

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
6234 SENATE COMMUNITY & REGIONAL AFFAIRS

638



a division of Alaska Basic Industries

ANCHORAGE SAND and GRAVEL CO., INC.

1813 E. 1st Ave., Anchorage, Alaska 99501 • Phone 274-5691 • Fax #(907) 276-2928

RECEIVED

FEB 20 1990

February 15, 1990

Senator Szymanski
P.O. Box V
Juneau, AK 99811

Dear Senator Szymanski:

I understand HB 284 has been turned over to the Senate Community and Regional Affairs Committee and has received opposition by the Municipal League.

Whatever reason the Municipal League has for opposing prompt payment, I ask you to give at least equal consideration to the contractor's reasons for supporting HB 284.

Cash flow is a very important factor to contractors who must pay labor wages weekly, post a contractor's bond, make timely tax payments and prepay insurance to comply with required coverages, in order to participate in a public construction project.

The purpose of HB 284 is to recognize the "time value of money." The requirement to pay promptly or pay interest recognizes this concept and encourages timely payments. The failure of an owner to promptly pay a contractor, or a contractor to promptly pay a lower tiered subcontractor or supplier should carry an interest assessment to recognize the time value of money.

Please schedule HB 284 for hearings as early as possible this session. This is important to contractors in Alaska, and we will appreciate your consideration for supporting this bill.

Sincerely,

Herbert C. Lang

cc: Senators Steve Frank
Albert Adams
Drue Pearce
Pat Pourchot

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

December 27, 1989

The Honorable Mike Szymanski
Alaska State Senator
3111 C Street, Suite 510
Anchorage, AK 99503

Dear Senator Szymanski:

You recently requested, and received, a position paper from the Department of Community and Regional Affairs on House Bill 139.

Enclosed please find a memorandum from Commissioner Mercurieff to Bob Evans regarding that bill. I thought you might want it for your committee file.

Sincerely,

A handwritten signature in cursive script that reads "Shari Kochman".

Shari Kochman
Legislative Affairs Assistant

Enclosure

MEMORANDUM

State of Alaska


TO: Bob Evans
Deputy Chief of Staff
Office of the Governor

DATE: December 22, 1989

FILE NO.:

TELEPHONE NO.: 465-2500

SUBJECT: CSHB 139(Fin)


FROM: Larry Mercurieff, Commissioner
Department of Commerce and
Economic Development

You have asked for the department's comments on the draft position paper for CSHB 139(Fin) prepared by the Department of Community and Regional Affairs.

The Department of Commerce and Economic Development supports timely payment of bills. School districts and municipalities throughout the state are encouraged to purchase goods and services locally whenever possible. In most circumstances, that means they are dealing with small businesses where cash flow is a constant concern. Failure to receive payments on time could cause a financial hardship on small businesses, especially in a down economy.

Passage of HB 139 would encourage school districts and municipalities to make their internal operations more efficient. Often, the inability to make prompt payments is not caused by the accounts payable section, but elsewhere within an organization. Many municipalities and school districts have policies regarding payment of purchases. For example, a few years ago, the City and Borough of Juneau began requiring that payments for goods and services be made within 30 days of receipt of a statement. A dramatic improvement occurred in making prompt payments to vendors. Local ordinances allow latitude for fiscal procedures which fit the local situation.

The House Finance Committee version of the bill incorporates an amendment which provides that the requirements of the bill do not apply if the municipality has adopted an ordinance with substantially similar procedures governing the payment of its purchases. The department supports that amendment.

Although the department does strongly support the concept of municipalities and school districts paying bills on time, particularly from a small business point of view, I have difficulty with the state placing such restrictions on municipalities. The responsibility for ensuring timely payments should come from the local governments which are a party to the contracts, rather than be imposed by the state.

LM/LW/dg15975D
122289c

cc. David Hoffman, Commissioner, Department of Community
and Regional Affairs
Jamie Parsons, Director, Division of Business Development

A M E N D M E N T

OFFERED IN THE SENATE

BY THE C&RA COMMITTEE

TO: CSHB 139 (Finance)

Page 2, lines 4 - 5:

Delete "the rate of 1.5 percent a month"

Insert "an interest rate that is equal to the amount set out in
AS 45.45.010(a)"

Page 2, line 7, following "interest.", through line 11:

Delete all material.

Page 4, lines 3 - 4:

Delete "the rate of 1.5 percent a month"

Insert "an interest rate that is equal to the amount set out in
AS 45.45.010(a)"

Page 4, line 6, following "interest.", through line 9:

Delete all material.

March 15, 1990

AMENDMENT

OFFERED IN THE SENATE

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

TO: CSHB 139 (FINANCE)

Page 4, line 29 through Page 4, line 9:

(c) If payment for goods or services purchased by the municipality is not made on or before a required payment date under (a) of this section, the municipality shall pay interest on the unpaid balance from the required payment date at an interest [THE] rate that is equal to the amount set out in AS 45.45.010(a) [of 1.5 percent a month], unless an agreement exists between the seller and the municipality that establishes a lower rate of interest or precludes the charging of interest. [IF THE INTEREST-BEARING PERIOD OF TIME IS EITHER (1) A FRACTION OF A MONTH, OR (2) ONE OR MORE FULL MONTHS PLUS A FRACTION OF THE MONTH, THE MUNICIPALITY SHALL PAY THE SAME AMOUNT OF INTEREST FOR THE FRACTION OF A MONTH AS IT WOULD PAY FOR A FULL MONTH.]

Alaska
MUNICIPAL
League

TELEPHONE
(907) 586-1325
FAX 463-5480

217 SECOND STREET, SUITE 200
JUNEAU, ALASKA 99801

March 15, 1990

MEMORANDUM

TO: Senator Mike Szymanski, Chair, Senate Community and Regional
Affairs Committee

FROM: Scott A. Burgess, Executive Director *SAB*

SUBJECT: HB 139 - Prompt payment for purchases

You have also scheduled CS for HB 139 (Finance) for Thursday, March 22, 1990. Again the AML has opposed this bill and again I will be out of town for the Thursday hearing. If you intend to move the bill on Thursday, I would request the Committee adopt the attached amendment reducing the interest from 18 percent to 10.5 percent. Thank you for your consideration.

March 15, 1990

AMENDMENT

OFFERED IN THE SENATE

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

TO: CSHB 139 (FINANCE)

Page 4, line 29 through Page 4, line 9:

(c) If payment for goods or services purchased by the municipality is not made on or before a required payment date under (a) of this section, the municipality shall pay interest on the unpaid balance from the required payment date at an interest [THE] rate that is equal to the amount set out in AS 45.45.010(a) [of 1.5 percent a month], unless an agreement exists between the seller and the municipality that establishes a lower rate of interest or precludes the charging of interest. [IF THE INTEREST-BEARING PERIOD OF TIME IS EITHER (1) A FRACTION OF A MONTH, OR (2) ONE OR MORE FULL MONTHS PLUS A FRACTION OF THE MONTH, THE MUNICIPALITY SHALL PAY THE SAME AMOUNT OF INTEREST FOR THE FRACTION OF A MONTH AS IT WOULD PAY FOR A FULL MONTH.]

Sponsor: Labor and Commerce

CS HB 139: Act relating to payments for purchases by school districts and municipalities

Bill purpose is to require municipalities and school districts to pay for their purchases of goods and services:

- 1) by the date on which payment is due
- 2) within 30 days after the goods or services are received

If payment is not made within the specified time, the school district or municipality shall pay interest on the unpaid amount from the required date at the rate of 1.5% a month. The school district will also be liable to pay a full month's interest for each fraction of a month.

DCRA Position:

Payment for purchases made by municipalities and school districts are local issues that are most appropriately dealt with on a local basis. There is no need for the state to mandate prompt payment. If there is a dispute between a seller and purchaser, it is best handled through small claims or other legal action.

AML Position:

The rate for any late payments should not be at a 1.5% per month rate with a fraction of a month counting as an entire month. AS 36.90.010, dealing with construction contracts charges retainage interest at 10.5% per annum. This is a more appropriate rate for delinquent payment. AS 36.90.010 doesn't use the fractional months, which can present serious penalties.

Since local city councils and school boards generally approve payment of bills, HB 139 doesn't take into account the fact that these local government bodies may only meet once a week or every other week. Often, it may be difficult for bills to be submitted for calendaring in time to be included on a council or board meeting agenda. HB 139 gives no latitude for different purchasing and payment procedures established by different local bodies.

The interest should not apply for the first month, even if late.

State local

Payments - on contracts - mandates - contractors
increments of payment, cost of government, use not against
the policy, no specific cases =
- prompt pay (subcontractors)
- Pat Parnell (prompt payment)
Semin Areas
Small communities
ie Houston
meet once a month

Sign In

<u>Name</u>	<u>Address</u>	<u>Representing</u>
Suzanne R. Little	177 N Birch St Soldotna AK 99669	City of Soldotna
Wassie W. Balluta SR.	P.O. 170 Iliamna, AK 99601	Lake Peninsula Borough
Nancy Gross	Box 1210, Cordova 99574	City of Cordova
Hakey Purdy	Box 187, Galena, 99741	City of Galena
KEVIN "PAT" PARNELL	Box 10-1776, 99510	M.O.A. ASSEMBLY
Heather Flynn	918 R St. 99501	MOA Assembly
Crystal Smith	217 2nd St, Suite 200 Juneau	AML
Remona Henderson	P.O. Box 13 JUNEAU, AK 99811	DCEA
XXXXXXXXXX		
Dorothy H. Jones	Box 1408, PALMER AK 99475	AML Board
Gayle J. Vaughan	710 Mill Bay Rd, Kodiak 99645	RECOMPAT-SUBORD AML Legislative Comm Kodiak, Alaska
Scott Burgess	217 Second Street, Suite 200 217 Second Street Juneau 99801	Alaska Municipal League

Sign In


<u>Name</u>	<u>Address</u>	<u>Representing</u>
Robert Brodie	Box 1397 Kodiak AK 99615 486-3224	city of Kodiak
Tom Briggs	PO Box 23 Craig AK 99921 826-3275	oiled Mayors City of Craig
JIM FASMAN see Mc Canarney	PO Box BH Juneau PO Box 406 - Seward 99664	DCRA Special Tax Committee
PAUL CHIZMAR	Box 1267 FAIRBANKS	FNSB Assembly
Kristin Lambert	Box 3475, Soldotna	AML/Soldotna
Frank BARTOS	P.O. Box 56335 NORTH POLE 99705	AML FBKS
Mona Lisa Greller	P.O. Box 1267 FBKS, AK	AML/FAIRBANKS
JUANITA HELMS	PO Box 1267, FBK	AML/FNSB
DAVID C. CROWE	P.O. Box 1397 Kodiak	City of Kodiak
Jerome M. Selby	700 Mill Bay Road Kodiak	Kodiak Island
Judith Aslay	Box 1267 - FBKS	Borough
HEATHEN SEJELL	Box 234. Chitina, AK. 99704	Fairbanks North Star Borough
Marian Estelle	P.O. Box 713 Petersburg 99533	City of Anderson
Betty J. Glick	P.O. Box 528 Kenai, 99611	City of Petersburg
GARY Lewis	PO 1608 Palmer, 99645	Kenai Peninsula Bor. MATANUSKA SUSITNA BORO
Lee Sharp	P.O. Box 2977 Palmer AK 99645	self

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325
FAX 461-5480

217 SECOND STREET, SUITE 200
JUNEAU, ALASKA 99801

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

FROM: Scott A. Burgess, Executive Director 

DATE: March 15, 1989

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

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

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

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

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

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

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

AML Testimony on CSHB 139
March 15, 1989
Page 2

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

(d) This section does not apply

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

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

Thank you for your consideration.



