponsor: Duncan  
Requestor: Senate State Affairs

Agency Affected: Administration  
BRU: Retirement and Benefits  
Components: Retirement and Benefits

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
<b>OPERATING</b>						
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
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER I/A & PGM RCPTS	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

An analysis of the impact of this bill on the actuarial soundness of the Public Employees' Retirement System (PERS) funds is provided in the attached letter to Senator Abood.

Prepared By: John A. Logan *John A. Logan* Phone: (907) 465-4470  
Division: Retirement and Benefits Date: February 13, 1987  
Approved by Commissioner: Garrey Peska *Garrey Peska* Date: 2/12/87  
Agency: Department of Administration

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

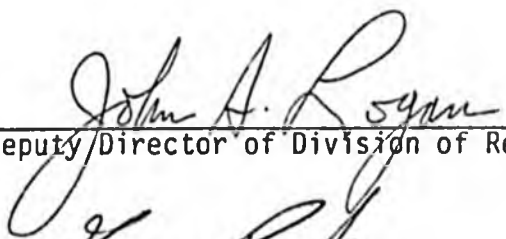
POSITION PAPER

SB 121

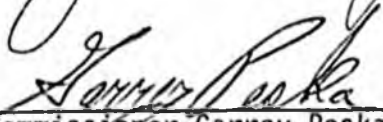
This bill removes the requirement for members of the Public Employees' Retirement System (PERS) to claim credit for their temporary service within one year of vesting. It requires those members who wish to receive the credit but do not apply within one year of vesting to pay an additional year's interest on the indebtedness.

The removal of the deadline for claiming temporary service may eliminate some appeals to the PERS Board by members who missed the deadline. The legislation will have no fiscal impact on the Division of Retirement and Benefits or on the PERS fund.

The department supports this bill.

  
\_\_\_\_\_  
Deputy Director of Division of Retirement & Benefits

2-13-87  
Date

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

2/17/87  
Date

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

### DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

P.O. BOX CR  
JUNEAU, ALASKA 99811-0203  
PHONE: (907)465-4460

2600 DENALI ST. SUITE 401  
ANCHORAGE, ALASKA 99503  
PHONE (907) 277-7504

Public Employees' Retirement System  
Teachers' Retirement System  
Judicial Retirement System  
Elected Public Officers Retirement System  
National Guard Retirement System  
Territorial Retirement System  
Retirees' Voluntary Dental-Vision Audio Plan  
Supplemental Benefits System  
Group Health/Life Insurance Benefits  
Deferred Compensation Plan  
Public Employers Social Security Contributions

STEVE COWPER, GOVERNOR

February 13, 1987

The Honorable Mitch Abood  
Chairman, Senate State Affairs Committee  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

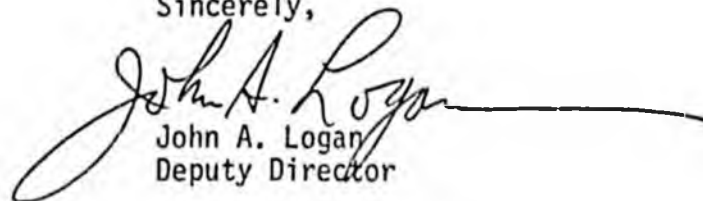
Dear Senator Abood:

Re: Senate Bill 121

In accordance with AS 24.08.036, I am providing the analysis below on Senate Bill 121. The analysis includes the long-term and short-term costs to the state if the bill is adopted and the impact the bill will have on the actuarial soundness of the Public Employees' Retirement System (PERS) funds. Required changes to the appropriation for the Division of Retirement and Benefits are discussed in a separate fiscal note.

This bill makes no changes to the PERS which would result in long-term or short-term costs to the state. There will not be any impact on the actuarial soundness of the PERS fund if this bill becomes law.

Sincerely,

  
John A. Logan  
Deputy Director

JAL/cam/7

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Administration  
 Title: Relating to retirement credited BRU: Retirement and Benefits  
service for temporary service  
 Sponsor: Duncan Components: Retirement and Benefits  
 Requestor: \_\_\_\_\_

RECEIVED  
FEB 5 1988

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Robert F. Stalnaker Phone: 465-4470  
 Division: Retirement and Benefits Date: 01/28/88

Approved by Commissioner: John M. Andrews Date: 2/3/88  
 Agency: Department of Administration

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

POSITION PAPER

SB 121

This bill removes the requirement for members of the Public Employees' Retirement System (PERS) to claim credit for their temporary service within one year of vesting. It requires those members who wish to receive the credit but do not apply within one year of vesting to pay an additional year's interest on the indebtedness.

The removal of the deadline for claiming temporary service may eliminate some appeals to the PERS Board by members who missed the deadline. The legislation will have no fiscal impact on the Division of Retirement and Benefits or on the PERS fund.

The department supports this bill.

John A. Ryan  
Deputy Director of Division of Retirement & Benefits

2-13-87  
Date

Garrey Peska  
Commissioner Garrey Peska  
Department of Administration

2/17/87  
Date

**DEPARTMENT OF ADMINISTRATION**  
**DIVISION OF RETIREMENT & BENEFITS**

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Public Employers Social Security Contributions

**STEVE COWPER, GOVERNOR**

February 13, 1987

The Honorable Mitch Abood  
Chairman, Senate State Affairs Committee  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

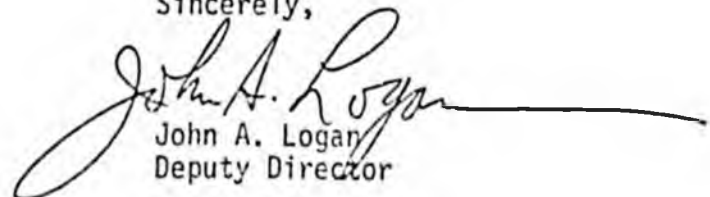
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This bill makes no changes to the PERS which would result in long-term or short-term costs to the state. There will not be any impact on the actuarial soundness of the PERS fund if this bill becomes law.

Sincerely,

  
John A. Logan  
Deputy Director

JAL/cam/7

# STATE OF ALASKA

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STEVE COWPER, GOVERNOR

April 21, 1987

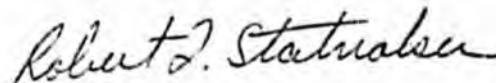
Honorable Jan Faiks  
President of the Senate  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Senator Faiks:

At its March 25 meeting, the Public Employees' (PERS) Retirement Board passed the enclosed resolution which: (1) opposes HB 17, a bill which would extend the Retirement Incentive Program (RIP); and (2) supports SB 121, a bill which would remove the deadline for claiming temporary service.

If you have any questions, please contact me.

Sincerely,



Robert F. Stalnaker  
Deputy Director

RFS/CJS/cam/6

Enclosure

cc: PERS Board Members w/encl.

Committees of referral in House  
and corresponding Senate committees w/encl.

Honorable Don Bennett w/encl.  
Co-Chairman, Senate Finance

Honorable John Binkley w/encl.  
Co-Chairman, Senate Finance

Honorable Mitch Abood w/encl. ✓  
Chairman, Senate State Affairs

Honorable Al Adams w/encl.  
Chairman, House Finance

Honorable Fran Ulmer w/encl.  
Chairman, House State Affairs

APR 22 1987  
RECEIVED

RECEIVED

APR 17 1987

Division of Retirement & Benefits

RESOLUTION OF THE  
PUBLIC EMPLOYEES' RETIREMENT BOARD

WHEREAS, the Public Employees' Retirement (PERS) Board is empowered to consider and adopt resolutions on matters pertaining to changes in policy and revisions of Chapter 39 of the Alaska Statutes;

WHEREAS, the PERS Board at its spring meeting on March 25, 1987, in Juneau, unanimously opposed House Bill 17, which would extend the window periods for the Retirement Incentive Program (RIP). The Board opposes extending the window periods at this time because there can be no accurate assessment of the effectiveness of the RIP until after the existing window periods have been closed. After that time, if it is determined by the Legislature that such a program is still needed, the Board would be supportive of reinstating it;

WHEREAS, the PERS Board unanimously supports SB 121 which would remove the deadline for PERS members to claim their temporary service. The Board has heard numerous appeals by members who were denied temporary credit because they missed the deadline. Since the cost of claiming temporary service is the full actuarial amount for providing benefits, the Board supports the passage of SB 121.

DATED this 14 day April, 1987.

PUBLIC EMPLOYEES' RETIREMENT BOARD

By C.R. "Steve" Hafling  
C.R. "Steve" Hafling, Chairman

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION DIVISION OF RETIREMENT & BENEFITS

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STEVE COWPER, GOVERNOR

April 21, 1987

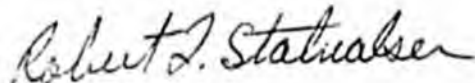
Honorable Ben Grussendorf  
Speaker of the House  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Representative Grussendorf:

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Sincerely,



Robert F. Stalnaker  
Deputy Director

RFS/CJS/cam/6

Enclosure

cc: PERS Board Members w/encl.

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and corresponding Senate committees w/encl.

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Co-Chairman, Senate Finance

Honorable John Binkley w/encl.  
Co-Chairman, Senate Finance

Honorable Mitch Abood w/encl. ✓  
Chairman, Senate State Affairs

Honorable Al Adams w/encl.  
Chairman, House Finance

Honorable Fran Ulmer w/encl.  
Chairman, House State Affairs

RECEIVED

APR 17 1987

Division of Retirement & Benefits

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DATED this 14 day April, 1987.

PUBLIC EMPLOYEES' RETIREMENT BOARD

By C.R. "Steve" Hafling  
C.R. "Steve" Hafling, Chairman

SB

127



TONY KNOWLES  
MAYOR

# ANCHORAGE POLICE DEPARTMENT

4501 SOUTH BRAGAW STREET • ANCHORAGE, ALASKA 99507-1599  
TELEPHONE (907) 786-8500



RONALD L OTTE  
CHIEF

March 23, 1987

The Honorable Joe Josephson  
Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, Alaska 99811

RE: SB 127

Dear Senator Josephson,

We have reviewed SB 127 pursuant to your request and can support the bill as currently drafted.

We do not see any negative impact to law enforcement, at least in the Anchorage area.

The bill would seem to provide an additional measure of protection to the insurance buying consumer, and we certainly support that aspect.

If we can be of any further assistance in this matter, please feel free to contact us.

Sincerely,

Del Smith  
Acting Chief of Police

DS:d1

BILL NO: SB 127

DATE: March 13, 1987

TITLE: An Act relating to motor  
vehicle insurance

CONTACT: Bill Brown  
465-4335

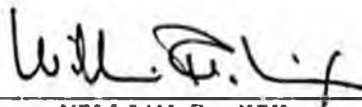
DEPARTMENT OF  
PUBLIC SAFETY

Sections 1 and 2 of this bill amend areas of the mandatory insurance law that DMV has experienced problems with in administering the law.

Several drivers have purchased insurance, generally upon purchasing a new vehicle, and after an accident are informed the policy only covered damage to their vehicle to protect the lienholder, and did not include liability coverage required under the mandatory insurance law. Section 1 of this bill is to help alleviate that problem. The department supports this section.

