

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990

8672

5936 HOUSE LABOR & COMMERCE

340

SAMPLE OF CURRENT PAY RATES FOR AMATEUR SPORTS OFFICIALS

by D. Gray

	JNU	ANC	FBKS
	(\$/game unless otherwise noted)		
H. S. Basketball	40-45	45	
College Basketball	75	125	115
Adult Basketball	15	17-35	
Softball	11	11	
H. S. Baseball Am. Legion	20/10	25	
College (Glacier Pilots, et. al.)		50	50
Little League		25	
H. S. Football	35	295(7)*	
Junior Football	15		
Youth Soccar	10		
Wrestling	3-5/match	3-5	
H. S. Volleyball	25		
H. S. Ice Hockey			30
Junior Hockey		15	10-18
Adult Hockey		20	15-100
College Hockey		90	45,90
Skiing			
Swimming			

*Cost of 7 officials.

Information Sources: Claire Markey, Bob Sims, Juneau; Dave Strike, Jim Brett, Emmitt Wilson, Anchorage; Chris Milles, Fairbanks.

Sports Officials

States that have Limited Liability	States with pending legislation limiting liability
Arkansas Rd. Island N. Jersey Miss. Maryland	Ohio Calif. Texas Virginia Colorado N.Y. Washington Wisconsin Iowa Penn. Minn.
(5)	(11)

D. Gray from call to Barry MANO, Pres.
Natl. Assoc. of Sports Officials

~~STATE OF ALASKA~~ 1989 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____ Bill Version: CS SB 101 JUD
 Publish Date: 3/2/89

Revision Date: 3/6/89 Agency Affected: Alaska Court System
 Title: An act relating to civil BRU: Trial Courts
 liability for sports officiating...
 Sponsor: Kelly Components:
 Requestor: Judiciary

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	
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	
CAPITAL	
REVENUE	

FUNDING:		(Thousands of Dollars)					
General Funds	0.0	0.0	0.0	0.0	0.0	0.0	
Federal Funds	.	.	.	.	.	.
Other	.	.	.	.	.	.
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	

POSITIONS:		(Thousands of Dollars)					
Full-time	
Part-time	
Temporary	

ANALYSIS: (Attach a separate page if necessary)

No fiscal impact.

Prepared by: *Jan Strandberg*
 Jan Strandberg, General Counsel
 Division: Alaska Court System

Phone: 264-8228
 Date: 03/06/89

Approved by: *Arthur H. Snowden, II*
 Arthur H. Snowden, II, Administrative Director
 Agency: Alaska Court System

Date: 03/06/89

Distribution (by preparer):

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

SB

149

STATE OF ALASKA
THE LEGISLATURE

FOUCHY STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

February 16, 1989

SUBJECT: Sectional analysis of SB 149
(Work Order No. 6-0552A)

TO: Senator Pat Rodey

FROM: Theresa L. Bannister ^{JB}
Legislative Counsel

You have requested a sectional analysis of the above described bill.

As a preliminary matter, note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. States that agreements to make certain loans or to grant or extend credit in certain situations are unenforceable unless the agreements or some notes or memoranda of them are written and signed by the party to be charged or by the party's agent. Does not apply if the loan or grant or extension of credit is primarily for personal, family, or household purposes. Applies if the person who agrees to loan or grant or extend the credit is in the business of lending or arranging for the lending of money or the granting or extension of credit. Applies to amounts over \$100,000.

Section 2. Applies the bill to an agreement entered into on or after January 1, 1990.

TB:kb
wkk2/015

Testimony presented on Friday, February 17, 1989, regarding Senate Bill No. 149, an Act entitled, "An Act relating to contracts to lend money or grant or extend credit."

Given By: Robert P. Gray
Legislative Committee Chairman
Alaska Bankers Association
and
President of National Bank
of Alaska

In Support Of: Senate Bill No. 149
Unanimous position in support of SB 149
in its present form.

This legislation is modelled after legislation that passed the California Assembly last year and similar legislation has passed in Kansas and Minnesota.

The purpose of the legislation is to minimize misunderstandings between borrowers and lenders. This legislation does that in requiring loan agreements for business purposes, above \$100,000 to be in writing.

The borrower benefits from having a clear understanding with the lender.

Our experience as bankers, leads us to the conclusion that serious misunderstandings concerning business loans, often resulting in mutually destructive litigation, occur by one or other party relying on oral assumptions.

The real estate industry has operated on this basis for many years.

This legislations does not address, nor takes away any rights of consumers under existing regulaticns or laws such as Truth in Lending, Real Estate Settlement Procedure Act, Fair Credit Act, Community Reinvestment Act.

We urge passage of this legislation.

Thank you for allowing us to testify on this proposal and to answer questions.

Senate Bill No. 2789

CHAPTER 1096

An act to amend Section 1624 of the Civil Code, relating to contracts.

[Approved by Governor September 20, 1988. Filed with Secretary of State September 21, 1988.]

LEGISLATIVE COUNSEL'S DIGEST

SB 2789, Maddy. Contracts.

Existing law specifies that certain contracts are invalid unless they are in writing or there exists a note or memorandum of the same, subscribed by the party to be charged or the party's agent.

This bill would include among those contracts a contract, promise, undertaking, or commitment to loan money or to grant or extend credit in an amount greater than \$100,000, not primarily for personal, family, or household purposes, made by a person engaged in the business of lending or arranging for the lending of money or extending credit, except as specified.

This bill would make a statement of legislative intent that this provision shall only apply to a claim or cause of action arising on or after January 1, 1989, as specified. It would also make a statement of legislative intent as to the application of judicially and legislatively recognized defenses and exceptions to these provisions.

This bill would incorporate additional changes to Section 1624 of the Civil Code, contained in SB 2492, if both bills are chaptered and amend that section and this bill is enacted last.

The people of the State of California do enact as follows:

SECTION 1. Section 1624 of the Civil Code is amended to read:
1624. The following contracts are invalid, unless they, or some note or memorandum thereof, are in writing and subscribed by the party to be charged or by the party's agent:

(a) An agreement that by its terms is not to be performed within a year from the making thereof.

(b) A special promise to answer for the debt, default, or miscarriage of another, except in the cases provided for in Section 2794.

(c) An agreement for the leasing for a longer period than one year, or for the sale of real property, or of an interest therein; such an agreement, if made by an agent of the party sought to be charged, is invalid, unless the authority of the agent is in writing, subscribed by the party sought to be charged.

(d) An agreement authorizing or employing an agent, broker, or any other person to purchase or sell real estate, or to lease real estate

for a longer period than one year, or to procure, introduce, or find a purchaser or seller of real estate or a lessee or lessor of real estate where the lease is for a longer period than one year, for compensation or a commission.

(e) An agreement which by its terms is not to be performed during the lifetime of the promisor.

(f) An agreement by a purchaser of real property to pay an indebtedness secured by a mortgage or deed of trust upon the property purchased, unless assumption of the indebtedness by the purchaser is specifically provided for in the conveyance of the property.

(g) A contract, promise, undertaking, or commitment to loan money or to grant or extend credit, in an amount greater than one hundred thousand dollars (\$100,000), not primarily for personal, family, or household purposes, made by a person engaged in the business of lending or arranging for the lending of money or extending credit. For purposes of this section, a contract, promise, undertaking or commitment to loan money secured solely by residential property consisting of one to four dwelling units shall be deemed to be for personal, family, or household purposes.

SEC. 1.5. Section 1624 of the Civil Code is amended to read:

1624. The following contracts are invalid, unless they, or some note or memorandum thereof, are in writing and subscribed by the party to be charged or by the party's agent:

(a) An agreement that by its terms is not to be performed within a year from the making thereof.

(b) A special promise to answer for the debt, default, or miscarriage of another, except in the cases provided for in Section 2794.

(c) An agreement for the leasing for a longer period than one year, or for the sale of real property, or of an interest therein; such an agreement, if made by an agent of the party sought to be charged, is invalid, unless the authority of the agent is in writing, subscribed by the party sought to be charged.

(d) An agreement authorizing or employing an agent, broker, or any other person to purchase or sell real estate, or to lease real estate for a longer period than one year, or to procure, introduce, or find a purchaser or seller of real estate or a lessee or lessor of real estate where the lease is for a longer period than one year, for compensation or a commission.

(e) An agreement which by its terms is not to be performed during the lifetime of the promisor.

(f) An agreement by a purchaser of real property to pay an indebtedness secured by a mortgage or deed of trust upon the property purchased, unless assumption of the indebtedness by the purchaser is specifically provided for in the conveyance of the property.

(g) A contract, promise, undertaking, or commitment to loan

money or to grant or extend credit, in an amount greater than one hundred thousand dollars (\$100,000), not primarily for personal, family, or household purposes, made by a person engaged in the business of lending or arranging for the lending of money or extending credit. For purposes of this section, a contract, promise, undertaking or commitment to loan money secured solely by residential property consisting of one to four dwelling units shall be deemed to be for personal, family, or household purposes.

This section does not apply to leases subject to Division 10 (commencing with Section 10101) of the Commercial Code.

SEC. 2. Section 1.5 of this bill incorporates amendments to Section 1624 of the Civil Code proposed by both this bill and SB 2492. It shall be operative at the same time SB 2492 becomes operative if (1) both this bill and SB 2492 are enacted and become effective on January 1, 1989, (2) this bill and SB 2492 both amend Section 1624 of the Civil Code, and (3) this bill is enacted after SB 2492, in which case Section 1 of this bill shall only be operative until SB 2492 becomes operative.

SEC. 3. It is the intent of the Legislature that subdivision (g) of Section 1624 of the Civil Code shall only apply prospectively to any claim or cause of action arising on or after January 1, 1989, and not otherwise affect any statutory or common law rights in a civil action.

It is also the intent of the Legislature that judicially and legislatively recognized defenses and exceptions to the application of subdivisions (a) to (f), inclusive, of Section 1624 also apply to subdivision (g) of Section 1624.

O

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Relating to contracts to lend
money or grant or extend credit
Sponsor: Rodey
Requestor: _____

Agency Affected: Commerce & Econ. Dev.
BRU: Banking, Securities & Corp.
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						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Willis F. Kirkpatrick, Director *WFK* Phone: 465-2521
Division: Banking, Securities & Corp. Date: 2/5/89

Approved by Commissioner: Larry Mercurieff *LM* Date: 2/3/89
Agency: Department of Commerce & Economic Development

Distribution (by preparer):

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



STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

DEPARTMENT Commerce & Econ. Dev.	DIVISION Banking, Securities and Corporations	BILL NUMBER SB 149	SPONSOR Rodey
SHORT TITLE OF BILL Relating to contracts to lend money or grant or extend credit			
DEPARTMENT POSITION Neutral			
PREPARED BY Willis F. Kirkpatrick <i>WFK</i>	DATE	COMMISSIONER'S SIGNATURE <i>W. F. Kirkpatrick</i>	DATE 2/8/89

SUMMARY

OTHER AGENCIES AFFECTED BY BILL None known	CONSTITUENT GROUPS AFFECTED BY BILL None known
ORGANIZATIONAL SUPPORT FOR BILL None known	ORGANIZATIONAL OPPOSITION TO BILL None known

FISCAL IMPACT: - NONE - FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

Events leading up to this bill are not known.
The intent appears to provide that certain advances of credit are unenforceable unless made in writing.