Matanuska-Susitna Borough

P.O. BOX 1608, PALMER, ALASKA 99645-1608 • PHONE 745-9682

BOROUGH MAYOR

April 24, 1989

RECEIVED

APR 27 1989

ALASKA MUNICIPAL LEAGUE

Senator Albert Adams
Chairman, HCRA
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, Alaska 99811

Dear Senator Adams:

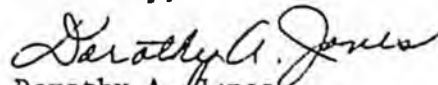
I have had an opportunity to review HB139. I foresee little or no impact in applying the State Procurement Code to Borough and School District activities. I believe that the Borough currently complies, voluntarily, with the requirements of AS 37.05.285. This issue, as presented in this bill, relates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

There are three issues which must be given some consideration:

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

Please call me if I can be of further assistance.

Sincerely,


Dorothy A. Jones
Mayor

nm

cc: Representative Ronald Larson
Representative Curt Menard
Senator Jalmar Kerttula
Senator Mike Szymanski
Scott Burgess, Alaska Municipal League

BILLS CURRENTLY IN (C) CRA
 * BILL # SHORT TITLE

6:15 AM 11/15/89
 STAFFORD

DATE

BILL #	SHORT TITLE	SPONSOR	DATE
HB 139	PAYMENT FOR PURCHASES, SCHOOLS/MUNICIPAL	(H) LAC	01/14/89
HB 203	TEACHER CERTIFICATION	MACLEAN	03/09/89
HB 11	LAND TRADE: SELDOVIA NATIVE AGEN & STATE	NAVARRE	05/06/89
HB 2	KACHEMAK BAY STATE PARK	FINDLEY	04/09/89
HB 1	BOWMAN COMMISSION COMPENSATION	STURE LEWIS	01/09/89
HB 77	ADD INFORMATION FOR HEALTH CARE WORKERS	FLIGHT	01/09/89
HB 86	GRANT CRANES FOR LOCAL GOV. & VETS	FRANK	01/09/89
HB 14	STATE PAYMENT BY STATE		1/23/89
HB 142	AUTHORIZING MUNICIPAL PORT AUTHORITY	MUNICIPAL	
HB 275	OFF TRAIL SETTLEMENT FACING POSITION	(C) CRA	04/14/89
HB 289	CONSTRUCTION CONTRACT PAYMENTS	FAHREY AND	01/15/89
HB 307	REPURCHASE FROM MUNICIPAL PROPERTY	FEARNS	04/09/89
HB 204	MUNICIPAL TAXATION OF STATE TRAIL	FLIGHT	04/09/89
HB 217	ADD POWDER ISL TO KACHEMAK BAY ST PAR	SZYBANSKI	05/06/89
HB 274	GRANTER OFFICE FOR ALL VICTIMS	KERTOLA	05/09/89

**KENAI PENINSULA BOROUGH**

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

DON GILMAN
MAYOR

MEMORANDUM

TO: Crystal Smith, Alaska Municipal League

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

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

DATE: February 16, 1989

SUBJECT: Position or Testimony Regarding House Bill 139.

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

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

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

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

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

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

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

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

Testimony on House Bill 139

February 16, 1989

Page 3

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

TRB:bl

Sponsor: Labor and Commerce

CS HB 139: Act relating to payments for purchases by school districts and municipalities

Bill purpose is to require municipalities and school districts to pay for their purchases of goods and services:

- 1) by the date on which payment is due
- 2) within 30 days after the goods or services are received

If payment is not made within the specified time, the school district or municipality shall pay interest on the unpaid amount from the required date at the rate of 1.5% a month. The school district will also be liable to pay a full month's interest for each fraction of a month.

DCRA Position:

Payment for purchases made by municipalities and school districts are local issues that are most appropriately dealt with on a local basis. There is no need for the state to mandate prompt payment. If there is a dispute between a seller and purchaser, it is best handled through small claims or other legal action.

AML Position:

The rate for any late payments should not be at a 1.5% per month rate with a fraction of a month counting as an entire month. AS 36.90.010, dealing with construction contracts charges retainage interest at 10.5% per annum. This is a more appropriate rate for delinquent payment. AS 36.90.010 doesn't use the fractional months, which can present serious penalties.

Since local city councils and school boards generally approve payment of bills, HB 139 doesn't take into account the fact that these local government bodies may only meet once a week or every other week. Often, it may be difficult for bills to be submitted for calendaring in time to be included on a council or board meeting agenda. HB 139 gives no latitude for different purchasing and payment procedures established by different local bodies.

The interest should not apply for the first month, even if late.

Chapter 90. Miscellaneous Provisions.

Section

10. Public construction contract pay-
ments
50. Maintenance of state marine vessels

Section

100. Compliance of contracts with profes-
sional registration requirements.

Sec. 36.90.001. [Renumbered as AS 36.90.010.]

Sec. 36.90.010. Public construction contract payments.

(a) The state shall initiate procedures to pay the contractor under a public construction or public work contract within 15 days after the contractor submits to the state a bill for materials provided or services performed and a sworn statement that all employees employed on the project by the contractor and all subcontractors have been paid not less than the established prevailing rate of pay as determined and published by the Department of Labor.

(b) If the state fails to make a payment due the contractor under this section within 30 days after receiving a contractor's billing, the state shall pay interest to the contractor under AS 45.45.010(a) on the amount due.

(c) The state or a political subdivision of the state is liable to a contractor registered under AS 08.18 for interest at the rate provided in AS 45.45.010(a) on retainage on a contract for public works or public construction. Interest on retainage accrues from the date of approval of a pay estimate until the date of payment to the contractor. A contract provision purporting to waive the interest provisions of this subsection is void as contrary to public policy.

(d) A political subdivision that has a population of 500 or less is exempt from the payment of interest provided in (c) of this section.

(e) A political subdivision that receives a state grant for a public construction or public works project may use money from the state grant to pay the interest on retainage under contracts for the project as required by (c) of this section. (§ 1 ch 85 SLA 1982)

Revisor's notes. — Formerly AS 36.90.001. Renumbered in 1986.
Editor's notes. — Section 3, ch. 85, SLA 1982, provides that the provisions of the act apply to contracts entered into after July 1, 1982.

Sec. 36.90.050. Maintenance of state marine vessels. (a) A marine vessel owned by the state may not be transported outside of the state for the purpose of maintenance or repair unless the commissioner of transportation and public facilities determines that there is no facility in the state able to perform the maintenance at a price that is in the state's best interests. In making this determination, the commissioner shall consider, and document through written findings.

Article 3. State Purchasing.**Section****285. Payment for state purchases**

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

Sec. 37.05.225. [Renumbered as AS 36.30.180.]

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

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

(1) the date on which payment is due under the terms of a contract; or

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

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

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

(d) This section does not apply

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

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

(3) to a contract covered by AS 36.90.010.

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

(f) In this section

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

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

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

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

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

Article 4. Risk Management.

Section

287. Insurance for state assets

289. State insurance catastrophe reserve account

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

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



Alaska State Legislature

Senator Mike Szymanski

While in Session:
P.O. Box V
State Capital
Juneau, Alaska 99811
(907) 465-4978/4979

COMMITTEES

Chair:

- * Community & Regional Affairs
- Special Committee on International Trade & Tourism

Member:

Judiciary Committee
Legislative Council

Interim:
3111 C Street
Suite 510
Anchorage, Alaska 99503
(907) 561-7617
or
165 E. Parks Highway
Suite 105
Wasilla, Alaska 99687
(907) 376-MIKE

SENATE COMMITTEE ON COMMUNITY AND REGIONAL AFFAIRS

November 18, 1989

Meeting Agenda

- I. Introduction by Senator Szymanski, Chair
- II. Issues
 - A. Prompt Pay Bills
 - *HB 139
 - *HB 284
 - B. Community concerns and needs in the aftermath of the Exxon Valdez oil spill.
 1. Bob Brodie, Mayor, City of Kodiak
 2. Dale Daiger, City of Cordova
 - C. Open topic forum
- III. Conclusion

Senate District E

Mat-Su • So. Anchorage • Birn/Indian • Girdwood • Whittier • Nikiski • Cooper Landing • Hope • Seward • Cordova • Valdez

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892



November 16, 1989

M E M O R A N D U M

To: Senator Mike Szymanski, Chair
Senate Community and Regional Affairs Committee

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

Re: Public Hearing on HB 139

I understand from reading the Alaska Municipal League newsletter that the Senate Community and Regional Affairs Committee will be taking public testimony on HB 139 during the Municipal League Conference in Juneau on Saturday, November 18.

HB 139, a measure requiring municipalities and school districts to pay their bills in a timely manner, was introduced by the House Labor and Commerce Committee at the request of Alaska's small business community. The NFIB and numerous small businesses have testified that HB 139 is their top priority and that its passage is critical for them to stay in business.

Attached is a complete committee file on HB 139 and the various committee substitutes in the House. Representative Finkelstein will be attending the Senate C&RA Committee hearing and I'd appreciate it if you would see that he receives a copy of this file.

Please call Ginger Baim at 561-7629 if you have any questions or need additional information.

Enclosure

dd/gb

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892



March 30, 1989

M E M O R A N D U M

To: Representative Ben Grussendorf, Chair
House Rules Committee

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

Re: Changes in Committee Substitutes for HB 139

Following is a description of the changes in the various committee substitutes for HB 139.

HB 139

The original version of HB 139 introduced by the House Labor and Commerce Committee applied the section of AS 37.05 that requires the state to pay its bills within 30 days or be subject to an interest/penalty of 1.5 percent per month to municipalities and school districts.

CS HB 139 (C&RA)

The House Community and Regional Affairs CS for HB 139 took the language from AS 37.05 and re-wrote it under Title 29 (Municipal Code), adding two changes to the language under state statute: 1) the "pay on time" provisions do not apply to reimbursable insurance payments and 2) the 30 day time limit does not begin until after the goods and services have been received and all the appropriate billings have been received by the municipality actually responsible for payment.

CS HB 139 (HESS)

The House HESS Committee CS took the language from AS 37.05 and re-wrote it under Title 14, governing school districts, incorporating the additional language underlined above.

CS HB 139 (Finance)

The House Finance Committee CS added new language exempting municipalities from the provisions of HB 139 if they have, by ordinance, adopted substantially similar provisions for payment for goods and services and awarding any penalty/interest due when a payment has not been made on a timely basis because of a dispute if the dispute is eventually settled in favor of the vendor.