Section 2 will exempt employees who are driving during the course and within the scope of their employment from the provisions of the mandatory insurance law. The department supports this intent, however, would recommend the amendment be in Section AS 28.22.240, and not as included in this bill. It is recommended the amendment read as follows: "(h) If the driver at the time of the accident was driving in the course and within the scope of employment a vehicle owned or leased by the driver's employer, the suspension provisions of this chapter apply to the employer, and do not apply to the driver." Section 2 as proposed in the bill exempts the employee, however, does not authorize action against the employer. The above recommended change will allow action against the uninsured employer.

The Department of Public Safety would support this bill if the mandatory insurance program is adequately funded, but not at the expense of our other programs. Due to FY87 and FY88 budget cuts, it is the current plans of the department to discontinue administration of the program effective July 1, 1987. The reason discontinuing this program was chosen over other programs within the Driver Services Component of the DMV budget is it would have less impact on highway safety than discontinuing other programs.



WILLIAM R. NIX  
Acting Commissioner

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

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

Bill Version : SB 127

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

Revision Date: 3-13-87  
Title: An Act relating to motor vehicle insurance.

Agency Affected: Public Safety

BRU: Motor Vehicles

Sponsor: Josephson

Components: Driver Services

Requestor: Senate State Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		231.2	238.1	245.2	252.6	130.1
TRAVEL						
CONTRACTUAL		25.2	26.8	27.6	28.4	14.7
SUPPLIES		4.0	4.1	4.2	4.3	2.2
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		260.4	269.0	277.0	285.3	147.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		260.4	269.0	277.0	285.3	147.0
FEDERAL FUNDS						
OTHER						
TOTAL		260.4	269.0	277.0	285.3	147.0

POSITIONS:

FULL-TIME		7	7	7	7	7
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Due to FY87 and FY88 operating budget decrements, the positions that administer the mandatory insurance law have not been funded in FY88. This fiscal note reflects what the cost would be if the department were to continue to administer the program until the law is repealed 1-1-92, as amended in this bill.

Prepared by: Bill Brown Phone: 465-4335

Division: Motor Vehicles Date: 3-13-87

Approved by Commissioner: [Signature] Date: 3/16/87

Agency: Public Safety

Distribution (by preparer):

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

*JML*  
*3/16/87*

# CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 127

## PERSONAL SERVICES

DMV originally received 9 positions to administer the mandatory insurance law. Due to a lower than expected number of requests for administrative hearings, and a drop in the number of DWI administrative revocation hearings, two positions (PCN 12-5224 and PCN 12-5227) which were vacated in 1986, are no longer required, thus not included in this fiscal note. The seven current positions for which funding is being requested to continue to administer the mandatory insurance law are as follows:

1 Records & Licensing Supervisor Juneau, 16L	55.4	
1 Clerk IV, Juneau, 9D	30.5	
1 Doc. Proc. Clk III, Juneau, 10B	31.4	
1 Clk Typ III, Juneau, 8C	29.3	
3 Doc. Proc. Clk II, Juneau, 8B	84.6	
	231.2	231.2

## CONTRACTUAL

Postage	20.0	
Telephone tolls	.8	
Maintenance of office machines	2.0	
Printing of forms	2.4	
	25.2	25.2

## SUPPLIES

Office and microfilm supplies	4.0	4.0
	TOTAL	260.4

A 3% inflation factor was used for FY89 and subsequent years.



# Alaska State Legislature

## Senate

David

Official Business

Pouch V  
State Capitol  
Juneau, Alaska 99811

March 4, 1987

William R. Nix  
Acting Commissioner  
Department of Public Safety  
State of Alaska  
P.O. Box N  
Juneau, Alaska 99811

Dear Commissioner Nix:

I read the Department's position paper on my bill, SB 127, and note your recommendation to change the date in Sections 3 and 4 to July 1, 1987, and the statement of support for the bill "if the recommended amendments are made".

Of course, the very purpose of SB 127 includes, at least by implication, a desire that the mandatory insurance law be administered on a continuous basis after July 1, 1987. Assuming that intent, I would appreciate having the Department review its position paper and its fiscal note. The report of the Department, as I read it, says that the mandatory insurance program has done a lot of good in reducing the number of uninsured drivers on Alaska roads by a factor of about 50%, but that the program has been difficult or costly to administer. I think what I am asking for is a fuller statement of the trade-offs so that the legislature can weigh the pros and cons of SB 127 and continue administration of the mandatory insurance law.

Your comments and suggestions would be most welcomed. I could not in good conscience, knowing how the program has worked to reduce the number of uninsured motorists, incorporate the suggested amendment to the bill. It is rather my intention to press for passage of a bill which would direct the Department to continue administration of the program. I would need to know, though, what amount of money that would cost for FY'88 if administration is continued.

Sincerely,

*Joe Josephson*  
Joe P. Josephson  
State Senator

JPJ:rak

BILL NO: SB 127

DATE: February 19, 1987

TITLE: An Act relating to motor  
vehicle insurance

CONTACT: Bill Brown  
465-4335

DEPARTMENT OF  
PUBLIC SAFETY

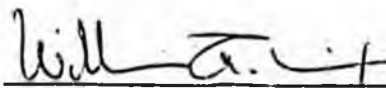
Sections 1 and 2 of this bill amend areas of the mandatory insurance law that DMV has experienced problems with in administering the law.

Several drivers have purchased insurance, generally upon purchasing a new vehicle, and after an accident are informed the policy only covered damage to their vehicle to protect the lienholder, and did not include liability coverage required under the mandatory insurance law. Section 1 of this bill is to help alleviate that problem. The department supports Section 1(a), however, does not feel Section 1(b) is necessary.

Section 2 will exempt employees who are driving during the course and within the scope of their employment from the provisions of the mandatory insurance law. The department supports this intent, however, would recommend the amendment be in Section AS 28.22.240, and not as included in this bill. It is recommended the amendment read as follows: "(h) If the driver at the time of the accident was driving in the course and within the scope of employment a vehicle owned or leased by the driver's employer, the suspension provisions of this chapter apply to the employer, and do not apply to the driver.". Section 2 as proposed in the bill exempts the employee, however, does not authorize action against the employer. The above recommended change will allow action against the uninsured employer.

The Department of Public Safety would support this bill if the department was going to continue to administer the mandatory insurance law. However, due to FY87 and FY88 budget cuts, it is the current plans of the department to discontinue administration of the program effective July 1, 1987. Therefore, the department recommends the date in Section 3 and Section 4 of this bill be changed to July 1, 1987. The reason discontinuing this program was chosen over other programs within the Driver Services Component of the DMV budget is it would have less impact on highway safety than discontinuing other programs.

The department supports this bill if the recommended amendments are made.



WILLIAM R. NIX  
Acting Commissioner

RECEIVED  
FEB 65 1987

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

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

Bill Version: SB 127  
Publish Date: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: An Act relating to motor vehicle insurance.

Agency Affected: Public Safety  
BRU: Motor Vehicles

Sponsor: Josephson, ...  
Requestor: Senate State Affairs

Components: Driver Services

**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>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

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

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

No fiscal impact.

The positions that administer the mandatory insurance law have been deleted from the DMV budget. Thus, it is the department's current intent to discontinue administering this program as of July 1, 1987.

Prepared by: Bill Brown Phone: 465-4335  
Division: Motor Vehicles Date: 2-19-87

Approved by Commissioner: [Signature] Date: 2/23/87  
Agency: Public Safety

**Distribution (by preparer):**

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

*JMB*  
*2/23/87*

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY  
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POUCH Y . STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

May, 1988

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

Mary Van Nimwegen

Senate State Affairs  
March 11, 1987

SB

142



# NAKNEK ELECTRIC ASSOCIATION, INC.

POST OFFICE BOX 118 • NAKNEK, ALASKA 99633 • PHONE (907) 246-4261

November 1, 1985

Rep. Adelheid Herrmann  
P.O. Box 63  
Naknek, AK 99633

Sen. Fred Zharoff  
P.O. Box 405  
Kodiak, AK 99615

RE: STATUATE COMPLIANCE TO FINANCIAL RESPONSIBILITY

Your Honors Herrmann & Zharoff:

This past and previous year extreme problem has arisen with this Association, Naknek Electric Association, (N.E.A.) and our neighboring cooperative, Nushagak Electric Cooperative, (N.E.C.) and the Alaska Department of Environmental Conservation. (D.E.C.)

Compliance satisfaction with the Department to Section 1 as 46.04.040 (e) "Financial Responsibility" as formed in the law provides a very constraining element for a small rural utility to provide \$1,000,000 in financial responsibility, or bonding, or assurity.

We are put into this situation due to our geographic and economic location. With the requirements of providing economic and reliable electric service to our given service areas, we must have fuel; our fuel requirement constitutes near 50% of our production costs.

In an effort to reduce our costs large volume storage vessels have been constructed by our respective utilities to facilitate bulk fuel procurement by joint bidding. One time a year we have delivery in our ice bound ports providing a year round supply along with reducing the exposure of handling fuel several times a year outside of our property.

The net result has brought down fuel costs per gallon to .8714 for this years fuel. This saving reduced the delivered kilowatt hour by .02½¢ for each delivered kilowatt hour to the consumer. Likewise the first 750 kilowatt hours cap for Power Cost Equalization (PCE) has realized the same reduction of .02½¢, saving the PCE fund \$168,885 for the two cooperatives. This saving is for the State of Alaska by prudent action of the cooperatives.

PAGE TWO  
HERRMANN & ZHAROFF  
November 1, 1985

Now then, the D.E.C. comes forth with unbending rules, regulations, and law forcing expenditures for premium of unobtainable insurance and or surity bonding, irrevocable line of credit or proof of financial responsibility; of course, the last being the most desirable but hereto unobtainable. If we do not have one of the previous required surities we are outside of the law and subject to severe penalty as well as being unable to obtain the necessary permit to off load fuel.

This year, after spending nearly 10 months searching the insurance market, (even from firms suggested by D.E.C., which incidentally flatly denied or did not respond to our broker) we were able to provide D.E.C. with unconventional one time surity for this years fuel off loading at our facilities. We have been put on notice that the same coverage will not be available next year. We, too, anticipate conventional underwriting will not be available nor will we be able to prove to satisfaction our financial responsibility to the unbending D.E.C.

The law as written seems to be directed to non-permanent principals in the business of transporting fuel rather than permanent facilities such as ours. (N.E.A. and N.E.C.) These two cooperatives have taken due and concerned steps to build the best fuel and service systems we could with total attention to safety and integrity.

We and all utilities have every intention of continued existence with address to our responsibilities. What we are saying is, if we have a spill, we most certainly will clean it up without the constraints of the law imposing financial burden upon us, and more important yet, all of our consumers are members of the community, and our members derive their livelihood from the sensitive fishery environment and will see to it that we clean up any spill which may occur.

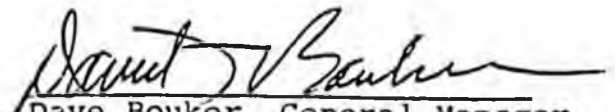
With all this discourse, hopefully, the stage is set to request your legislative efforts to amend Section 1 & 2 of AS. 46.04.040 (e) to read as attached.

If you have questions with our request for legislation, please feel free to contact us.

Sincerely,



C.E. Franke, General Manager  
Naknek Electric Assoc., Inc.