ANALYSIS OF BILL/PROGRAM EFFECTS

A new subsection 13 is added to AS 09.25.010. Statute of frauds which provides that a loan over \$100,000 is unenforceable if not personal and made by a person who is engaged in the business of lending.

This bill has no effect on the division's programs.

AMENDMENTS PROPOSED

None

3266D-2/020889a

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.



Representative Dave Donley, Chair

House Labor & Commerce Committee

DATE: 3-23-89

PLACE: #17

SUBJECT OF MEETING:

HB 166
SB 149

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
<i>Mark Bevel</i>	<i>Sen. Donley</i>	-		-	-	(Y) N	<i>If needed</i> / SB 149
<i>Willis Kirkpatrick</i>	<i>Div Banking</i>					(Y) N	<i>If Needed</i> SB 149
<i>Frederic Sullivan</i>	<i>NFIB</i>	<i>430 'C' St #201 Anch 99501</i>		<i>226-2246</i>		(Y) N	<i>SB 166</i>
<i>John Kertel</i>	<i>AGS</i>	<i>Box K Juneau</i>		<i>465 3771</i>		Y N	<i>If needed</i> HB 166
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	

S B

152

HOUSE COMMITTEE REPORT

(7)

Date Referred: April 30, 1990

FURTHER REFERRALS:

Date of Committee Action: 5/3/90

The LABOR & COMMERCE Committee considered:

CSSB 152 (FINANCE)

CS SB NO. 152 (Finance)

NEIGHBORHOOD REINVESTMENT CORP. PROPERTY

"An Act exempting property eligible for development assistance from the Neighborhood Reinvestment Corporation from compliance with certain provisions of the Uniform Common Interest Ownership Act."

RECOMMENDATIONS:

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

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact _____
- zero fiscal note _____
- zero with analysis _____

- fiscal note(s) _____ 4/27/90
- zero fiscal note(s) Senate Finance
- zero fn/analysis _____

SIGNING DO PASS:

SIGNING:
(Check approp. column)

Do Not Pass No Rec Amend

<i>[Signature]</i> Boucher	<i>[Signature]</i> Collins		
<i>[Signature]</i> Greenberg	<i>[Signature]</i> Leman		
<i>[Signature]</i> Finkelskin			
<i>[Signature]</i> Donley			

[Signature]
Chairman's Signature

FISCAL NOTE

REQUEST:

Revision Date: _____ Department of Commerce
 Title: Neighborhood Reinvestment Corp Agency Affected: & Economic Development
 BRU: Business Development
 Sponsor: Rodey Components: _____
 Requestor: Senate Finance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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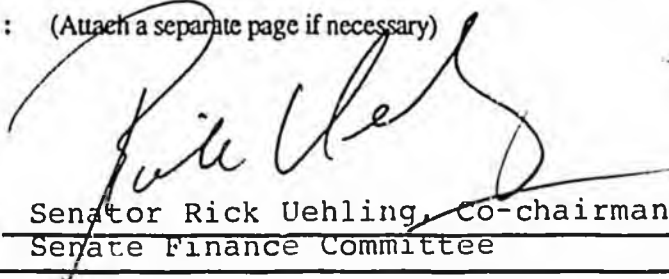
FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)



Prepared by: Senator Rick Uehling, Co-chairman
 Division: Senate Finance Committee

Phone: 465-4821
 Date: April 27, 1990

Approved by Commissioner: _____
 Agency: _____

Date: _____

Distribution (by preparer):

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

Patrick M. Rodey
Senator

Alaska State Legislature



Senate

3111 C. St., Suite 510
Anchorage, Alaska 99503
(907) 561-7618

During Session:
P.O. Box V
Juneau, Alaska 99811
(907) 465-3793

DATE: April 30, 1990

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

FROM: Senator Pat Rodey *PR*

SUBJECT: Senate Bill 152

I would like to request the House Labor and Commerce Committee consider scheduling Senate Bill 152 at the earliest possible time.

The committee substitution addresses a simple change to the Uniform Common Interest Ownership Act.

The change will allow the Neighborhood Reinvestment Corporation (NRC), which is authorized under federal law 42 U.S.C. 8101-42 U.S.C. 8107 to be exempt from the requirement to develop a Public Offering Statement.

Because the NRC is organized under federal law they are currently required to do a similar statement and there seems to be no need to duplicate the process. The current state law was established for developers who built condominiums or cooperatives for profit and I believe was not intended for non-profits such as the NRC.

This amendment is designed to be very specific and only deals with corporations like the NRC that develop low income housing. With this exemption they will be able to reduce the costs to the borrower, by reducing the amount of attorney time they need in developing their Public Offering Statements.

This is a very brief explanation of the exemption, but if you have any questions please don't hesitate to call my staff Mark Begich at 3793.

S B

1 5 5

HOUSE COMMITTEE REPORT

(7)

Date Referred: April 27, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 4/24/90

The LABOR & COMMERCE Committee considered:

SB 155

SENATE BILL NO. 155 [TRANSFER OF CERTAIN LIQUOR LICENSES]
 "An Act relating to the transfer of certain alcoholic beverage licenses; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with HCS CS SB 155 (L+C) the same title
- have attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s): (Dept) APPROVES PREVIOUS: (Date/Dept)

- fiscal impact _____ fiscal note(s) _____
- zero fiscal note Dept. Inv. zero fiscal note(s) _____
- zero with analysis _____ zero fn/analysis _____

SIGNING DO PASS:

Donley Donley
Mark Bayer Bayer
Aaron A. Leman Leman

SIGNING:

(Check approx. column)

Do Not Pass No Rec Amend

<u>David H. Finkelstein</u>			
<u>John M. Collins</u>			
<u>Mark Leman, Jr.</u>			
Do not pass if SB297 passes.			
HCS SB 155 ²⁹⁷ (L+C) includes this bill.			

[Signature]
 Chairman's signature
Donley

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Transfer of certain alcoholic beverage licenses
Sponsor: Sen. Rules by Governor request
Requestor: House Finance Committee

Agency Affected: Department of Revenue
BRU: Alcoholic Beverage Control Board
Components: _____

EXPENDITURES/REVENUES: (Thousands or Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

This legislation does not impact the ABC Board's FY 90 budget

Prepared by: Patrick L. Sharrock, Director
Division: Alcoholic Beverage Control Board

Phone: 277-8638
Date: 4/25/90

Approved by Commissioner: [Signature]
Agency: Department of Revenue

Date: 4/25/90

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

go0489sE
Ford
4/18/90

Original sponsor(s): Rules/Governor

1 IN THE SENATE

BY THE LABOR & COMMERCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 155 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the transfer of certain alcoholic
7 beverage licenses; and providing for an effective
8 date."

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

0 * Section 1. AS 04.11 is amended by adding a new section to read:

1 Sec. 04.11.395. BOARD IMPOSED RESTRICTIONS. The board may
2 impose conditions or restrictions applicable to the transfer of a
3 beverage dispensary, restaurant or eating place, or package store
4 license.

5 * Sec. 2. AS 04.11.400(j) is amended to read:

6 (j) The board may approve the issuance [OR TRANSFER OF OWNER-
7 SHIP] of a restaurant or eating place license in a municipality with-
8 out regard to (a) of this section if the board finds that issuance [OR
9 TRANSFER] of the license is necessary for the public convenience.

10 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA

DEPARTMENT OF REVENUE

ALCOHOLIC BEVERAGE CONTROL BOARD

58155
STEVE COWPER, GOVERNOR

550 W. 7TH AVE
ANCHORAGE, ALASKA 99501-6698

January 19, 1990

The Honorable Dave Donley, Chairman
House Labor & Commerce Committee
Alaska State House of Representatives
P. O. Box V
Juneau, AK 99811

RE: SB 155

Dear Representative Donley:

This letter is a request for your committee to consider the above bill.

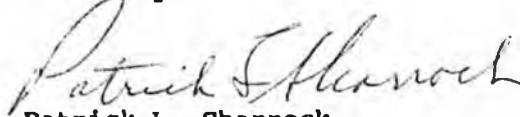
The bill contains a minor technical amendment to AS 04.11.400(j). The amendment intends to prevent confusion from a conflicting section in current law.

Current law under AS 04.11.400(j) allows the board to approve issuance "or transfer of ownership" of a restaurant or eating place license without regard to population limitations, if the license is necessary for the public convenience.

AS 04.11.360(11) demands that, if the board receives an application from a licensee for transfer of ownership of a license issued under AS 04.11.400(j), the board shall deny the application. Language deleted in the bill eliminates the conflict between the two sections.

If you have any questions, please do not hesitate to call.

Sincerely,



Patrick L. Sharrock
Director, ABC Board

PS/cl

90-07

RECEIVED
JAN 22 1990

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 3, 1989

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

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that makes changes in existing law to eliminate an inconsistency, and resultant confusion, regarding transfer of certain alcoholic beverage licenses.

AS 04.11.360(11) and AS 04.11.400(j) relate to "restaurant or eating place licenses," which are the licenses permitting restaurants to dispense beer or wine. These exception licenses are issued without regard to the population of a given locality if the Alcoholic Beverage Control (ABC) Board determines that new licenses are necessary for the public convenience.

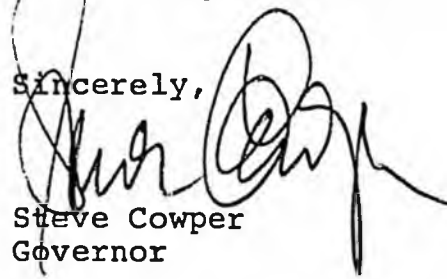
Because restaurant or eating place licenses issued under AS 04.11.400(j) are not subject to population limitations, there is no "quota" that limits the number that may be issued in a given locality. Accordingly, the licenses do not have an inherent "market value"; and as many restaurant or eating place licenses may be issued in a locality as the board finds are necessary for the public convenience. There is, therefore, no recognizable interest of a licensee in being able to market a license in conjunction with the sale of a restaurant or eating place. A person purchasing or starting a restaurant can, under strict board regulation, apply for a new beer and wine license without regard to the population levels at the time of the application. There is, therefore, no reason to permit the transfer of these licenses. Additionally, under AS 04.11.330(9), the board is required to deny renewal of a license issued under AS 04.11.400(j) if the public convenience does not require renewal.

Currently, AS 04.11.360(11) prohibits the transfer of such licenses. AS 04.11.400(j), however, creates confusion by permitting the board to approve the issuance or transfer of ownership of a restaurant or eating place license when it

155

is necessary for the public convenience. This inconsistency would be resolved by deleting the provision in AS 04.11.400(j) which permits the board to approve transfer of ownership of such a license. This amendment will eliminate confusion and conflicting direction in present law.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the word "Sincerely,".

Steve Cowper
Governor

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Transfer of alcoholic beverage licenses
 Sponsor: Sen. rules by Governor request
 Requestor: Sen. C & RA Committee

Agency Affected: Department of Revenue
 BRU: Alcoholic Beverage Control Board
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Patrick L. Sharrock, Director Phone: 277-8638
 Division: Alcoholic Beverage Control Board Date: March 1, 1989
 Approved by Commissioner: Hugh Malone Date: 3/6/89
 Agency: Revenue

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

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 3, 1989

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

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that makes changes in existing law to eliminate an inconsistency, and resultant confusion, regarding transfer of certain alcoholic beverage licenses.