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892



House Floor Statement by
Representative Dave Donley, Chair
House Labor and Commerce Committee

HB 139 - "PAY ON TIME" PROVISIONS FOR MUNICIPALITIES AND SCHOOL DISTRICTS

THE HOUSE LABOR AND COMMERCE COMMITTEE INTRODUCED HB 139 AT THE REQUEST OF ALASKA'S SMALL BUSINESS COMMUNITY TO ASSURE PROMPT PAYMENT FOR THE DELIVERY OF GOODS AND SERVICES TO MUNICIPALITIES AND SCHOOL DISTRICTS.

HB 139 REQUIRES SCHOOL DISTRICTS AND MUNICIPALITIES TO PAY THEIR BILLS WITHIN 30 DAYS OF RECEIPT OF GOODS AND SERVICES AND ALL THE CORRECT BILLINGS OR BE SUBJECT TO A 1.5 PERCENT PER MONTH INTEREST PENALTY. HB 139 IS IDENTICAL TO THE LAWS GOVERNING STATE PURCHASES AND PAY ON TIME PROVISIONS THAT ALL STATE AGENCIES AND DEPARTMENTS ARE BOUND TO.

THERE IS AN EXPLANATION OF THE DIFFERENCES BETWEEN THE VARIOUS HOUSE COMMITTEE SUBSTITUTES FOR HB 139 IN YOUR FLOOR PACKETS. ALL THE CONCERNS EXPRESSED BY THE MUNICIPAL LEAGUE AND SCHOOL BOARDS HAVE BEEN HEARD AND, IN NEARLY EVERY CASE, ACCOMODATED IN THE COMMITTEE SUBSTITUTE YOU HAVE BEFORE YOU TODAY.

HB 139 IS AN IMPORTANT MEASURE FOR ALASKA'S SMALL BUSINESS COMMUNITY. THE STATE HAS EXPERIENCED NO DIFFICULTIES IN COMPLYING WITH THEIR "PAY ON TIME" LAW ADOPTED THREE YEARS AGO AND, IN FACT, HAS SAVED MONEY BY AVOIDING VARIOUS LATE CHARGES AND PENALTIES. HB 139 SHOULD DO THE SAME FOR MUNICIPALITIES AND SCHOOL DISTRICTS AND IT WILL HELP ALASKA'S SMALL BUSINESSES IN THE PROCESS BY ASSURING TIMELY PAYMENT FOR THE SERVICES THEY PROVIDE LOCAL GOVERNMENT.

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892



March 28, 1989

MEMORANDUM

To: Members, House Finance Committee

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

Re: CS for HB 139 (HESS)

The House Labor and Commerce Committee introduced HB 139 at the request of the NFIB and other small Alaska businesses to assure prompt payment for the delivery of goods and services to municipalities and school districts.

The original version of HB 139 extended AS 37.05, a law requiring the state to pay for goods and services within 30 days of delivery, subject to a monthly interest penalty of 1.5 percent, to apply to municipalities and school districts.

The Community and Regional Affairs Committee CS recreates state procurement law as it pertains to "pay on time" provisions under Title 29 (Municipal Code) with two changes: exempts municipalities from "pay on time" requirements for reimbursable insurance payments and provides that the waiting period (30 days) does not begin until proper billings are received by the municipality actually responsible for payment.

The House HESS CS does the same thing for school districts that the C&RA CS does for municipalities. It recreates state procurement law language under Title 14 to apply directly to school districts with the same changes inserted for municipalities in the C&RA CS.

HB 139 is an important measure for Alaska's small business community. The state has experienced no difficulties in complying with the "pay on time" provisions adopted three years ago and, in fact, have saved money by avoiding various late charges and penalties. HB 139 should do the same for municipalities and school districts and it will help Alaska's small businesses in the process by assuring timely payment for the services they provide local government.

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892



February 25, 1989

M E M O R A N D U M

To: Representative Johnny Ellis, Chair
House Health Education and Social Services Committee

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

Re: Request for hearing - HB 139

I am writing to request that you schedule HB 139, an act requiring municipalities and school districts to pay their bills on time, for a hearing before the HE&SS Committee at your earliest convenience.

HB 139, introduced by the House Labor and Commerce Committee, passed out of the House Community and Regional Affairs Committee last week. You should have received a referral file from them with all the appropriate back up information for the bill.

Please call Ginger Baim or Colette Jensen at 4954 if you have not received an adequate referral file or if you have any questions or need additional information.

HB

141

SENATE COMMITTEE REPORT

FURTHER

FIN

4/14/89

DATE TURNED INTO OFFICE 4.28.89

Mr. President:

C&RA

Committee considered

CSHB 141 (FIN)

tobacco and products containing tobacco

and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new updated previous
 same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

[Signature]

OTHER RECOMMENDATIONS

[Signature] - need amendment

[Signature] - NO Rec.
 Chairman signature and recommendation

Committee Backup attached

COMMUNITY AND REGIONAL AFFAIRS
THURSDAY
APRIL 27, 1989

FINANCE CS FOR HB 141: RELATING TO TOBACCO AND TOBACCO PRODUCTS
SPONSOR: BROWN, MENARD, HUDSON, ETC
FISCAL: COMMERCE \$32.5K REVENUE

THE NEXT BILL BEFORE THE COMMITTEE IS HOUSE BILL 141 FOR WHICH WE HAVE A FINANCE CS. THIS BILL WOULD REQUIRE LICENSING OF CIGARETTE OR TOBACCO PRODUCT VENDORS. IT WAS INTRODUCED BY REPRESENTATIVE BROWN.

ROXANNE TURNER FROM REP BROWN'S OFFICE IS HERE TO TESTIFY AND WE ARE ON TELECONFERENCE

ROCKY PLOTNICK-WELLER
RANDALL BURNS/DCED

ANCHORAGE T/C:

- ③ DEBORAH WILLIAMS - Ex^{Dir} A. in long ASSM. }
- AL SHAW
- ② ROBIN MC COY = Individual
- ① HAL POST

① \$25 / selection
② How handle votes

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

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2

CS FOR HOUSE BILL NO. 141 (HESS)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

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

7

tobacco." [AND DEVICES FOR SMOKING TOBACCO]

8

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

9

* Section 1. AS 11.76.100 is amended by adding a new subsection to

10

read:

11

(e) The court shall forward a record of each person convicted

12

under this section who holds a business license endorsement under

13

AS 43.70.075, to the Department of Commerce and Economic Development.

14

* Sec. 2. AS 43.50.070 is amended to read: DELETED PAGE 1 LINES 4 → 29

15

Sec. 43.50.070. REVOCATION OF LICENSES. The department may

16

suspend or revoke a license issued under AS 43.50.010 - 43.50.180 (1)

17

for violation of AS 11.76.100, AS 43.50.010 - 43.50.180, or a regula-

18

tion of the department adopted under AS 43.50.010 - 43.50.180; [, OR]

19

(2) if a licensee ceases to act in the capacity for which the license

20

was issued; or (3) if a manufacturer, distributor, or wholesale dis-

21

tributor sells tobacco or products containing tobacco to a nonlicensed

22

retailer or a retailer whose license endorsement under AS 43.70.075

23

has been suspended or revoked. A [. NO] person whose license is

24

suspended or revoked may not [SHALL] sell cigarettes or permit ciga-

25

rettes to be sold during the period of the suspension or revocation on

26

the premises occupied or controlled by that person. A [NO] disciplin-

27

ary proceeding or action is not barred or abated by the expiration,

28

transfer, surrender, renewal, or extension of a license issued under

29

AS 43.50.010 - 43.50.180. The department shall comply with the

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

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

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

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

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

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

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

Prepared by:
Rep. Kay Brown
April 27, 1989

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

CS HB 141 (Finance): "An Act relating to tobacco, and products containing tobacco."

The Committee Substitute would:

- require a business license endorsement for retail sales of cigarettes, cigars, tobacco, or products containing tobacco; and designate the Department of Commerce as the licensing authority for tobacco retailers;
- require a separate fee of \$25 to be issued a license endorsement or to renew the endorsement, which expires at the same time the business license expires;
- require the Court to notify the Department of Commerce of all convictions of violations of AS 11.76.100, selling tobacco to a minor, by persons holding a business license endorsement;
- provide the Department of Revenue authority to suspend or revoke license endorsements if distributors, wholesalers or manufacturers negligently sell tobacco or tobacco products to non-licensed or suspended retailers;
- prohibit the sale of tobacco products during the period of the suspension or revocation of the license endorsement; and
- provide the Department of Commerce authority to suspend the license endorsement for a period of:
 - **45 days** for a conviction of a violation of a provision of Section 3, or a regulation adopted by the department, or a violation of AS 11.76.100 (selling tobacco to a minor); or
 - **90 days**, if within the past 24 months the person has been previously convicted of violating AS 11.76.100, or a provision of Section 3, or a regulation adopted by the department.

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

COPY

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

MEMORANDUM

April 11, 1989

SUBJECT: Retail sale of tobacco - CSHB 141(Finance)
TO: Representative Kay Brown
FROM: Michael F. Ford
Legislative Counsel

You have asked whether under the existing provisions of CSHB 141(Fin), a person could lose their license endorsement to sell tobacco as a retailer, if a clerk or other employee is convicted of violating AS 11.76.100. The short answer is no. Loss of a license endorsement would only occur if the person convicted of violating AS 11.76.100 was the same person who holds the license endorsement. A clerk who violates AS 11.76.100 would be subject to a fine of up to \$300, under AS 11.76.100(d). Only if the person who violates AS 11.76.-100 also was licensed to sell tobacco as a retailer under AS 43.70.075, would suspension of the retail license endorsement occur.

Please contact me if you have further questions.

MF:kb
wkk3/089

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to tobacco and products containing tobacco.
Sponsor: House Finance Committee
Requestor: House Finance Committee

Agency Affected: Commerce & Economic Dev.
BRU: Occupational Licensing
Components: Administration

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	32.5	0	32.5	0	32.5

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	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

The bill creates an endorsement requirement to be placed on business licenses of retailers who sell tobacco or products containing tobacco. No additional costs are anticipated to apply the endorsement to a business license. Revenues are based on approximately 1300 licensees paying a \$25 endorsement fee.

Prepared by: Jennifer Strickler, Administrative Officer Phone: 465-2144
Division: Occupational Licensing Date: April 24, 1989

Approved by Commissioner: Larry Mercurieff Date: 4/24/89
Agency: Commerce and Economic Development

Distribution (by preparer):

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

HB

157

* DELIVER TO: LIOC.DDA

*

*

* ORIGINAL

* SENT: 27/04/89 TIME: 15:20

* FROM: LIOC.DDA

* SUBJECT: (S)CRA; 4-27; PARTICIPANT#1

* PRINT DATE: 27/04/89 TIME: 15:20

*

*** ~~ANCHORAGE~~ PARTICIPANT LIST ***

TO: ALL TELECONFERENCE SITES

FROM: MARYANN--> ANCHORAGE

SUBJECT: HB 141 LICENSING RETAIL TOBACCO SALES

SB 201 LOCAL BOUNDARY COMMISSION

DATE: APRIL 27, 1989

TELECONFERENCE NO. 89-04-109

~~TO: TESTLEY~~ OR ~~OR~~ AND HB 141

~~—~~ DR. HAL POST

~~—~~ ROBERT MCCOY

~~—~~ DEBORAH WILLIAMS

TO OBSERVE:

KITTY AEB

EDM NJ

COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
TUESDAY
APRIL 25, 1989

CS FOR HB 157: AN ACT MAKING A SPECIAL APPROPRIATION FOR GRANTS
RELATED TO THE 1990 ARCTIC WINTER GAMES AND PROVIDING FOR AN
EFFECTIVE DATE
SPONSOR; GRUENBERG/ DAVIS/KOPONEN
FISCAL: APP OF \$100K

THE NEXT BILL BEFORE THE COMMITTEE IS A FINANCE CS FOR HOUSE BILL
157, AN ACT MAKING A SPECIAL APPROPRIATION FOR GRANTS RELATED
TO THE 1990 ARCTIC WINTER GAMES AND PROVIDING FOR AN EFFECTIVE
DATE.

