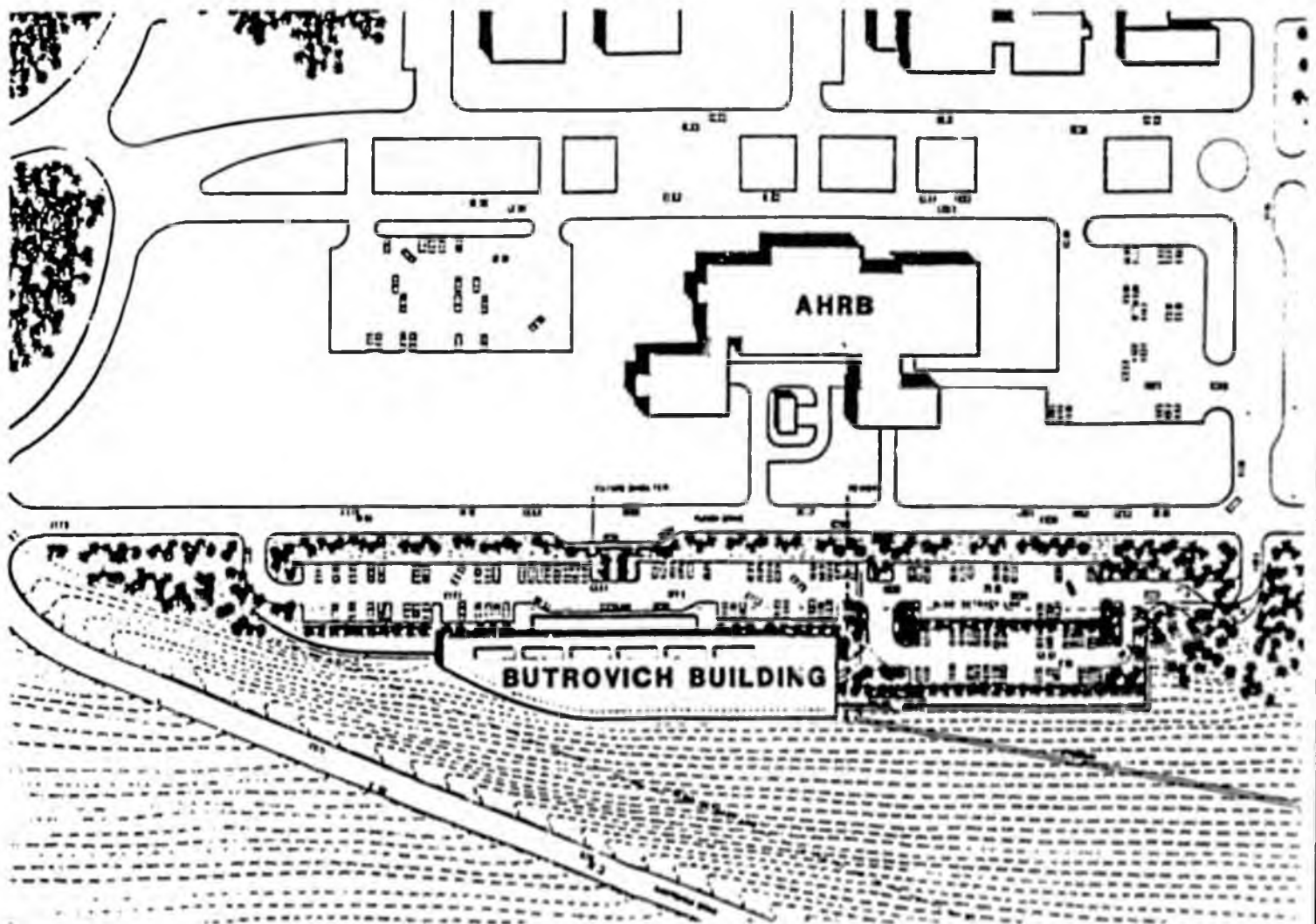


ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672  
5647 HOUSE HEALTH, EDUCATION & SOCIAL SERVICES



View from South West



## CAPITOL REQUEST

**PROJECT TITLE:** Fishery Industrial Technology Center  
**1989 REQUEST:** \$5,900,000  
**PROJECT COST:** \$9,300,000  
**ESTIMATED ANNUAL O & M COST:** \$ 185,640  
**DESCRIPTION/JUSTIFICATION:**

Alaska's fisheries, both marine and freshwater are the STATE'S most VALUABLE renewable resource. The use of these resources for commercial, subsistence, and recreational purposes plays a major role in the lifestyle and economy of the State.

The commercial fishing industry directly employs more than 40,000 individuals with a commercial harvest of approximately 00 million to the fishermen and \$1.5 billion to the processors. The Magnuson Fisher Conservation Act of 1976 places a potential harvest of over 4.2 billion pounds of new fisheries within the reach of Alaska fishing industry. This commitment, when fulfilled, will create a substantial amount of additional employment in the State, both directly in the fishing industry and indirectly in supporting industries.

The Fishery Industrial Technology Center (FITC) is charged with providing the technical and scientific support needed to enhance the State fishing industry's competitive edge. This facility comprises specialized food science and technology space with support laboratories.

Many technical needs currently face the seafood industry for rational growth and for the STATE to receive MAXIMUM benefits from its valuable renewable resources.

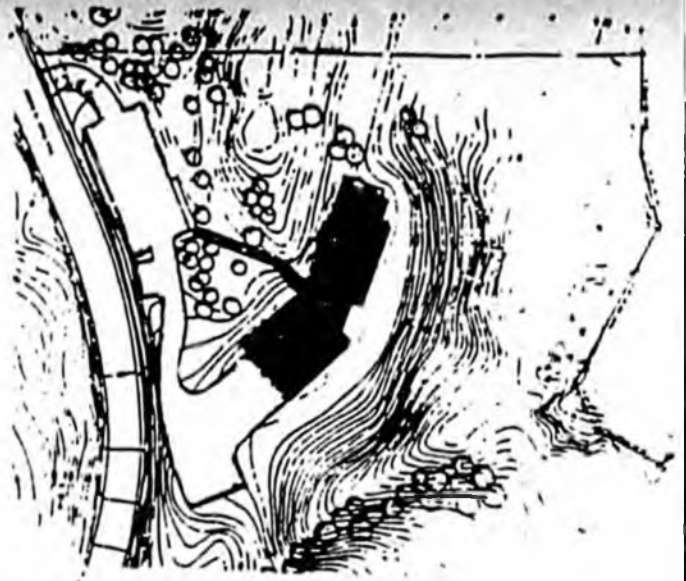
Planning and Design Funds were received in FY85. Phase I received \$1,000,000 in FY87 for Sitework. Phase II received \$1,000,000 for a Shell Package in FY89. Phase III is REQUESTING \$5,900,000 in FY90 to COMPLETE the building with an additional \$900,000 needed in FY91 for equipment and furnishings.

**PROJECT READINESS:** March 1989  
**ESTIMATED NO. OF PEOPLE EMPLOYED:** 110  
**PERCENT PROJECT COMPLETION BY END OF 1989:** 34%

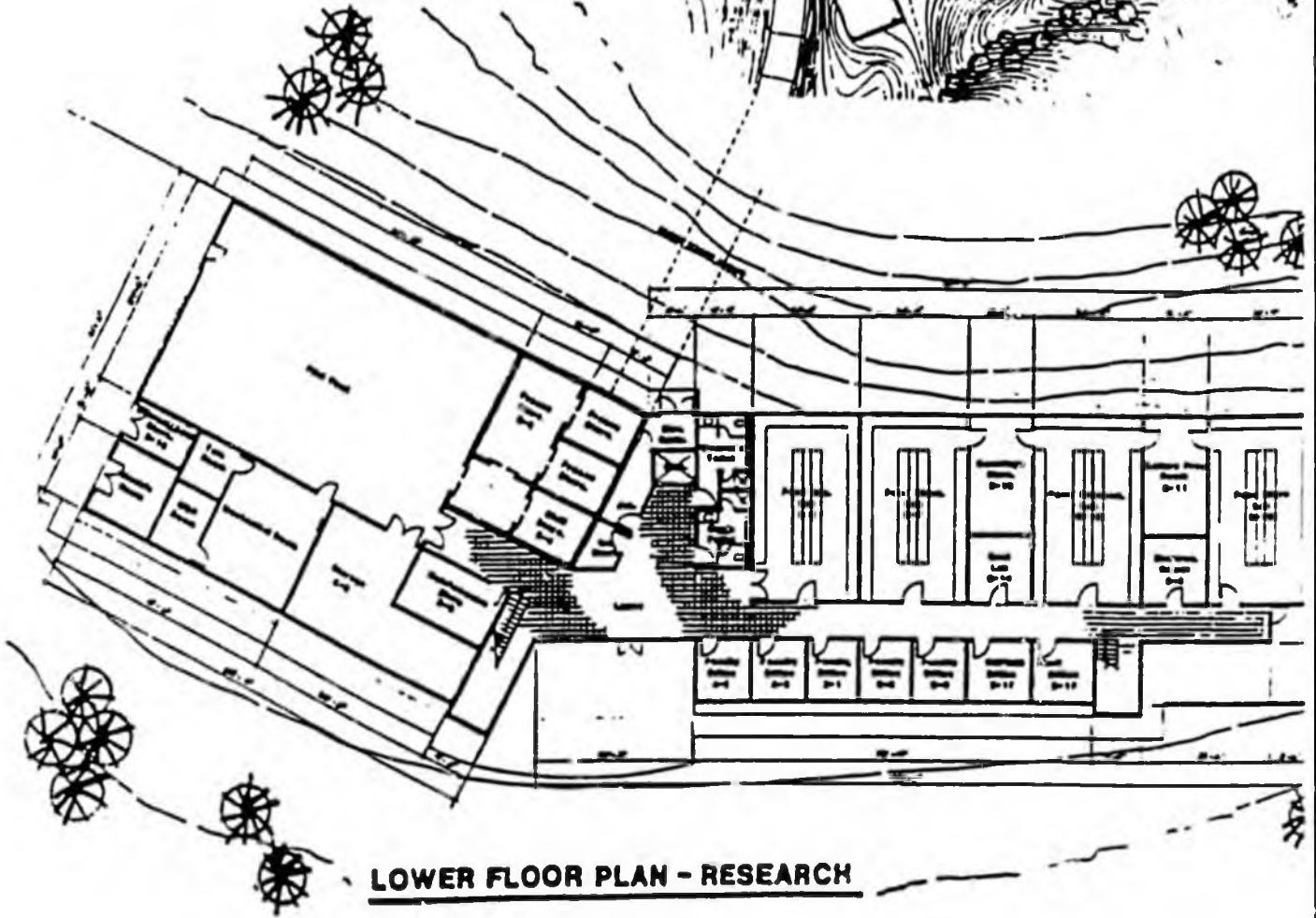
**STAFF CONTACT: WENDY REDMAN 474-7882**

**SUZANNE TRYCK 278-6433**





SITE PLAN



LOWER FLOOR PLAN - RESEARCH



FISHERY INDUSTRIAL TECHNOLOGY CENTER

**AREAWIDE CAPITAL REQUESTS**

**PROJECT TITLE:** UAA CLASSROOM/LABORATORY BUILDING  
**1989 REQUEST:** \$7,000,000.00  
**PROJECT COST:** \$19,900,000.00  
**ESTIMATED ANNUAL O & M COST:** \$630,000.00  
**DESCRIPTION/JUSTIFICATION:**

There is a shortage of space on the UAA Campus. In 1986 UAA lost 22,000 square feet of Laboratory/Classroom/Office space with the removal of the condemned wooden buildings, G, H, and I. This year, to meet the demand and to fulfill accreditation requirements, the Consortium Library expanded into 10,000 square feet of space which was currently utilized as classroom/office space. These functions had to be merged into existing facilities. The design of this facility will be bid-ready in January.

This facility will provide approximately 84,209 square feet of academic classroom, laboratory, office and student service space. It will provide a total of 25 new laboratories, classrooms and seminar classrooms for the University of Alaska Anchorage. Three of the classrooms provided will be tiered lecture halls. This will allow UAA to teach larger class sections; therefore, reducing the cost of delivering classes taught in these rooms.

This facility is necessary to meet the growing student demands of UAA. The instability of the economy in Anchorage places a greater responsibility on the University's community roll. There is an increased demand of the unemployed seeking new career fields and of the younger students who's family no longer can provide the support to send them to schools outside the state.

The facility will provide a new major entry to the western side of the University of Alaska Anchorage Campus. A bridge will connect this facility to the existing Sports Center Complex. This bridge will tie the University of Alaska Anchorage into one physically united campus. Students will be able to walk in an enclosed facility from the new Classroom/Laboratory Building all the way across campus to the UAA Science Building.

Phase I of this project received \$1,100,000 in FY85 for design and Phase II received \$2,000,00 in FY87 for construction of major utility upgrade.

**PROJECT READINESS:** Bid Ready: 1/89  
**ESTIMATE NO. OF PEOPLE EMPLOYED:** 135  
**PERCENT PROJECT COMPLETION BY END OF 1989:** 60% (100% by June 1990)

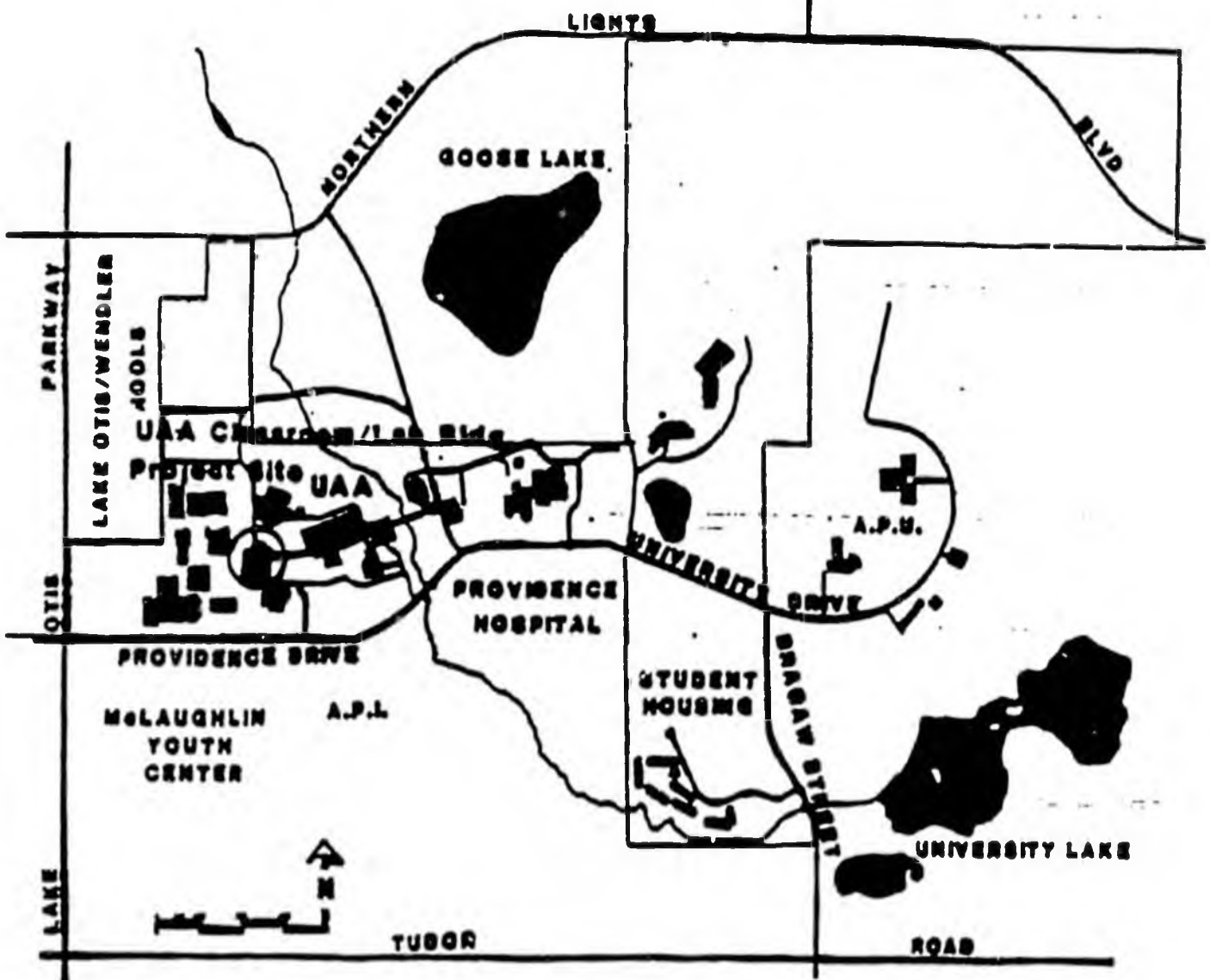
**STAFF CONTACT: WENDY REDMAN 474-7882**