Dave Bouker, General Manager  
Nushagak Electric Cooperative

CEF/sp

cc: Dave Hutchens, Executive Director, A.R.E.C.A.  
Roger Kempel, N.E.A. & N.E.C., counsel  
KEMPPPEL, HUFFMAN, & GINDER



# NUSHAGAK ELECTRIC CO-OPERATIVE, INC.

P. O. BOX 350 . DILLINGHAM, ALASKA 99576 . AREA CODE (907) 842-5251

January 28, 1987

Senator Fred Zharoff  
Representative Adelheid Herrmann

Thank you for giving us the opportunity to share some thoughts with you this date. Unfortunately I have a prior commitment and so will not be able to communicate with you in person but hopefully this short note will be better than nothing.

There are two major issues that are of concern to Nushagak Electric as well as to most of the rest of the rural utilities to some degree.

1. As you are well aware, the PCE program has been of tremendous benefit to the rural areas for the last five years or so. It has alleviated nearly 20 million dollars of annual energy costs to rural consumers. There is no doubt that it has had a large beneficial impact.

I suspect however that like all other good things it must be reduced in order to accommodate the impact of reduced oil revenues accruing to the State. My first reaction was to simply reduce the coverage across the board I.E., reduce the amount of KWH subsidized to all present recipients. After some thought however, I believe it would be better to limit the PCE program to residential consumers only with two exceptions: community water and community sewer facilities. These services are vital and essential to every community and they do need power to operate effectively.

In closing I do believe that all PCE recipients should utilize the same cap on KWH covered. This would eliminate the potential for tying a community facility that is not essential to the electric service for water or sewer facility. Some communities are supporting pool halls, ski tows, laundromats, etc. and while these activities may be classified as worthwhile, they would hardly be classified as essential.

2. The second issue involves the financial responsibility insurance required for "terminal operators" as outlined in AS 46.04.040. This statute adversely impacts Naknek Electric, Nushagak Electric, the City of Nome and Kotzebue Electric because it requires that "terminal operators" I.E., those entities having over 10,000 barrels of fuel storage to purchase financial responsibility

Senator Fred Zharoff  
Representative Adelheid Herrmann

January 28, 1987

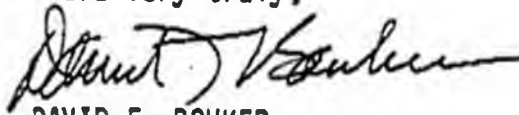
Insurance for the trans-shipment of fuel oil across the dock to the tank farm.

For Naknek Electric and Nushagak Electric, this process takes about 36 hours each and in 1986 we each had to buy insurance costing \$10,400 to comply with the statute. This cost each one of Nushagak Electric consumers about \$10.00 each.

This issue was raised in HB 628 which was sponsored by Herrmann and Adams last year. Unfortunately it did not go anywhere. However the problem is still with us. It seems to me that the statute was originally intended for oil terminals and shippers who may have been characterized as being of a more temporary nature. We, the utilities, are not temporary. We are a permanent part of the community and providing a necessary community service. In doing this, we have complied with all Federal and State regulations relevant to fuel handling. The U.S. Coast Guard oversees our fuel loading process. With all of the precautions taken, I find it difficult to reason why the State Statutes should require these rural communities to provide evidence of financial responsibility when they are least capable of doing so and when the U.S. Government does not require it.

Thank you again for your time and consideration of our concerns. I know I speak for all of the NEC Board of Directors and Membership of the Co-operative when I wish you a productive session this year in Juneau.

Yours very truly,



DAVID F. BOUKER  
Manager



# MAKNEK ELECTRIC ASSOCIATION, INC.

POST OFFICE BOX 115 • MAKNEK, ALASKA 99615 • PHONE (907) 245-4757

September 10, 1986

The Honorable Fred Zharoff  
Box 405  
Eldiak, Alaska 99615

Dear Senator Zharoff:

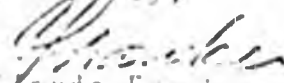
Enclosed please find copies of two checks favoring Corroon & Plack our insurance brokers, for Oil Spill Insurance required by D.E.C. regulations. The premium of \$10,000.00 will ultimately end up in the hands of non-best rated Surplus Insurers of Illinois, while the remaining \$400.00 is an investigative fee for the Alaska Insurance Commission.

I write with a two fold purpose - one, to point the economics impact to the consumer. Each consumer of Maknek electric Association will be paying \$1.25 a month for this unneeded coverage placed upon us by a regulation not even intended for us. I'm certain the money could be used for food on the table rather than this insurance coverage. Secondly, D.E.C. requires the coverage, but only two companies in the United States will write the coverage while neither are listed in "Best Ratings". We are not certain they would honor a claim if we had a claim.

Once again we request your legislative assistance to rid ourselves of this insurance constraint in the conduct of our business and your constituents.

Thank you.

Sincerely,

  
Claude Fraake  
General Manager

Enclosure

cc. Representative Herrmann

NAKNEK ELECTRIC ASSOCIATION, INC. • P.O. BOX 118 • NAKNEK, ALASKA 99533

0010673

CORROON & BLACK

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\$ 400.00

Spill Insurance



NAKNEK ELECTRIC ASSOCIATION, INC.

POST OFFICE BOX 118 • NAKNEK, ALASKA 99533 • PHONE (907) 318-4111

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BANK OF ALASKA  
FOUNDED 1912  
ANCHORAGE, ALASKA 99501

FD-51  
1252

0010673

PAY \*\*\*FOUR HUNDRED DOLLARS AND NO/100-

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ORDER  
OF

CORROON & BLACK, INC.  
4220 "B" Street  
Anchorage, AK 99503

By:

*[Handwritten Signature]*  
AUTHORIZED SIGNATURE

09-03-86

\$ 400.00

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NAKNEK ELECTRIC ASSOCIATION, INC. • P.O. BOX 118 • NAKNEK, ALASKA 99563

0010672

CORROON & BLACK, INC.

152.1

\$ 10,000.00

Spill Insurance



NAKNEK ELECTRIC ASSOCIATION, INC.

POST OFFICE BOX 118 • NAKNEK, ALASKA 99563 • PHONE (907) 248 4261

FIRST INTERSTATE  
BANK OF ALASKA  
PO BOX 7612  
ANCHORAGE, ALASKA 99510

09-03  
1252

0010672

PAY \*\*\*TEN THOUSAND DOLLARS AND NO/100

ORDER  
OF

CORROON & BLACK, INC.  
4220 "B" Street  
Anchorage, AK 99503

By:

By:

09-03-86

10,000.00

⑆010672⑆ ⑆2520036⑆ 57000 592⑆



# ALASKA RURAL ELECTRIC COOPERATIVE ASSOCIATION, INC.

237 E. FIREWEED LANE • SUITE 301  
ANCHORAGE, ALASKA 99503 • (907) 276-3235

January 15, 1986

Representative Adelheid Herrmann  
Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, Alaska 99811

Dear Representative Herrmann:

Last November, Claude Franke and Dave Bouker wrote you about a problem they were having -- and expecting to get worse -- caused by a statutory requirement that they buy strict liability insurance for oil spills. Both NEC and NEA have increased their fuel storage capacity in recent years in order to buy competitively priced oil and store it themselves. It was increasing their tank capacity above 10,000 barrels that makes this statute apply to them.

For 1985 we went through great difficulty to find a way to help these two small coops comply with the law. Their regular policy for general liability insurance issued by the ARECA Insurance Exchange provided \$500,000 of oil spill insurance. There was no other oil spill liability insurance available for them to buy at any price.

To get the additional \$500,000 in coverage for them, what we had to do was to get them to indemnify the Exchange and post an irrevocable letter of credit payable to the Exchange to cover costs of oil spills between \$500,000 and \$1 million, and the Exchange then issued the insurance policy. This insurance policy met the DEC requirements, but the coops were fully responsible for any losses exceeding \$500,000 which might have occurred. This arrangement cost them the fee for the letter of credit and the expenses incurred by the Exchange for setting it up. Much more importantly, this approach tied up a major part of their credit capacity which then could not be used for normal business requirements.

For 1986, even the ARECA Insurance Exchange is completely unable to provide oil spill insurance because it is not possible for us to buy reinsurance covering oil spills. This means that the only way for NEC and NEA to comply with the law is go through the cumbersome and expensive process of retaining the

entire risk of the \$1 million policy limit, and have the Exchange... issue the \$1 million policy. But this would use nearly their entire line of credit! They might not even be able to borrow the money to buy the fuel which they would have sole responsibility to clean up if they spilled some of it.

This is an absurd situation which requires a legislative solution this session. Claude and Dave sent you a draft providing an easy way of resolving the problem. Our idea is that a certificate of public convenience and necessity for a utility should be proof in itself of financial responsibility. A utility isn't going anywhere. If a spill occurs, they will still be there and have the financial ability to pay for the clean up.

After consulting with the attorney who drafted it, I have slightly reorganized the proposed statutory amendment. We hope you will introduce a bill to resolve the problem being experienced by NEC and NEA and push it through to passage.

Sincerely,



David Hutchens  
Executive Director

DH/CF

cc: Claude Franke, NEA  
Dave Bouker, NEC

cc: Ken Johnson

# ARFCA

## Oil Spill Financial Responsibility Requirements

1. Who must prove financial responsibility for potential oil spills.

AS 46.04.040(a) - Everyone who operates an oil terminal facility.

AS 46.04.120(11) defines oil terminal facility as anyone who transfers, processes, refines or stores oil on or near water.

AS 46.04.050 exempts facilities with less than 10,000 barrels of storage capacity.

2. Liabilities for which financial responsibility must be proved.

18 AAC 20.035 requires proof of financial ability to respond to damage for each pollution incident covered by AS 46.04.040(i)

AS 46.04.040(i) simply refers to the following:

AS 46.03.760(e) - Liability to the state for full amount of direct and indirect cleanup costs.

AS 46.03.822 - Strict liability (without regard to fault) for damages to persons or property (public or private) resulting from an oil spill unless the operator can prove the spill resulted from an act of war, intentional or negligent act of an unrelated third party, negligence by the U.S. Government or State of Alaska, or an Act of God.

AS 46.03.758 - Liability to the state for penalties of:

\$10.00 per gallon of oil in fresh water;

\$2.50 per gallon of oil in an estuary;

\$1.00 per gallon of oil in unconfined saltwater.

Penalties can be multiplied by 5 as punitive damages.

AS 46.03.760(a) - Liability to the state for civil penalties of \$500 to \$100,000 for a violation and \$5,000 per day for each day the violation continues.

3. Amount of financial responsibility which must be proved.

AS 46.04.040(a) requires \$10 per barrel of storage capacity or \$1 million, whichever is greater.

4. How an operator can prove financial responsibility.

18 AAC 20.045 - Possession of Federal Maritime Commission certificate. Not applicable to utilities.

18 AAC 20.055 - Self-insurance. To qualify, an operator must maintain "working capital and net worth" in the amount required in AS 46.04.040(a)-(c)--(\$1 million). In the Statute, AS 46.04.040(a), the term "working capital and net worth" are not used. The Statute speaks of "ability to respond."

18 AAC 20.065 - Insurance. Underwriter must be an admitted carrier or approved by the Division of Insurance. The policy must be written on an occurrence policy form.

18 AAC 20.075 - Surety Bond. The surety must be registered to do business in Alaska, possess a current U.S. certificate and have sufficient underwriting capacity.

18 AAC 20.085 - Guaranty. This permits some other entity to qualify as a self-insurer and then guarantee the operator's financial responsibility.

5. Criminal penalties for violations.

AS 46.03.790

(a) Violation is a Class B misdemeanor.

(b) Wilfull violation is a Class A misdemeanor.