THIS BILL APPROPRIATES A TOTAL OF \$100,000 FROM THE GENERAL
FUND TO DCRA AS A GRANT IN THE AMOUNTS OF \$75,000 TO THE ARCTIC
WINTER GAMES IN YELLOWKNIFE AND \$25,000 FOR THE ANNUAL DUES OF
THE CORPORATION.

MAX GRUENBERG IS HERE TO SPEAK FURTHER ON THIS BILL.

State of Alaska

Committees

CO-CHAIR, HOUSE JUDICIARY
VICE-CHAIR, HOUSE LABOR AND COMMERCE
HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES



P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4712
465-4968/4986
(SESSION)
914 CLAY COURT
ANCHORAGE, ALASKA 99503
(907) 276-6844

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

April 19, 1989

MEMORANDUM

TO: Senator Al Adams
Chairman, Community and Regional Affairs Committee

FROM: Representative Max Gruenberg *MG*

RE: CSHB 157 (Fin)

CSHB 157 passed the House on a vote of 31 - 7 on April 18 and is currently in your committee. The bill provides for an appropriation of \$100,000 for annual dues and a portion of the expenses of Team Alaska's participation in the 1990 Arctic Winter Games. The Games are held every other year, alternating between Alaska, the Yukon and the Northwest Territories. The 1990 Games will be held in Yellowknife, Northwest Territories.

The State of Alaska, through Governor Hickel, was a co-participant with the Yukon Territory and Northwest Territories in creating the Arctic Winter Games.

The State's contribution is only a fraction of the total cost of the Games. The participants, who come from all over the state, pay for all the costs of travel to and from tryouts. These expenses are not even reflected in the corporation's \$300,000 budget for the international competition. The athletes also pay for their competition uniforms and a \$250 per person registration fee. The State's contribution to the 1990 Games is effectively nothing more than one-third the cost of flying the participants back and forth from Yellowknife. Jet charter costs are anticipated to amount to over \$200,000.

The Arctic Winter Games Corporation has initiated a sponsorship and fundraising plan with the intent of becoming financially independent of state support within six years. Until that time, if the Games are to continue, support from the State is essential.

I urge your support for this bill and respectfully request that you schedule it for hearing as soon as possible. Thank you for your consideration.

NOTES TO DECISIONS

Municipality has no duty to purchase third party's property or liability. — A third party owning property that a municipality expressed an interest in buying is at most an incidental beneficiary of any contract between the municipality and the state, assuming, without deciding, that the contractual concept of third party beneficiary rights can apply in

the legislative grant situation; there is not a statutory duty for the municipality to purchase the property but discretion to spend or not to spend funds within the parameters set by the legislature; and there is no intentional interference with prospective economic advantage. *Ellis v. City of Valdez*, Sup. Ct. Op. No. 2844 (File No. S-32), 686 P.2d 700 (1984).

Sec. 37.05.316. Grants to named recipients. (a) When an amount is appropriated or allocated to a department as a grant for a named recipient that is not a municipality, the department to which the appropriation or allocation is made shall promptly notify the named recipient of the availability of the grant and request the named recipient to submit a proposal to provide the goods or services specified in the appropriation act for which the appropriation or allocation is made. At the same time, the department may issue a request for proposals from other qualified persons to provide the same goods or services in the same area. The department shall award the grant to the named recipient unless the Office of the Governor, with due regard for the local expertise or experience of those making proposals, determines that an award to a different party would better serve the public interest. If the grant is awarded to a party other than that named by the legislature, the basis of that action shall be stated in writing at the time the grant is issued and a copy of the written statement shall be sent to the Legislative Budget and Audit Committee. A grant agreement must be executed within 60 days after the effective date of the appropriation or allocation.

(b) The Department of Labor shall require a recipient awarded a grant for a public works project under (a) of this section to comply with the hiring preferences under AS 36.10.150 — 36.10.175 for employment generated by the grant. (§ 2 ch 4 SLA 1982; am § 8 ch 33 SLA 1986; am § 39 ch 106 SLA 1986)

Cross references. — For applicability of subsection (b) to contracts entered into before May 25, 1986, see sec. 10, ch. 33, SLA 1986 in the Temporary and Special Acts.

Effect of amendments. — The first 1986 amendment added subsection (b).

The second 1986 amendment, in subsection (a), deleted "or both" following "appropriation act" in the first sentence, deleted "or both" following "goods or services" in the second sentence, substituted

"award the grant to" for "contract with" near the beginning of the third sentence, substituted "grant" for "contract" near the beginning of the fourth sentence, substituted "grant agreement must" for "contract shall" near the beginning of the fifth sentence, deleted the former sixth sentence which read, "The purchase of the goods or services, or both, shall be in accordance with AS 37.05.230(1)(B)," and made related grammatical and technical changes.

Sec. 37

(a) When section to lows:

(1) With allocation notify the that a gr

(2) The termine it area that terms gen one such shall select incorporat However, give preference for receipt

(3) If the the Depart the progr: agents or area.

(b) The rated enti Departme this secti 36.10.175 grant or c § 9 ch 33

Cross refer of subsection: before May SLA 1986 Acts.

Sec. 37 ing the A dures Act state agen ments or wise carr required grams. (§

Alaska State Legislature



House of Representatives House Judiciary Committee

P. O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-4990
(907) 465-4712

February 25, 1989

MEMORANDUM

TO: Representative Red Boucher
FROM: Representative Max Gruenberg *MG*
RE: Proposed CS for HB 157 (STA)

I am sending to you with this memorandum a proposed committee substitute for HB 157, which makes a special appropriation for the 1990 Arctic Winter Games.

The proposed committee substitute was drafted at the request of the organizers of the Games. It makes three changes in the bill introduced:

1. The total appropriation of \$225,000 is specifically targeted for two separate grants: one to cover the costs of participation in the Games (\$200,000), and the other to cover the annual dues of the Arctic Winter Games Corporation of Alaska to the international sanctioning body (the Arctic Winter Games Corporation -- a Canadian corporation).
2. The appropriation is made to the Department of Community and Regional Affairs, rather than to the Office of the Governor. In prior years, The Department of Community and Regional Affairs has been the granting agency.
3. A new Section 2 has been added to return the unspent portion of the appropriation to the general fund.

With the changes incorporated in this proposed committee substitute, the bill is ready for hearing. Please have the bill placed on your calendar as soon as a time spot is available.

Thank you for your cooperation.

This agreement dated April 5, 1989 is made between representatives of the ministry of Sport of the U.S.S.R. ("USSR"), the United States Ski Association ("USSA"), and the Anchorage Organizing Committee for the 1998 Olympics ("AOC").

The USSR and the USSA desire to exchange information and to promote the growth of summer training camps for winter sports teams, including a summer, 1989 exchange of visits of USA senior officials to the USSR summer training camps in Kamchatka Siberia and of USSR senior officials to the Eagle Glacier summer training camp and Hatcher Pass in Alaska. The AOC agrees to act as local liaison or facilitator for these reciprocal visits.

Regarding the summer, 1989 reciprocal visits to summer training camps, the USSR and USSA (with the assistance of the AOC) agree to cooperate in a manner agreeable to both parties in the following areas:

1. A six person team of USSA officials (alpine and cross country) will visit the Kamchatka, Magadan Siberian facilities in the summer of 1989. Officials of the United States Biathlon Association will be invited to participate.

2. A six person team of USSR officials will visit and observe Eagle Glacier and Hatcher Pass summer training facilities and conditions in the summer of 1989. The invitation to the USSR will be directed to Mr. Victor Mamotov and five of his specialists.

3. Ron Sheardown of the AOC will act as liaison to facilitate both visits.

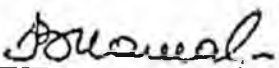
4. The Soviet-American parties agree to encourage visa waivers, direct Alaska-Soviet Far East airline flights (to include Chukotka Magadan Soviet Far East), and direct telecommunications in connection with these visits.

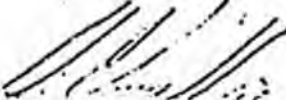
5. Progress made in the fulfillment of this protocol agreement shall be released to American and Soviet press and television.

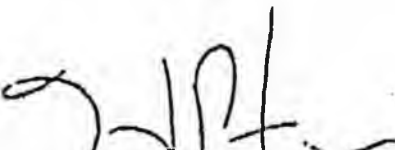
The parties agree to explore additional opportunities for exchanges of coaches and athletes between the USSR and USA including future participation of the USSR in the annual Arctic Winter Games between Greenland, Canada, and the United States and reciprocal participation by USA teams in winter sports events in the USSR.

The policy of Bezvalutnaya (the visiting country will pay transportation costs, border to border; thereafter, the host country will pay all costs of local hotel, food and transportation) shall apply to all visits under this agreement.

The parties agree to work toward a more detailed agreement to be entered into following completion of the summer, 1989 reciprocal visits to encourage similar exchanges on an annual basis in the future. This agreement shall be reviewed annually.


VICTOR MAMOTOV
Vice Minister of


JOHN C. SWALLING
Chairman, AOC


HOWARD PETERSON
Secretary-

TEAM ALASKA BUDGET
 1990 ARCTIC WINTER GAMES
 PAGE 1

TOTAL SPORTS	NUMBER OF ATHLETES	ATHLETE'S EQUIP. COST	TEAM OPERATIONS BUDGET	INTERNATIONAL DUES
17	320	\$92,313	\$294,282	\$25,000

TRANSPORTATION:

Charter to Yellowknife	\$219,000	
Instate	\$ 11,532	
Overnite and Meals	\$ 1,650	
		\$232,182

TEAM UNIFORM AND ADMINISTRATIVE COSTS

Athlete Team clothing	\$48,100	
Pins & Flags	\$ 5,500	
Insurance For Team	\$ 2,500	
Administration	\$ 6,000	
		\$ 62,100

TOTAL TRANSPORTATION, UNIFORM & ADMINISTRATION

\$294,282

REQUESTED STATE SHARE OF BUDGET
 Two-thirds of \$294,282

\$196,188

ANNUAL INTERNATIONAL DUES

\$25,000

TOTAL OF STATE FUNDS REQUESTED

\$221,188

ATHLETES SHARE OF BUDGET

One-third of \$294,282	\$98,094
Personal uniform & equipment cost	\$92,313

TOTAL PAID BY ATHLETES

\$190,407

TEAM ALASKA BUDGET
1990 ARCTIC WINTER GAMES
PAGE 2

Explanation of request.

TRANSPORTATION:*

Charter to Yellowknife - cost of the aircraft to fly the team from Anchorage and Fairbanks to Yellowknife, NWT. and return.