**SUZANNE TRYCK 278-8488**





**UAA CLASSROOM/LAB BLDG.**



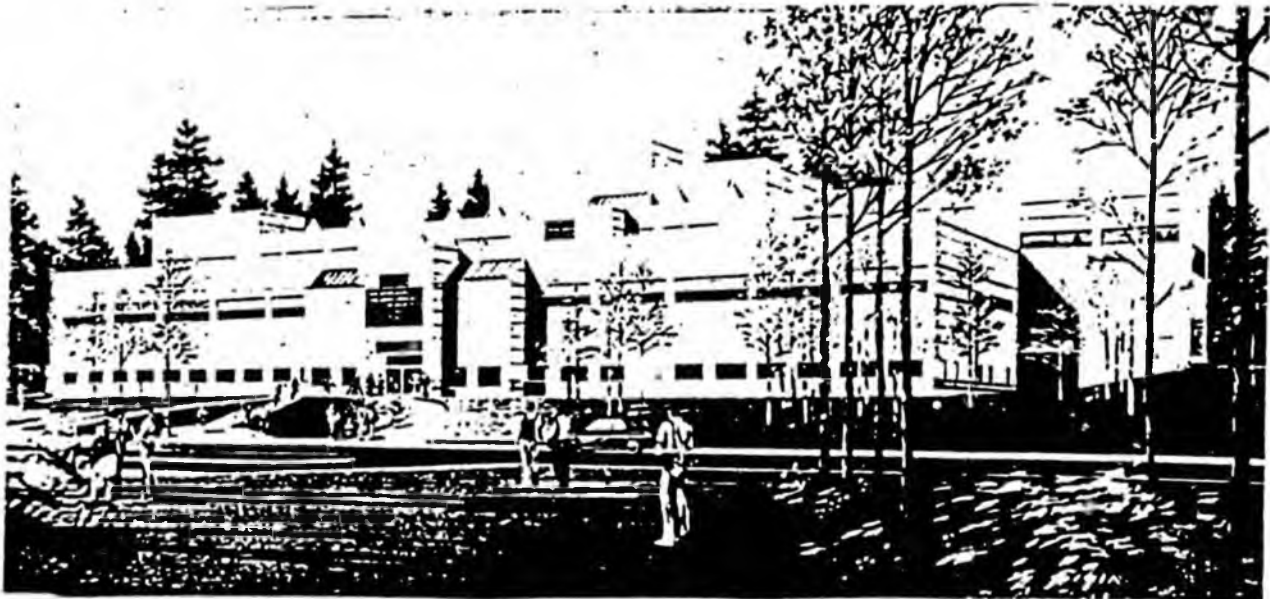
## Areawide Capital Requests

Project Title:	UAF NATURAL SCIENCES FACILITY Phase I
1989 Request:	\$10,000,000
Project Cost:	\$27,967,400
Estimated Annual O&M Cost:	\$50,000/yr. (Phase I)

## Description/Justification:

For several years, the University of Alaska Fairbanks has requested funding for the Natural Sciences Facility. This 119,797 sq. ft. facility would provide 64,175 assignable square feet of classroom, laboratory, and office space for the expansion of instruction and research in geology, petroleum geology, geophysics, chemistry, and physics. The facility will also allow for the expansion of programs in life sciences, liberal arts, and business management into space previously occupied by these departments in other campus facilities.

Previous appropriations have funded the planning and design of this \$27,967,400 facility. Construction documents are completed and could be available for bidding on short notice. This appropriation would be the first in a two-phase construction process. In Phase I, the site is prepared, a utilidor is extended to serve the site, and the building's foundation, structure, and exterior closure are completed. In Phase II, the building's mechanical, electrical & conveying systems, finishes and equipment are completed.



Project Readiness:	Bid Ready: Summer 1989
Est. No. of People Employed:	150
Project Complete by 12/89:	30% (100% by 12/90)
Staff Contact:	Gerald V. Neubert 474-7040

UNIVERSITY OF ALASKA  
STATEWIDE PROGRAM CAPITAL REQUESTS

1989 LEGISLATIVE PROGRAM

Project Title : UAF Downtown Center  
School of Continuing Education - Phase II  
FY90 Request : \$2,000,000.00  
Total Project Cost : \$6,261,000.00  
Estimated Annual O&M Costs : \$ 120,000.00 (Phase II Area)  
\$ 164,000.00 (Phase I Area)

DESCRIPTION/JUSTIFICATION

The Phase I construction of the UAF Downtown Center was completed in May, 1988. Phase I fulfilled the first portion of a long-range plan for the University to develop a stabilized environment in downtown Fairbanks area that provides community-oriented career/vocational training.

The master plan by the University envisioned the programs supplied by this facility as being "dynamic" and "community-driven". The flexibility of the complex to fulfill that criteria is attractive to UAF. Further UAF supports this request to complete the long-range plan, with the assurance that revisions in programs instigated because of restructuring can be accommodated. According to the master plan for UAF, the completed facility (Chena and Lathrop Buildings) would fulfill project space requirements until 1992.

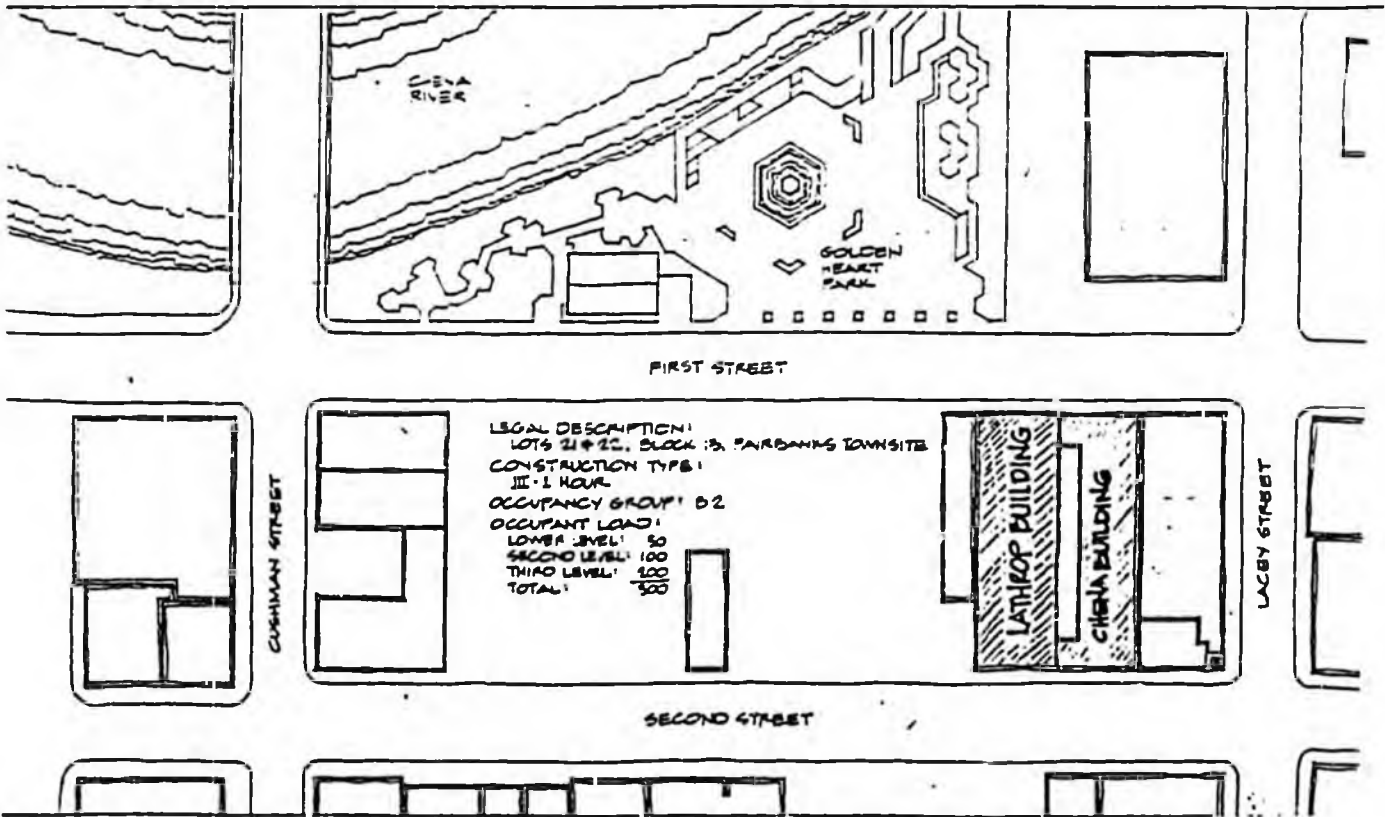
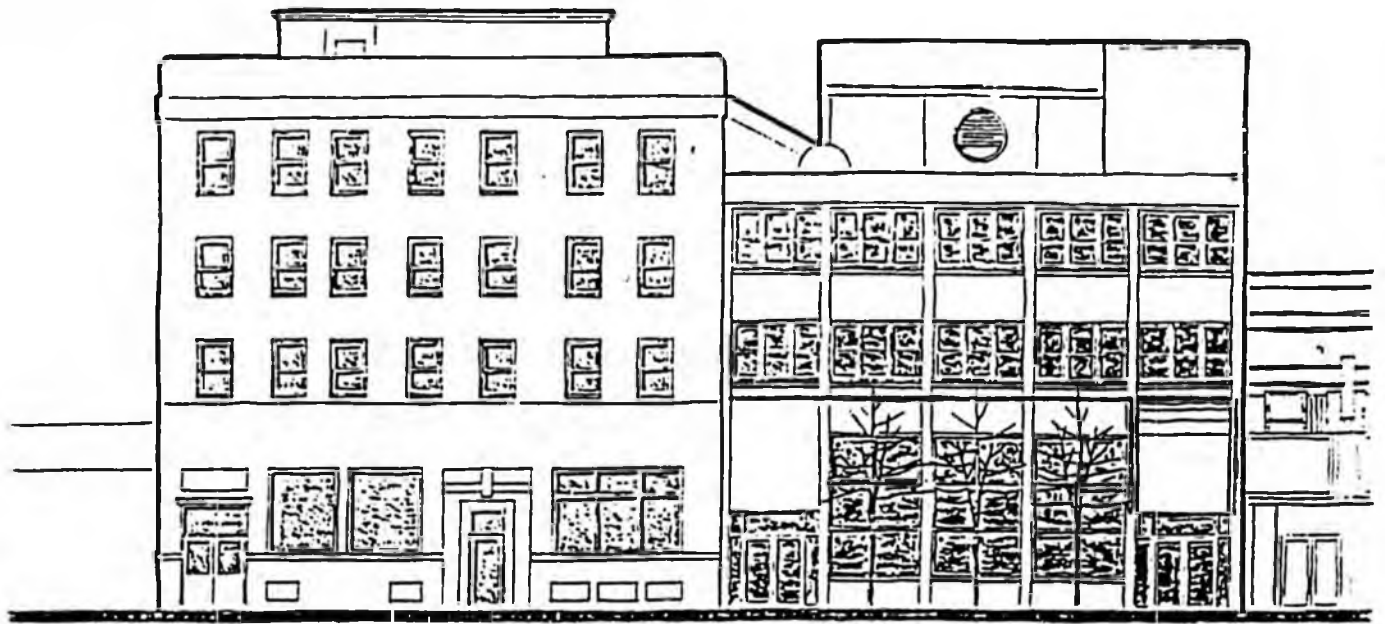
Construction of new buildings is difficult to justify when existing facilities are available for renovation. The dollars spent to refurbish and revitalize this complex will benefit downtown Fairbanks as well as the University. The downtown business community benefits from convenient cost-effective access to education and training, and the additional people that will be circulating in the downtown area while attending classes. Economic stimulation of the core is seen as vital for Fairbanks for the foreseeable future.

A portion of the Chena Building was leased to UAF in Phase I. A portion of the Lathrop Building will be leased to UAF in Phase II.

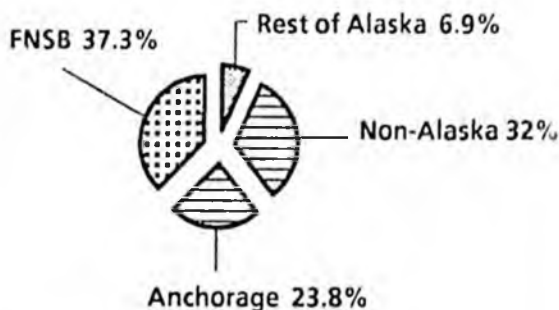
The 1987-88 Phase I work in the Chena Building addressed a complete upgrade of the primary building systems (heating, water, steam, waste, electrical, and ventilation), building-wide circulation (vertical and horizontal), and the installation of new interior walls and finishes on the 2nd and 3rd floors for the UAF lease.

The Phase II request will renovate the Lathrop Building in a similar manner and complete areas in the Chena Building not previously renovated. General classroom space, classroom/laboratory space, computer laboratory space, and administration/faculty offices are programmed for this construction.

Project Readiness : Bid Ready February 1990  
Estimated No. of People Employed : 150  
Percent Completed by the End of 1989 : 25% (Phase II work)



## Non-Wage Expenditure Patterns of UAF



Approximately 29.3 percent or \$29.9 million of the \$102.5 million of UAF's total income was spent on goods, services and other non-wage items. Of this \$29.9 million, 37.3 percent or \$9.99 million was spent in the Fairbanks North Star Borough. With the multiplier effect\*, economic impact of direct non-wage expenditures within the borough is estimated at \$16.07 million, using 1985 figures.

(\* A 1.44 service sector activity multiplier was used.)

## Secondary employment impact of UAF\*

Secondary employment impact as a function of university, staff, student and visitor expenditures.

Jobs



Spending by the University of Alaska Fairbanks and its faculty, staff, students and their visitors created 2,524 jobs in the private sector. In addition, UAF is the direct employer of 1,860 personnel for a total impact of 4,384 jobs.

\*based on 1985 figures

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# Economic

# Impact

of the

# University of

# Alaska Fairbanks

**The University of Alaska, Fairbanks** is an integral part of the Fairbanks community. UAF takes seriously its land-grant responsibilities of teaching, research and public service. Throughout the 70 years in which UAF has been an active member of the Fairbanks community, UAF has attracted talented faculty members and researchers who have brought international attention to Fairbanks. These researchers have helped UAF evolve into a major research university with a strong national and international reputation in the areas of marine science, upper atmosphere, physics, geology and the arctic ecosystem.

It is because of this expertise that UAF faculty have obtained highly competitive research grants. These grants provide money for salaries, supplies and equipment which contribute to the economic wellbeing of Fairbanks. Research expenditures approximate \$40 million, with two-thirds of this coming from grants and contracts.

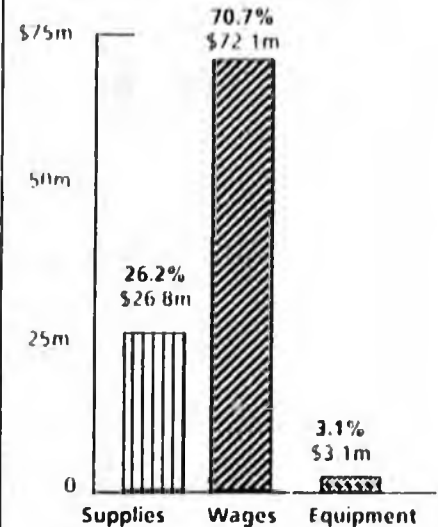
Research conducted in 1986 by UAF, in cooperation with the Fairbanks North Star Borough, demonstrates that the total economic impact of UAF, including grants, salaries and purchases of faculty, staff, students and their visitors, amounts to \$158 million each year. This is based on a conservative multiplier effect of 1.44, which means that for purposes of the study, it is expected that for every dollar spent it turned over 1.44 times that in the community.

Major UAF expenditures totaled \$102 million annually (1985). Survey results found that faculty and staff spent \$33 million locally in that year resulting in a \$47.5 million economic impact on the borough when the multiplier is taken into account.

Students themselves represent a major boon to economic activity, having spent \$60 million in the Fairbanks area in the same year. The direct and secondary impact of these expenditures within the borough was \$86.4 million. As a result of university, staff, student and visitor expenditures, 2,524 jobs were created in the private sector.

Annual expenditures in the Fairbanks North Star Borough due to visitors of UAF-related faculty, staff and students totaled \$5.6 million, or \$8.06 million in light of direct and secondary impact of these expenditures.

### UAF expenditures



**UAF ranks among the 100 leading universities for its research and development activity.**

*During the study period, UAF employed more than 2,000 full-time, temporary and student employees, making it one of the largest employers in the Fairbanks North Star Borough.*

#### University of Alaska Fairbanks Visitors of students and faculty/staff and their expenditures (1984-85)

	Students	Faculty/Staff
Average number of visitors	37	62
Average length of stay (days)	6.4	9.3
Average daily expenditure of visiting friend or relative**	\$26.0	\$26.0
Average annual visitor expenditure	\$616.0	\$1,499.0
Annual visitor expenditures***	\$2,810,808.0	\$2,788,140.0

\* Figures for convention visitors not available.  
 \*\* Fairbanks Convention and Visitors Bureau, Fairbanks Visitor Survey and Annual Report, 1984.  
 \*\*\* The valid number of sample observations are 273 for students and 103 for faculty based on a population of 1,860 faculty staff and 4,563 students.