AS 04.11.360(11) and AS 04.11.400(j) relate to "restaurant or eating place licenses," which are the licenses permitting restaurants to dispense beer or wine. These exception licenses are issued without regard to the population of a given locality if the Alcoholic Beverage Control (ABC) Board determines that new licenses are necessary for the public convenience.

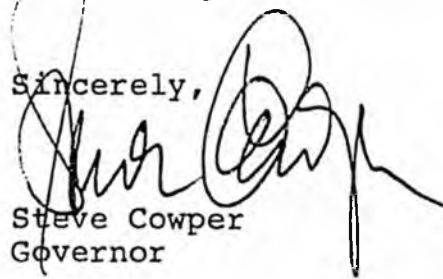
Because restaurant or eating place licenses issued under AS 04.11.400(j) are not subject to population limitations, there is no "quota" that limits the number that may be issued in a given locality. Accordingly, the licenses do not have an inherent "market value"; and as many restaurant or eating place licenses may be issued in a locality as the board finds are necessary for the public convenience. There is, therefore, no recognizable interest of a licensee in being able to market a license in conjunction with the sale of a restaurant or eating place. A person purchasing or starting a restaurant can, under strict board regulation, apply for a new beer and wine license without regard to the population levels at the time of the application. There is, therefore, no reason to permit the transfer of these licenses. Additionally, under AS 04.11.330(9), the board is required to deny renewal of a license issued under AS 04.11.400(j) if the public convenience does not require renewal.

Currently, AS 04.11.360(11) prohibits the transfer of such licenses. AS 04.11.400(j), however, creates confusion by permitting the board to approve the issuance or transfer of ownership of a restaurant or eating place license when it

155

is necessary for the public convenience. This inconsistency would be resolved by deleting the provision in AS 04.11.400(j) which permits the board to approve transfer of ownership of such a license. This amendment will eliminate confusion and conflicting direction in present law.

Sincerely,

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

Steve Cowper
Governor

SB

174

HOUSE COMMITTEE REPORT

(7)

Date Referred: March 15, 1989

FURTHER REFERRALS: JUDICIARY
FINANCE

Date of Committee Action: _____

The LABOR & COMMERCE Committee considered:

SB 174

SENATE BILL NO. 174 [BANK LETTERS OF CREDIT]
"An Act relating to letters of credit issued by banks."

RECOMMENDATIONS:

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

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

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

- [] fiscal note(s) _____
[] zero fiscal note(s) _____
[] zero fn/analysis _____

SIGNING DO PASS:

Donal Donley
Mark Boyer
James A. Keenan
[Signature]
[Signature]

SIGNING:

(Check approp. column)

	Do Not Pass	No Rec	Amend

Donal Donley

Chairman's signature

Alaska State Legislature



2957 SHELDON JACKSON STREET
ANCHORAGE, ALASKA 99508

SENATOR
ARLISS STURGULEWSKI
Senate President Pro Tempore
Chairman, Senate Rules Committee


While in Juneau
P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-3818

Senate

M E M O R A N D U M

March 16, 1989

TO: Representative Dave Donley, Chairman
House Labor and Commerce Committee

FROM: Senator Arliss Sturgulewski, Chairman 
Senate Rules Committee

RE: SB 174 "An Act relating to letters of credit issued by
banks."

This bill is a straight forward approach that would correct a disparity between state chartered banks and nationally chartered banks. Presently there is no time limit on Letters of Credit issued by nationally chartered banks but state chartered banks have been limited to one year on letters of credit.

This disparity was brought to us by Key Bank of Alaska and a letter of explanation from them is attached. Senate Bill 174 is supported by the Director of the Alaska Division of Banking. It has a zero fiscal note.

I have attached a packet of background information regarding SB 174 and hope you will be able to schedule it for an early hearing. Thank you for your consideration.

Attachments

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
 Title: Relating to letters of credit
issued by banks BRU: Banking, Securities
and Corporations
 Sponsor: Sturculewski and Pearce Components: Banking
 Requester: Senate Labor & Commerce

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						
TOTAL OPERATING	0	0	0	0	0	0

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

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

FUNDING: (Thousands of dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Willis E. Kirkpatrick, Director Phone: 465-2521
 Division: Banking, Securities and Corporations Date: 2-22-89

Approved by Commissioner: Larry Mercurieff Phone: _____
 Agency: Department of Commerce & Economic Development Date: 2/24/89

Distribution (by preparer):

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

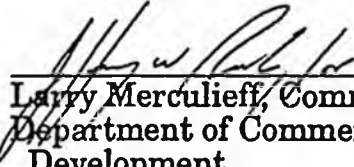
3388D-2/022289a

SB 174: "An Act relating to letters of credit issued by banks."

The department urges passage of SB 174 as it will provide parity between state and nationally chartered banks in providing letters of credits. Banks operating with national charters have no time restrictions concerning letters of credit. SB 174 deletes the time restrictions from Alaska law.

Banks and their customers have been at a disadvantage when their business sometimes requires letters of credit for greater periods than one year. This may be a common requirement in governmental construction contracts and export transactions with long contract periods.

This type of bank function is considered lending and is regulated and examined for sound lending practices. Letters of credit do convey elements of risk but are generally provided to a bank's customers with long-term satisfactory credit history.



Larry Mercurieff, Commissioner
Department of Commerce and Economic
Development

Date: 2/24/89

LM/WFK/dgl3399D
022389a

Key Bank of Alaska

A KeyCorp Bank



Post Office Box 100420
Anchorage, Alaska 99510-0420
(907) 562-6100

February 23, 1989

Mr. Frank Homan
Professional Assistant
Office of
Senator Arliss Sturgelewski
P.O. Box V
Juneau, Alaska 99811

Re: SB 174 - Letters of Credit

Dear Mr. Homan:

This letter will describe briefly letters of credit and explain why we support SB 174 which amends Alaska Statute 06.05.275(a) to remove its durational limit on letters of credit issued by state banks.

A letter of credit is the undertaking by a bank to pay the person to whom the letter of credit is issued (the beneficiary) upon presentation of a draft or other documentary demand specified in the credit. The bank's customer (the account party) requests issuance of the letter of credit and specifies the terms of the credit, based on the beneficiary's requirements. If the letter of credit is drawn upon, the account party (the bank's customer) has an unqualified obligation to pay the bank.

Letters of credit fall into two general categories. Commercial letters of credit are the type which are frequently used in foreign trade. There, the bank agrees to pay upon receipt of a draft and accompanying documents which often represent title to goods in shipment. The bank compares the documents with the requirements of the letter of credit and, if they are in conformity, pays the draft. A standby letter of credit is usually issued so that the beneficiary has a source of payment if the account party defaults on some obligation to the beneficiary. It acts as security for some performance by the account party. Once again, the bank does not make any decision about the facts of the transaction, but simply pays if it receives a draft and documents (frequently a certification by the beneficiary) as required by the terms of the letter of credit. In either type, the dollar amount of the credit is limited.

wag\pm.3
letters.cre

There exists a competitive inequality between national and state banks in durational limitations on standby and commercial letters of credit detrimental to state-chartered banks.

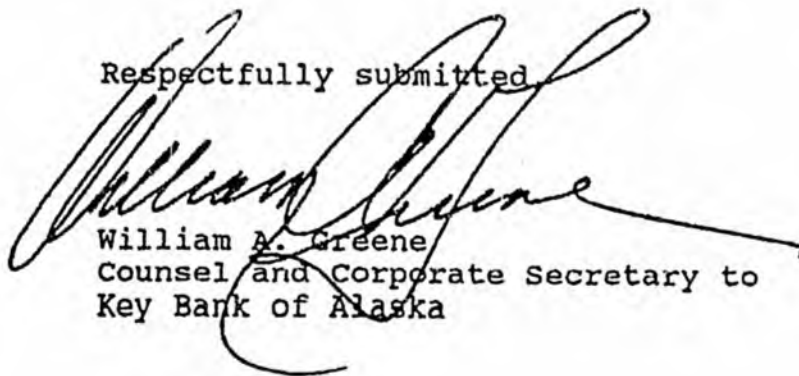
There is no durational limitation on letters of credit which national banks may issue, but AS 06.05.275(a) limits state-chartered banks' letters of credit to a duration of one year. It is interesting to note that the original legislative purpose in adopting this statute was "to improve the competitive balance between state and national banks." 1970 House Journal 1085.

It has been demonstrated that durational limits thwart competitive equality between state and national banks in the marketing and providing of letters of credit according to customer requirements. This is particularly true where the beneficiaries are government agencies, municipalities, the Alaska Court System, bonding, surety, and insurance companies. They are beneficiaries of letters of credit for a variety of reasons such as to secure completion of utility infrastructure construction on subdivisions, appeal bonds, and as security for cash flow requirements for debt service of term loans to operating businesses or income property construction projects. Those beneficiaries in particular have no reason to negotiate with state banks for letters of credit as they may simply go to national banks without having to address the issue of durational limitations. Further, most such beneficiaries are totally inflexible in their requirements and will not even consider durational requirements. They simply avoided the issue by obtaining their letters of credit elsewhere. As to commercial letters of credit, there are situations in which the one-year limitation would exclude their use in connection with manufactured goods and equipment and in connection with some export situation. Accordingly, state banks cannot always service their good customers as can national banks.

Letters of credit are extensions of credit not basically different than any loan or a loan commitment and are analyzed and underwritten like a loan or loan commitment. Most are secured. If not secured they are supported by adequate financial standing of the account party on whose behalf they are issued in the same manner as an unsecured loan. Adequate internal lending and underwriting policies and procedures, competent bank management, internal financial review and reporting requirements and procedures, and bank examinations by regulators are, like loans, the means of controlling and maintaining sound banking practices in issuing letters of credit. Durational limitations, however, are irrelevant to preventing unsound banking practices or to ensuring sound banking practices at the most critical times - when the letters of credit are issued and during the permitted period. They only shut the door after the horse is out at the expense of preventing state-chartered banks from competing equally with national banks.

Accordingly, it is recommended and urged that SB 174 be adopted to delete the second sentence of AS 06.05.275(a) as unnecessary and anticompetitive.

Respectfully submitted

A large, stylized handwritten signature in black ink, which appears to read "William A. Greene". The signature is written over the typed name and title.

William A. Greene
Counsel and Corporate Secretary to
Key Bank of Alaska

WAG/ag

INTRODUCTION OF BILLS (Senate)

SB 173 (cont'd)

been recalled cannot be appointed to fill a vacant seat in the office from which the person was recalled.

The bill takes effect 90 days after it is signed by the Governor.

Introduced February 14, 1989 and referred to Community & Regional Affairs; State Affairs; Finance.

Letters of Credit

SENATE BILL NO. 174, by Senators Sturgulewski and Pearce. Amends AS 06.05.275(a) (Alaska Banking Code. Miscellaneous and incidental banking practices) to read: "(a) A bank may issue and confirm letters of credit authorizing the principal or beneficiary to draw upon the institution or its correspondents." The section currently reads: "(a) A bank may issue and confirm letters of credit authorizing the principal or beneficiary to draw upon the institution or its correspondents. A letter of credit shall expire by its terms within one year of date of issuance, but may be renewed on written request of the principal."