Instate - air fare for athletes that must be brought to Anchorage or Fairbanks from other areas in the state to meet the charter aircraft.

Overnight and Meals - some team members connecting flights require them to overnight so they can catch the charter flights.

TEAM UNIFORM AND
ADMINISTRATIVE COSTS:

Athlete team clothing - the team uniform that will be worn by the team members, mission staff, VIP's and cultural participants. The team is required to wear this uniform for opening and closing ceremonies, this is also their main outer wear during the games.

Pins & Flags - Team, Coaches and Mission Staff pins, Alaska flags in two sizes (small for the team and large for each venue location) and team hats.

Insurance for Team - Medical insurance will be purchased for the team for the period of the games.

Administration - Freight and postage, telephone, office supplies, 60 day rental for warehousing clothing, facility rental for sports tryouts, sanction fees, etc.

ANNUAL DUES

Dues in the amount of \$25,000 are paid by each governmental entity belonging to the Arctic Winter Games Corporation (International).

* Should the Soviets accept the invitation for some of their people from Siberia to participate in the 1990 games, we may be asked to contribute to the costs of transporting them to and from Yellowknife from Anchorage.

BACKGROUND INFORMATION FOR 1990 TEAM ALASKA BUDGET

TRANSPORTATION:

I requested and received "ballpark" prices from the following:

1. Markair, using 737's with 109 seats each
\$26,500 per trip from Fairbanks
\$27,662 per trip from Anchorage
(each weekend would see 4 round trips)
1 round trip from Fairbanks \$26,500
3 round trips from Anchorage \$82,986
total per weekend \$109,486
2 weekends equals \$218,972

This gives us 436 seats total with a per seat cost of \$502.00

2. Alaska Airlines using:
1 737 with 111 seats
2 727's with 136 seats each
Total seats 383

Price quoted \$226,000 with a per seat cost of \$590.00

3. Canadian Air Int'l. using 737's
3 aircraft with 111 seats each total 333 seats,
(which is not a sufficient number of seats), using
Whitehorse equipment \$180,138 (Canadian)
or using Vancouver equip. \$198,816 (Canadian)

which gives a price per seat of \$540.00.

If the price per seat stays the same with the addition of 1 more 737 flight and if the Canadian / US dollar exchange rate stayed the same they would be low but because you can't count on what the dollar will be worth 10 to 12 months down the road and also trying to use a local carrier, I have based my request on the Markair prices. I also feel that because Markair does the majority of its business in the state their equipment is located here and not where it would have to be ferried to Fairbanks and Anchorage, thus the lower price from them.

INSTATE TRANSPORTATION

I used the figures from the 88 Games (Plane tickets prices from 20 different locations in Alaska)

OVERNIGHT AND MEALS

I figured 33 athletes and allowed \$ 50.00 each. (the Barrett Inn in Anchorage always gives me a good deal for lodging and food)

TEAM UNIFORM

For the 88 Games we spent \$120.00 per participant.

POINT OF INTEREST:

Northwest Territories spent \$ 165.00 per participant

Yukon Territory spent \$175.00 per participant

Northern Alberta spent \$ 230.00 per participant.

I don't think I did too bad. I've set a price of \$130.00 per participant.

Team members, staff, VIF and Cultural all get clothing. The extra clothing after everyone is outfitted is sold during the games to help off set unexpected expenses that come up.

Pins and Flags:

We order 2000 team pins (4 pins for each athlete), 200 Mission Staff and 200 Coaches pins. We use a US source and for a 1" square pin the price runs approx. \$.75 each. I've had quotes from Alaskan sources but they run \$1.75 to \$ 2.00 per pin.

Alaska State flags, we get the small hand flags for opening ceremony (330) at approx .75 to \$1.00 each and then also furnish the large State flags for each sport venue (17 locations at approx \$35.00 each)

Hats for the team, I order 350 and they run approx. \$4.50 for the corduroy with the logo embroidered on them.

INSURANCE

I think everyone knows how high insurance is. I've always been able to use an Alaskan broker.

ADMINISTRATION

This covers a lot of items, long distance phone calls, freight for shipping team clothing to the teams after selection, postage for the mass mailings to the team and others, Rental of warehousing for a couple of months to hold the team clothing from the time of arrival until it can be distributed. Facility rental for tryouts such as gyms, ice time at arenas, ect. Misc. office and computer supplies for the Mission office as well as work before hand. The Chef de Mission's travel to the mandatory chiefs meetings with the Host Society. (approx. \$2,000.00).

If you are wondering what the Mission Staff is: that is the administrative staff that takes care of the team before and during the games. I have a Team Doctor and 8 others. They

work the office from 5AM until 2AM (20 hours) and pull 6 to 7 hour shifts and when not on duty in the office they lend support in the field to the sports that have been assigned to them. My staff including myself is all voluntary.

The athletes put in a fair amount towards their participation. Total personal equipment \$92,313.

The average total per athlete for personal equipment is \$288 each, this is for the skates, skis, dogs, rifles, snowshoes and the like. I gathered this info from the various teams and between the 88 & 90 games we figured 05% for inflation.

The athlete also pays a registration fee. The 84 Yellowknife games saw a \$200.00 fee & for the 90 games I've set the fee at \$250.00. 320 athletes x \$250.00 equals \$80,000. the athletes have to come up with \$98,094 to cover their portion of the budget. I have approx. 65 extra seats on the charters and will sell spectator seats to help towards the athletes portion. I'm trying to keep the athletes registration fee down so it is affordable to all.

FUNDING FOR TEAM ALASKA
1980 - 1990

YEAR	GAME LOCATION	ATHLETE FEES	TEAM SIZE	STATE GRANT
1990	YELLOWKNIFE	\$98,094	329	\$100,000
1988	FAIRBANKS	\$30,200	302	\$ 60,000
1986	WHITEHORSE	\$29,700	297	\$120,000
1984	YELLOWKNIFE	\$70,000	284	\$130,000
1982	FAIRBANKS	\$29,700	297	\$ 41,000
1980	WHITEHORSE	\$23,400	262	\$ 65,000

The increase in the team budget for 1990 compared to 1984 is mainly due to the size of the team. In order to transport 329 people it will be necessary to charter four Boeing 737's instead of three as we did in 1984. Mark Air has quoted a price from Anchorage to Yellowknife of \$27,662 per plane per trip. Two trips (one going to & one the next week coming home) for the extra plane will cost \$55,324.

In comparison:

1990 Yellowknife charter cost	\$219,000
1984 Yellowknife charter cost	<u>\$160,272</u>
increase	\$ 58,700

The \$58,700 comes close to the price of \$55,324 for the additional aircraft.

The larger team will also mean more in state travel and over night expenses, along with additional uniform and try out costs. The addition of dog mushing to the games will also mean increased transportation and coordination costs.

We are trying to keep the athlete's registration fee down to \$250.00 each. Part of the difference between the total of the registration fees and the athlete's share will come from selling approximately sixty spare seats on the charters. If it is necessary to transport some Siberian athletes and cultural participants it will reduce the number of seats available for sale.

Comparables between N.W.T. - Yukon - Alaska - N. Alberta 1980-1988
 (All figures are in Canadian dollars except 1988 Alaska **)
 (based on assumed exchange index for each period)

N.W.T. - Yukon - Alaska have full team size status

	Athletes	N.W.T	Yukon	Alaska	N. Albert
Whitehorse 1980	262				
Federal Grants		-----	-----	-----	N/A
Terr or St Grants		\$234,000	\$53,151	\$67,380	
Terr/St Sport Assoc		\$74,529 *	-----	\$4,189	
Lotteries		\$2,000	\$16,175	-----	
Athlete Reg Fees		\$71,017 *	\$17,470	\$23,400	
Fairbanks 1982	297				
Federal Grants		\$100,000	-----	-----	N/A
Terr or St Grants		\$234,000	\$49,104	\$43,200	
Terr/St Sport Assoc		-----	-----	-----	
Lotteries		\$19,037	\$22,713	-----	
Athlete Reg Fees		\$89,326 *	\$24,900	\$31,800	
Yellowknife 1984	284				
Federal Grants		\$15,000	-----	-----	N/A
Terr or St Grants		\$250,000	\$113,148	\$171,000	
Terr/St Sport Assoc		\$114,216 *	-----	-----	
Lotteries		\$1,762	\$16,613	-----	
Athlete Reg Fees		\$105,178 *	\$47,124	\$85,500	
Whitehorse 1986	297				
Federal Grants		-----	-----	-----	Athletes 51
Terr or St Grants		\$250,000	\$22,790	\$163,400	\$63,340
Terr/St Sport Assoc		\$292,231 *	-----	-----	
Lotteries		\$20,130	\$15,175	-----	\$5,275
Athlete Reg Fees		\$107,836 *	\$16,156	\$37,000	
Fairbanks 1988	302				
Federal Grants		\$108,375	-----	-----	Athletes 46 \$97,000
Terr or St Grants		\$275,000	\$15,375	\$60,000 **	\$45,200
Terr/St Sport Assoc		\$496,094 *	\$14,800	-----	
Lotteries		-----	\$22,980	-----	
Athlete Reg Fees		\$152,355 *	\$16,000	\$30,200 **	

* NWT holds 7 area trials, the winners advance to the territorial trials. A registration fee is required for area and territorial trials, which is collected by Sport North Federation and turned back to the AWG team. Athletes registration fees includes the clothing fee charged to all athletes.

Stats taken from Urban Systems report, Calgary and Chefs-de-Mission final reports

ARCTIC WINTER GAMES 1990

DRAFT

SPORTS SUMMARY

EVENT	CLASSIFICATION	ATHLETES	COACHES	TOTAL
1. Arctic Sports	a. Eskimo Games			
	Open Men	8		
	Open Women	4		
	Junior Men	4	1	
	Junior Women	4	1	
	b. Indian Games			
	Open Men	4	1	

		24	3	27
2. Badminton	Open Men	2		
	Open Women	2		
	Junior Men	2		
	Junior Women	2		
	Juvenile Men	2	1	
	Juvenile Women	2	1	

		12	2	14
3. Basketball	Junior Women	8	1	
	Junior Men	8	1	

		16	2	18
4. Cross Country Skiing	Open Men	4		
	Open Women	4	1	
	Junior Men	4		
	Junior Women	4	1	
	Juvenile Men	4		
	Juvenile Women	4	1	
	Open Marathon	2		

		26	3	29
5. Curling	Junior Men	4	1	
	Junior Women	4	1	
	Open Women	4		
	Open Mixed	4		