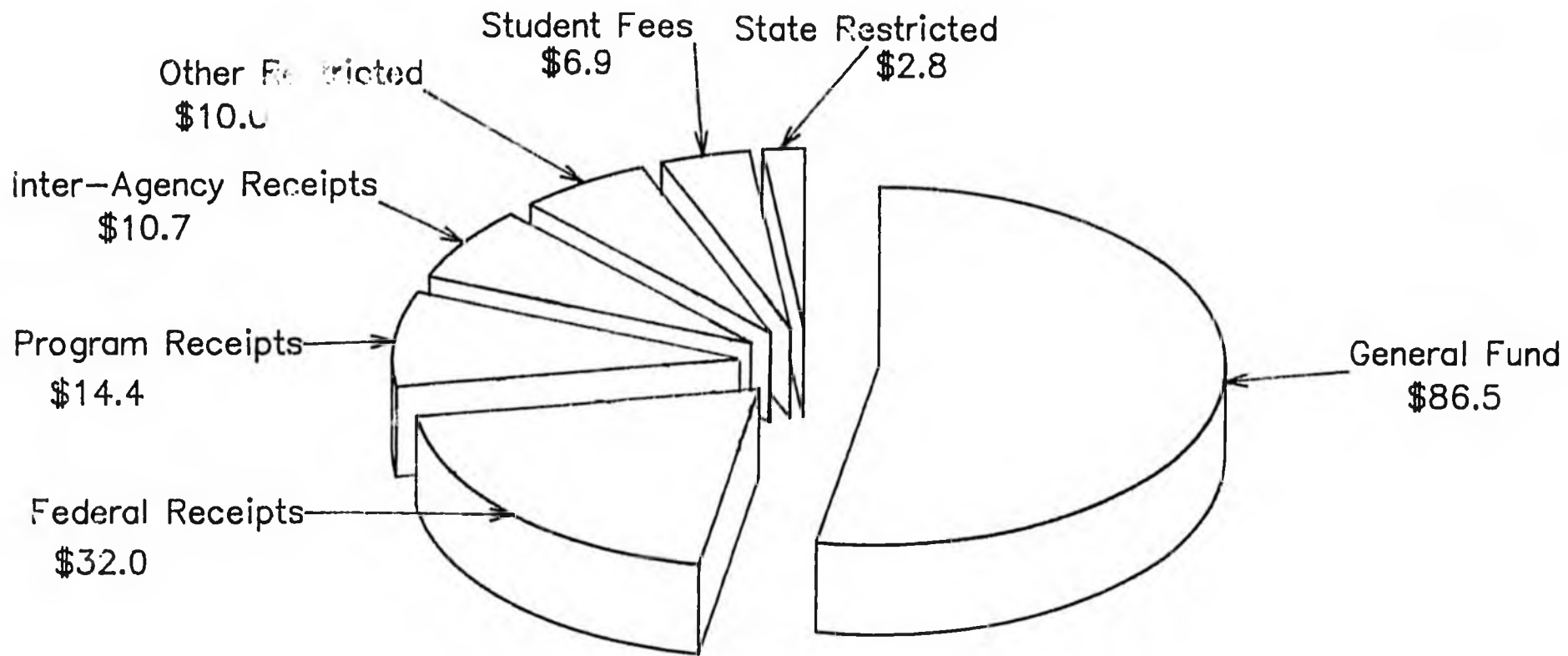
(Taken from the "Economic Impact of the University of Alaska Fairbanks on the Fairbanks North Star Borough" report produced by UAF in August 1987.)

#### University of Alaska Fairbanks University related expenditures in the FNSB and overall impact

Expenditures in Millions	Faculty/Staff	Students	Visitors	UAF	Total
Gross	\$33.6	\$61.9	\$5.6	\$11.2	\$112.3
Less Campus Housing	<\$67>	<\$19>	N/A	N/A	N/A
Total in FNSB	\$33.0	\$60.0	\$5.6	\$11.2	\$109.8
Overall Economic Impact	\$47.5		\$8.1	\$16.1	\$158.1

(Taken from the "Economic Impact of the University of Alaska Fairbanks on the Fairbanks North Star Borough" report produced by UAF in August 1987.)

FY90 BUDGET REQUEST  
UNIVERSITY OF ALASKA FAIRBANKS  
TOTAL \$163 MILLION



UNIVERSITY OF ALASKA FAIRBANKS  
 Research Revenue to Total Revenue  
 FY90 Budget Request

Revenue	Total UAF	UAF Research	Research % of Total
General Fund	\$86,459.8	\$14,967.2	17.3%
Federal Receipts	\$32,035.2	\$27,957.9	87.3%
Other Restricted	\$12,800.5	\$8,410.2	65.7%
Program Receipts	\$14,442.8	\$818.6	5.7%
Student Fees	\$6,903.4	\$0.0	0.0%
Inter-agency Receipts	\$10,688.7	\$586.2	5.5%
	<u>\$163,330.4</u>	<u>\$52,740.1</u>	<u>32.3%</u>

# Polar Research Center

A Window of Opportunity

Concept would include:

- |   |          |
|---|----------|
| 1. The Natural Science Building   | \$26.0 M |
| 2. The Purchase of the NERCO Minerals Building<br>UA Statewide Administration would move<br>from campus to downtown Fairbanks where<br>Nerco Building is located. | \$ 7.0 M |
| 3. The transfer of the Butrovich Building to UAF<br>either as is, or with completion of one additional<br>floor,  | \$ 4.0 M |
| or with completion of second additional floor   | \$ 4.0 M |

Thus, a minimum Polar Research concept would be \$33.0 M but ultimately \$41.0 M with the completion of the Butrovich Building.

# **Polar Research Center**

## **A Window of Opportunity**

### **Advantages:**

- 1. Moves a segment of the University into downtown Fairbanks including about 120 jobs, thus aiding downtown revitalization efforts.**
- 2. Takes approximately 80,000 sq. ft. of office space off the market, thereby decreasing vacancy factor in the private sector.**
- 3. Better poises the University to take maximum advantage of Federal Arctic Research initiatives.**
  - A. Needed laboratories**
  - B. Polar Research Library space**
  - C. Visiting scientists space**
  - D. By internal shifts, provide additional laboratory space for biochemistry, biology and natural sciences**
  - E. Increased federal dollars for research, thereby positively impacting state economy**
  - F. Increased international stature for Alaska and the University as the U.S. leader in Arctic Science**
  - G. Potential leverage for National Science Foundation to increase its efforts in funding Arctic Science**
- 4. Positive economic benefit on the construction industry**

### **Disadvantages:**

- 1. Front end commitment of state dollars**
- 2. Political problem - Lack of intrastate geographic balance**

# **University of Alaska Fairbanks**

## **New Initiatives**

- **National Science Board Report on Polar Regions**
- **Antarctic Contract**
- **Synthetic Aperture Radar System (SARS)**
- **Arctic Space and Environmental Center (PFRR)**
- **Ice Strengthened Research Vessel**
- **ANWR Research**
- **Research Park**
- **Army Cold Weather Medical Research**
- **Polar Ice Coring Logistics Office**
- **Circumpolar Studies Network**
- **Center of Excellence and Northern Studies**
- **Programs to Enhance Alaskan Economic Development**

## **The Role of The National Science Foundation In Polar Regions**

- 2** ...that the NSF establish and oversee the operation of a network of research support centers for the polar regions. These centers would be supported by the NSF and managed by universities or private organizations.
- 3** ...that a logistics program be established for the Arctic to support NSF scientists and research projects conducted in the northern polar regions.
- 5** ...that the NSB encourage the National Institutes of Health and other appropriate agencies to support increased health and medical science research in polar regions. In addition, we recommend that, in cooperation with such health and medical research, the NSF support basic social sciences research in polar regions.

## **The Role of The National Science Foundation In Polar Regions**

- 6** ...that research on the culture history, linguistics, archaeology, and physical anthropology of arctic peoples be established in the NSF as an identified and appropriately staffed program within the Division of Polar Programs.
- 7** ...that a research vessel capable of scientific and engineering research in arctic seas also be acquired.
- 8** ...that the cooperation of private organizations and industry be sought in the construction of facilities and provision of logistic support in the Arctic and Antarctic.

## **The Role of The National Science Foundation In Polar Regions**

**14** ...that basic engineering research be conducted in the polar regions and that it be a specifically targeted research component of such programs to develop the engineering knowledge required for operation in the polar environment.

**15** ...that the funding for polar science wherever it is presently supported within the NSF, be increased to a level twice that budgeted for Fiscal Year 1988 within the next 3 years and that the suggested logistic support be put in place as scientific opportunities and needs dictate.

# White House Science Council

## Findings

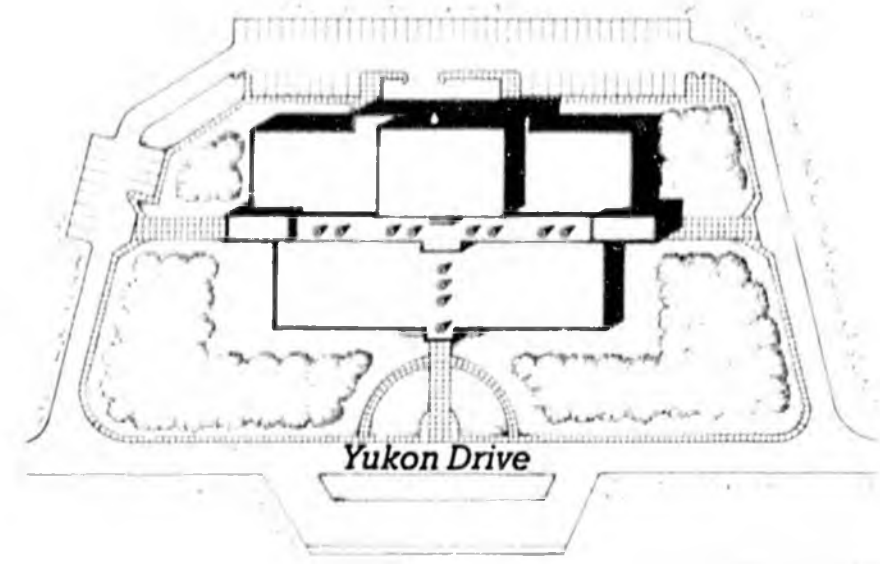
- **A healthy university system is the basis for our future. In any ranking of priorities for allocating R&D support—both federal and private—universities must rank first.**
- **State and local governments as well as private philanthropy, play a vital role. Their initial investments develop the structures and programs that make universities competitive for federal investment, and they provide resources by which academic institutions preserve their autonomy and diversity. Moreover, such support is a major element of the shared responsibility that typifies the present university-federal government partnership.**
- **Strong university-government-industry partnerships are fundamental to meeting our goals in economic competitiveness, national security, agriculture, health, and in improving the quality of life of our citizens.**

# White House Science Council

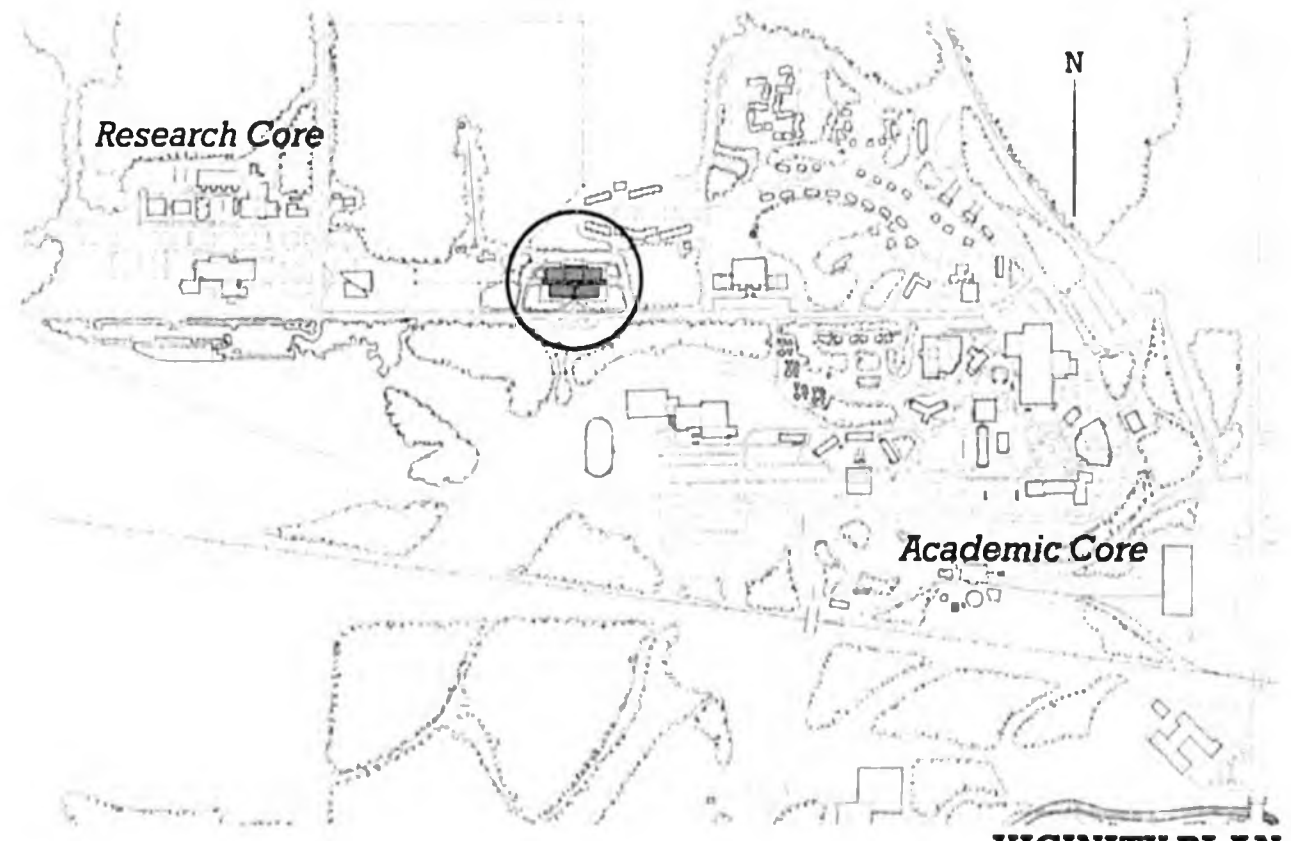
## Challenge to the states

- Like industry and the federal laboratories, communities benefit substantially from being located near strong universities....**State governments have a responsibility** to help shape and develop local universities to meet regional needs and characteristics. Particularly with respect to state universities but also for private universities, states can have a profound effect on the quality of institutions
  - by augmenting federal research programs in areas of particular regional interest...
  - by providing infrastructure support and unrestricted grants to institutions,  
to groups of researchers or  
to individual faculty members and
  - by becoming actively involved in the education process.

**NATURAL SCIENCE FACILITY**



**SITE PLAN**



**VICINITY PLAN**

**NATURAL SCIENCE FACILITY**

**PROJECT MANAGEMENT**  
Facilities Planning & Construction  
*Northern Region Office*

**ARCHITECT**  
ZGF Architects, Inc.  
*Portland, OR*

**ASSOCIATE ARCHITECT**  
Bezek-Durst Inc.  
*Anchorage, AK*

**LABORATORY CONSULTANT**  
Earl Walls Associates  
*San Diego, CA*

**STRUCTURAL**  
kpff structural engineer  
*Portland, OR*

**MECHANICAL/ELECTRICAL**  
Winzler & Kelly Engineers  
*Anchorage, AK*

**CIVIL**  
R & M Consultants, Inc.  
*Fairbanks, AK*

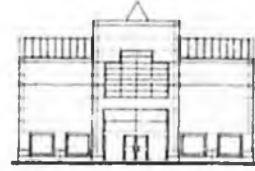


**NATURAL SCIENCE FACILITY**

UNIVERSITY OF ALASKA, FAIRBANKS



## NATURAL SCIENCE FACILITY



The facility is centrally sited along Yukon Drive. This location will begin a physical and programmatic linking of the older core of UAF with the research institutes constructed in the late 1960's.

The building will be a low profile, crisp metal and glass structure placed among the trees on this prominent hilltop site. It brings together four of the disciplines of the natural science community and provides 61,900 net square feet of laboratory, offices, equipment storage, lecture auditoriums, classrooms and general facilities required for instruction and research. Parking for the occupants will be provided and will help resolve existing and future parking requirements on campus.

Oriented with its primary facade and offices overlooking Yukon Drive and the Alaska Range on the horizon, the building is designed to accommodate future expansion axially either east or west. This facility is designed as an energy-efficient structure and will be served by the campus underground utility system which will be extended 900 feet for this project. Its location and design will accommodate the large dish antenna and electronics facilities required for the NASA high resolution imaging radar satellite receiving station offered to the University of Alaska-Fairbanks.

The addition of the Natural Science Facility on the UAF campus will accomplish four major objectives of the University.

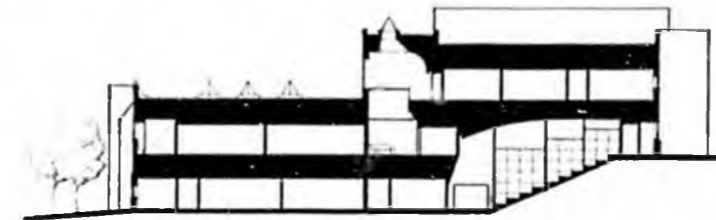
The first is to partially overcome a shortage of space which currently exists on the campus, particularly in specialized laboratory facilities, office space and large lecture facilities. Analysis by the Statewide Office of Facilities Planning indicates a current campus-wide shortage of 140,733 net assignable square feet and a projected campus-wide shortage by 1993 of 451,964 square feet.

## NATURAL SCIENCE FACILITY

The second main objective is to provide adequate, safe and efficient laboratory spaces to those departments of natural science which lack them. Foremost among them are the Geology and Petroleum Geology programs, currently housed in inadequate facilities in the Brooks Building. This project will provide needed expansion and a permanent home for Solid Earth Geophysics, Chemistry and Physics. UAF has distinguished itself in the natural sciences and has outgrown its present science facilities. In order to maintain and enhance its science reputation into the next decade, improved and expanded instructional and research laboratories are required.