The bill takes effect 90 days after it is signed by the Governor.

Introduced February 14, 1989 and referred to Labor & Commerce; Finance.

Consumption of Alcohol During Pregnancy

SENATE BILL NO. 175, by Senators Binkley, Adams, Zharoff, Pourchot, Frank and Pearce. Will require the holder of a license or permit that allows a person to sell or serve alcohol to post signs warning patrons that ". . . Drinking alcoholic beverages such as beer, wine, wine coolers, and other distilled spirits during pregnancy can cause birth defects." The signs will have to be displayed ". . . in a manner that will make them conspicuous to a person purchasing or consuming alcoholic beverages on the designated premises. . ." The Alcoholic Beverage Control Board (ABC Board) will have to determine how many signs have to be displayed, and whether they are sufficiently conspicuous after they are posted.

The ABC Board will furnish signs, and peace officers and ABC Board employees can issue citations for violations of this law. A person who is found guilty of a violation can be punished by a fine of not less than \$20 and not more than \$300. Each day a violation continues after a citation has been issued, constitutes a separate violation.

The bill takes effect 90 days after it is signed by the Governor.

Introduced February 15, 1989 and referred to Health, Education & Social Services; Finance.

Alaska Business News Summaries

Edited by Shehla A. Bradner

KeyBank Purchases Failed Alaska Statebank Assets

Key Bank of Alaska, the state's fourth largest bank, bought Alaska Statebank after its closure by state banking regulators. Statebank had \$8.8 million in negative worth, mostly due to problem loans. The bank's \$100 million in deposits and some loans were transferred to Key Bank, which will operate six Statebank branches. The transaction also includes a cash payment to KeyBank from the Federal Deposit Insurance Corporation. Key Bank Alaska assets will grow by \$100 million to \$700 million. Some 15,000 Statebank's depositors are protected by FDIC, including those with deposits above the federally insured limit of \$100,000. KeyBank will also purchase about \$67 million of Statebank's assets including \$2.6 million in small loans, not including problem loans. *Statebank President H. Derrell Smith said the bank tried to raise sufficient capital, but FDIC chose the more expensive alternative of liquidation. Smiths thinks the bank needed about \$25 million to clear up problem loans, and that FDIC will pay \$35 million or more to liquidate. FDIC has indicated it would advance Key Bank \$30 million as part of the deal.*

KEYBANK MAY BEGIN INTERNATIONAL OPERATIONS FROM ALASKA: KeyCorp, parent of KeyBank Alaska, is examining use of its Alaska operation as a center for international banking in the Pacific Northwest. Ivan Jacques, vice president of International Banking at Key Bank of Puget Sound is impressed with the state's trade opportunity in fishing and timber. Jacques, met recently with Key Bank of Alaska officials and will submit recommendations this summer to the bank's corporate headquarters in Albany, N.Y. KeyCorp, with assets of \$15 billion, operates banks in Alaska, Oregon, Washington and Idaho. KeyCorp expanded into western states because of the potential for a big future in the Pacific Rim countries. The Alaska banks already provide some international services, including letters of credit for companies doing business overseas. Besides fish and timber, oil, minerals and tourism are also good Alaska contenders for international markets, say local Key Bank officials.

U.S. POSTAL SERVICE REVENUES INCREASE IN 1988: The U.S. Postal Service has escaped the economic downturn plaguing most of Alaska, showing increases in almost every revenue-producing service in 1988. Revenue from postage and fees was up 8 percent, from \$66,250,000 in 1987 to \$71,642,394. Express Mail rose 5 percent from \$4,227,734 in 1987 to \$4,459,219 in 1988. Volume was up for the oft-used first-class letter; the Anchorage Division processed 1 percent more first class mail in 1988. Most mail comes to Alaska by ship or plane and it cost the Postal Service \$70,825,969 in 1988 to move that mail within the state, including a \$5 million retroactive rate payment. The cost of shipping mail throughout the state is expected to rise by about \$4 million in 1989. The post office also disbursed \$84,367,477 in salaries to its 2,100 employees in Alaska.

ALASKA RAILROAD POSTS \$5.8 MILLION PROFIT: A 14 percent increase in freight revenues and a marked decline in expenses helped the Alaska Railroad show a profit of \$5.8 million in 1988. About 10 percent of the profits, or \$620,000, was distributed as bonuses to employees. The bonuses, said railroad officials, were justified because the employees had taken pay cuts of 10 percent for seven months of 1987 and deserved to share in 1988's prosperity. The profits will help the corporation reduce borrowing and finance major improvements of road beds and tracks. Railroad officials expect 1989 results to be as good as 1988. The corporation has cut \$10 million from its annual budget since its transfer to the state in 1985.

TEXAS GROUP WILL BUY LUXURY THEATRES: Act 3, a San Antonio, Texas group, will purchase Luxury Theatres, Alaska's largest chain of movie houses. Ticket prices will remain the same. But the new owners will spiff up some of the Anchorage theaters, bring first run movies quicker and perhaps even show controversial movies, such as the "Last Temptation of Christ," banned by the former owner. Act 3 is in the process of acquiring 87 movie houses nationwide.

Alaska journal of Commerce

Volume 13, Number 3, 24 Pages 1/16/89

KeyCorp picks Alaska for first

By IMRE NEMETH

Just as Alaska became its first entry on the West Coast, Key Corp has chosen the state to launch its foray into the realm of international banking.

The Albany, N.Y. based bank plans to use its Alaska locations to spearhead a plan officials hope will unlock commercial trade opportunities and profitable business ties with financially active Pacific Rim markets.

Ivan Jock, vice president of international banking at Key Bank of Puget Sound, says the Alaska is a natural site to begin the effort. With its location and current ties in the fishing and timber industries, the state is considered by bank leaders to have enormous potential, he adds.

"Certainly they've come to realize that Alaska's ties with the Pacific Rim are so large and important," Jock said from his Seattle office last week. "They are looking now at how best to approach the market and support it.

"It didn't take too much to see the potential in Alaska with the Pacific Rim."

Since the purchase of the Alaska contingent (formerly known as Alaska Pacific Bank), KeyCorp has moved into five other states in the Pacific Northwest, including Washington, Oregon and Idaho.

Jock said Alaska's importance is quite well known. To support the

See INTERNATIONAL, Page 2



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Industrial St

• International banking

Continued from Page 1

export market, which is the bank's first interest in this matter, Key Bank of Alaska plans to help facilitate the movement of goods through financing promising projects.

This doesn't mean, however, that the bank will be moving into territory already populated by the larger international financiers. Far from it. Bank officials will probably start a lot smaller and cultivate the market over time. The competitive factor will come from other banks moving into the Alaska territory.

"They would do well to come there and invest," Jock admitted.

Jock labeled immediate opportunities in the timber and fisheries sectors. He pointed to upcoming breaks due to the full utilization of the state's 200-mile territorial waters and further development in the surimi industry.

But all the focus can't remain concentrated on the United States or domestic markets. Jock says the long-term outlook must include analysis of the overseas markets and what products will sell there.

To do that U.S. vendors must provide the quality, he says.

"Success is on secondary processing," said the vice president. "There

must be movement beyond just the supplying of fresh fish and that's preparing it for the consumer."

He calls the Japanese market, for instance, quite demanding. The market has rigid standards for quality.

Eventually, KeyCorp plans to expand the international banking segment into more of its locations.

"I think (the bank's international effort) is going to all locations but there's no question in my mind that Alaska presents the biggest opportunity and biggest challenge," he said. "I think the numbers will bear out this optimism of mine."

Jock recently traveled to the state to oversee the establishing of the new international division. He said what he saw just reinforced his impressions of impending success. One reason he cited for this opinion was the low dollar and the perception in Japan and other Pacific Rim countries that American products are low cost.

Prior to its acquisition by KeyCorp, Jock's particular bank had all the international banking facilities in place. With the lines already established, Jock feels his branch will be able to easily guide the Alaska banks in to operation and do it quickly.

"The key is now be able to go ahead and provide the service," he said.

As evidence, Wescott says he has been approached by one Japanese com-

mercial opinion saying such formi-

See, I'M NO, Page 3

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STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: SB 174
PUBLISH DATE: 2/28/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Relating to letters of credit
issued by banks
Sponsor: Sturoulewski and Pearce
Requester: Senate Labor & Commerce

Agency Affected: Commerce & Econ. Dev.
BRU: Banking, Securities
and Corporations
Components: Banking

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						
TOTAL OPERATING	0	0	0	0	0	0

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

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

FUNDING: (Thousands of dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

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

Phone: 465-2521
Date: 2-22-89

Approved by Commissioner: Larry Mercurieff
Agency: Department of Commerce & Economic Development

Phone: _____
Date: 2/24/89

Distribution (by preparer):

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

page ____ of ____

3388D-2/022289a

SB

190

HOUSE COMMITTEE REPORT

3/15

(7)

Date Referred: March 13, 1989

FURTHER REFERRALS:

Date of Committee Action: _____

Rules

The LABOR & COMMERCE Committee considered:

190
CSSB (L&C)

CS FOR SENATE BILL NO. 190 (L&C)

[APPROP: APA GRANTS FOR SERVICE EXTENSION]

"An Act changing the name of the Alaska State Building Authority; and providing for an effective date."

RECOMMENDATIONS:

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

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact _____
- zero fiscal note _____
- zero with analysis _____

- fiscal note(s) _____
- zero fiscal note(s) 3/7 C.E.A
- zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

David Donley DONLEY

Mark Boyer BOYER

Grew A. Leman LEMAN

Jim Collins COLLINS

Bill Spohnholz SPOHNHOLZ

Max Gruenberg GRUENBERG

Do Not Pass	No Rec	Amend

David Donley

Chairman's signature

STEVE COWPER
GOVERNOR



190

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 24, 1989

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

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill changing the name of the Alaska State Building Authority back to the Alaska State Housing Authority (the authority), the original name in effect from the advent of statehood to 1986. The introduction of this bill was requested by the board of directors of the authority.

This bill amends the statute creating the authority. It also expressly requires the revisor of statutes to make any additional statutory changes that might be necessary. This approach is the same as the one taken in ch. 103, SLA 1986.

The authority believes that the name recognition gained over the years of operation is a valuable asset that should not be lost. The original name of the authority fairly encompassed the powers and duties assigned by law and should not pose a legal problem.

I urge your favorable action on this bill.

Sincerely,

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

Steve Cowper
Governor

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSSB 190 (L&C)
PUBLISH DATE: 3/7/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Name change: ASBA/ASHA

Agency Affected: Commerce & Econ. Dev.
BRU: Alaska State Building Authority

Sponsor: Rules Committee/Governor
Requester: Senate Labor & Commerce

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						
TOTAL OPERATING	0	0	0	0	0	0

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

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

FUNDING: (Thousands of dollars)

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

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PARTTIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

The Alaska State Building Authority is not subject to the Executive Budget Act.

