

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672

6394 SENATE LABOR & COMMERCE

798

1 authority. Failure to make disclosure constitutes misconduct in
2 office.

3 * Sec. 3. AS 18.55.100(a)(15) is amended to read:

4 (15) arrange or contract for the financing, design, con-
5 struction, and acquisition of public buildings and equipment for lease
6 to the state in accordance with AS 18.55.010 - 18.55.290.

7 * Sec. 4. AS 18.55.100(d) is amended to read:

8 (d) Notwithstanding (a)(7) and (15) of this section, a proposed
9 public building or equipment project shall be submitted by the author-
10 ity to the legislature for review. The authority may proceed with the
11 public building or equipment project only if it is approved by law.
12 An appropriation does not constitute approval by law for purposes of
13 this subsection.

14 * Sec. 5. AS 18.55.150 is amended to read:

15 Sec. 18.55.150. SECURITY FOR BONDS. The authority may issue
16 bonds including but not limited to bonds on which the principal and
17 interest are payable (1) exclusively from the income and revenue of
18 the housing project financed with the proceeds of the bonds, (2)
19 exclusively from the income and revenue of designated housing projects
20 whether or not they are financed in whole or in part with the proceeds
21 of the bonds, (3) from its revenue generally, or (4) exclusively from
22 rents collected on public buildings or equipment. Bonds may be addi-
23 tionally secured by a pledge of a grant or contribution from the
24 federal government or from another source, or by a pledge of income or
25 revenue of the authority, or by a mortgage of a housing project or
26 other property of the authority.

27 * Sec. 6. AS 18.55.180 is amended to read:

28 Sec. 18.55.180. ISSUANCE AND SALE OF BONDS AND NOTES. Bonds and
29 notes of the authority are authorized by adoption of a resolution

1 prescribing the date of issuance and maturity, interest rate, de-
2 nomination, form, conversion privilege, rank or priority, execution,
3 terms of redemption, medium, and place of payment. Bonds and notes
4 may be sold in the manner, on the terms, and at the price the author-
5 ity determines. Each bond and note is negotiable. The signature of a
6 member or an officer upon a bond or note or coupon is not invalidated
7 by that person's ceasing to hold office before the delivery of the
8 bond or note. The recitation of a bond or note that it has been
9 issued in the financing of a housing, [OR] public building, or equip-
10 ment project under AS 18.55.010 - 18.55.290 is conclusive as to the
11 issuance of the bond or note and the character of the project in a
12 challenge of the validity of the bond or note or the security for it.

13 * Sec. 7. AS 18.55.200(4) is amended to read:

14 (4) covenant with respect to limitations on its right to
15 sell, lease, or otherwise dispose of a housing, [OR] public building,
16 or equipment project or a part of a housing, [OR] public building, or
17 equipment project;

18 * Sec. 8. AS 18.55.200(10) is amended to read:

19 (10) covenant, subject to the limitations contained in
20 AS 18.55.010 - 18.55.290, as to the rents and fees to be charged in
21 the operation of a housing, [OR] public building, or equipment proj-
22 ect, the amount to be raised each year or other period of time by
23 rents, fees, and other revenues, and as to the use and disposition of
24 these revenues;

25 * Sec. 9. AS 18.55.200(15) is amended to read:

26 (15) vest in one or more trustees the right, in the event of
27 a default by the authority, to take possession of a housing, [OR]
28 public building, or equipment project or a part of the project, and so
29 long as the authority continues in default to retain possession and to

1 use, operate, and manage the project, and to collect the rents and
2 revenues from the project, and to dispose of the money according to
3 the agreement between the authority and the trustees;

4 * Sec. 10. AS 18.55.220 is amended to read:

5 Sec. 18.55.220. POWER OF AUTHORITY TO CONFER UPON OBLIGEE RIGHT
6 TO BRING ACTION OR PROCEEDING. The authority may by resolution, trust
7 indenture, mortgage, lease, or other contract confer upon an obligee
8 holding or representing a specified amount in bonds, or holding a
9 lease, the right upon a default as defined in the resolution or in-
10 strument by civil [SUIT,] action or other proceeding

11 (1) to have possession of a housing, [OR] public building,
12 or equipment project or part of one surrendered to the obligee, with
13 possession retained by the obligee as long as the authority continues
14 in default;

15 (2) to obtain the appointment of a receiver of a housing,
16 [OR] public building, or equipment project or part of one and its
17 rents and profits, who may enter, take possession, and for the dura-
18 tion of the default operate and maintain it, collect and receive all
19 fees, rents, revenues, or other charges [THEREAFTER] arising after
20 that, and keep the money in a separate account or accounts to be
21 applied in accordance with the obligations of the authority as the
22 court directs;

23 (3) to require the authority and its members to account as
24 if they were [TO] trustees of an express trust.