(c) Each day of violation is a separate violation.



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**CORROON & BLACK, INC.**

4220 "B" Street  
Anchorage, Alaska 99503  
907-562-2266 Telex: 25-109

February 6, 1986

David Hutchens  
Chairman  
ARECA Insurance Exchange  
237 East Fireweed Lane, Suite 301  
Anchorage, AK 99503

RE: Pollution Liability

Dear Dave,

Pursuant to your request for current information on the availability of Pollution Liability coverage for Alaska risks required to provide proof of financial responsibility for oil pollution for "Fuel Storage Facilities", in compliance with Alaska Statute Sec. 46.04.040(e) and 18AAC 20.065, here are my findings after contacting various carriers and brokers, including those insurance underwriters and brokers who have current active policies.

- (1) Lloyds of London & various companies - This market does not offer on-shore Pollution coverage and has not done so since 1983.
- (2) Employers Mutual Casualty Co. - This market does not write monoline Pollution Liability coverage. They are a member of the Pollution Liability Insurance Association (PLIA) and only offer Pollution Liability coverage in conjunction with other lines of coverage (Property, General Liability, and Business Auto.) Further information revealed that they do not write this coverage in Alaska although they are an admitted carrier in the state of Alaska.
- (3) National Union Fire Insurance Company of Pittsburgh, Pa. - This is the only insurance carrier that I was able to confirm is still affording monoline Pollution Liability coverage for on-shore storage facilities. Their form does not comply with Alaska Statute unless endorsed to provide Defense Costs for plaintiff's attorneys as a supplemental limit. Basic form includes Defense Costs within the Aggregate Limits of Liability. Further, their form does not

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**CORROON & BLACK/DAWSON & CO., INC.**

comply with Alaska Statute unless amended to remove the exclusions pertaining to resultant Property Damage to: (a) Property owned or occupied or rented to the Insured, (b) Property used by Insured, or (c) Property in the Care Custody or Control of the Insured or as to which the Insured is for any purpose exercising physical control.

It is extremely unlikely that this carrier would remove these standard exclusions pertaining to damage occurring to and on the Insured's premises, including the cost of clean-up.

- (4) Midlands Insurance Company, Inc. - This particular insurer has an A. M. Best's "Omitted" rating. The financial security of this market is questionable. In contacting this carrier, I was advised that they are no longer a Pollution Liability coverage market.

In summary, 97% of the capacity previously available has disappeared during the last 12 months. The premiums for Pollution Liability coverage have sky rocketed up to 1000%. There is only one available monoline Pollution Liability market writing in Alaska. This carrier is National Union Fire Insurance Company of Pittsburgh, Pa. with an A. M. Best rating of A+ XV. They have recently announced that as of December 1985 they do not want to write risks that are primarily tank oriented. Therefore, availability is questionable since their recent announcement. If even available, the terms offered are subject to \$250,000 minimum deductible at a cost indication of between \$40,000 - \$250,000. Limits available, if offered, are up to \$10,000,000.

Further checking found that there is a Pollution Liability Insurance Association, referred to as PLIA, with approximately 18 member insurers, including but not limited to, Employers Mutual Casualty Company, Chubb Insurance Group, U. S. Fire, Crum & Forester, Ranger, Century, and Industrial Indemnity. Unfortunately, a lot of these insurers do not write in Alaska and all member companies require the supporting lines of coverage (Property, General Liability, and Business Auto) be written with them to consider entertaining Pollution placement.

We have also explored the possibility of purchasing a Surety Bond or Financial Guaranty as another means of providing proof of financial responsibility. Neither of these two means are true insurance, but rather an immediate remedy to a demand for payment should a loss occur. The ultimate responsibility for

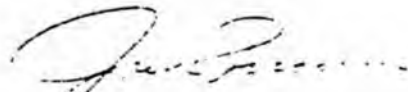
**CORROON & BLACK/DAWSON & CO., INC.**

the loss is still born by the individual utility, since this is really a pass-through coverage via the indemnity requirement of the Bond or Guaranty.

The premium for such coverage is very expensive and at times equal to the Bond limit or Guaranty required, plus the cost of the Bond. With the deteriorating experience on this type of bonding, the number of carriers willing to write are limited, and those who write the coverage are very expensive.

I hope that my findings will be helpful to you in presenting the Pollution Liability coverage options available, or the lack thereof, for your member utilities.

Sincerely,

  
Joe Piccione, CPCU  
Marketing Manager

JP:sd

Attachment

cc: Wayne Brown  
Nancy Jo Brown



# ALASKA RURAL ELECTRIC COOPERATIVE ASSOCIATION, INC.

237 E. FIREWEED LANE • SUITE 301  
ANCHORAGE, ALASKA 99503 • (907) 276-3235

February 21, 1986

Representative Mike Davis, Chairman  
House Special Committee on Oil & Gas  
Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, Alaska 99811

Dear Mike:

As I indicated in our brief conversation yesterday afternoon, we would really like to get HB 628 moving and hope you will schedule it at the earliest opportunity. This letter is in response to a request from Jonathan for additional information.

Enclosed is a copy of my letter to Representative Herrmann asking that this kind of legislation be introduced. It gives the background to the problem, specifically for Naknek Electric and Nushagak Electric. Both are cooperatives and members of our organization.

Also enclosed is a copy of correspondence from Glen Adams, of the Department of Environmental Conservation, suggesting some other places to look for means of complying with the statute. When I received the letter from Glen, I gave a copy to our insurance consultant and broker, Corroon & Black, Dawson and Company. After they checked out each suggestion, Joe Piccione wrote me a letter detailing their findings. A copy of this letter is enclosed. It indicates conclusively that in today's insurance market, compliance is simply impossible.

Jonathan also asked which utilities have this problem, what are their tank capacities, and how often do they fill their tanks.

At present, Nushagak Electric and Naknek Electric are the only utilities which have had dealings with DEC on this issue. Kotzebue Electric also has new tank capacity sufficient to bring them into the same problem, but DEC has not yet made an issue of it with them. Nome Joint Utilities, a municipal utility, is negotiating to lease tank space to use in 1986. If their negotiations are successful, they will have sufficient capacity to face the same problem. (I hope that my responding fully to Jonathan's questions will not cause problems for Kotzebue or Nome.)

DEMOCRACY IN ACTION

Representative Mike Davis  
February 21, 1986  
Page 2 of 2

The tank capacities for these four utilities will vary from approximately 20,000 to 35,000 barrels. They typically fill their tanks only once a year. That is why they need so much tank capacity in these ice-bound communities.

We understand that DEC has offered to "look the other way," but even a non-willful violation of this statute is a Class B Misdemeanor. Each day of non-compliance is a separate violation. This is a serious business that simply must be resolved legislatively.

Thank you for your interest. If you have additional information, please let me know.

Sincerely,

Dave Hutchens  
Executive Director

Enclosures

DH:ph

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

## DEPT. OF ENVIRONMENTAL CONSERVATION

Telephone: (907)  
Address:

OFFICE OF THE COMMISSIONER  
P. O. BOX 0, JUNEAU, ALASKA 99811-1800

(907) 465-2600

277-1604

March 25, 1986

The Honorable Mike Davis  
Alaska State House  
P. O. Box V  
Juneau, AK 99811-3100

Dear Representative Davis:

During the last several weeks, the Department has testified before the Oil and Gas Subcommittee on HB 628 and has worked with your office and staff from Representative Herrmann's office in addressing the difficulties faced by electric cooperatives in meeting the Department's oil pollution financial responsibility requirements. We have also been working closely with the Division of Insurance and representatives from the rural electric cooperatives in this matter. Based upon numerous discussions with legislative staff, the Division of Insurance, and a representative of the electric cooperatives, I believe that we have identified ways to resolve these issues.

Such a resolution is largely dependent upon the Department addressing two items: 1) amending our financial responsibility regulations to accept claims made insurance policies, and 2) clarifying the types of damages that are covered under the financial responsibility requirements. This letter is intended to show the steps I am preparing to take to satisfy these concerns, thereby enabling the cooperatives to meet the Department's financial responsibility requirements in a cost effective manner.

First, I am prepared to amend the Department's financial responsibility regulations to add claims made insurance policies as an option for oil facility operators such as the electric cooperatives. We have worked closely with the Division of Insurance on this change and have already drafted language to this effect. At the same time that we reevaluate our insurance requirements, we will be looking at the other options available for demonstrating proof of financial responsibility to determine if any other revisions to the regulations are necessary.

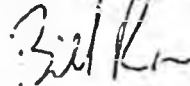
March 25, 1986.

With regard to the second issue requesting clarification of the types of damages covered under the financial responsibility requirements, my staff has been in contact with the Attorney General's office on this matter. We have been assured that the Department's financial responsibility regulations apply to the operator's liability to others, i.e. third parties. Therefore, insurance policies should be available for this type of coverage. There has also been concern expressed by the cooperatives that insurance is not available to cover the civil damages and penalties referenced under the financial responsibility statutes. This position is predicated on the assumption that insurance will not pay for penalties of a punitive nature. However, the civil penalty and damage statutes referenced under AS 46.04.040 are not punitive. In fact, they are used for compensatory and remedial purposes associated with liquidated damages to the State. It is my understanding that insurance is available to cover these types of damages.

We have made substantial progress in identifying the issues and we have worked to resolve the financial responsibility problem that has been brought before the Legislature by the electric cooperatives. I believe that the action I have outlined above will solve the difficulty in obtaining insurance.

It should also serve to provide more flexibility in the regulations and make it easier for facility operators to satisfy the Department's financial responsibility requirements.

Sincerely,



Bill Ross  
Commissioner

cc: Representative Adelheid Herrmann  
Representative John Sund  
Christian Ulmann, Division of Insurance  
Dave Hutchins, ARECA Insurance Exchange

# STATE OF ALASKA



POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-4941

## HOUSE SPECIAL COMMITTEE ON OIL AND GAS

April 2, 1986

Commissioner Bill Ross  
Department of Environmental Conservation  
P.O. Box 0  
Juneau, Alaska 99811-1800

Dear Commissioner Ross,


The House Special Committee on Oil and Gas recently held a hearing on HB 628 and, subsequent to this hearing, conducted several work sessions on the topic of the availability of oil pollution insurance to electric cooperatives. Members of your department, Rep. Herrmann's staff, the Division of Insurance, the Alaska Rural Electric Cooperative Association, and my office identified regulatory measures that could be taken to allow electric cooperatives to meet oil pollution financial responsibility requirements.

Your letter of March 25 acknowledged that the department would be willing to make appropriate regulatory changes as an alternative to the passage of HB 628. It is also my understanding that the department is willing to take the following actions in this regard:

1. Amend 18 AAC 20.065 to allow for the submission of policies issued on a "claims made" basis in addition of "occurrence" policy forms.
2. Secure an Attorney General's opinion clarifying that the financial responsibility requirements apply only to third-party liabilities and not to damages to their own premises or to penalties or punitive damages, and supply that opinion to the electric cooperatives and their insurers.
3. As appropriate, either adopt regulatory changes through the emergency regulatory procedure or enter into an emergency compliance order with the affected utilities.

Thank you for your assistance and responsiveness in attempting to resolve this matter.

Sincerely,

A handwritten signature in cursive script that reads "Mike".