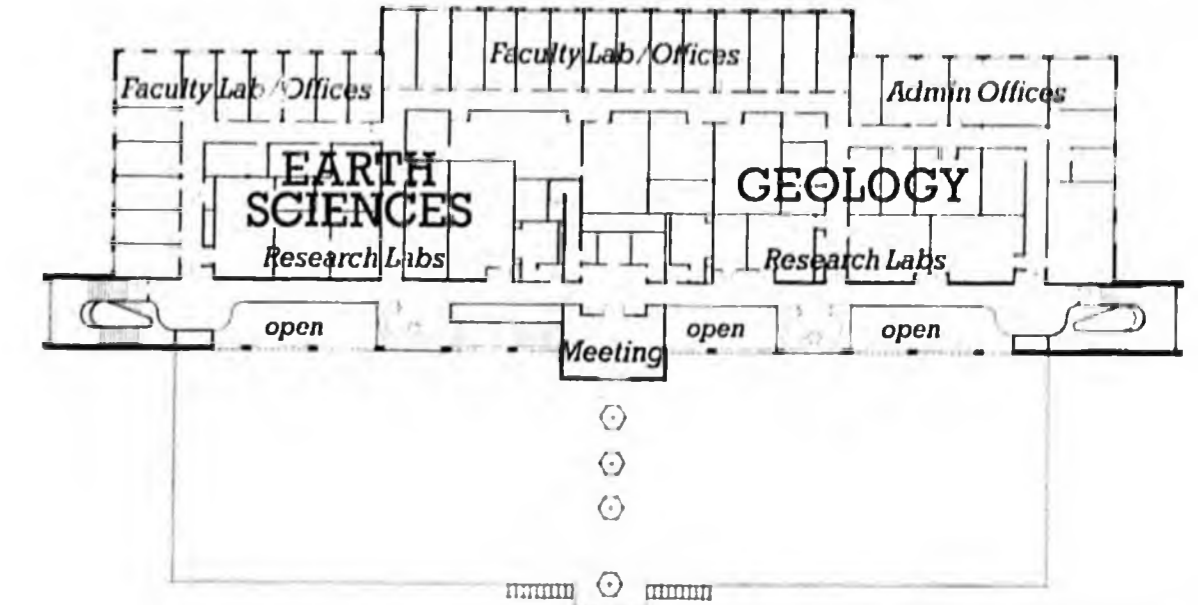
Third, the roof of the building has been identified by NASA as the desired location of a \$10 million NASA-financed high-resolution imaging radar satellite receiving station. This station will be the most sophisticated and state-of-the-art in the nation and could provide enhanced economic impact as new areas of research investigation are opened up. The Synthetic Aperture Radar (SAR) Facility will also bring a high-tech space approach to solving some of the State's problems such as ice forecasting, which impedes ship traffic and off-shore petroleum exploration and production. Botanical and geological use of SAR will help in land-use planning and mineral exploration.

Finally, the construction of the Natural Science Facility will permit expansion of needed facilities for Mineral Engineering, Biology and Geophysics, once vacated space is renovated. Thus, eight departments benefit by allowing them to meet their commitments to students and the State.

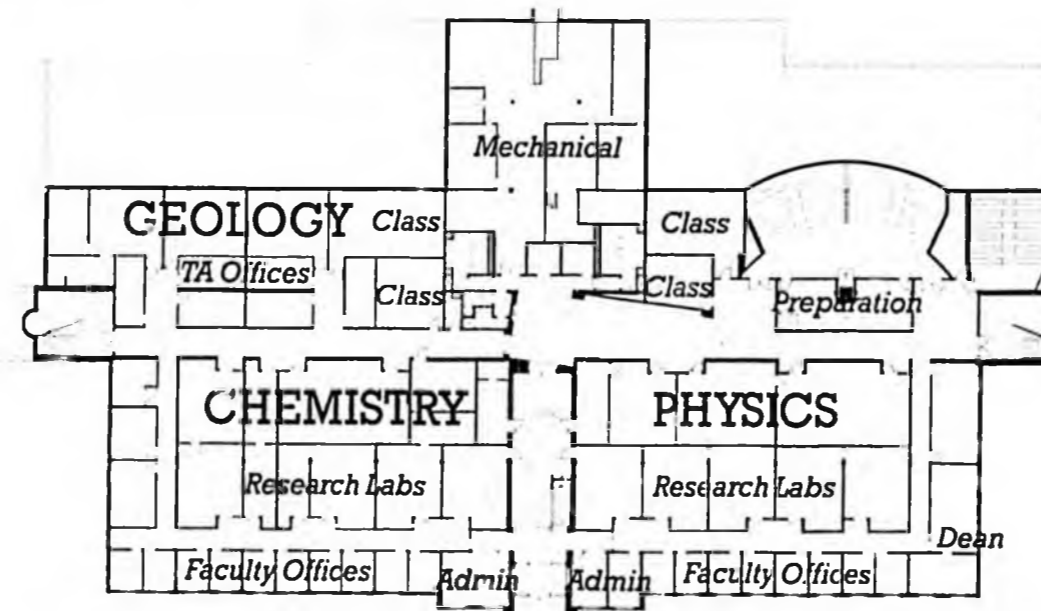
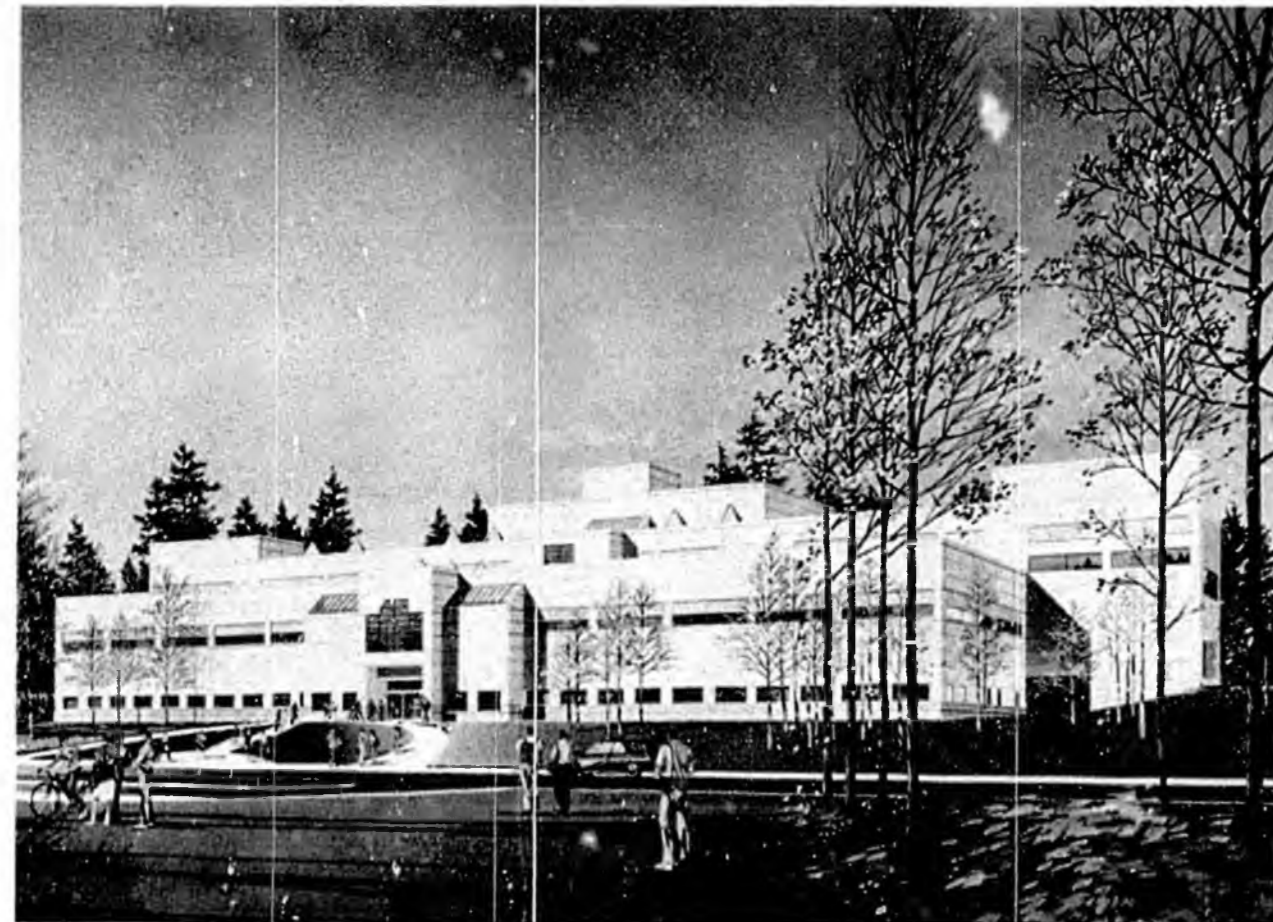


SECTION AT  
200 SEAT LECTURE ROOM  
LOOKING WEST

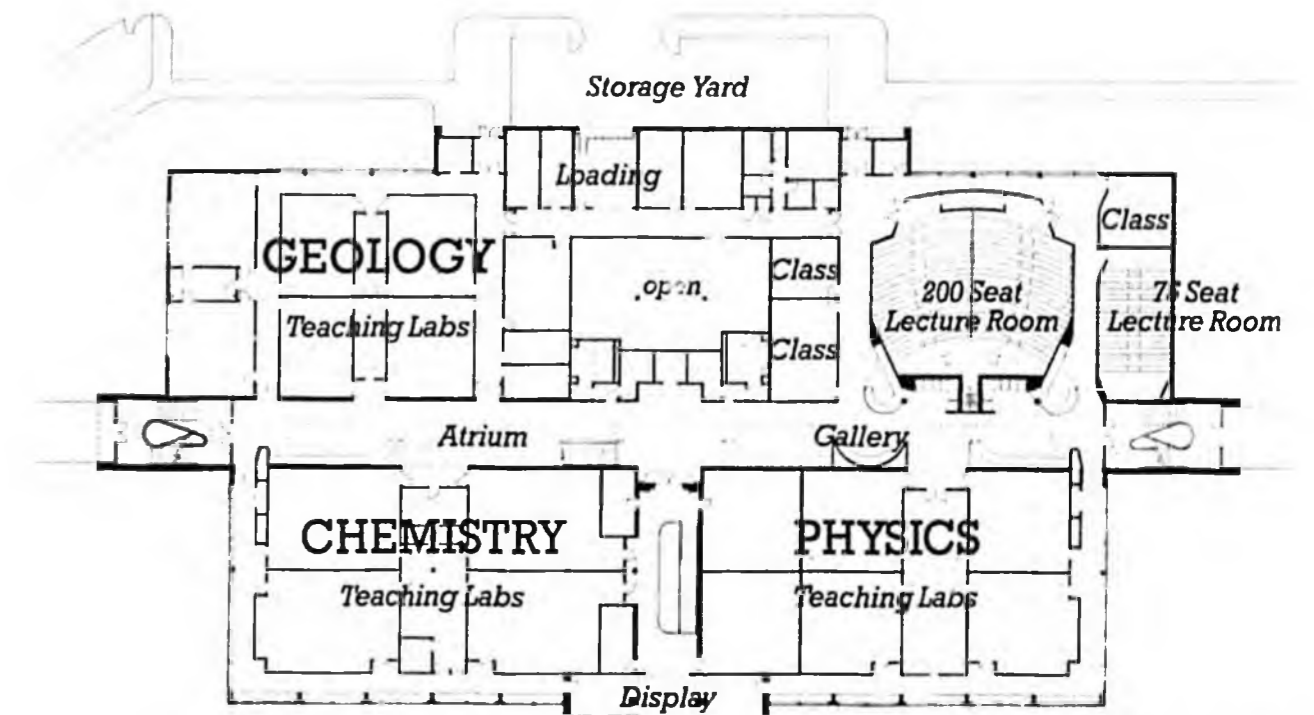
## NATURAL SCIENCE FACILITY



LEVEL 3-RESEARCH

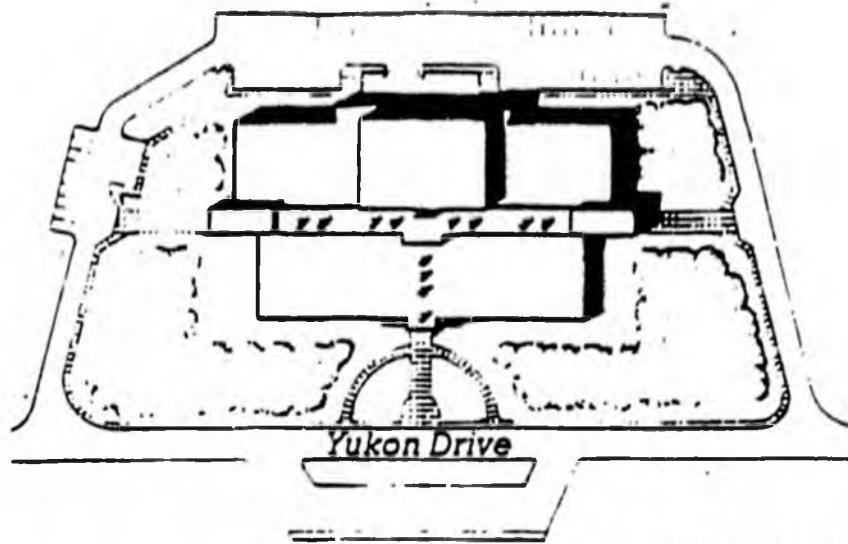


LEVEL 1-RESEARCH

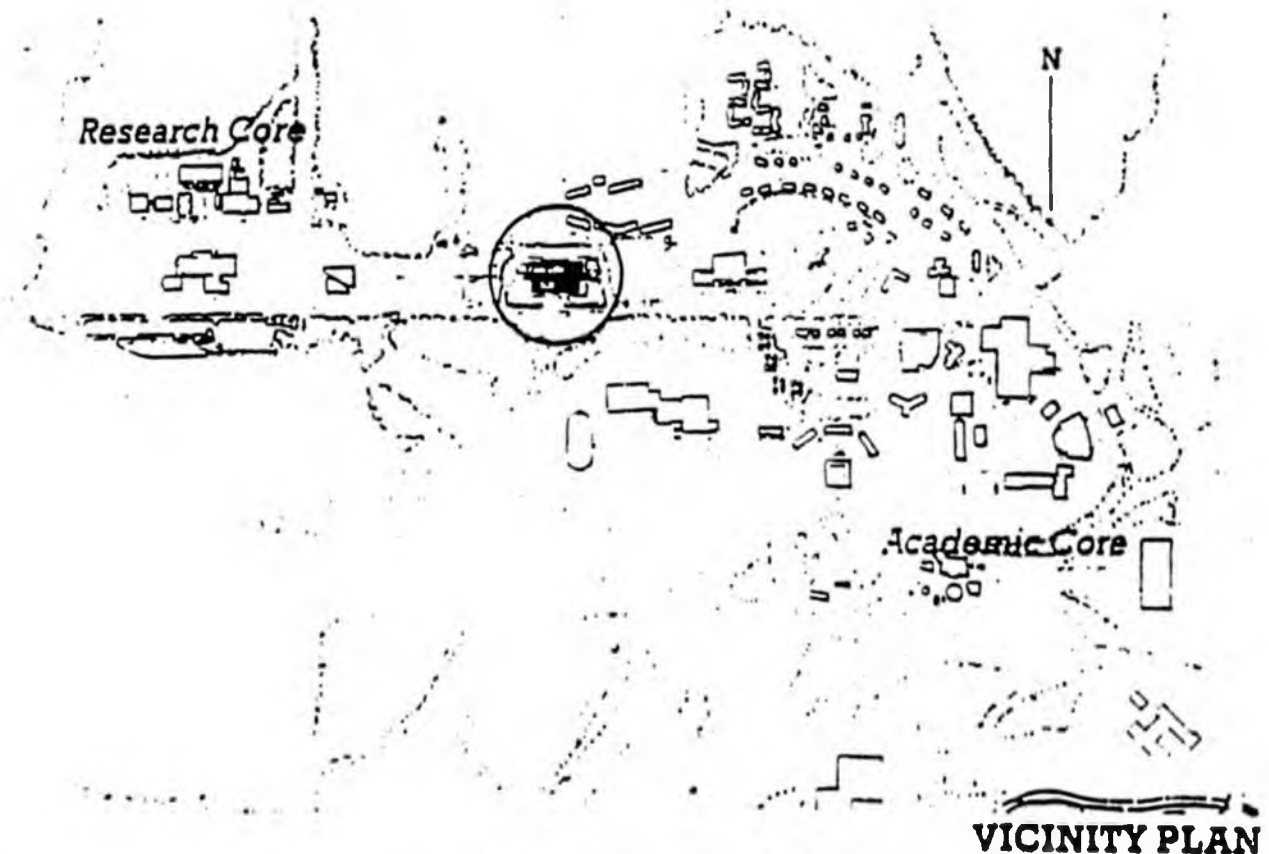


LEVEL 2-TEACHING

# NATURAL SCIENCE FACILITY



**SITE PLAN**

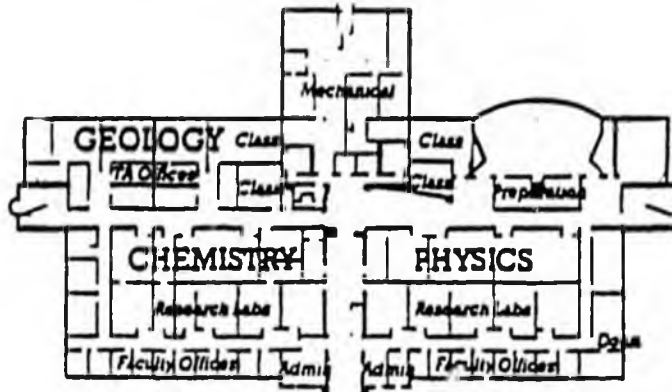


**VICINITY PLAN**

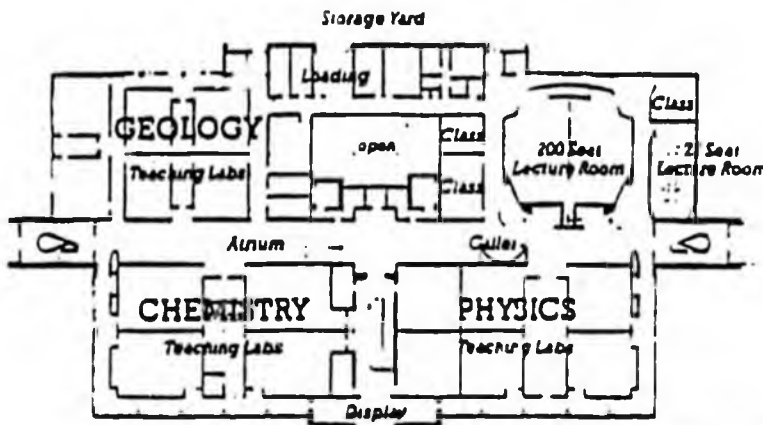
# NATURAL SCIENCE FACILITY

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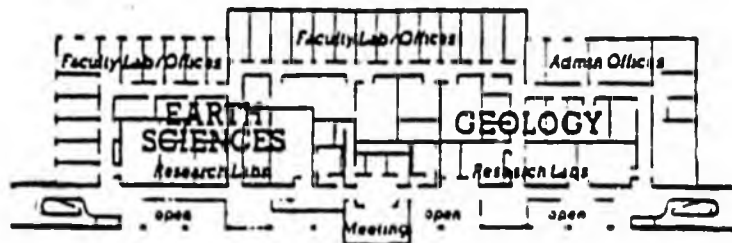
LEVEL 1-RESEARCH