		16	2	18
6. Dog Mushing	Junior (3 days)	2	1	

		2	1	3

DRAFT

EVENT	CLASSIFICATION	ATHLETES	COACHES	TOTAL
7. Figure Skating	Open	8	2	
		-----	-----	-----
		8	2	10
8. Gymnastics	Junior Women	4	1	
		-----	-----	-----
		4	1	5
9. Hockey	Senior Men	16	1	
	Midget	16	2	
	Pee Wee	16	2	
	Open Women	16	1	
	-----	-----	-----	-----
		64	6	70
10. Indoor Soccer	Junior Men	8	1	
	Junior Women	8	1	
	Juvenile Men	8	1	
	Juvenile Women	8	1	
-----	-----	-----	-----	-----
		32	4	36
11. Silhouette Shooting	Open Rifle	3		
	Open Handgun	3	1	
	Junior Rifle	3		
-----	-----	-----	-----	-----
		9	1	10
12. Ski Biathlon	Junior Men	2		
	Junior Women	2	1	
	Open Men	2		
	Open Women	2		
-----	-----	-----	-----	-----
		8	1	9
13. Snowshoeing	Open Men	2		
	Open Women	2	1	
-----	-----	-----	-----	-----
		4	1	5
14. Snowshoe Biathlon	Open Men	3		
	Open Women	3		
	Open Junior	3	1	
-----	-----	-----	-----	-----
		9	1	10
15. Triathlon - Individual (Powerskating, Skiing, Running)	Open Men	3		
	Open Women	3	1	
-----	-----	-----	-----	-----
		6	1	7

DRAFT

EVENT	CLASSIFICATION	ATHLETES	COACHES	TOTAL
16. Volleyball	Open Men	10		
	Open Women	10		
	Junior Men	9	1	
	Junior Women	9	1	

		38	2	40
17. Wrestling	Junior Men	8	1	

		8	1	9
TOTAL		286	34	320
MISSION STAFF				8
MEDICAL SUPPORT				1

TOTAL UNIT				329

TEAM LOCATIONS 1984 THRU 1988

Location	1984	1986	1988
Anchorage	158	163	133
Bethel	4	1	1
College	4	3	1
Eagle River	13	6	8
Ester	1	1	2
Fairbanks	80	85	81
Ft. Richardson	1		
Ft. Wainwright	1	2	4
Gakona	1		
Glennallen	1	1	2
Homer	4	2	3
Juneau	2	7	2
Kotzebue	2	1	
Nome	1	4	1
Palmer	10	12	8
Point Hope	3		
Salcha	2	4	4
Soldotna	3	1	4
Unalakeet	1	1	1
Wasilla	2	6	14
White Mountain	2	1	
Auke Bay		2	3
Barrow		1	1
Big Lke		1	
Chugiak		2	2
Dillingham		2	
Douglas		1	
Birdwood		1	2
Iliamna		2	
Kenai		1	2
Kodiak		4	3
McGrath		1	
North Pole		5	4
Ketchikan		1	
Seward		2	
Elmendorf			1
Golovin			1
Koyuk			1
Larson Bay			1
Lawrence, Kansas (Nome-college in Kansas)			1
Metlakalita			2
Petersbury			1
Seldovia			1
Sitka			1
South Naknek			1
Valdez			1

1984--Anch/Fbs	238	other areas	59
1986--Anch/Fbs	246	other areas	79
1988--Anch/Fbs	214	other areas	98

ARCTIC WINTER GAMES STRUCTURE AND ATHLETE EXPENSES

The Arctic Winter Games Corporation (International) is structured like the Olympics. The AWG Corp. (Int'l) awards the games to a governmental entity. The Int'l Corp entered into an agreement with the North Star Borough, City of Fairbanks and the City of North Pole to host the 1988 games. These entities then formed an organization to conduct the Games (Host Society). Many Alaskan corporations as well as the State of Alaska contributed to the Host Society.

Team Alaska is the group of athletes who are selected to represent our State at the Games. There is always confusion when contributors say they contributed to AWG. Generally they have contributed to the Host Society and not to the team. The athletes are the ones who contribute a major portion of the costs.

The athletes pay a registration fee which is 1/3 of the budget. For the 90 games that sum will be \$98,094. They then have their personal equipment and competition clothing that costs an average of \$288.00 per athlete for a total of \$92,313 and finally the athletes bear their own costs for tryouts. Since 1980 an average of 1200 Alaskan athletes have tried out each time for the games, they have to travel to various places for these tryouts. For example: in Cross Country skiing the Tang Cup races and the AWG tryouts are combined and racers must travel to Homer, Anchorage and Fairbanks. Snowshoeing tryouts are held around Cantwell, Hockey tryouts see Coaches traveling again at their own expense to Soldotna, Anchorage, Fairbanks and Wasilla. The 90 games will see the Indian sports (Dene) for the first time and from early information it seems that those athletes will come from the Alaska/Yukon border area, Ft. Yukon in particular. The average tryout cost per athlete is \$200.00 for a total of \$240,000.

Team registration fee	\$98,094
Personal equipment and competition uniform	92,313
Tryout expenses	<u>240,000</u>
Total athlete costs	\$430,407

Team Alaska is not as fortunate as the athletes in our sister states, in the lower 48 they have several modes of transportation, we have to travel by plane (Yellowknife, NWT is 3 hours by commercial jet). Also the athletes from the rural areas are provided their transportation and in many cases must overnight so they can catch the charters, it costs them no more than athletes from Anchorage or Fairbanks. As we encourage more rural areas to participate in the Games our costs for transportation will rise.

The organization (Arctic Winter Games Corporation of Alaska) that supports Team Alaska is in the process of designing a program for corporate sponsorship, as part of the long range goal of private funding for Team Alaska. Hopefully, this can be accomplished in 4 to 6 years.

I think it shows that the majority of the costs are bore by the Alaskan athletes and the request from the State of Alaska is actually less than the transportation to the Games. Lastly, the Games have become a very significant International event and the long range goal of the Int'l corporation is for the games to become circumpolar someday. That someday is around the corner as the 90 games will see observers and possibly demonstration athletes from Greenland and the Magadon Region of Siberia joining the athletes from Yukon Territory, Northwest Territories, Northern Alberta and Alaska.



Arctic Winter Games Corporation

Corporation des jeux d'hiver de l'Arctique



ALASKA FUNDING

for

THE ARCTIC WINTER GAMES

The State of Alaska has participated in three levels of funding for the Arctic Winter Games. The avenue of funding has varied in the past from being included in the governor's budget to direct appropriations from the legislature.

The three levels of funding are as follows:

1. Annual dues to the Arctic Winter Games Corporation are presently \$25,000. This is a must if Alaska is to remain a part of the games. This cost has sometimes come from the governor's budget, while at other times it has been a direct appropriation from the legislature.
2. Team Alaska's transportation and administrative costs occur every two years. They are covered by direct legislative appropriations and have varied in the amount from covering all to a portion of the costs. Individual participants have been required to cover that portion of the cost not appropriated by the legislature. —
3. Host Community expenses have been shared by the State of Alaska in the past games. These expenses have occurred once every six years. They are covered by direct legislative appropriation. With Northern Alberta coming into the games as a full participant the cycle will increase to eight years.

Arctic Winter Games Contributors

The Arctic Winter Games Host Society extends its thanks to the following businesses, organizations and individuals who have generously donated their time, money, goods, or services to make the 1988 Games in Fairbanks a success.

The Bowhead Whale Club

The State of Alaska
Fairbanks North Star Borough
Key Bank of Alaska
University of Alaska-Fairbanks
Alaska Airlines

The Polar Bear Club

Eielson Air Force Base
SKS Of Alaska
Community Schools
Fairbanks Youth Sports
KTVF-Channel 11
KATN TV-Channel 2

The Moose Club

Motorola
Aurora Motors
Denali State Bank
Tip Top Chevrolet
Lathrop H.S. Council
F.N.S.B. School District
Fort Wainwright
Alaska Energy Corp.
McCaw Telepage
IBEW Local 1547
Holland America Line Westours

The Caribou Club

Yukon Equipment Inc.
Fairbanks Volleyball Association
Cooke Cablevision
AAA Moving & Storage
Cook Inlet Region. Inc.
Pizza Pub
Sourdough Express
Totem Ocean Trailer Express Inc.

The Arctic Fox Club

A & W Wholesale ... Alaska Beverage Company ... Alaska Adult Learning Center ... Alaska Computer Institute ... Altex Distributing Inc. ... American Academy of Business ... Arctic Travelers Gift Shop ... Atta Boy Awards ... Auto Service Company ... Bowers Office Supply ... Cathcart Ltd. ... Charles Elder, Jr. ... College Floral ... Compass Inc. ... Corroon & Black Anchorage ... Corroon & Black Inc.. Fairbanks ... Don Lowell ... Earl & Dorothy Beistline ... Fairbanks Distributors ... GTE Directories Corp. ... Gareth & Miranda Wright ... Golden North Home Center ... Grace Berg Schaible ... Grasle Electric Inc. ... Hops Stationery ... Howard & Andrea Theis ... Jack & Bertha Bucher ... Jims College Texaco ... KWLF Radio ... Kenneth Murray Insurance ... Loyal Order Of The Moose #1392 ... MAPCO ... Mary & Alfred Lomen ... McCauley's Reprographics, Inc. ... Mt. McKinley Mutual Savings Bank ... NC Machinery ... Odom Company ... Pacific Movers ... Petro Star, Inc. ... Corp Shields Rental Center ... Society Of Professional Journalists ... The Artworks ... Tivi Kennels ... Usibelli Coal Mine ... Vend Alaska ... Wyeth Laboratories



Arctic Winter Games Corporation

Corporation des jeux d'hiver de l'Arctique



ARCTIC WINTER GAMES

1990

TECHNICAL PACKAGE

SUMMARY

As approved by the
Arctic Winter Games Corporation
October, 1988

ARCTIC WINTER GAMES 1990

SPORTS SUMMARY

EVENT	CLASSIFICATION	ATHLETES	COACHES	TOTAL
1. Arctic Sports	a. Eskimo Games			
	Open Men	8		
	Open Women	4		
	Junior Men	4	1	
	Junior Women	4	1	
	b. Indian Games			
	Open Men	4	1	

		24	3	27
2. Badminton	Open Men	2		
	Open Women	2		
	Junior Men	2		
	Junior Women	2		
	Juvenile Men	2	1	
	Juvenile Women	2	1	

		12	2	14
3. Basketball	Junior Women	8	1	
	Junior Men	8	1	

		16	2	18
4. Cross Country Skiing	Open Men	3		
	Open Women	3	1	
	Junior Men	3		
	Junior Women	3	1	
	Juvenile Men	3		
	Juvenile Women	3	1	
	Midget Men	3		
	Midget Women	3		
	Open Marathon	2		

		26	3	29
5. Curling	Junior Men	4	1	
	Junior Women	4	1	
	Open Women	4		
	Open Mixed	4		

		16	2	18

EVENT	CLASSIFICATION	ATHLETES	COACHES	TOTAL
6. Dog Mushing	Junior	2	1	

		2	1	3
7. Figure Skating	Open	8	2	

		8	2	10
8. Gymnastics	Junior Women	4	1	

		4	1	5
9. Hockey	Senior Men	16	1	
	Midget	16	2	
	Pee Wee	16	2	
	Open Women	16	1	

		64	6	70
10. Indoor Soccer	Junior Men	8	1	
	Junior Women	8	1	
	Juvenile Men	8	1	
	Juvenile Women	8	1	

		32	4	36
11. Silhouette Shooting	Open Rifle	3		
	Open Handgun	3	1	
	Junior Rifle	3		

		9	1	10
12. Ski Biathlon	Junior Men	2		
	Junior Women	2	1	
	Open Men	2		
	Open Women	2		

		8	1	9
13. Snowshoeing	Open Men	2		
	Open Women	2	1	

		4	1	5
14. Snowshoe Biathlon	Open Men	3		
	Open Women	3		
	Open Junior	3	1	

		9	1	10

EVENT	CLASSIFICATION	ATHLETES	COACHES	TOTAL
15. Triathlon - Individual (Powerskating, Skiing, Running)	Open Men	3		
	Open Women	3	1	

		6	1	7
16. Volleyball	Open Men	10		
	Open Women	10		
	Junior Men	9	1	
	Junior Women	9	1	

		38	2	40
17. Wrestling	Junior Men	8	1	

		8	1	9
TOTAL		286	34	320
MISSION STAFF				3
MEDICAL SUPPORT				1

TOTAL UNIT				329

HB

159

Mike's Work

3-are good-

Sec-2- has consensus

1) If Municipalities value them

Don't value 29,45,110

→ 29.05.50 -

Fixed-

2) Optional Exemption,

20 types of properties,

 *
 * DELIVER TO: LIOCDAR *
 *
 * ORIGINAL *
 * SENT: 04/10/90 TIME: 15:36 *
 * FROM: LIOCKOT *
 * SUBJECT: 90-04-030; PL; HB159; 4-10 *
 * PRINT DATE: 04/10/90 TIME: 16:17 *
 *

T/C NO: 90-04-030
 DATE: 4-10-90
 SPONSOR: (S)C & RA
 SUBJECT: HB 159 HB 104
 MODERATOR: DOUG NEAL
 SITE: KOTZEBUE

PARTICIPANT LIST

 TESTIFIED

*Bourough & James
 NW. Arctic Research
 supports, supports the c/s
 Support!*

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. RICK ERLICH/NWAB	BOX 565 KOTZEBUE	442-3070	HB 159
2.			
3.			
4.			
5.			