Prepared by: Ray Price, Executive Director
Division: Alaska State Building Authority

Phone: 786-6223
Date: 2-23-89

Approved by Commissioner: Larry Mercurieff
Agency: Department of Commerce & Economic Development

Phone: 465-2500
Date: 3/7/89

Distribution (by preparer):

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

page 1 of 1



March 9, 1989

The Honorable Dave Donley
Alaska House of Representatives
P.O. Box V
Juneau, AK 99811

Dear Representative Donley:

The following is related to SB190, which changes the name of the Alaska State Building Authority. If passed, SB 190 will change the Authority's name from the Alaska State Building Authority to the Alaska State Housing Authority.

BENEFITS OF THE NAME CHANGE

The Authority's main purpose is the management of public housing for low and moderate income residents and senior citizens, and not financing and construction of facilities which the current name implies. The Authority is striving for national model agency recognition and increased funding for our innovation in resolving housing problem throughout the state and changing the name to more closely reflect our primary purpose is important to that goal. This bill will eliminate confusion on the Federal level with funding agencies. The National Federal Housing and Urban Development Agency views the Authority as first a builder and financier of housing and second as a provider and manager of public housing.

This bill will also eliminate confusion closer to home with Alaskans seeking housing services. For the same reasons stated above, the public is uncertain of our role as a provider of public housing vs a builder.

EFFECT ON THE AGENCY'S BOND RATINGS

The Authority issued approximately \$142 million in bonds under the old name of the Alaska State Housing Authority. The Authority has issued no bonds under the current name of the Alaska State Building Authority. Discussions with a financial advisor have indicated that the change back to the original name under which the bonds were issued would not cause a change in bond ratings.

PURPOSE OF EFFECTIVE DATE

For Administrative reasons the Authority would like the name change to correspond as closely as possible to the beginning of our fiscal year which is April 1, 1989 through March 31,



Rep. Donley

-2-

March 9, 1989

1990. The Authority's fiscal year differs both from the State's of July 1989 to June 1990 and HUD's fiscal year of October 1989 to September 1990.

Sincerely,

ALASKA STATE BUILDING AUTHORITY

Ray Price
Executive Director

cc: Bob Evans, Office of the Governor
Linda Wilds, DCED

ss:c:wp50\rp\1\rpdd.1

SB

191

HOUSE COMMITTEE REPORT

(7)

Date Referred: May 2, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 5-2-89

The LABOR & COMMERCE Committee considered:

CSSB 191(FIN)

CS FOR SENATE BILL NO. 191 (Finance)

[EMPLOYMENT ASSISTANCE AND TRAINING]

"An Act relating to employment contributions and to the establishment of state training and employment programs; relating to training programs operated by the Department of Military and Veterans' Affairs; and providing for an effective date."

RECOMMENDATIONS:

- [] be replaced with _____ [] 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):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

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

- [] fiscal note(s) _____
- [] zero fiscal note(s) _____
- [] zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not Pass No Rec Amend

James Donley Donley

Paul M. Finkelstein Finkelstein

Virginia M. Collins Collins

Ch. A. Boucher Boucher

Mark Bayer Bayer

<u>Steven A. Leman</u> Leman	<input checked="" type="checkbox"/>		
<u>Max Gruenberg</u> Gruenberg	<input checked="" type="checkbox"/>		

James Donley

Chairman's Signature

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSSB 191 (FIN)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Labor
 Title: "An Act relating to employment contributions...and training programs" BRU: Employment Security
 Sponsor: Rules Committee Components: _____
 Requestor: Senate Finance Unemployment Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		55.0	9.6			
TRAVEL						
CONTRACTUAL		1,725.0	2,580.4			
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	1,780.0	2,590.0	0.0	0.0	0.0

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

REVENUE	0.0	1,780.0	2,590.0	0.0	0.0	0.0
---------	-----	---------	---------	-----	-----	-----

FUNDING: (Thousands of Dollars)

GENERAL FUND		1,780.0	2,590.0			
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	1,780.0	2,590.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Judy Knight, Deputy Director Phone: 465-2712
 Division: Employment Security Division Date: 4/21/89
 Approved by Commissioner: Jim Sampson Date: 4/21/89
 Agency: Department of Labor

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

Fiscal Note Analysis
for

"An Act relating to employment contributions...and training..."

This bill provides for the establishment of a state training and employment program that will be funded by a contribution of one-tenth of one percent of covered worker wages collected by the Department of Labor. This will be done at no cost to the worker by giving a credit of this amount from the employee contribution currently provided for in AS 23.20.290. The revenue will be deposited in the general fund in the state training and employment program account.

Revenue calculations for FY 90 and FY 91 are as follows:

	<u>FY 90 Revenues</u>	<u>FY 91 Revenues</u>
Estimated taxable wages	\$2,559,000.0	\$2,727,000.0
Less one quarter for effective date of July 1, 1989	(683,000.0)	
Multiply difference by one-tenth of 1% to arrive at estimated revenues	\$1,876.0	\$2,727.0
Adjust for 95% collection rate	<u>(92.0)</u>	<u>(137.0)</u>
<u>Estimated total revenues available</u>	\$1,780.0	\$2,590.0

Except for the \$55.0 needed by the department to cover administrative costs, the revenues deposited to the state training and employment program account would be transferred to the Department of Community & Regional Affairs for disbursement.

During the first year the department's automated accounting system would have to be modified to allow the separate accounting of these revenues. This would be needed due to the federal requirement that funds such as these not be mixed with U.I. trust fund monies. We estimate the one time cost of this conversion to be \$45.4 of analyst/programmer time for the Unemployment Insurance program.

Also, costs of \$9.6 would be required in staff time during both years to separately account for and transfer this money.

Assumptions:

1. Effective date of July 1, 1989.
2. Pilot program would last for two years.

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Employment Training & Assistance
 Program _____
 Sponsor: Rules Committee
 Requestor: Governor

Agency Affected: Community & Regional Affairs
 BRU: Job Training Partnership Act

Components: Governor's Training, Training and Energy Field Office

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		92.0	136.8			
TRAVEL		11.7	13.5			
CONTRACTUAL		18.0	26.2			
SUPPLIES		2.0	6			
EQUIPMENT		3.5	0			
LAND & STRUCTURES		0	0			
GRANTS, CLAIMS		1597.8	2403.3			
MISCELLANEOUS		0	0			
TOTAL OPERATING	0	1725.0	2580.4	N/A	N/A	N/A

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

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0					
FEDERAL FUNDS						
OTHER		1725.0*	2580.4*			
TOTAL	0	1725.0	2580.4	N/A	N/A	N/A

POSITIONS:

FULL-TIME	0	2	2	N/A	N/A	N/A
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

*Interagency receipts from the Department of Labor. This Fiscal Note authorizes receipt and expenditure of these funds.
 (See attached Fiscal Note Analysis).

Prepared by: *Maureen Blum* Phone: 465-4890
 Division: Rural Development Division Date: 4-21-89

Approved by Commissioner: *David G. Hoffman* Date: 4/21/89
 Agency: Community & Regional Affairs

Distribution (by preparer):

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

State of Alaska 1989 - 16th Legislature
First Session
Fiscal Note Analysis

Title: Alaskan Employment
Training Assistance Program

Page 2 of 5

Assumptions Funds will be passed through the Department of Community and Regional Affairs with oversight provided by the Alaska State Job Training Coordinating Council. The intent of this bill would also provide for a proportionate pass through of grant funds to the established Service Delivery Areas (the administrative/granting entities established under the Job Training Partnership Act.) One of the three established SDA's within the State, the Statewide SDA, is also organized and functional within the Rural Development Division, Department of Community and Regional Affairs. This analysis therefore reflects both of these functions within this Department. The expenditures indicated on page I for personal services, travel, contractual, supplies and equipment, reflect a 2.5% level of administrative support for the statewide office and a 12.5% level of administrative support for the Service Delivery Area.

Federal JTPA funds are dedicated to the administration of JTPA programs and cannot be used for the administration of State funded job training programs. Certain prudent and minimal administrative effort must be made to assure that the funds are expended appropriately by the service agencies.

Program Summary At the State office (JTPO) level, the requested administrative funds will be used to provide contract and grant administration necessary to assure the funds are expended appropriately. Oversight and monitoring, both on-sight and at desk will be provided. Participants will be tracked and accounted for through modification to the JTPA Participant Management Information System. Technical assistance will be provided to service providing agencies. General program administration including generation of required fiscal and participant reports will be provided.

At the Service Delivery Area level 85% of funds will be directly granted to eligible training projects. The minimal administrative support requested is necessary to initiate program implementation which would include the planning and design work, outreach and promotion, the solicitation process, grant negotiation and writing, grant monitoring, technical assistance and oversight, participant outreach and recruitment, financial accountability, staff training, and program assessment and evaluation. Program services and administration will be integrated into the existing SDA administrative structure, which utilizes five field offices, a small central support office and support for a Private Industry Council.

Positions Two new positions, (a 7 months equivalent within the Governors Training Component and one within the Training and Energy Field Office component, JTPA BRU) are requested (see attached Request for New Position Form). Within the Training and Energy Field Office component some additional support (calculated on a conservative pro-rata basis) in personal services for established personnel is also requested. This would cover approximately 20% of the SDA manager, 20% of one Clerk Typist and 10% of a Community Development Specialist in each of the field offices. (This rate is significantly less than the current charging used against the Federal JTPA program.)

Other Expenditures Modification of the existing JTPA Participant Management Information System will be needed to track and account for program participants. Estimated one-time cost is \$4,500. Travel for the JTPO office is estimated at \$1,700, while the Statewide SDA will require an estimated \$10,000 in consideration of the cost of rural travel. Other contractual costs will include fiscal support costs, program marketing and promotion, data base maintenance under the equipment maintenance agreement, phone, copier, printing, and basic supplies.

For a program of this scope, there are great advantages and financial savings realized by administering it through this established Delivery System

Position Title Grants Administrator		No. of Positions 1	Range/Step 17A	Barg. Unit GGU
Time Status Full Time	Staff Months 7	Location Anchorage		Election District
Type of Expenditure		Amount		
1	2	3		
Salary	20.2			
Benefits	6.1			
Premium Pay	0			
Other	0			
Total Personal Services		26.3		
Travel		1.7		
Contractual		11.0		
Commodities		1.5		
Equipment		3.5		
Other		0		
Total Cost		44.0		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004			
I-A Receipts	1006	44.0		
CIP Receipts	1061			
Other				

Justification

Funds will be passed through the Department of Community & Regional Affairs with oversight provided by the Alaska State Job Training Coordinating Council. Federal JTPA funds are dedicated to the administration of the JTPA programs and cannot be used for the administration of State funded job training programs. Certain prudent and minimal administrative effort must be made to assure that the funds are expended appropriately by the service agencies.

At the present time staff in the central JTPA administrative office are occupied with administering the Job Training Partnership Act. The addition of new administrative responsibilities require an additional position to do the work. A Grants Administrator position is needed at a range 17 step A. Approximately 7 months of this person's time will be charged to this new program. The balance of position cost will be supported by federal funds. This position will be used to provide contract and grant administration necessary to assure the funds are expended appropriately. Oversight and monitoring both on-site and at desk will be provided. Participants will be tracked and accounted for through modification to the JTPA Participant Management Information System. Technical assistance will be provided to service-providing agencies. General program administration including generation of required fiscal, participant and performance reports will be provided.