Rep. Mike Davis, Chairman  
House Special Committee on Oil and Gas

## MEMORANDUM

## State of Alaska

TO: Hal Brown  
Attorney General  
Department of Law

DATE: July 17, 1986

FILE NO:

TELEPHONE NO: 465-2600

FROM: *B.A.*  
Bill Ross  
Commissioner  
Department of Environmental  
Conservation

SUBJECT: Legal Opinion Re:  
Financial Responsibility  
Statutes AS 46.04.040

During the 1986 Legislature, legislation was introduced to exempt electric cooperatives from the Department of Environmental Conservation's oil pollution financial responsibility requirements. The filing of this bill was triggered by the difficulties that the cooperatives were experiencing in obtaining oil pollution insurance to meet the financial responsibility requirements of AS 46.04.040. This Department, the Division of Insurance, and the Department of Law worked closely with legislative staff and representatives from the electric coops to identify and resolve the insurance problems.

During hearings and discussions on this legislation, the electric cooperatives, raised concerns that the types of oil spill damages that they believed to be included under the financial responsibility regulations make it difficult to obtain insurance. Insurance representatives for the cooperatives indicated that insurance is not available for damages to the insured's own property or for penalties or damages of a punitive nature. The insurance industry maintains that insurance is only available for oil spill damages caused to third parties.

Consequently, during discussions of the bill, your office advised me that financial responsibility requirements did, in fact, extend only to third party liabilities. We were also informed that the Department's oil spill penalty and damage statutes are clearly not punitive but instead are used for compensatory and remedial purposes. I indicated my understanding of this advise in a March 25 letter to Representative Mike Davis.

As part of my effort to resolve this issue administratively, I agreed to request an Attorney General's opinion confirming the oral advise on the scope of damages that are compensable under our financial responsibility statutes. However, since the legislative session ended, we have found in our files a memorandum of advice dated May 13, 1982 that addressed most of the questions regarding financial responsibility that have been raised by the insurance representatives for the electric coops. Consequently, the only questions that remain to be answered concern the issue of third party liability coverage under the financial responsibility statutes. Specifically, I would appreciate your opinion on the following questions:

- ° What kind of oil spill liability (e.g. third or first party) is incurred by an oil operator demonstrating proof of financial responsibility under AS 46.04.040(i)? In other words, does the law require the operator to provide proof of financial responsibility to cover oil spill damages to the operator's own premises?

July 17, 1986

Attached are copies of HB 628, my March 25, 1986 letter to Representative Davis, his response of April 2, 1986, and the 1982 memo of advice for your information. If your staff has any questions on this matter, Paul O'Brien, oil spill program manager, can provide additional information. Thank you for your assistance.

Attachments

cc: Doug Hertz

PO/bb

LAW OFFICES OF  
KEMPEL, HUFFMAN AND GINDER  
A PROFESSIONAL CORPORATION

ROGER R. KEMPEL  
RICHARD R. HUFFMAN  
PETER C. GINDER  
DARREL J. GARDNER  
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ANCHORAGE, ALASKA 99503  
TELECOPIER 1907) 276-2493  
1907) 277-1604  
1907) 276-1605

November 17, 1986

Department of Environmental Conservation  
Water Quality Management  
P.O. Box 0  
Juneau, Alaska 99811-1800

RECEIVED NOV 18 1986

ATTENTION Glenn Adams

Re: Proposed Financial Responsibility Regulations  
Amendments  
Our File No. 83-683.53

Dear Mr. Adams:

These comments are being submitted on behalf of Alaska Rural Electric Cooperative Association, Nushagak Electric Cooperative, and Naknek Electric Association regarding the proposed amendments to 18 AAC 20.055, Self Insurance, and 18 AAC 20.065, Insurance. Pursuant to our telephone conversation of November 12, 1986, it was agreed that these comments would be considered timely if received during the week of November 17, 1986. Thank you for the courtesy extended in this regard.

As you no doubt recall, complying with DEC financial responsibility regulations concerning operation of oil terminal facilities has proven to be quite difficult for the small electric cooperatives. This matter was the subject of proposed legislation during the last session. At that time, the prime sponsor of the proposed legislation, Adelaide Hermann, agreed to withdraw the legislation based upon an understanding that appropriate regulatory changes would be made which will allow the electric cooperatives to either obtain insurance or self insure for the operation of oil terminal facilities.

The proposed amendments in 18 AAC 20.065 which allow for "claims made" policies are a step in the right direction. However, given the vagaries of the insurance industry, obtaining this type of coverage in the future may be extremely difficult. "Claims made" policies were found for Nushagak Electric Cooperative and Naknek Electric Association this year; however, the premiums were extremely high. In the case of Naknek Electric Association, the premium amounted to approximately one-half mil per kilowatt hour of usage. The premium for obtaining this insurance is passed along to the ultimate consumer.

Department of Environmental Conservation  
November 17, 1986  
Page 2

It appears clear that the intent of the regulations is to ensure that oil terminal facility operators, as well as others, have a sufficient stake in Alaska such that reasonable practices will be employed when handling oil. In this regard, the rural electric cooperatives are an integral part of the villages within the state of Alaska and will be here for years to come.

Because of this, it would appear appropriate that DEC amend its regulations concerning self insurance to allow the cooperatives to qualify. We would urge that DEC amend 18 AAC 20.055 to allow the cooperatives to do just this. While amending the regulations to allow for "claims made" policies is a step in the right direction, it falls far short of solving the problem faced by these cooperatives.

Thank you for the opportunity to comment on the proposed regulations. We look forward to working with DEC on this matter.

Sincerely,

KEMPEL, HUFFMAN AND GINDER, P.C.  
Attorneys for ARECA, NEC and NEA



Bobby Dean Smith

BDS:la

cc: David Hutchens  
Executive Director, ARECA

David F. Bouker  
General Manager, NEC

Claude Franke  
General Manager, NEA

SB

145



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 26, 1987

The Honorable Jan Faiks  
President of the Senate  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Senator Faiks:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska longevity bonus program.

The original longevity bonus program that was enacted in 1972 has been radically changed as a result of the Alaska Supreme Court decision in Schafer v. Vest, 680 P.2d 1169 (Alaska 1984). The program's original intent -- to benefit those pioneers who built the state -- has been irrevocably altered. Because the original program benefitted only those who were residents before statehood, it eventually would have phased out naturally as territorial residents died or left the state.

As a result of that court decision, the program now simply requires one year of residence. Consequently, we now have a program that grows larger every year. At the same time we are faced with an unprecedented crisis in our budget. We can no longer afford to provide this substantial benefit to an ever increasing population of senior citizens.

The attached bill has three main components. First, it reduces the maximum amount of the bonus to \$200 a month. The bonus was increased substantially during the height of our oil wealth: in 1980, it went from \$150 to \$200, and in 1981 it went from \$200 to \$250.

Second, the bill limits the bonus to those individuals who reach age 65 before January 1, 1988. In 1985, both houses of the legislature passed programs that used a 1988 cut-off date (ch. 99, SLA 1985). (The effective dates for those programs were never triggered.) The House "stairstepping" approach simply limited the bonus to those individuals who reached age 65 by that date. The Senate annuity approach provided additional general fund payments to younger individuals; the payments were to decrease yearly until they were gone. Thus, even in 1985 when our fiscal picture was much brighter, both houses decided to terminate general fund payments to those younger than age 65 in 1988. This bill, then, incorporates that idea.

sh-145

Finally, the bill places an income cap on eligibility for the bonus. The full bonus would be available only to those individuals whose income (excluding longevity bonus and permanent fund dividend income) is less than \$20,000 (or whose joint income, for a married couple, is less than \$40,000). As an individual's income goes up, the amount of the bonus goes down, until, at the income level of \$25,000, an individual will not receive a bonus. A part of the intent of the original program was to provide a financial incentive to Alaska's seniors to remain in the state. The income cap would allow the great majority of Alaskan seniors to continue to receive the bonus; however, it would terminate benefits for the more fortunate segment of that population.

Placing an income cap on the longevity bonus raises the question of whether the one-year residency requirement would withstand judicial scrutiny. The question arises because the United States Supreme Court, in Shapiro v. Thompson, 394 U.S. 618 (1969), invalidated a one-year residency requirement for welfare payments. The residency requirement in Shapiro was struck because the court determined that the welfare program was designed to provide the "basic necessities of life." The question is whether a court would find that the longevity bonus payment is designed to provide a basic necessity of life.

The longevity bonus, as embodied in this bill, is not designed to provide a basic necessity of life. First, the state has other programs, such as old age assistance and medicaid, which provide the most substantial benefits in the nation for the elderly -- programs that are available to needy seniors upon arrival in the state. Second, the income-cap provisions do not establish a typical welfare program because the income test makes no asset determination; an individual's property is not considered in determining eligibility. Since the majority of Alaskan seniors would continue to qualify for the bonus, the income-cap provisions are more properly viewed as a retirement supplement to all but a small segment of senior citizens, rather than as a program to fulfill basic needs. Finally, the fact that the bill would terminate the program entirely for those who do not reach age 65 before January 1, 1988 weighs against characterizing the program as a provision for basic needs.

The one-year residency requirement is not a "durational" residency requirement in that its intent is not to distinguish between short-term residents and longer-term residents. Rather, the purpose of the requirement is to determine, in an administratively feasible manner, which seniors

are truly Alaskans and which are merely visitors. Because senior citizens are typically not tied by employment to one location, they can spend substantial amounts of time away from their true home. A shorter residency requirement would make the bonus available to seniors who are on extended visits to Alaska, but who do not intend to make Alaska their home. In view of the nature of the program, and the nature of the senior citizen population, I believe that a one-year residency requirement would be upheld. However, if it were successfully challenged, that requirement is severable under AS 01.10.030.

A section-by-section analysis follows:

Section 1 of the bill amends AS 47.45.010(a) to establish the January 1, 1988 age qualification date and change the amount of the bonus to \$200. The changes take effect July 1, 1987 under sec. 8 of the bill.

Section 2 of the bill also amends AS 47.45.010(a). Under sec. 9 of the bill, the amendments in sec. 2 would take effect January 1, 1988. The amendments in sec. 2 are set out showing the changes in AS 47.45.010(a) as already amended by sec. 1. The sec. 2 amendments continue the January 1, 1988 age qualification date established by sec. 1 of the bill, and add a reference to the income qualification requirement in proposed AS 47.45.015. Then, instead of stating a set amount for the bonus, amended AS 47.45.010(a) will refer instead to proposed AS 47.45.016, the schedule of bonus amounts. As mentioned earlier, that schedule is tied to income levels.

Section 3 of the bill adds two new sections to AS 47.45. Proposed AS 47.45.015 sets out the income qualification requirement described earlier, and proposed AS 47.45.016 sets out the schedule of bonus amounts. Sections 4 and 5 of the bill make conforming amendments to AS 47.45.020 and 47.45.-070. Sections 3 -- 5 also take effect January 1, 1988, under sec. 9 of the bill.

Section 6 of the bill repeals the provisions of ch. 99, SLA 1985 that have never taken effect, and the provision in the current law dealing with tax treatment of the bonus (AS 47.-45.120(a)). The latter is repealed because it is possible that the Internal Revenue Service will find that the income-capped bonus is not taxable; either way, our statutes need not address federal tax treatment. However, if the federal government does tax that income, and if a state personal

sh 145

Mon. Jan Faiks

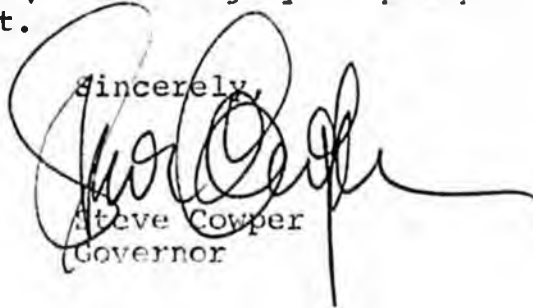
Page 4

income tax is enacted this year, the longevity bonus should be taxed by the state. These repeals take effect July 1, 1987, under sec. 8 of the bill.