 OBSERVED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1.			
2.			
3.			
4.			
5.			

 TESTIFIED:
 UNABLE:
 OBSERVED:
 TOTAL:

MEMORANDUM

State of Alaska

Community and Regional Affairs

TO: Marty Rutherford
Acting Deputy Commissioner
Municipal and Regional
Assistance Division

DATE: April 28, 1988


FILE NO: 0252Q/JP

TELEPHONE NO: 465-4750

STATE ASSESSOR'S
FILE

THRU:

SUBJECT: Exemption of
"in-place"
natural reserves

FROM: Jim Plasman 
Deputy Director
Municipal and Regional
Assistance Division

We have now received a copy of the Attorney General's Opinion requested by the Governor's Office on this matter. I have discussed this matter with Mike Worley. The thrust of the opinion is consistent with our belief that this property value must be included in the local assessment roll ("we believe that the present state assessor has correctly pointed out that 'in place' natural resources may be included in municipal assessments, and properly should be included.") However, we are concerned that this point is not made strongly enough, in terms of the local responsibility to do so under existing law, i.e., "AS 29.45.110(a) allows for 'in place' natural resources to be assessed" (emphasis added) Our fear is that this may be read to imply that municipalities may optionally include or exclude these values, whereas these "in place" natural reserves may not be excluded from the full and true value of property assessed by municipalities under existing law. (Article IX, Section 4 of the constitution states in part "exemptions may be granted by general law" AS 29.45.010(c) requires "the [municipal property] tax must be assessed, levied, and collected as provided in this chapter.")

It is our desire to seek legislation to address this situation by making such in place natural resource reserves exempt from local taxation. We believe this to be sound public policy for the following reasons:

1. It would be virtually impossible for many local municipalities to accurately value such resources, opening the potential for undervaluation and tax avoidance by the property owner, especially if the resource is a major one.
2. It would be very costly for the state to accurately value the resource for full and true value purposes, requiring additional resources of the nature of trained geologists to assess the nature and value of such resources.

3. Inclusion of such values would work a tremendous hardship on municipalities such as the Northwest Arctic Borough, which, because of the enormous potential value of the resources at the Red Dog mine, would be forced to contribute many times its current obligation for the education foundation formula. Additionally, the size of the local contribution would be such that it may unbalance the formula beyond the equalization limits required by federal law to receive federal P.L. 874 funds.

4. It would reduce the temptation to municipalities to unequally tax such a resource under a property tax as has been tried in other jurisdictions.

5. It would not leave the jurisdictions without a source of revenue from the resource, as municipalities have the power to levy a severance tax, which would be easier to administer than a property tax, in terms of this type of resource.

6. This proposal is consistent with various provisions of existing law. For instance, AS 43.56.020(a)(3) exempts oil and gas reserves from local taxation. Section 21(d) of ANCSA exempts property held by native corporations from local taxation until it is either 1) developed or 2) leased to a third party.

7. It statutorily recognizes the status quo.

The opinion states that "no liability attaches to the state for failure to insist on the assessment of these resources at this time." This would seem to give us the breathing room to seek a legislative response to the situation.

However, we are soon to be faced with the situation that some municipalities will be putting this property on their tax rolls while others will not. We are aware of at least one and possibly two municipalities in Southeast that have sent assessment notices to property owners which include the value of subsurface property rights.

That leaves us with the issue of what the policy of the state should be between now and the time legislation is either adopted or not enacted. We recommend the following elements:

1. In response to questions we would answer that we think such property is taxable.

2. We do not intend to send letters of major error until we have conclusively determined it is taxable.

Marty Rutherford
April 28, 1988
Page Three

3. We are seeking further clarification from the Attorney General on specific issues including:

- how do we handle the issue of split surface/subsurface rights (such as in the case of ANCSA property split between the village and regional corporations);
- how do we treat full value determinations for municipalities which include resource reserve valuation in their assessments;
- what is the extent of different resources the proposed statutory exemption should cover.

4. We will not include natural resource reserves in place in full and true value determinations because, in any case, we are unable to value them and lack "substantial evidence" to make that determination.

5. We are seeking legislative clarification of the status of such property.

This policy is consistent with the manner in which we handled the issue of taxability of interests in Regional Native Housing Authority property.

It is my intention to send a briefing memo with this information to Bob Evans sometime after session and offer to sit down with him to discuss these issues and get started on a legislative proposal for next year. In the meantime, we intend to act in a manner consistent with the standards set out above.

cc: Mike Worley, State Assessor

6-0723J
Cook
4/26/90

Original sponsor(s): REP. MACLEAN, Cato, Zawacki

1 IN THE HOUSE

BY THE C&RA COMMITTEE

2 SENATE CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 159 (C&RA)

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 an exemption from municipal
7 property taxation for natural resources in place, and
8 to a study of options for taxation of natural re-
9 sources by municipalities; and providing for an
10 effective date."

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

12 * Section 1. PURPOSE. It is the primary purpose of the legislature in
13 providing for a temporary tax exemption for natural resources in place to
14 gain the time necessary for an orderly and comprehensive study of the
15 issues relating to exempting natural resources in place from municipal
16 property taxation.

17 * Sec. 2. TEMPORARY TAX EXEMPTION. Natural resources in place, includ-
18 ing proven or unproven mineral and other deposits of valuable materials and
19 timber stumpage, are exempt from property taxation by a municipality.

20 * Sec. 3. STUDY AND REPORT. (a) The Department of Community and
21 Regional Affairs shall study and compare the potential effects of various
22 natural resource taxation options including

23 (1) total exemption from municipal property taxation for natural
24 resources in place;

25 (2) partial exemption from municipal property taxation for
26 natural resources in place;

27 (3) no exemption from municipal property taxation for natural
28 resources in place;

29 (4) total or partial exemption from municipal property taxation

1 for natural resources in place at the option of each municipality;

2 (5) taxation of natural resources in place by municipalities
3 other than property taxation.

4 (b) The Department of Community and Regional Affairs shall select
5 representatives of municipalities and of unincorporated communities in
6 boroughs and in the unorganized borough to advise in the design and exe-
7 cution of the study under (a) of this section. The Department of Community
8 and Regional Affairs shall conduct the study in concert with the Department
9 of Revenue and with the Alaska Municipal League. The study must include
10 consideration of

11 (1) tax treatment by other states of natural resources in place;

12 (2) the point in time that natural resources in place acquire a
13 value for tax purposes; and

14 (3) methods for determining the value of natural resources in
15 place that may be applied on a uniform basis in all municipalities.

16 (c) By January 15, 1992, the Department of Community and Regional
17 Affairs shall report to the legislature its findings and recommendations
18 regarding municipal property taxation of natural resources in place.

19 * Sec. 4. This Act is repealed July 1, 1992.

20 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

6-0723J
Cook
4/24/90

Original sponsor(s): REP. MACLEAN, Cato, Zawacki

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1 for natural resources in place at the option of each municipality;

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3 other than property taxation.

4 (b) The Department of Community and Regional Affairs shall select
5 representatives of unincorporated communities in the unorganized borough to
6 advise in the design and execution of the study under (a) of this section.
7 The Department of Community and Regional Affairs shall conduct the study in
8 concert with the Department of Revenue and with the Alaska Municipal
9 League. The study must include consideration of

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A M E N D M E N T

OFFERED IN THE SENATE

BY SEN. SZYMANSKI

TO: SCS SSHB 159(C&RA)

Page 2, line 8:

After "Revenue" insert ", the Department of Commerce and Economic Development,"

Delete "with"

Page 2, line 12:

Delete "and"

Page 2, line 14, after "municipalities":

Insert "; and

(4) potential effects of municipal property taxation of natural resources in place on the state's economy, affected industries, and employees of affected industries"

6-0723J

Cook

4/26/90

Original sponsor(s): REP. MACLEAN, Cato, Zawacki

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BY THE C&RA COMMITTEE

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29 (5) taxation of natural resources in place by municipalities

1 other than property taxation for purposes of determining whether a perma-
2 nent exemption from property taxation is the most desirable approach.

3 (b) The Department of Community and Regional Affairs shall select
4 representatives of municipalities and of unincorporated communities in
5 boroughs and in the unorganized borough to advise in the design and exe-
6 cution of the study under (a) of this section. The Department of Community
7 and Regional Affairs shall conduct the study in concert with the Department
8 of Revenue and with the Alaska Municipal League. The study must include
9 consideration of

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14 place that may be applied on a uniform basis in all municipalities.

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17 regarding municipal property taxation of natural resources in place.

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19 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).
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6-0723J
Cook
4/7/90

Original sponsor(s): REP. MACLEAN, Cato, Zawacki

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BY THE C&RA COMMITTEE

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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 determination of full and true
7 value of taxable property in a municipality, and to a
8 study of options for taxation of natural resources by
9 municipalities; and providing for an effective date."

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

11 * Section 1. PURPOSE. It is the primary purpose of the legislature in
12 providing for a temporary deletion for natural resources in place from the
13 determination of full and true value to gain the time necessary for an
14 orderly and comprehensive study of the issues relating to exempting natural
15 resources in place from municipal property taxation.

16 * Sec. 2. TEMPORARY TAX EXEMPTION. The full and true value of natural
17 resources in place, including proven and unproven mineral or other deposits
18 of valuable materials and timber stumpage, may not be included in the full
19 and true value determination under AS 14.17.140 or the determination of the
20 millage rate equivalent under AS 29.60.030 for a municipality unless the
21 property is assessed by the local assessor under AS 29.45.110.