**Request For
New Position**

Agency Community & Regional Affairs
 BRU Job Training Partnership Act
 Component Governors Training

FY 90

Page 4 of 5
 Revised Date

Position Title Grants Administrator		No. of Positions 1	Range/Step 17A	Barg. Unit GGU
Time Status Full Time	Staff Months 12	Location Juneau		Election District
Type of Expenditure		Amount		
1	2	3		
Salary	34.7			
Benefits	10.5			
Premium Pay	0			
Other	0			
Total Personal Services		45.2		
Travel		5.0		
Contractual		2.5		
Commodities		.5		
Equipment		0		
Other				
Total Cost		53.2		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004			
I-A Receipts	1006	53.2		
CIP Receipts	1061			
Other				
<p>Justification As the intent of this program is to pass on funds for employment and training grants to existing administrative entities, the Alaska Statewide SDA as organized within Community & Regional Affairs would be one such entity. The SDA is established in the Training/Energy Field Office component within the JTPA BRU.</p> <p>As with the State office, the federal JTPA funds cannot be used to support State activity within the SDA. While the Statewide SDA will utilize its Field Office network to implement this program, an additional Central Office position is necessary to oversee the development of the grant solicitation, internal procedures for accounting, MIS, Monitoring, reporting, subgrant management and evaluation of this program. These new administrative responsibilities will require the addition of a Grants Administrator position, range 17 step A to the central administrative office in Juneau.</p>				

**Request For
New Position**

Agency Community & Regional Affairs
 BRU Job Training
 Component Training/Energy Field Office

Page 5 of 5
 Revised Date

FY 90

SECTION BY SECTION ANALYSIS
CS for Senate Bill 191 (FIN)

Section 1 details the labor market and supply conditions in the state that lead to the finding that a state training program is needed to provide a trained work force of Alaskan workers.

Section 2 of the bill provides for a two-year pilot for a State Training and Employment program.

Section 3 establishes an employment and training program account in the general fund, and provides for separate accounting of the money. The Legislature may appropriate these funds to the Department to implement the program and may appropriate lapsing funds back to the unemployment insurance trust fund.

Section 4 provides the funding mechanism for the program. It is funded by a contribution of one-tenth of one percent on employees. While this provision actually increases the employee contribution portion, then gives an employee contribution credit of the same amount, the net effect is to divert employee funds from the trust fund, with no increase in contributions.

Section 5 targets the primary population eligible for the program. The targeted group is Alaska residents who are current, past or future unemployment insurance claimants. It also includes people who have worked in covered employment during the last three years but are not eligible for unemployment benefits because they are working in seasonal, marginal, temporary or part-time jobs or are underemployed. This makes training available to a number of Alaskan workers currently not eligible for federal job training programs.

Section 6 defines the services that are covered under the program. Services provided include industry-specific training, on-the-job-training, classroom training, support services, relocation, or tools, work-related clothing and safety gear.

Section 7 defines the duties of the Department in awarding grants to the State Job Training Coordinating Council. It also directs the department to annually provide to the council a priority list of targeted projects or services, if a grant is awarded to the council.

Section 8 outlines the role of the State Job Training Coordinating Council in awarding grants to training entities. It provides controls to insure the integrity of the training entities, and insures the program will not compete with or displace other training programs or training money.

Section 9 defines terms used in the chapter.

Section 10 provides a short title for this temporary Act.

Sections 11 and 12 of the bill, added by Senate Finance, are designed to permit the Department of Military and Veterans Affairs to administer training and employment programs and thereby enable the Alaska National Guard to administer public service projects similar to the old CCC. This program is unrelated to the state training and employment established under other sections of the bill. The department's understanding is that Military and Veteran Affairs is interested in targeting on young adults, age 17 to 20 and the focus of the training will be on teaching proper work ethics and on-the-job behavior, and not job skills. Under Section 11 of the bill, the trainees would be in the partially exempt status for the purpose of setting their pay scale at minimum wage.

Sections 13 and 15 of the bill are sunset provisions for the state training and employment program, repealing the Act at the end of the two-year pilot project.

Section 12 provides an effective date of July 1, 1989 for both the state training and employment program and the Department of Military Affairs training and pre-employment training programs.

Committee Substitute for Senate Bill No. 191 (Finance)
State Training and Employment Program

Proposal

This bill establishes a two-year pilot program to increase training opportunities for Alaskans whose livelihood is affected by changes in Alaska's economy or by technological changes in the workplace.

Under the bill, training programs would be funded by a small portion (0.1 percent) of employee contributions which are currently required under Alaska's unemployment insurance law. This would provide \$1,780.0 in FY 90 and \$2,590.0 in FY 91. The training programs would be closely tied to unemployment in order that the training would result in reducing unemployment insurance outlays that would otherwise occur.

Description of Problem

Much of the unemployment Alaska is experiencing is "structural unemployment," which is being caused by basic and real changes to its economy. This causes mismatches between available workers' skills and employers' skill needs. When this occurs, workers face a different situation than they face by traditional unemployment.

A majority of the funds used for training in Alaska are from the federal Job Training Partnership Act, Carl D. Perkins monies, or other designated federal funds with specific qualifying provisions. The Federal Government places certain restrictions on the use of these funds, which makes a segment of the state's unemployed or minimally employed workers ineligible to participate

in these programs. The use of non-federal monies to fund state job training programs is required to provide more flexibility in structuring programs in the best interest of Alaska's employers and residents.

Inasmuch as State General Fund monies are scarce, the Department feels that other financing methods needed to be explored; and CSSB 191(FIN) offers another way to fund state job training programs. The funding mechanism proposed will permit training programs to be matched to Alaska's employment needs, not constrained by inappropriate federal restrictions and guidelines.

[See attached for a description of Military Affairs Youth Training proposal as established under Sections 11 and 12 of CSSB 191(FIN).]

DEPARTMENT OF MILITARY AFFAIRS

PROPOSAL FOR THE OPERATION OF A PILOT YOUTH TRAINING PROGRAM

ABSTRACT. The Alaska National Guard proposes to develop and operate a program to train young rural Alaskans. This requires three phases. First, develop a pilot program. Second, implement the pilot program in July and August 1989 to train young Alaskans age 17-20. Third, evaluate and refine the pilot to expand the number of participants and the range of services provided. The goals of this project are to:

- Provide a structured and rewarding employment experience.
- Enhance self-esteem.
- Develop a sense of self-reliance.
- Develop personal behavior patterns compatible with employment.
- Introduce participants to the values and ethics of the world of work.
- Instill self-discipline.
- Develop teamwork.
- Provide participants an exposure to positive role models.

This project will utilize the expertise of the Alaska National Guard to supervise, direct, and provide technical assistance. The pilot program will employ village youth in three rural villages to perform public service-type tasks. Projects would be identified by federal, state, and local agencies, as well as the Alaska National Guard. A committee composed of members of the Alaska National Guard will select both the villages to participate and the projects to be undertaken.

The project will operate under the overall supervision of an officer of the Alaska National Guard appointed as Project Manager. Participants will work in crews of five. Each crew will be supervised by a Non-Commissioned Officer of the Alaska National Guard in a State Active Duty (SAD) status. The supervisor will be responsible for the selection and management of his crew. He will also be responsible for all required administrative tasks such as time cards, performance counseling, etc.

GENDER STATEMENT. The male pronouns used throughout this document apply to both genders unless otherwise specifically indicated.

STATEMENT OF NEED. Rural Alaska, and especially the Native population in rural Alaska, is plagued by many ills. These are evidenced by high unemployment, high incidence of alcohol/drug abuse, high suicide rates, poor academic performance, and high incidence of spouse and child abuse. Psychologically these things can be related principally to three factors: lack of self-esteem, lack of structure, and unrealistic/unmet expectations. Further, these problems are exacerbated by boredom and the fact that the rural Native Alaskan lives in two, often conflicting, cultures. While there is no single solution to these situations, one of the pathways to overcoming the current problems is to provide structure, self-discipline, positive role models, and -- most importantly-- self-esteem to the rural Alaskan. There is no panacea for this situation. However, the program herein proposed is one positive step toward the improvement of the current situation.

PROJECT DESCRIPTION: With funding provided by the State Legislature the Alaska National Guard will develop and operate a pilot program for rural youth in three communities during the summer (July-August) of 1989 (FY90). Rural youth age 17-20 will be solicited by the Guard to fill positions in work crews. Project selection will be performed by a committee of the Guard based on the following broad criteria:

Projects must be in the public domain and for the public good.

Any work undertaken must be completed within the program cycle (July-August 1989).

Adequate tools and materials must be available either from the agency that nominated the project or within the program budget.

Projects must be within the performance capabilities of the participants.

Projects must be suitable to crew work.

Projects must contribute to the self-esteem of participants.

The Alaska National Guard will place a Project Manager on State Active Duty (SAD). The Project Manager will be responsible for identifying potential projects, and crew supervisors. He will train the crew supervisors, co-ordinate technical advisors, and manage the overall program. At the completion of the pilot he will be responsible for the further development and expansion of the program to include more villages, projects, participants, and a wider range of program services. He will also participate in the process of seeking federal funding for the program.

Participants will work in crews of five in or near their villages performing public service tasks. Each crew will be supervised by a Non-Commissioned Officer (NCO) of the Alaska National Guard who is placed in a State Active Duty (SAD) status. Since each of these NCOs has undergone training in leadership and counseling, they will be able to provide the proper supervision, counseling, and role model for the participants. Their primary mission will not be to teach job skills. Rather, it will be to teach job behaviors and structure, and to instill self-worth. Each supervisor will undergo specialized training prior to be placed in charge of a work crew.

On a day to day basis the Crew NCO will teach, train, evaluate and counsel his crew. He will perform the administrative functions required (i.e. time cards) to ensure that time and money receive a proper accounting. He will evaluate the participant's job performance and utilize counseling as a tool to provide feedback to the student.

Participants will work the state work week (37 1/2 hours) and will be paid the minimum wage. They will be classified as exempt, non-permanent state employees and will be paid through the state system. Projects will be identified by federal, state, and local agencies, and the Alaska National Guard. In addition to the crew supervisors, the Alaska Army National Guard will provide overall project supervision, administration, and technical assistance (i.e., engineering support) to the project.

PROGRAM OBJECTIVES. This program is intended to accomplish the following objectives.

- Provide a structured and rewarding employment experience.
- Enhance self-esteem.
- Develop a sense of self-reliance.
- Develop personal behavior patterns compatible with employment.
- Introduce participants to the values and ethics of the 'world of work'.
- Instill self-discipline.
- Develop teamwork.
- Provide participants an exposure to positive role models

ANTICIPATED OUTCOMES.

Through exposure to a structured environment the participant will learn that there are ways to beneficially structure his own life within the village. By being able to see a project through to completion, he will see the positive value of his efforts. This in turn will enhance his feeling of self-worth. Learning expected work behaviors will start the participant on the road to future employability and encourage participation in future education and job training.

While in the program the participant will be gainfully employed. In addition to accomplishing worthwhile projects, he will not have time to be bored. This, in itself, will reduce the propensity toward drug/alcohol abuse. Likewise, the tendency toward suicide and other aberrant behaviors will be lessened.