LEVEL 2-TEACHING



SECTION AT 200 SEAT LECTURE ROOM LOOKING WEST



LEVEL 3-RESEARCH

# 1

The first is to partially overcome a shortage of space which currently exists on the campus, particularly in specialized laboratory facilities, office space and large lecture facilities. Analysis by the Statewide Office of Facilities Planning indicates a current campus-wide shortage of 140,733 net assignable square feet and a projected campus-wide shortage by 1993 of 451,964 square feet.

## 2

The second main objective is to provide adequate, safe and efficient laboratory spaces to those departments of natural science which need them. Among them are the Geology, Petroleum Geology, Solid Earth Geophysics, Chemistry, and Physics programs. UAF has distinguished itself in the natural sciences and has outgrown its present science facilities. In order to maintain and enhance its science reputation into the next decade, improved and expanded instructional and research laboratories are required.

# 3

Finally, the construction of the Natural Science Facility will permit expansion of needed facilities for Mineral Engineering, Biology and Geophysics, once vacated space is renovated. Thus, eight departments benefit by allowing them to meet their commitments to students and the state.

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY  
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JUNEAU, ALASKA 99811  
907.465.3800

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

Mary Van Nimwegen

H. HESS 3-15-90

H. HESS 3-16-90

HB

139



A M E N D M E N T

OFFERED IN THE HOUSE

BY DONLEY

TO: CSHB 139(C&RA)

Page 3, line 28, following "(d)":

Delete "This"

Insert "Except as provided in (f) of this section, this"

Page 4, following line 14:

Insert a new subsection to read:

"(f) If a dispute under (d)(2) of this section is resolved in favor of the seller, (c) of this section applies to the payment for the goods or services involved in the dispute."

Reletter the following subsection accordingly.

A M E N D M E N T

OFFERED IN THE HOUSE

BY DONLEY

TO: CSHB 139(C&RA)

Page 1, line 7, following "districts":

Delete "and"

Insert ", "

Page 1, line 7, following "municipalities":

Insert ", and state agencies"

Page 1, line 16:

Delete "and 37.05.285(f)(1) - (2)"

Insert ", (f)(1) - (2), and (g)"

Page 1, line 17:

Delete "and 37.05.285(f)(1) - (2)"

Insert ", (f)(1) - (2), and (g)"

Page 3, line 28, following "(d)":

Delete "This"

Insert "Except as provided in (f) of this section, this"

Page 4, following line 14:

Insert a new subsection to read:

"(f) If a dispute under (d)(2) of this section is resolved in favor of the seller, (c) of this section applies to the payment for the goods or services involved in the dispute."

Reletter the following subsection accordingly.

Page 4, following line 18:

Insert new bill sections to read:

\*\* Sec. 6. AS 37.05.285(d) is amended to read:

(d) Except as provided in (g) of this section, this [THIS] section does not apply

(1) if the cost of the goods or services purchased exceeds \$500,000;

(2) to payment for specific goods or services in dispute after a seller of goods or services receives notice from the state official responsible for authorizing payment for goods and services that the amount of the invoice or quality of specific goods or services is in dispute and stating the reasons for the dispute; the state agency shall pay for the specific goods or services in dispute within 30 days after resolution of the dispute; or

(3) to a contract covered by AS 36.90.010.

\* Sec. 7. AS 37.05.285 is amended by adding a new subsection to read:

(g) If a dispute under (d)(2) of this section is resolved in favor of the seller, (c) of this section applies to the payment for the goods or services involved in the dispute."

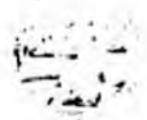
Renumber the following bill sections accordingly.

# HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892



February 6, 1989

## M E M O R A N D U M

To: Representative Eileen Maclean, Chair  
House Community and Regional Affairs Committee

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

Re: Request for hearing - HB 139

I am writing to ask that you schedule HB 139, relating to payments for purchases by school districts and municipalities, for a hearing before the House Community and Regional Affairs Committee at your earliest convenience.

HB 139 is modeled after recently adopted legislation mandating the state to pay their bills on time. The measure requires school districts and municipalities to pay for purchase within 30 days of receipt and subjects them to a 1.5 percent fine and penalties under AS 37.05.285. for failure to pay within the time period outlined in the bill.

The measure was introduced by the House Labor and Commerce Committee on request by the National Federation of Independent Businesses. The Department of Commerce and Economic Development supported a similar measure, HB 422, filed during the 1988 session.

Since adoption of the law governing state purchases, the Department of Administration has reported significant savings to the general fund because they have not had to pay late charges and other related costs (see attached article). Hopefully, HB 139 will bring similar benefits to school districts and local government.

Please contact me or Ginger Baim at 4954 if you have any questions or need additional information.

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: Payments For Purchases By School  
 Districts and Municipalities  
 Sponsor: House L & C  
 Requestor: House C & RA

Agency Affected: Education  
 BRU: K-12 Support  
 Components: Foundation

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

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
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>						
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<b>REVENUE</b>						
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**FUNDING:** (Thousands of Dollars)

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

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

Prepared by: Mary Hakala Phone: 465-2800  
 Division: Commissioner's Office Date: 2/13/89  
 Approved by Commissioner: William G. Demmert Date: 2/13/89  
 Agency: Education

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

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: "An Act..payments for purchases by school districts & municipalities.."  
 Sponsor: Labor & Commerce Committee  
 Requestor: \_\_\_\_\_

Agency Affected: Community & Regional Affairs  
 BRU: \_\_\_\_\_  
 Components: \_\_\_\_\_

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

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
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>

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

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
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	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

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

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750  
 Division: Municipal & Regional Assistance Date: 2-15-89

Approved by Commissioner: [Signature] Date: \_\_\_\_\_  
 Agency: Community & Regional Affairs

Distribution (by preparer):

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

# 7

Article 3. State Purchasing.

Section

285. Payment for state purchases

Sec. 37.05.220. Purchasing agent. [Repealed, § 67 ch 106 SLA 1986. For current provisions see AS 36.30.]

Sec. 37.05.225. [Renumbered as AS 36.30.180.]

Secs. 37.05.230 — 37.05.280. Competitive bids; contracts; leases. [Repealed, § 67 ch 106 SLA 1986. For current provisions, see AS 36.30.]

Sec. 37.05.285. Payment for state purchases. (a) Payment for purchases of goods or services provided a state agency must be made by a required payment date that is

- (1) the date on which payment is due under the terms of a contract; or
- (2) 30 days after receipt of a proper billing for the amount of the payment due, if a date on which payment is due is not established by contract and if the billing contains or is accompanied by documents required by the contract or purchase order.

(b) If a seller offers a discount from the amount otherwise due for property or services in exchange for payment within a specified period of time, the state agency may make payment in an amount equal to the discounted price only if payment is made within the specified period of time.

(c) If payment for goods or services purchased by the state is not made on or before a required payment date under (a) of this section, the state shall pay interest on the unpaid balance from the required payment date at the rate of 1.5 percent a month, unless an agreement exists between the seller and the state that establishes a lower rate of interest or precludes the charging of interest. If the interest-bearing period of time is either (1) a fraction of a month or (2) one or more full months plus a fraction of a month, the state agency shall pay the same amount of interest for the fraction of a month as it would pay for a full month.

(d) This section does not apply

(1) if the cost of the goods or services purchased exceeds \$500,000;

(2) to payment for specific goods or services in dispute after a seller of goods or services receives notice from the state official responsible for authorizing payment for goods and services that the amount of the invoice or quality of specific goods or services is in dispute and stating the reasons for the dispute; the state agency shall pay for the specific goods or services in dispute within 30 days after resolution of the dispute; or

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PUBLIC FINANCE

§ 37.05.287

(3) to a contract covered by AS 36.90.010.

(e) Interest paid under (c) of this section shall be charged to the budget of the state agency that purchased the goods or services.

(f) In this section

(1) "dispute" means a determination by the state official responsible for authorizing the payments for the purchase of goods or services that the performance or price charged is not in compliance with the terms of the contract or purchase order;

(2) payment is considered made on the date when the payment is personally delivered to the seller or agent of the seller or on the date the payment is mailed;

(3) "state agency" has the meaning given in AS 37.05.990 and also includes the legislative and judicial branches. (§ 1 ch 2 SLA 1986)

Revisor's notes. — Enacted as AS 1986 provides that this section "does not apply to contracts entered into before October 1, 1986."

Editor's notes. — Section 2, ch. 2, SLA

#### Article 4. Risk Management.

##### Section

287. Insurance for state assets

289. State insurance catastrophe reserve account

Sec. 37.05.287. Insurance for state assets. (a) The Department of Administration shall obtain or provide, in an amount and in the form that the department determines to be appropriate, casualty, property, and other insurance for protection of state assets and for the operation of state government. The department may provide for insurance coverage, in whole or in part, through a self-insurance program.

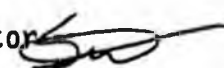
(b) The Department of Administration shall annually review the state insurance program to ensure that, to the extent reasonable, adequate insurance coverage of reserves are maintained to satisfy all reasonably foreseeable claims or judgments for which payment may be due under the state insurance program during the next fiscal year. The department shall annually obtain an independent actuarial assessment of the state insurance program. No later than February 1 of each calendar year, the department shall submit to the presiding officers of each house of the legislature a review of the state insurance program, an independent actuarial assessment, and a certified audit of the state insurance catastrophe reserve account. (§ 1 ch 28 SLA 1987)

# Alaska MUNICIPAL League

TELEPHONE  
(907) 586-1325  
FAX 461-5480

217 SECOND STREET, SUITE 200  
JUNEAU, ALASKA 99801

TO: Representative Johnny Ellis, Chair  
Members of the House Health, Education  
and Social Services Committee

FROM: Scott A. Burgess, Executive Director 

DATE: March 15, 1989

SUBJECT: CSHB 139 (C&RA) - Payments for purchases by school districts and municipalities

The AML is opposed to CSHB 139 (C&RA) as an unnecessary and inappropriate intrusion by the State into local affairs. In opposing the legislation the AML is not opposing timely payment of valid bills for purchases of goods and services. Municipalities handle their business affairs in a manner that is distinctly different than that of the State. The State mandating purchasing and payment procedures adopted by the State on municipalities not recognize the differences between the two levels of government and among the various local entities.

Municipalities and school districts range in size, access, staffing, hours of operation, and procurement sophistication; therefore, a blanket requirement of 18% annual interest on bills due over thirty days does not recognize these differences, as well as how the entities purchase, receive and pay for goods and services. Some municipalities and school districts do not operate even five days a week, 12 months of the year. Other municipalities and school districts have very sophisticated procurement policies or ordinances.

On the specifics of the bill, an interest rate of 18 percent a year seems excessive, especially on a 1.5 percent per month or fraction of the month basis. The rate of interest in the state is 10.5 percent a year under AS 45.45.010(a). This is the rate of interest required of municipalities by the State (unfortunately) for funds retained on public construction projects by reference under AS 36.90.010.

Again, AML does not support CSHB 139; however, if the Committee decides CSHB 139 is an appropriate mandate on local government, AML would request, at a minimum, amending the bill as follows:

On page 3, amend Section 5, Sec.29.71.060 as follows:

(c) If payment for goods or services purchased by the municipality is not made on or before a required payment date under (a) of this section, the municipality shall pay interest on the unpaid balance from the required

payment date at the rate of 10.5 [1.5] percent a year [MONTH], unless an agreement exists between the seller and the municipality that establishes a lower rate of interest or precludes the charging of interest. [IF THE INTEREST-BEARING PERIOD OF TIME IS EITHER (1) A FRACTION OF A MONTH, OR (2) ONE OR MORE FULL MONTHS PLUS A FRACTION OF A MONTH, THE MUNICIPALITY SHALL PAY THE SAME AMOUNT OF INTEREST FOR THE FRACTION OF A MONTH AS IT WOULD PAY FOR A FULL MONTH.]

(d) This section does not apply

(1) if the municipality has adopted by ordinance a procedure addressing payments for purchases;

(~~2~~ [1]) if the cost of the goods or services purchased exceeds \$500,000;...

Thank you for your consideration.

# ASSOCIATION OF ALASKA SCHOOL BOARDS

316 W. 11th St. • Juneau, Alaska 99801-1510 • (907) 586-1083

## POSITION PAPER

### HB 139

### Payment for Purchases

The Association of Alaska School Boards encourages **opposition** to HB 139, "An Act relating to payments by school districts and municipalities; and providing for an effective date."

AASB has a number of concerns with the proposed legislation:

#### **HISTORICAL PERSPECTIVE**

There are various reasons why districts may not pay promptly, including (1) the procedure whereby a supplier/service provider may invoice the district before the district has actually received the merchandise, or (2) the district may be invoiced upon receiving only one-half of the order.

Another prevalent practice is that school districts may order supplies in the summer months and receive the merchandise soon thereafter, with the *agreement* that the bill will be paid in August/September when school starts.

Alternatives used by some districts include doing business with *larger suppliers* using an expanded credit line, or they may *delay the delivery* of supplies to August. These practices may, in some instances, preclude the use of local commerce.

#### **ASSUMPTION**

To entertain this bill is to suggest that Alaska's school districts are "poor pay" clients or that they don't pay their bills. This is simply not true. AASB is not aware of any problem in this regard. School districts pay their bills on time.



# Matanuska-Susitna Borough

P.O. BOX 1608, PALMER, ALASKA 99645-1608 • PHONE 745-4601

DEPARTMENT OF FINANCE

February 16, 1989

Representative Eileen Maclean  
Chairman, HCRA  
Alaska House of Representatives  
P. O. Box V  
Juneau, Alaska 99811

Dear Representative Maclean:

I have had an opportunity to review HB139. I foresee little or no impact in applying the State Procurement Code to Borough and School District activities. I believe that the Borough currently complies, voluntarily, with the requirements of AS 37.05.285. This issue, as presented in this bill, relates to the authority of local governments to manage their own affairs. It is not, in my view, sound public policy to have one governmental entity dictating the way another does business.

There are three issues which must be given some consideration:

1. Department of Labor - will disputes between the State Department of Labor and the contractor be considered disputes under AS 37.05.285(d)(2)? Often municipalities must withhold payment to contractors until a labor/wage issue is resolved. It is not reasonable to expect a municipality to pay interest when the monies are withheld because of levy under Title 23 of the Alaska Statutes.
2. Proper billing - this term, as used in AS 37.05.285(a)(2) must be defined. What constitutes a "proper billing"? How long does a municipality have to review records/work to determine a proper billing?
3. Interest rate - 1.5% per month (AS 37.05.285(c)) results in an 18% APR. This amount seems excessive in light of AS 45.45.010.

Please call me if I can be of further assistance.