22 * Sec. 3. STUDY AND REPORT. (a) The Department of Community and
23 Regional Affairs shall study and compare the potential effects of various
24 natural resource taxation options including

25 (1) total exemption from municipal property taxation for natural
26 resources in place;

27 (2) partial exemption from municipal property taxation for
28 natural resources in place;

29 (3) no exemption from municipal property taxation for natural

1 resources in place;

2 (4) total or partial exemption from municipal property taxation
3 for natural resources in place at the option of each municipality;

4 (5) taxation of natural resources *Alternative methods of revenue generation* in place by municipalities
5 other than property taxation.

6 (b) The Department of Community and Regional Affairs shall select
7 representatives of unincorporated communities in the unorganized borough to
8 advise in the design and execution of the study under (a) of this section.
9 The Department of Community and Regional Affairs shall conduct the study in
0 concert with the Department of Revenue and with the Alaska Municipal
1 League. The study shall include consideration of

2 (1) tax treatment by other states of natural resources in place;

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- ITEM 11: Letter of Support - Mayor of Mat-Su Borough
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FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act, exemptions...municipal property taxation..."
Sponsor: Rep Maclean
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
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: Jim Plasmann, Deputy Director
Division: Municipal & Regional Assistance
Phone: 465-4750
Date: 3 2 90

Approved by Commissioner: [Signature]
Agency: Community & Regional Affairs
Date: 3/11/90

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

Changes in SCS 55 HB159 (Res)
have no fiscal impact.
This fiscal note is
appropriate.

NORTHWEST ARCTIC BOROUGH

P.O. BOX 1110
KOTZEBUE, AK 99752
(907) 442-2500 / FAX 442-2930

Statement of Dennis J. Tiepelman, Ass't to the Mayor,
Northwest Arctic Borough before the Senate Community and
Regional Affairs Committee, March 02, 1989

MISTER CHAIRMAN:

The Northwest Arctic Borough would like to go on record as supporting Senate Bill 181, "An act relating to an exemption from municipal property taxation for natural resources in place..."

The bill resolves an immediate issue if it is enacted into law: It will exempt for a period of time a requirement that resources be assessed and taxed of an unknown quantity and value on these same resources (e.g. minerals).

The borough supports the concept that in-place resources be permanently exempt in State law, but we recognize that it should be studied and a report be made reflecting what these issues might be in the way of future legislative recommendations. There are differing opinions.

The borough is part of the Alaska Municipal League which passed a resolution in November, 1988 urging the State legislature to seek legislative remedy for an assessment of minerals in-place, and it is currently required by the Department of Community & Regional Affairs, State Assessors Office.

Knowing that the Department of Revenue, Department of Natural Resources, and the Office of the Governor needs to look at the full implication of exempting minerals-in-place, this Senate Bill 181 establishes a process and allows an exemption to be in place until a final report and legislation is enacted within two (2) years. This should allow ample opportunities for other agency concerns to be addressed.

STATEMENT OF DENNIS J. TIEPELMAN
SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
MARCH 02, 1989
PAGE TWO

Northwest Arctic Borough does not in its current administrative structure maintain an assessor's office which may create a financial liability if no exemption is immediately allowed. We are also acutely aware that the proposed Red Dog mining project in our borough will go into production in about a year, and no one knows its actual resource potential of lead and zinc in terms of realistic dollar amounts.

However, the authority to impose a property tax on improvements at the mine site and the ability to impose a severance tax are much better alternatives than requiring us to place an unknown or arbitrary value on minerals-in-place. These other taxing mechanisms should be considered viable remedies in existence.

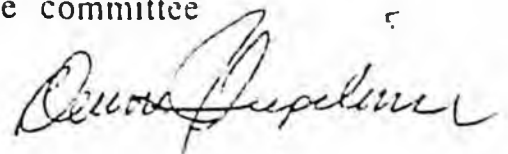
Natural resources as they exist in-place is not very prudent in methods to determine such a value. Large-scale mining as well as the small-time prospector/miner would have difficulty assessing what is the value of minerals before it could ever be developed and extracted for use elsewhere.

Other taxing districts throughout the State have similar problems, and I would urge that an immediate exemption and a prepared report will resolve any questions in due time so that some unforeseen future revenues will not jeopardize the current need for an exemption to be enacted.

The Northwest Arctic Borough is just completing its second year as a "home-rule borough", and there are many other organizational priorities we are working on, including land selections, planning, and financial stability without incurring additional duties of assessing what is taxable or taxing schemes which would now include natural resources in-place.

I would urge speedy deliberations and enactment of legislation that seems to appease every interest group and at the same time does not close the door on changes that might happen in the ensuing two (2) year period.

Thank you for this opportunity to address the committee



MEMORANDUM

State of Alaska

Community and Regional Affairs

TO: Bob Evans
Legislative Liaison
Office of the Governor

DATE: November 14, 1988

FILE NO: 741X/MWW/JP/1410.2

TELEPHONE NO: 465-4750

THRU: David G. Hoffman
Commissioner

SUBJECT: Proposal To Exempt
Natural Resources
In-Place

FROM: *Worley*
Michael Worley
State Assessor
Municipal and Regional
Assistance Division

The Director of the Municipal and Regional Assistance Division, Harry Rutherford requested that I prepare a briefing for you regarding issues and questions which might arise when the above subject is discussed at the AML Conference. I believe the municipalities will be supportive of the proposal. I have not heard from one municipal official who is in favor of assessing these resources. The initial reaction to our proposal at the municipal level has been that people who do not understand the facts perceive our proposal to be a denial to local governments of a valuable revenue resource. However, once they do understand the issue, they regard this mandatory taxing arrangement as an untenable requirement under state law which they wish to have removed. If our proposed bill is not introduced by the Governor, I am concerned that their perception will be that the Cowper Administration wants to impose this mandate against the wishes of municipalities. In any event, this proposal is advanced on behalf of municipalities. If they do not want it, we will recommend it be withdrawn.

The issue will probably be discussed at the Policy Section Meeting on taxation and finance on Thursday, the 17th from 1:00 to 3:00 P.M. Among others, Commissioner Hugh Malone, Gary Lewis (Ketchikan Borough Assessor) and I will be on the panel for that meeting.

Attached is a resolution paper which states briefly the pros and cons of this issue as we see them. Also attached is a copy of the questions of concerns and questions posed by State Economist Scott Anderson.

Additional questions re this issue, if we can be of any help, please don't hesitate to call on us.

Michael Worley

November 14, 1938

POSITION PAPER

RE: Proposal to exempt natural resources-in place.

SPONSOR: Rules by Request of the Governor

Effects of the Bill:

This bill would stabilize municipal taxing practices, the State Revenue Sharing Program, and the Education Funding Formula by by statutorily recognizing the current property tax practices of municipalities in the State, and the procedures utilized by the Office of the State Assessor in estimating Full Value Determinations. The assessment practices and procedures currently being used by municipalities and the Office of the State Assessor in regard to in-place natural resource reserves are not consistent with existing state law.

Comments:

Although Alaska law technically requires these in-place natural resource reserves to be included in local tax rolls and in the full value determination for municipalities, they have not been so included because of the technical difficulty and expense of accurately determining the value of such reserves. The treatment of these values has become an issue because of the continuing development, lease or sale of the property conveyed to regional corporations under the Alaska Native Claims Settlement Act (ANCSA). As these ANCSA properties are developed or conveyed to other parties, they enter taxable status. Under ANCSA, the surface and subsurface estates to these properties were conveyed separately to village and regional corporations, respectively. Because municipalities must assess property rights to "the record owner" under AS 29.45.160(b), assessors should value resources separately and assess their value to the proper corporation. Although this issue was triggered by ANCSA, it is not confined to only those properties. The municipal assessor must treat all property in a uniform manner; therefore, the practice of valuing these resources will automatically extend to all properties. Several options have been suggested in attempting to assess problems. The following is a discussion of these options and the position:

Position Paper
RE: PROPOSAL TO EXEMPT NATURAL RESOURCES IN-PLACE
November 14, 1988
Page Two

Option 1: Do Nothing.

Because of the developments discussed above, doing nothing will not preserve the status quo. It will, in fact, require substantial changes in assessment practices throughout the state, increasing the administrative and fiscal burden on municipalities and the state to determine the values of in-place reserves in municipalities. The addition of these values to municipal tax rolls and full value determinations will have effects at both the local and state level. The values of some resources would be high enough on larger tracts (homesteads, farms, etc.) that the owners would very likely be forced to develop the resources in order to pay property taxes, or face property tax foreclosure. The inclusion of these values in full value determinations will reduce revenue sharing funds to municipalities with additional in-place reserve value and will increase the mandatory local contribution under the education formula to those municipalities. Depending upon the amount of these resource reserves, the fiscal impact to local governments could be substantial.

The positive side to this option is that municipalities would continue to have the capacity to levy against a category of taxable property. In most municipalities, we believe the resource value would not be very high. In some, however, it could be higher than the combined value of all other property located in the jurisdiction.

Option 2: Adopt Legislation Permitting Municipalities to Tax Resources in Place by Local Option.

The advantage to this approach is that the State is not depriving municipalities of new property tax dollars which are currently available to them. At the same time, the requirement for municipalities to tax the resources, whether they want to or not, is removed.

Unfortunately, there are many hidden problems associated with this option. The Full Value Determination includes value for all property with a taxable under state law. Under the local option concept the value of these resources would be required to be included in the Full Value Determination whether municipalities elected to tax them or not. Therefore, we would still have the education funding problem which exists in some resource-rich, revenue-poor municipalities (see attached memo). It has been suggested that perhaps the resource values should be added to full value determinations only if municipalities elected to tax them.

Position Paper

RE: PROPOSAL TO EXEMPT NATURAL RESOURCES IN-PLACE

November 14, 1988

Page Three

This proposal raises a significant policy question in the rationale and equity for allowing such treatment for only this type of optionally exempt property but not for other types such as personal property, motor vehicles, boats, or the first \$10,000 on homes, the value of which is required to be included in their full value determinations whether or not it is taxed. It seems likely that allowing one exception to the rule that optionally exempts property to be included in the full value determination would lead to calls from affected municipal governments for the exclusion of other types of optionally exempt property, based upon the amount of such property within each municipality. If all optionally exempted property values were removed the concept of the full value determination would be dramatically altered in that it would represent only the willingness of municipalities to generate property tax revenues, regardless of their potential to do so. The Department of Education has expressed concern that under the optional exemption concept, local education funding could be dramatically increased or reduced each year through the exercise of the option, thereby causing fiscal instability within school districts.

Option B: Mandatorily Exempt Resources In-Place from Municipality Levy.

The chief disadvantage of this approach is that municipalities would be unable to tax resources in-place if they desired to do so. Municipalities in Alaska do, however, have the power to levy a severance tax against the extraction or removal of the resources at their option. Therefore, the inability to tax the resources would apply only to those not being developed.

No municipality in Alaska has attempted to assess or even to develop a separate value for resources in-place. Therefore, this option would maintain the status quo in that regard. Similarly, the Office of the State Auditor has never attempted to include a value for these resources in municipal full value determinations. For resources potentially extracted under this option, the lower of either the assessed value or the severance tax would be the amount received by the municipality.

The danger of substantially increasing property taxes on certain types of land such as homesteads and farms would be minimized. With the option of adopting a severance tax, however, municipalities could tax those resources in the event they were developed.