FUTURE PLANNING.

At the conclusion of the pilot program it will be evaluated by the Alaska National Guard and modified as required. The Project Manager will spend the remainder of FY90 looking to expand the number of villages served and the services provided by the program when operation resumes in the summer of FY91. The continuation of this project in FY91 will require the continued support of the Alaska Legislature. Simultaneously, we will begin working with our federal congressional delegation in order to obtain federal funding for this program. It is anticipated that at least some federal dollars will be available for this effort in FFY92.

It is our belief that this program will serve as the keystone for future endeavors in rural Alaska. There are a number of logical follow-on programs. These include, but are not limited to, programs to enhance the educational and vocational prowess of the participants. We envision that these future actions will be cooperative efforts undertaken in conjunction with other state and federal agencies. Ultimately, our aim is to develop a program participant to the point where he is a fully productive and contributing member of his village and the State of Alaska.



Representative Dave Donley, Chair House Labor & Commerce Committee

SUBJECT OF MEETING:

SJR 8 HB 286
 SB 191 HB 225
 SCR 27 HB 166
 SCR 28

DATE: 5-2-89

PLACE: C#17

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT WHICH BILL?
						Y	N	
Judy Knight	Dept of Lab	P.O. Box 3700 JUN-998	99811	465-2712	→	<input checked="" type="radio"/>	N	SB 191
Richard Arab	Dept of Labor	Box 21149, Juneau	99902		465-4857	<input checked="" type="radio"/>	N	HB 286
Rena Jones	A.G.C.	134 No. Franklin	99801		586-1748	<input checked="" type="radio"/>	N	HB 286
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	

SB

206

THE FOLLOWING DOCUMENT HAS
NOT BEEN FILMED BUT IS
AVAILABLE IN THE ORIGINAL
FILE

REPORT

RECEIVED
A.P.U.C.

SBZ06

Ben Johnson
Associates, Inc

90 FEB -1 AM 11:37

January 30, 1990

Implementing Intrastate Toll Competition in Alaska:
A Proposed Approach

Docket Number R-86-2

Prepared on Behalf of the Staff of the
ALASKA PUBLIC UTILITIES COMMISSION

S B

2 1 2

HOUSE COMMITTEE REPORT

(7)

Date Referred: April 26, 1990

FURTHER REFERRALS:

Date of Committee Action: 5/3/90

The LABOR & COMMERCE Committee considered:

CSSB 212 (JUDICIARY)

CS SB NO. 212 (Jud)

INSURER INSOLVENCY

"An Act relating to examinations, fees, licenses, certificates, capital, surplus, and other requirements, assets and liabilities, investments, and insolvency proceedings of insurers; immunity for persons performing activities related to insurance and for persons who report insurance fraud; changing Alaska Rules of Civil Procedure 19, 41, 62(a), and 65(c); changing Alaska Rules of Appellate Procedure 205, 405, 511, 603, 606, and 611(d); and providing for an effective date."

RECOMMENDATIONS:

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

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS: Senate (Date/Dept)

- [] fiscal impact _____ [] fiscal note(s) _____
- [] zero fiscal note _____ [] zero fiscal note(s) C+ED 5/6/99
- [] zero with analysis _____ [] zero fn, analysis _____

SIGNING DO PASS:

SIGNING:
(Check approp. column)

Do Not Pass No Rec Amend

<u>David Donley</u>	<u>Collins</u>	<input checked="" type="checkbox"/>	
<u>Robert Groves</u>	<u>Shuman</u>	<input checked="" type="checkbox"/>	
<u>Bob Boucher</u>			
<u>David Finnelstein</u>			

David Donley
Chairman's Signature

CSSB 212

Section 14 of CSSB 212 should be replaced with a new Section 14 to read:

* Sec. 14. AS 21.09.080(a) is repealed and reenacted to read:

(a) In order for a domestic insurer to renew and continue the insurer's certificate of authority after June 30, 1991, the insurer must possess at least the basic capital, basic guarantee surplus, and additional maintained surplus required under AS 21.09.070(a), or the surplus, and that amount of basic capital or basic surplus, the sum of which equals the insurer's annual net earned premium. In no event, however, shall the capital and surplus for an insurer be less than was required when that insurer was first granted its certificate of authority.

Dave Hutchens
AREA INSURANCE Ex.
4-7-91

STEVE COWPER
GOVERNOR



SB 212

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 10, 1989

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

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to insurer solvency. This bill makes numerous changes in the Alaska insurance code (AS 21) designed to strengthen the ability of the State of Alaska to protect the insurance consumer from insolvent or impaired insurance companies.

The insurance industry is the only financial industry that is primarily regulated by the states and not the federal government. If Alaska's public is to be protected, this very large responsibility must be carried out by the state's insurance regulator, the division of insurance in the Department of Commerce and Economic Development (DCED). At present, Alaska operates under an insurance code adopted in 1966, with few major changes since that time. Two successive audits have reported that in previous years the division of insurance has failed to adequately examine insurance companies licensed to do business in Alaska. In September 1988, the commissioner of DCED reported to me that the industry has exceeded the statutory ability of the state to regulate it. This bill will be a substantial step in remedying this situation by up-dating our insurance code. Most of the proposals are based on model legislation adopted by the National Association of Insurance Commissioners.

The bill addresses six main points.

1. The bill strengthens the capital and surplus required of insurers who do business in Alaska so that insolvency, or the inability to pay claims, will be avoided. Also, capital and surplus requirements at present apply differently to domestic and out-of-state insurers. Domestic

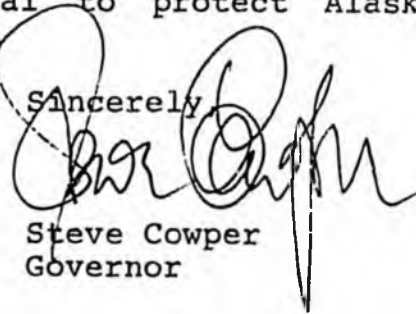
insurers have had to increase their requirements while out-of-state firms doing business here have not. This legislation would require out-of-state or alien insurers to maintain the same capital and surplus as domestic insurers.

2. The federal Tax Reform Act of 1986 has an impact on the insurance industry. Because that Act requires that claims and loss reserves be discounted to present value, some companies have been using arrangements termed "reinsurance" to put their statutory financial reporting on the same basis as their federal income tax reporting. Adequate reinsurance by insurance companies is important to the security of Alaskan policyholders. This proposal provides for a clear, workable definition of "reinsurance" and strengthens the ability of the division of insurance to determine whether adequate reinsurance or some other financial arrangement exists.
3. The bill modernizes Alaska's requirements on investments that may be made by insurance companies so that the state can be assured that a company's capital will not be lost in weak or fraudulent investments.
4. These additional requirements to ensure the financial stability of insurance companies will be effective only if the division of insurance has the regulatory tools to examine the affairs of these companies. This bill strengthens company reporting requirements so that the division will be alerted to potential problems. It also provides clear authority for companies to pay directly examiners hired by the state, and to compensate the state for its examination costs. This will make it possible to examine more companies more often.
5. The bill extends immunity for civil liability to division of insurance personnel, including the director, for carrying out their duties, so that they will not be deterred by the possibility of such suits. It also provides immunity for persons who provide information to the division, such as insurance regulators in other states. A number of state regulators have been sued over the exchange of information with other states. The bill ensures an exchange of needed information between the states.

6. Recent experience with insurance insolvencies in Alaska has demonstrated the inadequacies of our delinquency proceeding statutes. For example, at present our statutes do not provide for clear priorities among claims made on a company subjected to a delinquency proceeding. The bill proposes a new statute for such proceedings, based on a National Association of Insurance Commissioners model.

The division of insurance will provide a more detailed description of this proposal to protect Alaskans from insurance company insolvency.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the word "Sincerely,".

Steve Cowper
Governor

STATE OF ALASKA
1989 LEGISLATIVE SESSION

212
BILL VERSION: CSB 212 (SUC)
PUBLISH DATE: 4/24/90

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Economic Dev.
Title: An Act relating to insurer solvency BRU: Insurance

Sponsor: Rules Committee by request
Requester: XXXXXX of Governor

Components: Operations

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						
TOTAL OPERATING	0	0	0	0	0	0

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

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Joan Brown, Administrative Officer
Division: Insurance

Phone: 465-2597
Date: 3-6-89

Approved by Commissioner: Larry Mercurieff
Agency: Department of Commerce & Economic Development

Phone: 465-2500
Date: 3/6/89

Distribution (by preparer):

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

3482D/030689a

Changes in CS SB 212 (JWD) page ____ of ____
have no fiscal impact. This
fiscal note is appropriate.
Projections of no fiscal impact
would continue through 1996.

CSSB 212 (L&C)
AN ACT RELATING TO INSURANCE

Sectional Analysis by the
Department of Commerce and Economic Development,
Division of Insurance

OVERVIEW

The business of insurance is a dynamic, constantly changing business. The business of insurance is interstate commerce, however, unlike other forms of interstate commerce, it is regulated by the individual states. The most important concern of the individual states is that the consumer, both individual and business, be protected from an insolvency or impairment of an insurer. The concern with solvency is critical because insurance is an intangible product. It is concerned with whether the insurance company will be able to meet its obligations.

The statutes in the Alaska Insurance Code that provide this public protection mechanism were adopted in 1966 and are basically unchanged since that time. Events have occurred in this state and others which highlight the need to update, to upgrade and to clarify those laws. SB 212 is intended to accomplish that aim. The proposed changes have been substantially developed and adopted by the National Association of Insurance Commissioners.

In the Governor's transmittal letter for SB 212, six main points were listed. These were:

1. The minimum amount of capital and surplus required of an insurer wishing to do business has been increased. Capital and surplus provide the minimum amount of capitalization required to be an insurance company. This appears in several places throughout the bill and applies to admitted as well as non-admitted insurers. Minimum capital and surplus provides a tangible minimum floor on which to base solvency. When that floor is too low, it is considerably more difficult to detect problems in time to avoid loss to the public.
2. Reserving and reinsurance manipulations are a serious concern. The proposed changes strengthen our ability to determine whether adequate reinsurance or some other financial arrangement exists.
3. The investment chapter has been modernized to assure that the insurer's capital is not placed in weak or fraudulent investments.
4. Reporting requirements are strengthened. Quarterly reports and electronic media reporting is enabled. The examination expense recovery provisions have been clarified, which will make it possible to examine more companies and more often.

5. Some insurers and licensee have used civil lawsuits as a means to deter insurance regulators from carrying out their duties. The bill extends immunity for civil liability to division of insurance personnel for carrying out their duties.
6. During a recent insurer insolvency, Alaska's delinquency proceeding statutes proved inadequate. This has been remedied in SB 212.

SB 212 is very lengthy and in some areas it is complex. It is very important that our regulatory mechanism be kept as up to date as possible. SB 212 does that.

DIRECTOR OF INSURANCE.

(Sections 1-7)

Sections 1-7 pertain primarily to the director's ability to examine insurers and surplus lines brokers. The director may contract with independent examiners and may order the insurer or surplus lines broker to make direct payment to the contract examiner for the cost of examination. Formerly licensed insurers and surplus lines brokers may also be examined.