Sincerely,

Robert R. Jensen  
Finance Director

nm

cc: Representative Ronald Larson  
Representative Curt Menard  
Scott Burgess, Alaska Municipal League



# KENAI PENINSULA BOROUGH

144 N. BINKLEY • SOLDOTNA ALASKA 99669  
PHONE (907) 262-4441

DON GILMAN  
MAYOR

## MEMORANDUM

TO: Crystal Smith, Alaska Municipal League

FROM: *DMY* Dolly Farnsworth, Mayor, City of Soldotna  
Chair Taxation Finance Subcommittee

FROM: *TRB* Thomas R. Boedeker, Kenai Peninsula Borough Attorney  
Member Taxation & Finance Subcommittee

DATE: February 16, 1989

SUBJECT: Position or Testimony Regarding House Bill 139.

1. The rate for any late payments should not be at the one and one-half percent per month with a fraction of a month counting as an entire month. AS 36.09.010 dealing with construction contracts charges retainage interest at 10.5% per annum. That is a more appropriate rate for any delinquent payment. AS 36.09.010 does not use the fractional months which can be a problem and serious penalty.

2. The penalty aspect arises in that the bill does not address differences between the operation of State government and local government. State government separates the legislative body from the administrative role and at the State level all decisions are made by departments on approving payment of bills. However, local government often has the local council or service area board approving payment of bills. Until this approval occurs the bill cannot be paid. Often these bodies only meet twice a month or once a month and have publishing deadlines for their agendas which would preclude an item from being included on the agenda and would require consideration at the next meeting. These procedures and requirements are generally known to contractors who do business with those entities. However, House Bill 139 does not give recognition to this difference between State and local government.

An example would be where a fire service area board had to approve the purchase and the billing comes in a week after that board's monthly meeting. The board would not meet for another 23 or so days after the billing is received and the approved payment of that billing is then forwarded to the accounts payable department for the municipality which in some cases may take several days for mail. Because of personnel limitations municipalities often have a fixed schedule for payment of accounts receivable of every other week.

Testimony on House Bill 139  
February 16, 1989  
Page 2

put payment beyond the 30 days and thus invoke the interest provisions of the statute. Even if the payment were one day late the interest would apply back to the original billing date for the first month that is otherwise a grace period. Payment on the 31st day results in a charge of 3%. Given the context of the process for approval of payment of bills in local government, that would seem inappropriate.

3. We believe that the interest should not apply for the first month even if late. Typically, business provides payment within 30 days and the interest or service charges apply only for time subsequent to the original due date. House Bill 139 would make it retroactive to the original billing date which is not consistent with private business practice and is in the form of a penalty.

4. Municipalities often have ordinances governing purchases. School districts may have other purchasing policies. These have to be adopted in a written form and the public has an opportunity to participate. This bill gives no latitude for different procedures established by local bodies. The bill should not apply where such an ordinance or policy of the school district has been adopted. Persons entering into purchase agreements in light of locally established rules would know the rules of the game and are voluntarily entering into a relationship based on those ordinances or policies. There is no reason that those policies should not be given effect where they have been adopted.

5. The bill provides that the interest starts if payment is not made within 30 days of the billing. The bill does not define what is a "proper billing." House Bill 139 would apply even if the billing was received before the goods. Arguably one could say that would be a disputed billing, but why require a local government to notify a vendor of a "ostensible dispute" when it simply it is a matter of whether the goods have been delivered and accepted. It is true that the municipalities could enter into specific contracts which set other terms regarding acceptance test periods and establishing due dates other than just 30 days from the billing. However, this would be a very cumbersome requirement and does not make any sense to force local governments to enter into such arrangements to protect themselves against arbitrary interest charges that could be triggered by House Bill 139, if adopted. Clearly, provisions should be made that a proper billing is only one that is submitted after acceptance of the goods or services.

6. Although we believe that municipalities and school districts should be responsible and pay their bills promptly, we believe that the options for making prompt payment or arrangements for contracting are really the province of the local

Testimony on House Bill 139  
February 16, 1989  
Page 3

government in establishing its relationship to the community and its vendors. We can see some requirement that municipalities adopt provisions for prompt payment, however, a mandate of this type which imposes obligations on the municipalities without consideration of local choice and option is inappropriate. One reason for the establishment of local governments is to allow the flexibility needed for local conditions and circumstances. A statewide mandate of a particular policy and a cost imposed for noncompliance with a rather inflexible program is not good public policy and such a mandate should not be placed upon local governments. Insertion of provisions in the bill to allow for local options and have a general statutory requirement as a default in the absence of some local provision would be a more appropriate method.

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HB0422 DOCUMENT= 1 OF 7

CHAMBER = H  
COMMITTEE = HCRB  
DATE = 031488  
YEAR = 93  
BILL = HB0422  
DOCUMENT TEXT  
HCRB031488HB0422

NUMBER 554

CHAIRMAN SPRINGER BROUGHT HB 422 BEFORE THE COMMITTEE. MARK BEGICH, AIDE TO REP. DONLEY, EXPLAINED THE DIFFERENCES BETWEEN THE TWO PROPOSED COS (FILE ITEM #1.2 AND #1.3). VERSION #1.3 BROUGHT HB 422 TO THE ORIGINAL INTENT OF CONCENTRATING ON MUNICIPALITIES AND SCHOOL DISTRICTS ONLY.

CHAIRMAN SPRINGER ENTERTAINED A MOTION TO ADOPT COSB 422 (CRB) FILE, REFERENCE 3-17-88. REP. CATO SO VOTED. THERE WAS NO OBJECTION AND SO IT WAS SO ORDERED.

NUMBER 585

GARY JENKINS, OF THE NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB), AN ORGANIZATION OF SMALL BUSINESSES ACROSS THE STATE OF ALASKA, TESTIFIED IN SUPPORT OF COSB 422. IT WOULD EXTEND TO LOCAL GOVERNMENTS A REQUIREMENT THAT THEY PAY THEIR BILLS IN A REASONABLE AND TIMELY MANNER. IN 1986, LEGISLATION PASSED THAT MANDATED THIS FOR ALL STATE AGENCIES. SEVERAL YEARS EARLIER, THE NFIB MEMBERSHIP HAD VOTED 85% IN FAVOR, 10% OPPOSED AND 5% NO OPINION ON THIS ISSUE. CURRENT LAW BASICALLY SAID THAT FROM DATE OF RECEIPT OF A PROPER INVOICE, THE SCHOOL DISTRICT OR MUNICIPALITY WOULD HAVE 30 DAYS IN WHICH TO PAY THE BILL. EXCEPTIONS FOR INCORRECT BILLINGS STOPPED THAT 30 DAY BILLING TIME.

TAPE ONE, SIDE B

NUMBER 000

MR. JENKINS POINTED OUT THAT FROM THE EFFECTIVE DATE OF THE ORIGINAL LEGISLATION, OCT. 1, 1986 THROUGH FEB. 1, 1988, THE STATE OF ALASKA HAD PAID ABOUT \$34,000 IN INTEREST. IT SHOWED THAT THE LEGISLATION, AS FAR AS THE STATE WAS CONCERNED, DID EXACTLY WHAT IT WAS DESIGNED TO DO, NAMELY FORCE STATE AGENCIES TO CLEAN UP THEIR PAYING PRACTICES AND PAY BILLS ON TIME. THAT WOULD BE THE INTENT OF HB 422, AS IT RELATED TO SCHOOL DISTRICTS AND MUNICIPALITIES. IT WAS IMPORTANT TO SMALL BUSINESSES TO BE PAID TIMELY WHEN DOING BUSINESS WITH LOCAL GOVERNMENT.

REP. CATO ASKED WHY SCHOOLS DID NOT PAY THEIR BILLS IN A TIMELY FASHION. MR. JENKINS SAID THERE WAS NO PARTICULAR REASON. PEOPLE RESPONDED TO WHATEVER WAS THEIR PRIORITY AT THE TIME. THE VAST MAJORITY OF BILLS WERE PAID ON TIME. BUT A BLOCK OF 10-20% WERE NOT.

NUMBER 081

REP. DAVE DONLEY, SPONSOR OF HB 422, EXPLAINED THAT THE PURPOSE OF THE BILL WAS TO GET LOCAL AND MUNICIPAL PAYMENTS OF WHAT WAS OWED TO THE SMALL BUSINESSES.

CHAIRMAN SPRINGER HAD A PROBLEM WITH THE 30 DAYS. FROM A MANAGEMENT STRUCTURE, THE STATE HAD GONE TO A MORE CENTRALIZED WAY OF DOING BUSINESS, AND MOST AGENCIES WERE HEADQUARTERED IN ANCHORAGE OR JUNEAU, AND COULD ADDRESS THE PROBLEM, SINCE EVERYTHING GOT FUNNELED THROUGH EITHER REGIONALLY OR THROUGH A CENTRALIZED SYSTEM. HB 422 WAS TALKING ABOUT MUNICIPALITIES AND SCHOOL DISTRICTS, INCLUDING LITTLE TOWNS IN REMOTE AREAS. SOME OF THE COMMUNITIES GEARED THEIR ACTIVITIES TOWARD THE SEASONAL ACTIVITY (BERRY PICKING, FISHING, ETC.). TURNOVER RATE WAS HIGH. UNDER SOME RURAL SETTINGS, 30 DAYS WAS NOT A LONG TIME. MAIL PLANES SOMETIMES DID NOT GET IN FOR 10 DAYS OR TWO WEEKS. AN ACT OF GOD (WEATHER, ETC.) COULD CAUSE DELAYS, ALSO. WERE THE PENALTIES ASSESSED UNDER THOSE CIRCUMSTANCES? THERE WAS ALSO THE QUESTION OF TORT.

SCOTT BURGESS, AML, SPOKE IN OPPOSITION TO HB 422 BECAUSE

OF THE IMPOSITION OF THE STATE PROCUREMENT CODE AND ITS RESTRICTION OF LOCAL AUTONOMY. HE FELT IT WAS A PHILOSOPHICAL PROBLEM. THERE WAS NO DISAGREEMENT THAT BILLS SHOULD BE PAID IN TIME.

NUMBER 212

REP. SAWAGE THOUGHT THERE WERE TIME LIMITS ALREADY, IN ANCHORAGE. MR. BURGESS COULD NOT ADDRESS THAT BUT FELT THAT IF SOMEONE HAD A PROBLEM, THEY WOULD PROBABLY BE AT THE NEXT ASSEMBLY MEETING TO BRING IT UP. REP. CATO COMMENTED THAT IN HER DISTRICT, THE MAIL SIMPLY DID NOT COME IN A TIMELY MANNER. REP. DONLEY CLARIFIED THAT THE 30 DAY PERIOD DID NOT START UNTIL RECEIPT OF THE MAIL AND WENT UNTIL THEY ATTEMPTED TO MAIL THE PAYMENT.

CHAIRMAN SPRINGER COULD SEE TWO SIDES. SOME SMALL TOWNS WERE VERY LAX ABOUT HANDLING PUBLIC DOCUMENTS. HE SAW THE BUSINESS SIDE, ALSO. TO HIM, NOT ALL ENTITIES IN THE STATE WERE THE SAME. SOME LIKE FAIRBANKS AND ANCHORAGE HAD SIMILAR SYSTEMS TO THE STATE SYSTEM. BUT THAT WAS A FAR CRY FROM AN IN BETWEEN TOWN LIKE NOME OR BETHEL OR A SMALLER VILLAGE. THERE NEEDED TO BE A MECHANISM TO DISTINGUISH BETWEEN THE DIFFERENT ABILITIES OF THE MUNICIPALITIES. REP. DONLEY HAD CONSIDERED HAVING SOME SORT OF CUT OFF FOR INSULATING SMALLER COMMUNITIES FROM THIS TYPE OF LEGISLATION BUT DCRA DID NOT LIKE SETTING UP A DICHOTOMY BETWEEN VARIOUS MUNICIPALITIES AND ORGANIZATIONS AND IT WOULD BE VERY DIFFICULT TO ADMINISTER. POSSIBLY A COMPROMISE COULD BE REACHED AS TO THE LENGTH OF TIME THAT WAS CONSIDERED.

REP. COLLINS FOUND IT HARD TO UNDERSTAND THAT IT WAS A BURDEN TO PAY IN 30 DAYS OF RECEIPT OF A BILL. SHE FELT THAT THE DAY YOU ORDERED THE EQUIPMENT OR PROVIDED A SERVICE, YOU HAD INCURRED THAT COST. YOU CARRIED THAT COST FOR A LENGTH OF TIME. IT DID NOT SEEM FAIR TO HER TO ASK THE SMALL BUSINESS PERSON TO CARRY THAT COST, AND SHE SAW NO REASON NOT TO PAY WITHIN 30 DAYS. CHAIRMAN SPRINGER HAD SEEN TOWNS WHERE THE CLERK HAD CHANGED THREE TIMES IN A WEEK. IT WAS HARD TO GET SOMEONE IN CITY HALL TO TAKE CARE OF BUSINESS. HE AGREED THAT THE SERVICE WAS DEMANDED BY THE MUNICIPALITY, BUT WHEN PAYMENT WAS DUE, SOME OF THEM

GOT VERY LAX. REP. DAVIS ASKED IF IT WAS STILL PREVALENT IN THE BUSINESS WORLD FOR A PRACTICE OF 30 DAYS BEING CASH AND ANYTIME AFTER THAT WAS CONSIDERED RUNNING ON A CREDIT BASIS. CHAIRMAN SPRINGER SAID BUSINESSES HAD TIGHTENED UP BECAUSE CREDIT HAD BECOME SO EXPENSIVE. THERE USED TO BE AN INCENTIVE (DISCOUNT) TO PAY EARLY.

NUMBER 323

MARK JOHNSON, FROM THE MUNICIPALITY OF ANCHORAGE WAS INVITED TO TESTIFY. BASICALLY, THEY ASSOCIATED THEMSELVES WITH THE COMMENTS FROM THE AML, IN OPPOSITION TO HB 422, FEELING THE LEGISLATURE WAS INAPPROPRIATELY INVOLVED WITH LOCAL FUNCTION WITH THIS BILL. THE APPROPRIATE MECHANISM WAS PROBABLY THE LOCAL GOVERNING BODY, RATHER THAN THE LEGISLATURE REVISING TITLE 29. HE WOULD BE HAPPY TO RESEARCH REP. SAWACKI'S COMMENT ABOUT ANCHORAGE HAVING AN ORDINANCE THAT DEALT WITH IT ALREADY. MR. JOHNSON FELT THE ISSUE SHOULD BE DEALT WITH AS A RESOURCE ALLOCATION QUESTION. HIS RESEARCH INDICATED THAT IN ORDER TO COMPLY WITH THE LEGISLATION, THEY MIGHT HAVE TO HIRE A HALF TIME PERSON TO COMPUTE INTEREST PAYMENTS. THEY HAD VERY FEW PAYMENT PROBLEMS. HE URGED THE COMMITTEE TO EXPLORE WHETHER IT WAS A PERCEIVED PROBLEM OR ACTUAL ONE.

CHAIRMAN SPRINGER OFFERED A HISTORICAL PERSPECTIVE OF STATE PAYMENT TIMES BEFORE THE 1986 LEGISLATION, WHERE THERE WERE HIGH NUMBERS IN THE 45-60-90 DAYS CATEGORIES. PAYMENT WAS DELAYED DUE TO THE BUREAUCRATIC RUN OF MANY SIGNATURES REQUIRED TO PROCESS A PAYMENT. THE LAW CHANGED THAT. BUT WITH SMALL COMMUNITIES, THERE WERE PRACTICAL PROBLEMS.

NUMBER 400

REP. DONLEY SAW ONE OF THE PHILOSOPHICAL ISSUES AS ONE OF LOCAL CONTROL. THEY WERE TALKING ABOUT BUSINESSES THAT WERE STATE WIDE, NOT JUST IN A COMMUNITY. ACCORDINGLY, IF THEY WERE ONLY TALKING ABOUT LOCAL BUSINESSES WITHIN A COMMUNITY, CERTAINLY THEY WOULD HAVE THE VOTING RIGHTS WITHIN THAT COMMUNITY TO ESTABLISH WHETHER THE COMMUNITY SHOULD PAY THEIR BILLS IN A TIME CONSTRAINT. BUT THEY WERE TALKING ABOUT PEOPLE WHO WERE NOT IN THE COMMUNITY, WHO WERE DOING BUSINESS IN THAT COMMUNITY, BUT HAD NO SAY IN

THAT LOCAL GOVERNMENT. REP. DONLEY ASKED MR. JOHNSON, IF INTEREST PAYMENTS WERE CALCULATED BY THE VENDOR (UNDER CURRENT STATE PROVISIONS), WHY HE WOULD HAVE TO RECALCULATE THEM OR HIRE A HALF TIME PERSON TO DO THAT. MR. JOHNSON SAID THEY COULD SEE SOMEONE WHO WOULD MONITOR THE 30 DAYS APPLICATION. REP. CATO ASKED IF THE HALF TIME PERSON WOULD BE ADDRESSING THE CONCERN OR THE AMOUNT OF DOLLARS INVOLVED, IF NOT PAID IN A TIMELY FASHION. SHE ALSO FELT THAT THE INTEREST THAT COULD BE EARNED BY LEAVING THE MONEY IN THE BANK INSTEAD OF PAYING THE BILL MIGHT BE AN INCENTIVE NOT TO PAY. REP. DONLEY REMARKED THAT IT WAS AN ECONOMIC ISSUE. IF HE WAS A PRIVATE CONTRACTOR DOING BUSINESS WITH A MUNICIPALITY AND HE KNEW THEY HAD A PROPENSITY FOR DELAYING THEIR PAYMENT, HE WOULD ADJUST HIS BID OR CHARGES BASED ON WHAT HIS BUSINESS CLIMATE WAS. THEY WERE REALLY DEALING WITH A PHILOSOPHY OF WHETHER PEOPLE SHOULD BE PAID ON TIME.