Section 7 of the bill repeals the "hold harmless" provision (AS 47.45.122). That statute authorizes providing public assistance to individuals whose assistance is denied or reduced because they received a longevity bonus. Because the state has been assured by the federal government that the bonus, under the income-cap program, will be disregarded in determining eligibility for those benefits, the "hold harmless" provision, and the money needed to implement it, will no longer be necessary. Under sec. 9 of the bill, the repeal would take effect at the same time that the income-cap provisions take effect, January 1, 1988.

This bill is essential to deal with the issues presented by the longevity bonus program, and I urge your prompt and favorable consideration of it.

Sincerely,



Steve Cowper  
Governor

No 65

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Senate  
Bill Version: SB145a  
Publish Date: 2-27-87

REQUEST \_\_\_\_\_

Revision Date: SB145  
Title: An Act relating to the Longevity Bonus Program effective date.  
Sponsor: Governor  
Requestor: \_\_\_\_\_

Agency Affected: Administration  
BRU: Longevity Bonus  
Components: Grants; Administrative

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	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

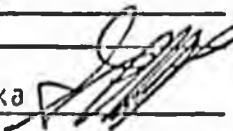
POSITIONS:

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

ANALYSIS:

There is no fiscal impact beyond what is included in the Governor's FY 88 budget request, as revised approximately March 1, 1987. The attached pages present the full cost of the revised program.

Prepared By: John Andrews  Phone: 465-2200  
Division: Commissioner's Office Date: 2/27/87

Approved by Commissioner: Garrey Peska  Date: 2/23/87  
Agency: Department of Administration

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



February 23, 1987

ATTACHMENT -- LONGEVITY BONUS FISCAL NOTE

page 2

ADMINISTRATION (dollars in thousands)

	FY 87 Revised *****	FY 88 Total *****	FY 89 Total *****	FY 90 Total *****	FY 91 Total *****	FY 92 Total *****
Personal Services	258.9	389.8	300.0	300.0	300.0	300.0
Travel	0.9	0.9	1.0	1.0	1.0	1.0
Contractual	53.1	95.5	60.0	60.0	60.0	60.0
Supplies	4.3	5.1	5.0	5.0	5.0	5.0
Equipment	0.0	24.2	0.0	0.0	0.0	0.0
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Total Operating (all G.F.)	317.2 *****	515.5 *****	366.0 *****	366.0 *****	366.0 *****	366.0 *****
Perm Full Time	6.0	9.0	8.0	8.0	8.0	8.0
Perm Part Time	1.0	4.0	0.0	0.0	0.0	0.0
Months	81.6	126.6	96.0	96.0	96.0	96.0

No 66

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

SENATE

BILL VERSION: SB 145 b

PUBLISH DATE: 2/27/87

REQUEST: SB 145

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

Title: An act Relating to the Alaska

Longevity Bonus Program

Sponsor: \_\_\_\_\_

Requestor Governor

Agency Affected: Health & Social Services

BRU: Assistance Payments BRU

Components: OAA-ALB Hold Harmless

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

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

POSITIONS:

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

ANALYSIS :

The FY88 Governor's budget assumes elimination of the Old Age Assistance - Alaska Longevity Bonus Hold Harmless (OAA-ALBHH) program, effective January 1, 1988. It is important to note that the dollars saved by this proposed legislation have been removed from the Governor's FY88 budget request. If this legislation does not pass, projected FY88 costs of \$622.4 must be restored to the Public Assistance BRU FY88 Budget. This analysis also assumes that the needs-based requirements meet federal standards.

Prepared by: John R. Faber, Director

Phone: 465-3347

Division: Division of Public Assistance

Date: 2-24-87

Approved by Commissioner: Misha M. Mironov

Date: 2-24-87

Agency: Department of Health & Social Services

Distribution (by preparer):

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

Division of Public Assistance - 501456

Assistance Payments BRU

Old Age Assistance - Alaska Longevity Bonus Hold Harmless (OAA-ALBHH)

The Alaska Longevity Bonus Hold Harmless Program (OAA-ALBHH) was established by CSSB No. 56 with an effective date of June 1985. Federal rules require the State to count the ALB received by aged recipients with less than 25 years residence when determining eligibility for Social Security Administration's and State's Supplemental Security Income (SSI) Old Age Assistance Program. The FY87 OAA-ALB Hold Harmless component 1) replaces the amount of Federal SSI payment lost to a Bonus recipient when SSI counts the Longevity Bonus as available (income) and 2) continues to "disregard" the SSI-countable Bonus in computing Old Age Assistance (OAA) Supplemental payments.

If in FY88 the Alaska Longevity Bonus program were changed such that the ALB received by an individual was "needs-based," then federal rules would "disregard" the ALB payment and not treat the ALB as available income. Thus, ALB payments that are based on need eliminates the need for the protection of the OAA-ALB Hold Harmless program. The Bonus would not be counted as income when calculating federal SSI and State OAA Supplemental assistance payments.

	6-Month Impact				
	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
OAA-ALB Hold Harmless Program reduction due to Needs-based ALB	1556.0	3608.3	4251.7	4855.1	5427.8
Amount of OAA-ALB HH that replaces lost SSI payments	622.4	1443.3	1700.7	1942.0	2171.1
Amount of OAA-ALBHH that replaces State OAA payments	933.6	2165.0	2551.0	2913.1	3256.7
Net Savings Under Needs-based (The Amount of OAA-ALBHH that replaces lost SSI payments)	622.4	1443.3	1700.7	1942.0	2171.1

Under a needs-based ALB the Social Security Administration's SSI payments that are restored result in net general fund savings. That amount of ALB Hold Harmless that had replaced State OAA payments shifts back to Old Age Assistance. If this legislation does not pass, the projected net savings of 622.4 must be restored to the OAA-ALBHH component in FY88.

No. 67

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

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

Bill Version: SB145c  
Publish Date: 2-27-87

Revision Date: 5/1/85

Title: An Act Relating to the Alaska  
Longevity Bonus Program

Agency Affected: Health & Social Services  
BRU: Medical Assistance

Sponsor: \_\_\_\_\_

Requestor: Governor

Components: Alaska Longevity Bonus  
Hold Harmless

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

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

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

POSITIONS:

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

ANALYSIS :

The Governor's FY88 budget assumes the elimination of the Medical Assistance - Alaska Longevity Bonus Hold Harmless program. It is important to note that the dollars saved by this proposed legislation have already been removed from the Governor's FY88 budget request. If this legislation does not pass, projected FY88 costs of \$571.5 must be appropriated to the Medical Assistance BRU FY88 budget. This analysis also assumes that the needs based

preparations meet federal standards. [Signature]  
Division: Medical Assistance

Phone: 465-3355  
Date: 2/24/87

Approved by Commissioner: [Signature]  
Agency: Health and Social Services

Date: 2/24/87

Distribution (by preparer):

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

Division of Medical Assistance

Medical Assistance BRU

The Alaska Longevity Bonus (ALB) Hold Harmless program was established by CSSB56 with an effective date of June 1985. Federal rules require the state to count the ALB payments received by Medicaid applicants when determining eligibility. The Division has submitted an FY87 supplemental to Hold Harmless those who would lose Medicaid eligibility as a result of receipt of the ALB. If, for FY88 the ALB program is changed to a needs based program which meets federal requirements then federal rules would require the ALB payment be disregarded in the Medicaid eligibility determination process. This would then eliminate the need for the ALB Hold Harmless protection. (The Hold Harmless replaces the amount of Medicaid reimbursement lost to the state when federal rules cause recipient ineligibility). For FY88 the Division submitted an amendment which would provide a Hold Harmless for the first six months of FY88.

The following assumes passage of an ALB program based on need with an effective date of January 1, 1988, and approval of the Divisions' FY88 budget amendment for six months of Hold Harmless protection.

	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>
Medicaid Eligibles (monthly average)	3,107	3,293	3,491
Average Annual Cost per recipient	\$3,251	\$3,494	\$3,756
Old Age Assistance (OAA) 397 ineligible due to receipt of ALB - 94% utilize medical services	374	396	420
Total estimated annual cost of hold harmless program	\$1,142,921	\$1,300,606	\$1,483,261
Amount of hold harmless replacing list Medicaid funds	\$571,460	\$650,304	\$741,630
Amount of savings under needs based program	-0-*	\$650,303	\$741,630

\* Results from the Legislature zeroing the Medicaid Hold Harmless in FY87, and therefore not included in the FY88 base and requesting full funding (general fund match and general funds for federal replacement) for first six months of FY88.

SB

148



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 26, 1987

The Honorable Jan Faiks  
President of the Senate  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Senator Faiks:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the taxation of individuals and fiduciaries, and to amended tax returns filed by taxpayers. The bill reimposes an individual income tax.

I know that an income tax is not an instantly popular idea. However, I believe Alaskans want to be in control of our own destiny. I believe we have reached the time when we must reduce our dependence on the price of oil, a price that is not within our control.

I also believe Alaskans want state government to provide a decent and consistent level of public services. An individual income tax is one of the fairest ways of meeting this goal. Those who are most able to pay bear a greater proportion of the burden.

This bill also ensures that nonresidents who take jobs in Alaska make their fair contribution to our state. As explained below, this bill is more effective than our earlier law in making sure that this happens.

I believe that Alaskans are willing to help pay for government if that government is responsive and accountable. I think that an income tax will help make sure that our government listens to its people.

The bill embodies a tax structure that is simple, fair, and relatively easy to administer. The taxpayer need only complete a one-page return. Basically, the taxpayer begins with "total income" as set out on the federal return, and may make only limited adjustments to that figure. The personal exemptions are then deducted, and the remainder is taxable income.

ok 118

The income is taxed in two brackets: 3.2 percent and 5.7 percent. By not providing for the full array of familiar deductions historically available in a personal income tax, this bill will tax a comparatively broad tax base. As a result, the tax rate is lower than it would be if deductions were permitted. The tax rates have been established to generate \$250,000,000 over a full year; collections for FY 88 are estimated to be approximately \$85,000,000. Receipts in FY 88 will be from "withholding" only, since returns for calendar year 1988 will not be due until the spring of 1989. FY 88 receipts will not reach one-half of a full year's receipts because of the lag between wages paid and withholding remitted to the state.

An individual's filing status will be the same as on the federal return. The filing status determines how much income is taxed in the lower bracket of 3.2 percent. For individual taxpayers (and fiduciaries), that amount is income of less than \$30,000. For married couples filing a joint return, and for surviving spouses, the amount is income of less than \$50,000; for married individuals filing separate returns, it is income of less than \$25,000. For heads of household, the amount is income of less than \$40,000. Income in excess of these levels is taxed at the higher 5.7 percent rate. Section 1 of the bill sets out the rates for each filing status.