Participation is allowed by Alaska examiners in NAIC association examination of insurers that conduct the business of insurance in Alaska and other states. Civil immunity is provided to division personnel, agents of the division, regulators of other states, and NAIC staff in regard to the publication of and documentation of reports and in the exchange of regulatory information.

Section 1. AS 21.06.120(a). Examination of Insurers Page 1, lines 12-22.

This section clarifies the director's ability to examine formerly licensed insurers and surplus lines brokers. Insurance contracts issued while the person was licensed many times continue to be in force after the person's license has terminated.

Section 2. AS 21.06.120. Examination of Insurers Page 1, lines 23-29.

These new subsections specifically allow the division to participate along with insurance regulators from other states in the examination of an insurer located outside of Alaska. The director is also permitted to utilize contract examiners. Both of these functions have been assumed to exist under current statute but the clarification will avoid conflict with a differing opinion.

Section 3. AS 21.06.140(b). Conduct of Examination
Page 2, lines 1-9.

This section clarifies the director's ability to require that photocopies of documents requested during an examination be produced.

Section 4. AS 21.06.150(e). Examination Reports
Page 2, lines 10-16.

Changes in this section are primarily editorial in nature and provide that the director may withhold from public inspection any materials gathered as part of an examination if necessary for the protection of any person from unwarranted injury or if it is in the public's best interest.

Section 5. AS 21.06.160. Examination Expense
Page 2, line 17 to page 3 line 19.

Changes in this section make it clear that insurers are required to bear all costs of examinations and that the director can order an insurer to pay a contract examiner directly for its examination charges.

Section 6. AS 21.06.165. Immunity for Director and Others
Page 3, line 20 to page 4, line 2.

This is a new subsection that provides civil immunity for all division staff and insurance regulators in other states in regards to information and reports which are shared. However, immunity is not provided if there is reckless, willful, or intentional misconduct. This new section follows a National Association of Insurance Commissioners Model Immunity Act.

Section 7. AS 21.06.250. Fees and Licenses
Page 4, lines 3-12.

This change is editorial in nature. It is intended to avoid conflict with AS 21.06.160 which has been modified in Section 5.

AUTHORIZATION OF INSURERS. (Sections 8-19)

The format for insurer's financial statements is established to conform with the format adopted by the National Association of Insurance Commissioners (NAIC). The director may require that an insurer, in addition to the required annual financial reporting, file quarterly financial statements.

Foreign and alien admitted insurers are required to maintain the same financial requirements (capital and surplus) as Alaska domestic insurers. Minimum financial requirements (capital and surplus) for Alaska incorporated insurers are established if they wish to assume reinsurance (\$10,000,000 at 12/31/90, \$15,000,000 at 12/31/91, and \$20,000,000 at 12/31/92). Domestic property or casualty insurers are prohibited from issuing life insurance or annuity contracts.

Section 8. AS 21.09.020(3). Exception, Certificate of Authority Requirement
Page 4, lines 13-28.

This change is editorial in nature. It is to provide the correct cross reference, AS 21.34.

Section 9. AS 21.09.060. Combinations of Insuring Power in One Insurer
Page 4, line 29 to page 5, line 14.

A life and annuity insurer is barred from transacting a property or casualty business. The changes in this section clarify the reverse situation, that a property or casualty insurer is precluded from transacting life insurance or from issuing annuities.

Section 10. AS 21.09.070(a). Capital Funds Required of Foreign Insurers and New Domestic Insurers
Page 5, line 15 to page 7, line 5.

The amendments to this section are intended to provide for more stringent financial criteria for an insurer to become and remain licensed. The additional surplus required to be maintained when first licensed is required to be maintained beyond initial licensure. Under existing law, the additional surplus could be siphoned off the day after the original certificate of authority was issued. The minimum amounts of capital and surplus have been increased.

Section 11. AS 21.09.070(b).
Page 7, lines 6-16.

This section allows the director to issue an order following a hearing, requiring an insurer to maintain funds required in AS 21.09.070(a) (see Section 10). Failure to maintain the ordered funds would be grounds for suspension or revocation of the certificate of authority.

Section 12. AS 21.09.070 (c).
Page 7. lines 17-21.

The repeal and reenactment of this section requires foreign or alien admitted insurers to maintain the currently required capital and surplus amounts. Under existing law, a foreign or alien admitted insurer need only maintain the amount required when first licensed even if that insurer was first licensed 25 years ago when the amounts required were substantially lower. Alaska domestic insurers have been required to meet the higher standards as adopted over the years. So, in effect, this amendment provides for equitable treatment both domestic and foreign or alien insurers.

Section 13. AS 21.09.070(f)
Page 6. line 22 to page 7. line 4.

This is a new section that establishes that a domestic insurer must possess policyholder surplus in adequate amounts in order to assume reinsurance. Policyholder surplus required is \$10,000,000 at 12/31/90, \$15,000,000 at 12/31/91 and \$20,000,000 at 12/31/92. This requirement does not apply to intracompany pooling arrangements between affiliated insurers. A stronger financial position is required for a domestic insurer to get into the reinsurance business.

Section 14. AS 21.09.080 (a).
Page 8 lines 5-9.

The repeal and reenactment of this section requires domestic insurers to maintain the currently required capital and surplus amounts.

Section 15. AS 21.09.110(3). Application for Certificate of Authority
Page 7. lines 10-15.

This section is amended to include the requirement that quarterly financial statements as required by the director be attested to by at least two officers of the insurer or certified by the regulatory official of the insurer's state of domicile.

Section 16. AS 21.09.140(a). Mandatory Revocation, Suspension of Certificate
Page 8. lines 16-25.

Amendment to this section is necessary due to the change in AS 21.09.070(c) (see Section 12) requiring foreign insurers to maintain the current levels of policyholder surplus. Also, the more correct terms of "impaired" and "insolvent" have been substituted for "deficiency of assets". This section

generally pertains to mandatory revocation or suspension of an insurer's license.

Section 17. AS 21.09.200(a). Annual Statement
Page 8, line 26 to page 9, line 12.

This section pertains to the format of the annual financial statement required by each licensed insurer. Amendment to this section provides for the adoption of the National Association of Insurance Commissioners (NAIC) format, which has been utilized historically. This promotes consistency in financial reporting in all states. Additionally, this section has been amended to allow the director to require that the financial statement be filed via electronic media (e.g. on computer disc).

Section 18. AS 21.09.200(f)
Page 9, lines 13-21.

This section requires all domestic insurers to also file their annual financial statements with the NAIC and to pay the appropriate fee to the NAIC. The purpose of this is that the NAIC has developed a data base for all insurers and provides analytical services to the various states. (Each state is linked by computer to the NAIC data base.) Eventually, it is expected that only one filing of the financial statement via electronic media will be filed with the NAIC. This would eliminate the need of a "hard copy" annual financial statement being filed in each state in which an insurer is licensed. This will be an expense savings. Also, it will provide for a more timely analysis of each financial statement.

Section 19. AS 21.09.205. Quarterly Statement
Page 9, line 23, to page 10, line 4.

This new section allows the director to require that NAIC formatted quarterly financial statements be filed with the division. A means is provided for more closely monitoring the financial well being of an insurer. Quarterly statements, when required, are due to be filed within 60 days after the end of a calendar quarter and a penalty of \$100 per day for late filing is imposed.

KINDS OF INSURANCE, LIMITS OF RISK, AND REINSURANCE.
(Sections 20-21)

In order to limit risk to meet with statutory requirements and sound business practices, insurers transfer risk to other insurers via reinsurance contracts. These sections provide the guidelines and parameters for an Alaska domestic

insurer reinsuring its insurance contracts with reinsurers. Credit (reduced liabilities) is allowed in the financial statement for reinsurance ceded if done in accordance with the guidelines. The term "reinsurance" is defined.

Section 20. AS 21.12.020. Reinsurance Credit Allowed a Domestic Ceding Insurer

Page 10, line 5 to page 15, line 16.

In order to help protect their financial integrity and to meet the requirements that no more risk be retained in any one subject than 10% of its policyholders surplus, most insurers reinsure the insurance contracts they have underwritten. By appropriately passing this risk to a reinsurer, an insurer is allowed to reduce the liabilities for claim payments it is required to exhibit in its financial statement by an amount commensurate with the risk reinsured.

If a reinsurer becomes insolvent, all of the risk previously transferred falls back to the insurer. For that reason, it is important that standards exist for reinsurers that domestic insurers may transfer risk to and receive credit for the risk transferred in the form of reduced claim liabilities. The repeal and reenactment of this section provides the criteria for the reinsurers that domestic insurers may use and receive credit for in their financial statements.

Generally credit is allowed for reinsurance ceded by a domestic insurer to a reinsurer if:

1. the reinsurer is licensed in this state as an insurer;
2. the reinsurer is an accredited reinsurer in the state;
3. the reinsurer is domiciled in a state that employs standards for reinsurance substantially the same as Alaska and submits to examination by the division;
4. the reinsurer is an alien reinsurer that trustees specified amounts of funds in the United States and the trustees provide an annual accounting of the funds trusted, and provides certification of its solvency by an independent auditor and the domestic regulator; or
5. the reinsurer does not meet any of the criteria in 1. through 4. above, then credit is allowed only if funds are trusted in a form (cash, approved securities, or acceptable letters of credit) and for amounts corresponding to only the amount of funds trusted.

This section also maintains the existing law requirement that no credit for reinsurance is allowed if the reinsurance contract does not contain the classic "insolvency provision". The "insolvency provision" essentially provides that reinsurance will continue to be paid if due even if the ceding insurer were to become insolvent.

The director is also given the discretionary authority to require an insurer to provide information in regards to any material change in its reinsurance transactions.

Section 21. AS 21.12.120. Reinsurance Defined

Page 15, lines 17-23.

The term "reinsurance" is defined in this new section. This term was not previously defined in Title 21. The definition is intended to convey that a transfer of risk directly flowing from the underlying insurance contract is required to meet with this definition. It is necessary to define this term as other contractual arrangements between insurers have been reported as reinsurance when in fact the transactions are other financial arrangements having nothing to do with the transfer of the risk of the underlying insurance contract. Many such arrangements have been utilized due to recent changes in the federal income tax schema for insurers.

ASSETS AND LIABILITIES.

(Sections 22-27)

These sections pertain to the basics in determining an insurer's solvency. It includes amended rules for determining which assets may be included and those which are specifically excluded in determining the asset base for an insurer. Requirements for the establishment of liabilities for the contractual obligations of an insurer are included. A material change requiring title insurers to establish an unearned premium reserve is included. Also, the director may require a surety insurer to establish a special reserve for bail bonds or other single premium bonds that do not have a definite expiration date.

Section 22. AS 21.18.010. Allowable Assets

Page 15, line 24 to page 22 line 1.

This section has a number of general changes in defining the types of assets allowed in the determination of the insurer's ability to pay its liabilities.

Paragraph (1) is essentially the same as the existing Paragraph (1). The allowance of deposits in solvent savings and loan associations has been added. This adds alternative financial institutions to those already listed in the current law, such as banks and trust companies.

Paragraphs (2)(A)-(C) remain the same as the current law.

Paragraph (2)(D) essentially the same as the existing Paragraph (2)(D). The allowance of interest due or accrued on deposits in solvent savings and loan