NUMBER 485

CARL ROSE, WITH THE STATE SCHOOL BOARD ASSOCIATION, SAID HE COULD SEE BOTH SIDES OF THE ISSUE AS WELL. HE DID WANT TO POINT OUT THERE WAS A PROBLEM WITH SCHOOL DISTRICTS IN THE SUMMER TIME, WHEN THERE MIGHT NOT BE STAFF AVAILABLE TO DO THE BILLS, SINCE MOST OF THE CLASSIFIED STAFF TOOK VACATION AT THAT TIME, AS WELL AS THE TEACHERS. AND THE OPTION DID EXIST TO NOT DO BUSINESS WITH ENTITIES THAT DID NOT PAY ON TIME. REP. COLLINS THOUGHT THEY MIGHT BE ABLE TO PAY BILLS IN ADVANCE IF THEY WERE GOING TO BE GONE FOR THREE MONTHS.

REP. DONLEY ASKED IF 30 DAYS WOULD BE APPROPRIATE. MR. ROSE SAID IT VARIED FROM DISTRICT TO DISTRICT. REP. DONLEY WAS FLEXIBLE ABOUT THE PAYMENT TIME AND SHARED CONCERNS ABOUT THE SMALLER VILLAGES WITH THE SEASONAL FUNCTIONS AND SCHOOL DISTRICTS THAT CLOSED DOWN. HE STILL FELT THEY HAD A GOOD CONCEPT. REP. COLLINS NOTED THAT TECHNICALLY, AS LONG AS NO ONE WAS THERE TO RECEIVE THE BILL, THEN THE BILL WAS NOT RECEIVED UNTIL SOMEONE WAS THERE TO RECEIVE IT.

NUMBER 500

CHAIRMAN SPRINGER HAD TRIED TO COME UP WITH SOME

DISTINGUISHING MECHANISM THAT WAS NOT BLATANTLY DISCRIMINATORY, BUT WHATEVER HE CAME UP WITH EITHER REWARDED SLOPPINESS (LEAVING TIME CONSTRAINT OUT), OR GAVE THEM MORE INCENTIVE TO NOT DO ANYTHING AND IN A WAY PENALIZED THOSE WHO WERE PERFORMING. SIZE WAS NOT A GOOD WAY TO DEAL WITH IT. REP. COLLINS SAID HER POSITION WAS THAT IF THE SCHOOLS NEEDED GOODS AND SERVICES, THEN THEY OUGHT TO MAKE ARRANGEMENTS TO PAY FOR IT. IT WAS UNFAIR TO HAVE THE SMALL BUSINESS PERSON CARRY THE BURDEN. CHAIRMAN SPRINGER SHARED HER FEELING.

NUMBER 557

REP. DONLEY SUGGESTED THAT IT MIGHT BE MORE ADVANTAGEOUS FOR SOMEONE TO SIMPLY PAY THE INTEREST RATHER THAN HAVE TO HAVE SOMEONE THERE TO PROCESS IT. IT MIGHT BE CHEAPER THAN HIRING SOMEONE TO DO THE BOOKKEEPING. IT WAS AN ECONOMIC EVALUATION. CHAIRMAN SPRINGER ASKED IF ANYONE HAD ANY SUGGESTIONS ON A COMPROMISE SITUATION.

MARLA HUSS, FROM KENAI PENINSULA BOROUGH, ASKED IF MUNICIPALITIES OR LOCAL GOVERNMENTS WERE REQUIRED TO PAY INTEREST NOW. REP. DONLEY SAID THEY WERE NOT. CHAIRMAN SPRINGER EXPLAINED THAT THEY WERE STATUTORILY EXEMPT FROM INTEREST UNLESS THERE WAS SOME CONTRACTUAL AGREEMENT.

TAPE TWO, SIDE A

NUMBER 000

INTEREST COULD NOT BE ADDED TO A BILL IF IT DID NOT GET PAID. REP. DONLEY NOTED THAT COLLECTING THE SMALL PENALTY FOR THE SMALL BUSINESS WAS COUNTER PRODUCTIVE, ANNOYED THE CLIENT AND WAS MORE HASSLE THAN IT WAS WORTH. THEY USUALLY JUST ATE IT, BUT THAT WAS NOT RIGHT, EITHER. THE POINT WAS THAT IT WAS VERY DIFFICULT TO ENFORCE THE PENALTY PROVISIONS.

NUMBER 045

CHAIRMAN SPRINGER SAW NO REASON TO SIT ON CSHB 122, AND FELT IT WAS ONE OF THOSE CIRCUMSTANCES WHERE EVERYONE HAD TO DECIDE FOR THEMSELVES WHAT WAS RIGHT OR WRONG UNDER THE

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

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NUMBER 045

CHAIRMAN SPRINGER SAW NO REASON TO SIT ON CSHB 422, AND FELT IT WAS ONE OF THOSE CIRCUMSTANCES WHERE EVERYONE HAD TO DECIDE FOR THEMSELVES WHAT WAS RIGHT OR WRONG UNDER THE

ANCHORAGE DAILY NEWS SAT., MAY 21, 1988

# State agencies save funds by paying the bills on time

By LARRY PERSILY  
The Associated Press

JUNEAU — The state will save almost \$24,000 this year doing something most people try, but don't always succeed at.

State agencies will save the money by paying their bills on time and avoiding monthly finance charges.

Tired of complaints that the state was slow in paying its bills, the 1988 Alaska State Accounting Act has become law. Agencies would have to pay 1 1/2 percent a month in finance charges after the deadline.

The law went into effect Oct. 1, 1987, and in the next fiscal year the state saved \$32,330 in finance charges on about \$2.2 million in late payments.

In the first nine months of this fiscal year, the state paid \$9,300 in finance charges on about \$400,000 in late payments.

If that rate holds through the end of the fiscal year June 30, the state will have paid

about \$9,300 in interest — a \$23,600 savings from the first year the law was in place.

Looking at the number of bills paid by the state, some people may wonder how so many of them get paid on time.

In the first nine months of the current fiscal year, state agencies issued more than 373,000 checks, with almost half a million expected by June 30. That's down about 10 percent from last year, when state spending is down.

Those 500,000 checks will total about \$1.3 billion for goods and services.

"We always have our problems," said Lauri Merrill, chief of the department of Administration's finance division. "There always are some bills that get held up for any number of reasons," she said.

But agency payment procedures have been getting better, and the division plans to improve the process even more.

## FILM:

Continued

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# HOUSE COMMITTEE REPORT

(5)

Date Referred: February 3, 1989

FURTHER REFERRALS: HESS  
FINANCE

Date of Committee Action: 2-16-89

The COMMUNITY & REGIONAL AFFAIRS Committee recommends that:

HOUSE BILL NO. 139 [PAYMENT FOR PURCHASES; SCHOOLS/MUNICIP.'S]  
"An Act relating to payments for purchases by school districts and municipalities; and providing for an effective date."

[ ] be replaced with CS HB 139 C-RA [ ] the same title  
[ ] a new title

[ ] have attached amendment(s)

- [ ] do pass
- [ ] do not pass
- [  ] no recommendation
- [ ] individual recommendations
- [ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- [ ] fiscal impact
- [  ] zero fiscal note <sup>notes</sup> Educ. & C-RA
- [ ] zero with analysis

APPROVES PREVIOUS:

- [ ] fiscal note(s) published: \_\_\_\_\_
- [ ] zero fiscal notes(s) published: \_\_\_\_\_

SIGNING DO PASS:

~~Richard J. Jolley~~  
Richard J. Jolley  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

SIGNING OTHER THAN DO PASS:  
(Do Not Pass, No Recommendation, Amend)

Eileen Maclean ~~no rec~~  
Cheri Davis (needs reading)  
[Signature] no rec  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Eileen P. Maclean  
Chairman's signature

HB

141



Official Business

# Alaska State Legislature

## House

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

### MEMORANDUM

TO: All House Members

FROM: Rep. Kay Brown *Kay*

DATE: January 16, 1988

RE: "An Act relating to retail sale  
of tobacco and tobacco products."

Tobacco use by Alaskan youth is a major, statewide problem. It is vital to the future health of our state that we reduce the flow of tobacco products to minors. Last session the Alaska Legislature took an important step toward addressing this serious health and addiction issue by passing SB 339. This session, however, we need to target one additional aspect of the problem -- the absence of a tobacco retail licensing requirement.

Unlike the majority of other states, Alaska does not require retailers of tobacco products to have a tobacco sales license. Current Alaska law only requires licensing of a few categories of tobacco dealers including wholesalers and manufacturers. As a result, we are without one of the most effective enforcement tools for eliminating the retail sale of tobacco to minors: the revocation of a retail license for a violation.

#### **Youth in Alaska are using tobacco at very high rates:**

- Based on a 1988 statewide survey conducted in 8 school districts covering students in grades 7-12, the Center for Alcohol and Addiction Studies concluded that "the prevalence of cigarette smoking and use of smokeless or chewing tobacco is alarmingly high in Alaska." The survey found that 61.9% of the students had used cigarettes and 38.4% had used smokeless tobacco.
- According to an extensive Indian Health Service survey of students ages 5-18 conducted in rural Alaska, 34% of the males and 27% of the females regularly use smokeless tobacco.

**Retail sales of tobacco products to Alaskan minors occur:**

- In a study conducted by the American Lung Association of Alaska in August 1987, a 14-year old girl successfully purchased cigarettes across the counter in 47 out of 49 attempts -- a success rate greater than 95%.

**Tobacco addiction by minors leads to adult addiction, disease, and death:**

- 90% of adults who smoke started smoking by the time they were 19 years old.
- The Department of Health & Social Services has estimated that the costs to Alaska from smoking include:
  - \$52.3 million a year for health care;
  - 1,363 person years of potential life lost annually; and
  - \$100.5 million a year in total costs (not including perinatal complications of smoking, childhood diseases related to parental smoking, and diseases caused by passive smoke.)

The attached legislation would impose licensing requirements on retail sales of cigarettes and other tobacco products. The license fee of \$10 would cover the costs of administering the program, resulting in a zero fiscal note. The bill also provides an administrative license suspension or revocation for violations of AS 11.76.100 (selling tobacco to persons under 19 years of age). A retailer also could be fined for a violation of AS 11.76.100.

I hope you will join me in supporting this legislation with your co-sponsorship. Please contact me or Roxanne Turner at -4998. Thank you for your consideration.

**Attachment**

Prepared by:  
Rep. Kay Brown  
February 15, 1989

## **HB 141, "An Act relating to retail sale of tobacco, tobacco products, and devices for smoking tobacco."**

Tobacco use by Alaskan youth is a major, statewide problem. The bill would help reduce the flow of tobacco products to minors by establishing a tobacco retail licensing requirement. It provides an enforcement tool, the administrative suspension or revocation of a license, for selling or giving tobacco to a minor (a violation of AS 11.76.100) in addition to the existing civil fine. No retail tobacco products could be sold during the period of suspension or revocation.

### **The bill proposes to:**

- impose licensing requirements on retail sales of cigarettes, cigars, tobacco, tobacco products, and pipes and other devices for smoking tobacco;
- require retailers to make application and pay a fee of \$10 to be issued a license by the Department ;
- make the retail license non-transferable;
- provide for an administrative license suspension or revocation for violations of AS 11.76.100 - selling or giving tobacco to a minor; and
- prohibit the sale of a product for which the license was issued during the period of the suspension or revocation of the license.

Prepared by: Rep. Kay Brown  
February 15, 1989

### Sectional Analysis

#### **HB 141, "An Act relating to retail sale of tobacco, tobacco products, and devices for smoking tobacco"**

- Section 1:** amends AS 43.50.010(a) by requiring retailers of tobacco, tobacco products, and devices for smoking tobacco to be licensed under this chapter.
- Section 2:** amends AS 43.50.010(b) by adding retailers to those required to apply for and pay a fee to the Department for a license. The Department shall adopt reasonable regulations for the application and issuance of licenses.
- Section 3:** amends AS 43.50.010(c) by adding language that the Department may not issue a license to a person who has been convicted within the past five years of selling or giving tobacco to minors (a violation of AS 11.76.100).
- Section 4:** amends AS 43.50.010 by adding a new subsection stating that the Department may not issue a license unless the fee under AS 43.50.030 has been paid.
- Section 5:** repeals and reenacts AS 43.50.030, adding retailer to the fee requirements for issuing or renewing a license under AS 43.50.010. The retailer fee is \$10.
- Section 6:** amends AS 43.50.070 by adding suspension or revocation of a license by the Department for a violation of AS 11.76.100 (selling or giving tobacco to minors). A person whose license is suspended or revoked may not sell a product for which the license was issued or permit a product for which the license was issued to be sold during the period of the suspension or revocation on the premises occupied or controlled by that person.

# HOUSE COMMITTEE REPORT

(7)

Date Referred: February 3, 1989

FURTHER REFERRALS: JUDICIARY  
FINANCE

Date of Committee Action: 3/2/89

The HEALTH, EDUCATION, & SOCIAL SERVICES Committee recommends that:

HOUSE BILL NO. 141 [LICENSING RETAIL TOBACCO SALES]  
"An Act relating to retail sale of tobacco, tobacco products, and devices for smoking tobacco."

[X] be replaced with CSHB 141 (HESS) [ ] the same title  
[X] a new title

[ ] have attached amendment(s)

- [ ] do pass
- [ ] do not pass
- [ ] no recommendation
- [ ] individual recommendations
- [ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- [ ] fiscal impact
- [ ] zero fiscal note
- [ ] zero with analysis

APPROVES PREVIOUS:

- [ ] fiscal note(s) published:
- [  ] zero fiscal notes(s) published:

2/23/89

SIGNING DO PASS:

J. Ellis  
George J. ...  
Pete ...  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

SIGNING OTHER THAN DO PASS:  
(Do Not Pass, No Recommendation, Amend)

Mark Bayn no rec  
Cheri Davis no rec  
Mont ... no rec  
W. Furnace no rec

J. Ellis  
 chairman's signature

Prepared by:  
Rep. Kay Brown  
March 2, 1989

By: Brown, Menard, Hudson, Koponen  
Gruenberg, Ellis and M. Davis

## **Proposed CS HB 141 (HESS), "An Act relating to tobacco, and products containing tobacco"**

### **The Committee Substitute proposes to:**

- require a business license endorsement for retail sales of cigarettes, cigars, tobacco, or products containing tobacco;
- designate the Department of Commerce as the licensing authority for tobacco retailers;
- require a separate fee of \$25 to be issued a license endorsement or to renew the endorsement, which expires at the same time the business license expires;
- require the Court to notify the Department of Commerce of all convictions of violations of AS 11.76.100, selling tobacco to a minor, by persons holding a business license endorsement;
- provide the Department of Revenue authority to suspend or revoke license endorsements if distributors, wholesalers or manufacturers sell tobacco or tobacco products to non-licensed or suspended retailers;
- prohibit the sale of a product for which the license was issued during the period of the suspension or revocation of the license endorsement; and
- provide the Department of Commerce authority to suspend or revoke license endorsements for a violation of the provisions of Section 3 of the bill, or of a regulation adopted by the Department; and
- provide for suspension of the license endorsement for a period of one year for convictions of selling tobacco to a minor.

A M E N D M E N T

OFFERED IN THE HOUSE

BY BROWN

TO: HB 141

Page 2, line 27:

Delete "or"

Insert "[OR]"

Page 2, line 29:

Delete ". A [NO]"

Insert ", or (3) if a manufacturer, distributor, or wholesale distributor sells tobacco, tobacco products, or devices for smoking tobacco to a nonlicensed retailer or a retailer whose license has been suspended or revoked. A [. NO]"

STATE OF ALASKA  
1989 LEGISLATIVE SESSION

BILL VERSION: CSHB141  
PUBLISH DATE: 2/23/89

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: An act relating to tobacco  
and products containing tobacco  
Sponsor: Brown  
Requestor: H, E & S

Agency Affected: Revenue  
BRU: Income & Excise Audit  
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
<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
LANDS & 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	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)

Prepared By: Steven E. Kettel  
Division: Income and Excise Audit

Phone: (907) 465-2320  
Date: February 27, 1989

Approved by Commissioner: Hugh Malone  
Agency: Department of Revenue

Date: February 27, 1989

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

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: Licensing Retail Sale Tobacco

Agency Affected: Revenue  
BRU: Income & Excise Audit

Sponsor: Brown  
Requestor: (H) HESS

Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
<b>OPERATING</b>						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	5.0	5.0	5.0	5.0	5.0	5.0
SUPPLIES	0	0	0	0	0	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	0
<b>TOTAL OPERATING</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</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>13.0</b>	<b>13.0</b>	<b>13.0</b>	<b>13.0</b>	<b>13.0</b>	<b>13.0</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	5.0	5.0	5.0	5.0	5.0	5.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</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: See attached.

Prepared By: Steven E. Kettel  
Division: Income and Excise Audit

Phone: (907) 465-2320  
Date: February 13, 1989

Approved by Commissioner: Hugh Malone  
Agency: Department of Revenue

Date: February 13, 1989

Distribution (by preparer):

Legislative Finance  
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### Analysis:

Section 1: The Department of Revenue presently licenses businesses engaged in manufacturing, importing or distributing cigarettes and other tobacco products in the state. The Department's primary function is to collect and distribute the various cigarette taxes from these licenses.