The individual income tax law, before its repeal in 1980, favored nonresidents over residents by taxing nonresident income in the lowest possible tax brackets. This bill remedies that inequity by placing nonresidents on an equal footing with residents. This is accomplished by computing a tax on the entire taxable income of nonresidents from all sources and then determining the fraction of that tax that is attributable to income earned in Alaska. This approach results in apportioning the nonresident's income between the tax brackets rather than lumping it all in the lower bracket. Under the bill, part-year residents will be taxed in the same manner as nonresidents. Section 1 of the bill sets out the method for determining nonresident and part-year resident tax liability, and secs. 5, 6, and 7 of the bill add provisions relating to tax calculation for nonresidents as well as part-year residents.

Section 4 of the bill adds three subsections to AS 43.20.-031, delineating gross income, adjusted gross income, and taxable income. A taxpayer's gross income will correspond with gross income under federal law, with certain modifications. First, cost-of-living allowances that are exempt

from federal income taxation will be added to the state tax base. Second, interest on state and municipal obligations that is tax exempt at the federal level will be added to the tax base. A taxpayer's "total income" on the federal return automatically will incorporate the income from and expenses attributable to a trade or business, the sale of capital assets, and rental and royalty property. Since federal "gross income" already includes the income from these activities, the bill allows the costs of producing that income as deductions to the same extent as provided under federal law.

Adjustments to gross income are greatly limited. Federal law prohibits states from imposing an income tax on interest from United States obligations; therefore, that income is deducted from the tax base. State income tax refunds are excluded from the base to eliminate artificial state income. Alimony paid and the penalty for the early withdrawal of funds from savings accounts are permitted as deductions since they cannot realistically be regarded as income. No other deductions of any nature are allowed.

Taxable income is calculated by deducting allowable personal exemptions from adjusted gross income. The bill uses the federal rules for qualification for personal exemptions; that is, a taxpayer will qualify for the number of personal exemptions for which the taxpayer qualified under federal law. The exemption amount is \$3000. Since the federal exemption is adjusted for inflation, the bill makes it clear that Alaska does not adjust its exemption for inflation. Estates and trusts will not receive any exemption.

Under sec. 4 of the bill, proposed AS 43.20.031(j), (k), and (l), relating to gross income, adjusted gross income, and taxable income, will appear in an existing statute entitled "Taxable income of residents; deductions; exemptions." AS 43.20.031. Because those proposed subsections are intended to apply to all taxpayers, resident or not, proposed AS 43.20.031(m) defines "individual" and "fiduciary" to mean resident, nonresident, or part-year resident individuals and fiduciaries. If this bill is enacted, the revisor of statutes should change the title of AS 43.20.031 to reflect that the section no longer applies only to residents.

Residents will receive a credit for taxes paid to other states on income earned in the other states. Nonresidents do not receive this credit since the income earned outside the state is not taxed. Those taxpayers qualifying for the permanent fund dividend can elect to have the dividend applied directly against their tax liability. The Department

of Revenue will adopt regulations specifying the procedure for requesting the PFD offset. These provisions appear in proposed AS 43.20.062, in sec. 8 of the bill.

Employers will be required to withhold taxes from their employees' wages, remit the taxes, and file withholding returns and reports with the department. The department will establish the rate of withholding. Employers will be required to furnish employees with wage and tax statements by January 31 of each year or within 30 days after the termination of employment, whichever is earlier. The withholding provisions are in sec. 9 of the bill.

Section 3 of the bill amends AS 43.20.030(d) to require that every taxpayer, whether individual, fiduciary, or corporate, is required to file an amended state tax return within 60 days after filing an amended federal return or within 60 days after a federal assessment. Any additional tax due, together with accrued interest, must also be paid within the 60-day period. The existing language of that subsection requires that a "notice" be filed within the 60 days, and leaves unclear the due date of any additional tax or penalty.

Sections 2 and 10 make conforming changes. Section 11 repeals the provisions relating to tax credits for political contributions and child care (AS 43.20.013), as well as the provision in the longevity bonus program dealing with the taxability of the longevity bonus (AS 47.45.120(a)). The effect of this last repeal is to make taxability of the bonus track federal treatment. If the bonus remains taxable by the United States, the state will also tax it. If it is not taxed by the United States, the state will not tax it. AS 43.20.012 is repealed because it states that AS 43.20 does not apply to individuals or fiduciaries. In addition, that section contains a reference to AS 43.20.013, which is also being repealed in sec. 11 of the bill.

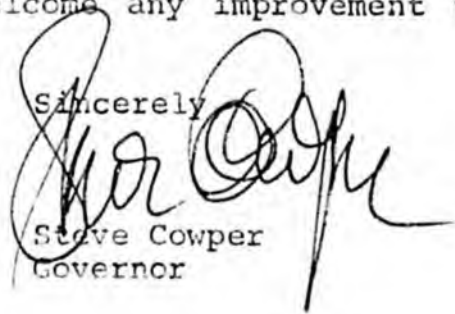
In summary, a taxpayer under this bill would begin with "total federal income," that is, line 23 on the 1986 federal 1040 form. Cost-of-living allowance income and tax exempt interest income would be added, and interest on U.S. obligations, state income tax refunds, alimony paid, and the penalty on early withdrawal of savings from time deposits would be deducted. Personal exemptions would be applied against the result, to produce "taxable income." Withholding, the credit for taxes paid other states, and the PFD offset, would then be applied against the tax liability.

Hon. Jan Faiks

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I believe that an income tax is an essential step in providing secure revenues for public services. I urge your prompt and favorable consideration of this proposal during this legislative session, and welcome any improvement that you may have to offer.

Sincerely

A handwritten signature in black ink, appearing to read "Steve Cowper", written in a cursive style. The signature is positioned over the typed name and title.

Steve Cowper  
Governor

No. 68

STATE OF ALASKA 1987 LEGISLATIVE SESSION

FISCAL NOTE

Bill Version: Senate SB 1480

Publish Date: 2-27-87

REQUEST, YR \_\_\_\_\_

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

Title: Individual Income Tax

Agency Affected: Revenue

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

Sponsor: \_\_\_\_\_

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

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	83,000	255,000	269,000	282,000	290,000

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS:

1. The Governor's tax bill was designed to generate \$250 million in tax year 1988.
2. Historical patterns of withholding, collections and refunds were used to translate tax year amounts to a fiscal year, net receipts basis.
3. Inflation averages 4% over the period and net receipts average \$250 million in constant, 1988 dollars. (See attached for additional explanation.)

Prepared By: David Tonkovich

Division: Revenue/Research

Phone: 465-2173

Date: 2/23/87

Approved by Commissioner: Hugh Malone

Agency: Department of Revenue

Date: 2/26/87

Distribution (by Agency preparing fiscal note):

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

Continuation for Fiscal Note/Bill Analysis

Individual Income Tax

Determination of Fiscal Year, Net Receipts

1. A historical analysis of cash flows from the Alaska individual income tax indicated tax overpayments of about 25%. These overpayments result in refunds when returns are submitted in January through April of the year immediately following the tax year.
2. For the first fiscal year (FY88) we assume that lags in the submission and processing of withholding and estimated payments result in 26.7 percent of total annual collections being received during the first two quarters of tax year 1988 (i.e. the last two quarters of FY88).
3. The calculation is:  
$$\$250 \text{ million} \times 1.25 \times .267 = \$83 \text{ million}$$
4. In the first half of subsequent fiscal years there will be receipts (e.g. withholding, estimated payments) from the current tax year as well as collections of liabilities from the previous tax year.

No. 69

STATE OF ALASKA 1987 LEGISLATIVE SESSION

FISCAL NOTE

Bill Version: Senate SB 178 b

Publish Date: 2-27-87

REQUEST SB 178

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

Title: State Individual Income Tax

Agency Affected: Revenue

BRU: Administrative Services

Sponsor: \_\_\_\_\_

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

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
<b>OPERATING</b>						
PERSONAL SERVICES	0	528.0	1160.7	1266.0	1266.0	1266.0
TRAVEL	0	10.0	8.0	8.0	8.0	8.0
CONTRACTUAL	0	95.6	507.3	476.3	476.3	476.3
SUPPLIES	0	4.0	16.0	16.0	16.0	16.0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	-
<b>TOTAL OPERATING</b>	<b>0</b>	<b>637.6</b>	<b>1692.0</b>	<b>1766.3</b>	<b>1766.3</b>	<b>1766.3</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	637.6	1692.0	1766.3	1766.3	1766.3
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>637.6</b>	<b>1692.0</b>	<b>1766.3</b>	<b>1766.3</b>	<b>1766.3</b>

POSITIONS:

FULL-TIME	0	19	27	27	27	27
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	35	35	35	35

ANALYSIS:

Prepared By: Ervin Jones  
Division: Administrative Services

Phone: 465-2313  
Date: February 26, 1987

Approved by Commissioner: Hugh Malone  
Agency: Revenue

Date: 2/26/87

Distribution (by Agency preparing fiscal note):

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

Department of Revenue  
Administrative Services Division  
Fiscal Note Analysis  
Individual Income Tax Bill  
2/26/87

Assumptions:

1. The Administrative Services Division will be responsible for the following functions relative to the Alaska Individual Income Tax Withholding System and the Alaska Individual Income Tax Return Processing System.
  - a) Design, purchase and distribute all necessary tax returns and related forms.
  - b) Process all tax returns, including mail handling, microfilming, document review, data capture and filing.
  - c) Process all remittances of tax due which is received with tax returns.
  - d) Design, program, test, document, and maintain the automated Alaska Individual Income Tax Withholding System and Alaska Individual Income Tax Return Processing System.
  - e) Process and account for all individual income tax refunds to individuals.
  - f) Establish an automated billing subsystem for routine tax deficiencies, penalty and interest.
  - g) Acquire and maintain computer capacity to accommodate the two systems and the access required by the department's users.
2. The Department of Revenue will contract with a bank to provide a "lock-box" function, with employees depositing all individual income taxes withheld on a monthly basis.
3. The Department of Administration's data processing chargeback system will require that the Department of Revenue budget for the cost of data processing resources used by the withholding system and returns processing system. The total chargeback is budgeted in Administrative Services.
4. The Permanent Fund Dividend program will stay intact through FY92, in its current form.
5. The processing of Withholding and Individual Income Tax returns will be automated as much as possible.
6. The Alaska Individual Income Tax Withholding System must be in place before January 1, 1988.
7. The Alaska Individual Income Tax Return Processing System must be in place before January 1, 1989.
8. The fiscal note does not include the incremental cost of providing space for the employees and equipment required. After reviewing the department's total fiscal note, a determination of total space needs will be made, and an amendment to the Administrative Services Division's fiscal note will be submitted.

9. The impact of implementing the Alaska Individual Income Tax on computer resources has not been determined. After reviewing the implementation plans and fiscal notes of the other divisions, a preliminary decision will be made as to the use of mini-computers versus mainframes, and an estimate of the data processing fiscal note will be prepared.
10. Given the existing federal tax law, this bill requires all persons receiving a permanent fund dividend to file an Alaska Individual Income Tax return.

Program Summary:

The Alaska Individual Income Tax will require the creation of two major processing systems:

- 1) Alaska Individual Income Tax Withholding System.
- 2) Alaska Individual Income Tax Return Processing System.

In addition to designing, programming and maintaining the two above mentioned automated systems, the Administrative Services Division will process, review, microfilm, and data capture approximately 70,000 withholding forms and 455,000 Alaska Individual Income Tax returns annually. Refund warrants will be issued on approximately 213,750 of the returns filed. In addition, approximately 25,000 individual letters will be prepared, mailed, and controlled in response to persons who file incomplete tax returns or whose tax returns result in a mathematical adjustment.