The proposed legislation creates a new class of license holder. For a \$10 fee, every person who sells at retail any products containing tobacco must obtain a license. This new category of license holder will not generally be required to pay or collect the cigarette tax under AS 43.50, as the tax is collected at the wholesale/importer level. This new license will be issued annually.

Section 3: This section prohibits the department from issuing a license to any person who has been convicted of a crime for selling tobacco products to a person under 19 years of age (AS 11.71.100).

Section 4: Adds a new section which prohibits the department from issuing a license to a person who has not paid the license fee.

Section 5: Adds a \$10 license fee for retailers.

Section 6: Amends statutes to prohibits the transfer of licenses.

Section 7: Adds on additional violation for which the Department may suspend or revoke a license. This violation includes the retail sale of cigarettes to a person under the age of 19. It also provides that a person whose license has been revoked may not sell or permit a tobacco product from being sold.

### Recommendations

1. The Department of Revenue currently issues about 100 licenses to importers, manufacturers and distributors that are required to collect and pay over the cigarette tax. In 1988 the Department transferred to the Department of Commerce all licensing functions unrelated to the tax programs DOR administers. We recommend that the committee review whether DCED or DOR is the appropriate agency.
2. We recommend that "retailer" as the term is used in the bill be defined as each retail location or establishment so that a retailer with multiple establishments must license each outlet.
3. We recommend that a new subsection be added to Section 1 of the bill which would prohibit the sale of cigarettes and other tobacco products to unlicensed retailers.

4. It is not clear which agency has primary responsibility for the enforcement of those sections related to the sale of tobacco products to minors. We have not estimated the costs which may be necessary to enforce compliance with AS 11.76.100.

Fiscal Impact

We estimate approximately 1300 retail outlets presently sell cigarettes and other tobacco products in the state. Revenues from license sales will be about \$13.0.

The design and production of license application forms, licenses, postage and regulation will cost \$5.0.

# AMERICAN LUNG ASSOCIATION of ALASKA

*Dedicated to the prevention and control of lung disease*

## Fact Sheet

Smoking remains the single most important preventable cause of death in our society, killing 390,000 Americans each year.

The age at which children start smoking keeps falling. Of the 20% of high school seniors who admit to being steady smokers, most started by the 8th grade and 25% say they started smoking by the 6th grade.

A recent survey by the American Council on Education shows a dramatic increase in the number of college freshmen who smoke. From 1987 to 1988, the rate of smoking increased from 8.9% to 10.1%.

According to Dr. George Lundberg, Editor for the Journal of the American Medical Association:

Tobacco kills 1000 Americans each day  
Alcohol kills 350 Americans each day  
Sedatives & Depressants kill 5 - 20 Americans each day  
Cocaine kills 2 - 10 Americans each day

Cigarette tobacco is considered one of the three "gateway drugs" for youth.

Among smokers born since 1935, more than 80% started smoking before they reached the age of 21. Ninety percent of ALL smokers start smoking during their teenage years.

Today there are fewer legal restrictions on children's access to tobacco products than in 1964.

The National Conference of State Legislators reports that excise taxes do deter use of alcohol and cigarettes, especially smoking among teenagers.

Cigarettes and other forms of tobacco are addicting.

Compiled by Rocky Plotnick-Weller  
President-Elect  
American Lung Association of Alaska  
February, 1989

person or by a member of the person's household. (§ 2 ch 45 SLA 1982; am § 41 ch 6 SLA 1984)

**Effect of amendments.** — The 1984 amendment in paragraph (15), deleted "unless specifically designated as controlled under AS 11.71.120" following "include" in subparagraph (C) and made a series of technical changes in subparagraphs (A) and (B).

**NOTES TO DECISIONS**

**Purpose of definition of marijuana.** — The definition of marijuana in this section is for the purpose of determining whether or not a person could be charged with marijuana possession or delivery, but has nothing to do with determining aggregate weight. *Gibson v. State, Ct. App. Op. No. 621 (File No. A-917), 719 P.2d 687 (1986).*  
 Applied in *Stuart v. State, Ct. App. Op. No. 464 (File No. A-276), 698 P.2d 1218 (1985); State v. Resek, Ct. App. Op. No. 533 (File Nos. A-591, A-634, A-680), 706 P.2d 706 (1985).*

**Chapter 73. Imitation Controlled Substances Act.**

**Sec. 11.73.010. Manufacture or delivery of an imitation controlled substance.**

**NOTES TO DECISIONS**

Applied in *Morrow v. State, Ct. App. Op. No. 499 (File No. A-510), 704 P.2d 226 (1985).*

**Sec. 11.73.099. Definitions.**

**NOTES TO DECISIONS**

This section, as interpreted, was not unconstitutionally vague. — See *Morrow v. State, Ct. App. Op. No. 499 (File No. A-510), 704 P.2d 226 (1985).*

**Chapter 76. Miscellaneous Offenses.**

<b>Section</b>	<b>Section</b>
100. Selling or giving tobacco to a minor	130. Interference with rights of disabled person
105. Purchase of tobacco by a minor	

**Sec. 11.76.100. Selling or giving tobacco to a minor.** (a) A person commits the offense of selling or giving tobacco to a minor if the person is 19 years of age or older and

- (1) knowingly sells, exchanges, or gives a cigarette, a cigar, tobacco, or a product containing tobacco to a person under 19 years of age; or
- (2) maintains a vending machine that dispenses cigarettes, cigars, tobacco, or products containing tobacco and that is accessible to persons under 19 years of age.

(b) Notwithstanding the provisions of (a) of this section, a person who maintains a vending machine is not in violation of (a)(2) of this section if

(1) the vending machine is in a location that is generally supervised by a person who maintains the vending machine, or an employee of the person, during the hours the machine is accessible;

(2) the vending machine is in a location where a person under 21 years of age, other than an employee of the owner of the premises, is not allowed entry by law unless accompanied by a parent, guardian, or spouse of the person who is 21 years of age or older; or

(3) the vending machine is in a location where a person under 19 years of age is not allowed entry by policy of the owner of the premises unless accompanied by a person 19 years of age or older.

(c) In this section, a person maintains a vending machine if the person owns the machine or owns or controls a facility in which the machine is located.

(d) Selling or giving tobacco to a minor is a violation. (§ 9 ch 166 SLA 1978; am § 2 ch 125 SLA 1988)

**Effect of amendments.** — The 1988 amendment rewrote this section to the extent that a detailed comparison is impracticable.

**Sec. 11.76.105. Purchase of tobacco by a minor.** (a) A person under 19 years of age may not purchase a cigarette, a cigar, tobacco, or a product containing tobacco in this state.

(b) Purchase of tobacco by a minor is a violation. (§ 3 ch 125 SLA 1988)

**Cross references.** — For statement of legislative purpose, see sec. 1, ch. 125, SLA 1988 in the Temporary and Special Acts.

**Sec. 11.76.130. Interference with rights of disabled person.** (a) A person commits the crime of interference with the rights of a disabled person if the person intentionally prevents or restricts

(1) a physically or mentally disabled person from having full and free pedestrian use of a street, highway, sidewalk, walkway, or other thoroughfare, to the same extent that any other person has a right to pedestrian use; or

(2) a physically disabled person from being accompanied or assisted by a certified service animal, without an extra charge for the service animal, in a common carrier, place of public accommodation, or other place to which the general public is invited, except as provided in (b) of this section.

(b) A physically disabled person who is accompanied or assisted by a certified service animal in a common carrier, place of public accommodation, or other place to which the general public is invited, is liable for property damage done by the animal.

**Article 1. Cigarette Tax Act.**

Section	Section
10. License	80. Returns
20. Separate licenses	90. Tax imposed
30. License fees	100. Civil penalties
35. Wholesaler-distributor license	130. Records
40. Expiration of licenses	140. Disposition of proceeds
50. Transfer of licenses	150. Administration
60. Refunds	170. Definitions
70. Revocation of licenses	180. Short title

**Sec. 43.50.010. License.** (a) No person may sell, purchase, possess, or require cigarettes as a manufacturer, distributor, direct-buying retailer, vending machine operator, or buyer without a license.

(b) The department, upon application and payment of the fee, shall issue a license to each manufacturer, distributor, direct-buying retailer, vending machine operator, or buyer. The department shall make reasonable regulations which it considers necessary in respect to the application for and the issuance of licenses.

(c) The department may refuse to issue a license if there is reasonable cause to believe that the applicant has wilfully withheld information requested to determine the applicant's eligibility to receive a license, or if there is reasonable cause to believe that information submitted in the application is false or misleading and is not made in good faith.

(d) A license required by this chapter is in addition to any other license required by law.

(e) A license issued under this chapter shall include

- (1) the name and address of the licensee;
- (2) the type of business to be conducted; and
- (3) the year for which the license is issued. (§ 3 ch 187 SLA 1955; am § 38 ch 113 SLA 1980) —

**Effect of amendments.** — The 1980 amendment added subsection (e).

**Sec. 43.50.020. Separate licenses.** If a person operates more than one place of business, the person must obtain a separate license for each place of business, except that a person operating one or more cigarette vending machines is considered to have only one place of business for the purpose of a license under AS 43.50.010 — 43.50.180. A person licensed only as a manufacturer, distributor, direct-buying retailer, vending machine operator, or buyer may not operate in another capacity unless the appropriate license for it is first secured. Each license shall be exhibited at the place of business for which it is issued and in the manner prescribed by the department. (§ 4 ch 187 SLA 1955)

**Sec. 43.50.030. License fees.** (a) For each license issued to a manufacturer, and for each renewal, the fee is \$5.

(b) For each license issued to a distributor or wholesaler-distributor, and for each renewal, the fee is \$50.

(c) For each license issued to a vending machine operator, and for each renewal, the fee is \$25.

(d) For each license issued to a direct-buying retailer, and for each renewal, the fee is \$25.

(e) For each license issued to a buyer, and for each renewal, the fee is \$25.

(f) No license may be issued except upon the payment of the fee notwithstanding a statute or exemption to the contrary. (§ 5 ch 187 SLA 1955; am § 1 ch 47 SLA 1964)

**Sec. 43.50.035. Wholesaler-distributor license.** A person may qualify for a wholesaler-distributor license by furnishing a good and sufficient surety bond in an amount equal to twice the average monthly return and in no case less than \$5,000, payable to the department and approved by the Department of Law. If a wholesaler-distributor fails to pay the cigarette tax when due, the bond may be forfeited and the license revoked. The department may issue permits in place of bonds to resident holders of wholesaler-distributor licenses doing business wholly in the state who pay the tax before shipment. (§ 2 ch 47 SLA 1964)

**Sec. 43.50.040. Expiration of licenses.** A license issued under AS 43.50.010 expires on June 30, following the date of issue. If a license is revoked, or the business for which the license is issued changes ownership or the licensee changes the place of business from the premises covered by the license, the licensee shall immediately return the license to the department. If the licensee moves the business to another location in the state, the license shall, upon the payment of a fee of 50 cents, be reissued for the new location for the balance of the unexpired term. The licensee, on application to the department accompanied by the renewal fee, may, before the expiration of the license, renew the license for one year from the expiration date of the license. (§ 6 ch 187 SLA 1955)

**Sec. 43.50.050. Transfer of licenses.** A license is not assignable or transferable. However in the case of death, bankruptcy, receivership, or incompetency of the licensee, or if the business of the licensee is transferred to another by operation of law, the department may extend the license for a limited time to the executor, administrator, trustee, receiver, or the transferee. (§ 7 ch 187 SLA 1955)

**Sec. 43.50.060. Refunds.** The department may not refund the license fee upon the surrender or revocation of a license. The department may refund a license fee that is paid or collected in error. If a

license is lost, destroyed, or defaced, the department may issue a duplicate license upon payment of a fee of 50 cents. (§ 8 ch 187 SLA 1955)

**Sec. 43.50.070. Revocation of licenses.** The department may suspend or revoke a license issued under AS 43.50.010 — 43.50.180 (1) for violation of AS 43.50.010 — 43.50.180 or a regulation of the department adopted under AS 43.50.010 — 43.50.180, or (2) if a licensee ceases to act in the capacity for which the license was issued. No person whose license is suspended or revoked shall sell cigarettes or permit cigarettes to be sold during the period of the suspension or revocation on the premises occupied or controlled by that person. No disciplinary proceeding or action is barred or abated by the expiration, transfer, surrender, renewal, or extension of a license issued under AS 43.50.010 — 43.50.180. The department shall comply with the provisions of the Administrative Procedure Act (AS 44.62). (§ 9 ch 187 SLA 1955)

**Sec. 43.50.080. Returns.** (a) On or before the last day of each calendar month a licensee shall file with the department a return, under penalty of perjury, for each place of business. The return shall state the number of cigarettes manufactured, imported, or acquired by the licensee during the preceding calendar month, and other information which the department requires. If a licensee ceases to import or acquire cigarettes, the licensee shall immediately file with the department a return for the period ending with the cessation.

(b) A person holding a wholesaler-distributor license under AS 43.50.035 shall file a return with the department on or before the last day of each calendar month. The return shall state the number of cigarettes sold, including those cigarettes exempt from tax, and remit the tax due by the wholesaler-distributor for the preceding calendar months and other information which the department may require. (§ 10 ch 187 SLA 1955; am § 3 ch 47 SLA 1964)

**Sec. 43.50.090. Tax imposed.** (a) There is levied an excise tax of two and one-half mills on each cigarette imported or acquired in the state. Each licensee shall, at the time of filing the return required by AS 43.50.080, pay to the department the excise for the calendar month covered by the return, deducting one per cent of the total tax due, which the licensee shall retain to cover the expense of accounting and filing returns. Cigarettes upon which the excise is imposed are not again subject to the excise when acquired by another person.

(b) It is the intent and purpose of this section to provide for the collection of this excise from the person who first acquires the cigarettes in this state.

(c) The tax imposed under (a) of this section does not apply to cigarettes imported or acquired in the state by an exchange, commissary, or ship's stores operated by one of the uniformed services of the United States as defined in 5 U.S.C. 2101. (§ 11 ch 187 SLA 1955; am § 5 ch 94 SLA 1977)

STATE OF ALASKA  
THE LEGISLATURE

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Mary Van Nimwegen

H. HESS

2-15-89

Original sponsors: Brown, Menard,  
Hudson, et al.

BY THE HEALTH, EDUCATION AND  
SOCIAL SERVICES COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 141 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to tobacco and products containing  
7 tobacco."

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

9 \* Section 1. AS 11.76.100 is amended by adding a new subsection to  
10 read:

11 (e) The court shall forward a record of each person convicted  
12 under this section who holds a business license endorsement under  
13 AS 43.70.075, to the Department of Commerce and Economic Development.

14 \* Sec. 2. AS 43.50.070 is amended to read:

15 Sec. 43.50.070. REVOCATION OF LICENSES. The department may  
16 suspend or revoke a license issued under AS 43.50.010 - 43.50.180 (1)  
17 for violation of AS 11.76.100, AS 43.50.010 - 43.50.180, or a regula-  
18 tion of the department adopted under AS 43.50.010 - 43.50.180; [, OR]  
19 (2) if a licensee ceases to act in the capacity for which the license  
20 was issued; or (3) if a manufacturer, distributor, or wholesale dis-  
21 tributor sells tobacco or products containing tobacco to a nonlicensed  
22 retailer or a retailer whose license endorsement under AS 43.70.075  
23 has been suspended or revoked. A [. NO] person whose license is  
24 suspended or revoked may not [SHALL] sell cigarettes or permit ciga-  
25 rettes to be sold during the period of the suspension or revocation on  
26 the premises occupied or controlled by that person. A [NO] disciplin-  
27 ary proceeding or action is not barred or abated by the expiration,  
28 transfer, surrender, renewal, or extension of a license issued under  
29 AS 43.50.010 - 43.50.180. The department shall comply with the

1 provisions of the Administrative Procedure Act (AS 44.62).

2 \* Sec. 3. AS 43.70 is amended by adding a new section to read:

3 Sec. 43.70.075. LICENSE ENDORSEMENT. (a) Unless a person has a  
4 business license endorsement issued under this section, a person may  
5 not sell cigarettes, cigars, tobacco, or products containing tobacco  
6 as a retailer. An endorsement required under this section is in  
7 addition to any other license or endorsement required by law.

8 (b) The department, upon payment of a fee of \$25, shall issue a  
9 business license endorsement to a person who applies for a business  
10 license under this chapter, and may renew the endorsement issued under  
11 this subsection for a fee of \$25. The endorsement expires at the same  
12 time as the license to which it attaches.

13 (c) The department may refuse to issue an endorsement under this  
14 section if there is reasonable cause to believe that the information  
15 submitted in the application is false or misleading and is not made in  
16 good faith.

17 (d) The department may suspend or revoke an endorsement issued  
18 under this section if the person holding the endorsement violates a  
19 provision of this section or a regulation adopted under AS 43.70.090.  
20 If a person who holds an endorsement issued under this section has  
21 been convicted of violating AS 11.76.100, the department shall suspend  
22 the endorsement for a period of one year.

23 \* Sec. 4. APPLICABILITY. The business license endorsement requirement  
24 imposed under AS 43.70.075(a), added by sec. 3 of this Act, applies only  
25 upon issuance or renewal of a business license required under AS 43.70.020.  
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28  
29