Finally, the addition of such a major program to the Department of Revenue will definitely impact the ability of the Administrative Services Division to provide general administrative support services with the existing staff.

The Administrative Services Division will require staffing as early as FY88 in order to design and establish the computerized processing systems envisioned, and to produce the forms required. In late FY88, staffing will come on board to process the Withholding reports and returns. In FY89, additional staff will be needed to support the Alaska Individual Income Tax Return Processing System. The analysis below shows the estimated expenditures for FY88 - FY92.

FY88

1. Positions:

A. Data Processing:

1 PFT Analyst/Programmer V, R21, @ \$4,856/Mo including salary and benefits for 12 months	= \$58,272
2 PFT Analyst/Programmer IV, R19, @ \$4,281/Mo each including salary and benefits for 12 months	= 102,744
2 PFT Analyst/Programmer III, R17, @ \$3,730/Mo each including salary and benefits for 6 months	= 44,760

The above analyst programmer team will design, program, and maintain the two major systems mentioned above, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System.

These systems will provide for a minimum of the following:

Alaska Individual Income Tax Withholding System:

- \* Online system comparable to the federal system with monthly deposits, quarterly returns, and an annual reconciliation.
- \* Direct deposit system at a "lock-box" bank by employers.
- \* Automatic generation of:
  - quarterly packets of:
    - \* monthly deposit coupons
    - \* quarterly tax returns
  - notices of tax deficiencies, penalty and interest
  - standard correspondence
  - management reporting data.
- \* Interface with accounts receivable system and Alaska Individual Income Tax Return Processing System.

Alaska Individual Income Tax Return Processing System

- \* document locator number system
- \* return data capture
- \* online systems
  - access/inquiry
  - address changes
  - status change system
  - generation of out cards
  - use of microfilm vs hard copy for review
  - automated calculation checks
  - generation of reduced refund notices with appeal rights
  - generation of automated billings for deficiencies, penalty and interest with appeal rights
- \* interface with accounts receivable system (A/R)
- \* interface with AIITWHS to verify claimed withholding
- \* history file
- \* possibility of multi-year file for easy access to information on prior year activity, etc.
- \* check writing for refunds
- \* management reporting data

B. Document Processing:

1. Mailroom

1 PFT Clerk IV, R9, @ \$2,343/Mo  
including salary and benefits for  
3 months = \$7,029

This position will augment the existing mailroom staff to perform the task of receiving, opening, sorting, and distributing an additional:

- \* approximately 70,000 pieces of mail due to the Alaska Individual Income Tax Withholding System (17,500 employers times four quarterly returns.
- \* handling, sorting and posting of additional outgoing/incoming mail as follows:
  - approximately 7,000 missing information letters, billing notices, and correspondence with employers.

2. Manual Review

1 PFT Tax Examiner III, R14, @  
 \$3,124/Mo including salary and  
 benefits for 5 months = \$15,620

2 PFT Document Processor I, R7, @  
 \$2,118/Mo including salary and  
 benefits for 3 months = \$12,708

These positions will manually review all Individual Income Tax returns filed based on a predetermined criterion.

- \* identify incomplete returns
- \* send out automatically generated missing information letters and billing notices

3. Microfilming

1 PFT Document Processor I, R7 @  
 \$2,118/Mo including salary and  
 benefits for 3 months = \$6,354

These positions will augment the existing microfilm staff to microfilm, assign document locator numbers, and date stamp 100% of Individual Income Tax returns filed.

4. Data Capture

2 PFT Data Processing Clerk I, R8,  
 @ \$2,222/Mo including salary and  
 benefits for 3 months = \$13,332

These positions will augment the existing Data Entry staff to data capture and verify captured data of 100% of returns filed.

C. General Departmental Support Services

1 PFT Chief, Income Tax Operations,  
 R23, @ \$5,558/Mo including salary  
 and benefits for 12 months = \$66,696

1 PFT Personnel Assistant II, R14,  
 @ \$3,115/Mo including salary and  
 benefits for 12 months = \$37,380

1 PFT Clerk Typist III, R8,  
 @ \$2,222/Mo including salary  
 and benefits for 12 months = \$26,664

1 PFT Supply Officer II, R16  
 @ \$3,515/Mo including salary  
 and benefits for 12 months = \$43,180

2 PFT Accounting Clerk III, R10,  
 @ \$2,468/Mo including salary and  
 benefits for 12 months = \$59,232

1 PFT Publications Specialist I,  
 R13, @ \$2,915/Mo including  
 salary and benefits for 12 months \$34,980

These positions will augment the existing general administration support staff for the additional programs and related 100+ new employees.

- \* Personnel:
  - classification of positions and respond to reclassification requests
  - maintain payroll and leave records
  - process registers, and arrange interviews
  - handle grievances, information requests, typing tests, etc.
- \* Fiscal:
  - increase in travel requests
  - general distributions
  - handling increase in cancelled warrants
- \* Supply and purchasing:
  - increase in supply orders for paper intensive organization
  - Purchases increase:
    - \* general equipment
    - \* computer terminals, printers
    - \* maintenance contracts
    - \* general office supplies
  - Property Control (terminals, furniture, calculators, etc. will increase
- \* Forms management:
  - preparation of Individual Income Tax booklet each year (considerably more complex than PFD booklet)
  - preparation of employment withholding forms
  - miscellaneous support forms:
    - \* missing information letter
    - \* denial forms
    - \* check stock (refunds)
- \* General:
  - general supervision and management of major additional line program in division, in addition to:
    - \* permanent fund dividend program
    - \* shared taxes
    - \* administrative services to the department

TOTAL PERSONAL SERVICES \$528.0

2. Other Expenditures:

a) Travel:

on-site review of selected tax return processing systems in other states \$4.0

training for analyst/programmers in command level CICS and Wang VS Cobol. \$6.0

TOTAL TRAVEL \$10.0

b) Contractual:

Terminals

- 1. 3 Wang 4250 workstations \$18,216
- 2. 3 Wang emulator boards 2,415
- 3. 2 Wang 4230 key-punch terminals, 2 months \$1,800
- 4. Microfilmer, with maintenance, 3 months \$3,792
- 5. 4 phones, centrex costs, local and long distance \$5,390
- 6. printing: Withholding Returns, Deposit Coupons, envelopes, calendars, W-4's, etc. \$42,000
- 7. postage 22,000

TOTAL CONTRACTUAL \$95.6

c) Supplies:

Computer, microfilming, duplicating, general consumption \$4.0

d) Equipment: None.

TOTAL EXPENDITURES \$637.6

3. Funding - General funds

4. Section Cost Analysis - N/A

Computations - N/A

Economic Impact - N/A

Impact on Local Government - N/A

FY89

1. Positions:

A. Data Processing:

1 PFT Analyst/Programmer V, R21,  
@ \$4,856/Mo including salary and  
benefits for 12 months = \$58,272

2 PFT Analyst/Programmer IV, R19,  
@ \$4,281/Mo each including salary  
and benefits for 12 months = 102,744

2 PFT Analyst/Programmer III, P17,  
@ \$3,730/Mo each including salary  
and benefits for 12 months = 89,520

The above analyst programmer team will design, program, and maintain the two major systems mentioned above, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System.

These systems will provide for a minimum of the following:

Alaska Individual Income Tax Withholding System:

- \* Online system comparable to the federal system with monthly deposits, quarterly returns, and an annual reconciliation.
- \* Direct deposit system at a "lock-box" bank by employers.
- \* Automatic generation of:
  - quarterly packets of:
    - \* monthly deposit coupons
    - \* quarterly tax returns
  - notices of tax deficiency, penalty and interest
  - standard correspondence
  - management reporting data.
- \* Interface with accounts receivable system and Alaska Individual Income Tax Return Processing System.

Alaska Individual Income Tax Return Processing System

- \* document locator number system
- \* return data capture
- \* online systems
  - access/inquiry
  - address changes
  - status change system
  - generation of out cards
  - use of microfilm vs hard copy for review
  - automated calculation checks
  - generation of reduced refund notices with appeal rights
  - generation of automated billings for deficiencies, penalty and interest with appeal rights

- \* interface with accounts receivable system (A/R)
- \* interface with AIITWHS to verify claimed withholding
- \* history file
- \* possibility of multi-year file for easy access to information on prior year activity, etc.
- \* check writing for refunds
- \* management reporting data

B. Document Processing:

1. Mailroom

1 PFT Clerk IV, R9, @ \$2,343/Mo  
including salary and benefits for  
12 months = \$28,116

1 PFT Clerk II, R7, @ \$2,118/Mo  
including salary and benefits  
for 6 months = 12,708

These positions will augment the existing mailroom staff to perform the task of handling, opening, sorting, and distributing an additional:

- \* approximately 455,000 Individual Income tax returns filed per year.
- \* approximately 70,000 pieces of mail due to the Individual Income Tax Withholding System.
- \* posting, handling and sorting of additional outgoing mail as follows:
  - approximately 7,000 missing information letters, billing notices, etc.

2. Manual Review

1 PFT Tax Examiner III, R14, @  
\$3,124/Mo including salary and  
benefits for 12 months = \$37,488

2 PFT Document Processor I, R7, @  
\$2,118/Mo each including salary and  
benefits for 12 months = 50,832

4 PFT Document Processor I, R7, @  
\$2,118/Mo each including salary  
and benefits for 6 months = 50,832

25 TEMP Document Processor I, R7, @  
\$1,569/Mo each including salary and  
benefits for 6 months = 235,350

These positions will manually review all Withholding and Individual Income Tax returns filed based on a predetermined criterion.

- \* identify incomplete returns
- \* send out automatically generated missing information letters
- \* identify returns for desk examination

### 3. Microfilming

1 PFT Document Processor I, R7 @  
\$2,118/Mo including salary and  
benefits for 6 months = \$12,708

This position will augment the existing microfilm staff to microfilm, assign document locator numbers, and date stamp 100% of Withholding and Individual Income Tax returns filed.

### 4. Data Capture

1 PFT Data Processing Clerk III, R11  
@ \$2,613/Mo including salary and  
benefits for 6 months = \$15,678

2 PFT Data Processing Clerk I, R8,  
@ \$2,222/Mo each including salary  
and benefits for 12 months = 53,328

1 PFT Data Processing Clerk I, R8  
@ \$2,222/Mo including salary and  
benefits for 6 months = 13,332

10 TEMP Data Processing Clerk I,  
R8 @ \$1,657/Mo each including  
salary and benefits for 6 months = 99,420

These positions will augment the existing Data Capturing staff to data capture and verify captured data of 100% of Withholding and Individual Income Tax returns filed.

### C. General Departmental Support Services

1 PFT Chief, Income Tax Operations,  
R23, @ \$5,558/Mo including salary  
and benefits for 12 months = \$66,696

1 PFT Personnel Assistant II, R14,  
@ \$3,115/Mo including salary and  
benefits for 12 months = 37,380

1 PFT Personnel Assistant I, R12,  
@ \$2,773/Mo including salary and  
benefits for 12 months = 33,270

2 PFT Accounting Clerk III, R10,  
@ \$2,468/Mo each including salary  
and benefits for 12 months = 59,232

1 PFT Clerk Typist III, R8, @  
\$2,222/Mo including salary and  
benefits for 12 months = 26,664