25 * Sec. 11. AS 18.55.240 is amended to read:

26 Sec. 18.55.240. POWER OF AUTHORITY TO OBTAIN FEDERAL AID AND
27 COOPERATION. The authority may borrow, accept contributions, grants,
28 or other financial assistance from the federal government in aid of
29 any housing, [OR] public building, or equipment project and for this

1 purpose may comply with conditions and enter into the mortgages, trust
2 indentures, leases, or agreements that are necessary, convenient, or
3 desirable in order to obtain financial aid or cooperation from the
4 federal government in the undertaking, construction, maintenance, or
5 operation of a housing, [OR] public building, or equipment project.

6 * Sec. 12. AS 36.30.080 is amended by adding a new subsection to read:

7 (d) If the department enters into a lease-financing agreement
8 with the Alaska State Housing Authority for the financing or refinanc-
9 ing of equipment purchases by the state under a master lease program,
10 the department shall report to the legislature by January 30 of each
11 year the amount of interest to be saved by each agency during the next
12 fiscal year as a result of participation in the master lease program.
13 The savings shall be calculated as the difference between the total
14 payments to be made to the department by the agency under the program
15 during the fiscal year and the total lease payments that would be
16 required if the equipment were purchased under the same terms except
17 at a true interest cost equal to

18 (1) the rate charged by the vendor for financing purchase
19 of the equipment; or

20 (2) if no vendor financing is available, the prime rate
21 charged by banks on short-term business loans at the time of purchase.

22 * Sec. 13. The Alaska State Housing Authority may acquire new equipment
23 or equipment on lease to the state at the time of its acquisition by the
24 authority, for lease to the state under a master lease program, and may
25 provide refinancing, up to a total of \$40,000,000, for such acquisitions.

26 * Sec. 14. Section 13 of this Act gives the approval referred to in
27 AS 18.55.100(d), as amended by sec. 4 of this Act.

28 * Sec. 15. The Department of Administration may enter into one or more
29 lease-financing agreements with the Alaska State Housing Authority for the

1 refinancing, up to a total of \$40,000,000, of equipment purchases by the
2 state under a master lease program.

3 * Sec. 16. Section 15 of this Act gives the approval referred to in
4 AS 36.30.080(c).

5 * Sec. 17. This Act takes effect immediately under AS 01.10.070(c).
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156

SENATE COMMITTEE REPORT

FURTHER

FIN

3/9/89

DATE TURNED INTO OFFICE

3/21/89

Mr. President:

L&C

Committee considered

SB 156

regulation of nurse aides by the Board of Nursing; efd

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 2/3/89

MEMBERS SIGNING DO PASS

[Handwritten signatures]

OTHER RECOMMENDATIONS

[Handwritten signature]
 Chairman signature and recommendation

Committee Backup attached

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
 Title: An Act relating to the regulation of BRU: Occupational Licensing
nurse aides by the Board of Nursing; and providing for an effective date.
 Sponsor: Rules Committee Components: Administration
 Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Under the Nursing Reform Act of 1987 (PL 103-200), the federal government requires each state to create a nurse aide training and certification program and to begin implementation of the program at the start of 1989. As a result, funding of \$96.1 is being provided to the Division of Occupational Licensing by interagency receipts from the Division of

Prepared by: Jennifer Strickler, Administrative Officer Phone: 465-2144
 Division: Occupational Licensing Date: January 19, 1989

Approved by Commissioner: Larry Merculieff, Commissioner Date: 1/2/89
 Agency: Dept. of Commerce & Economic Development

Distribution (by preparer):

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

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to the reg-
ulation of nurse aides
Sponsor: Rules Committee
Requestor: Governor

Agency Affected: Health & Social Services
BRU: Medical Assistance
Administration
Components: Certification &
Licensing

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	-0-	-0-				
TRAVEL	-0-	-0-				
CONTRACTUAL	-0-	128.2				
SUPPLIES	-0-	-0-				
EQUIPMENT	-0-	-0-				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	128.2	-0-	-0-	-0-	-0-

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

GENERAL FUND	-0-	64.1	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	64.1				
OTHER						
TOTAL	-0-	128.2	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) An increment has been included within the Governor's FY90 budget request to pay for expenditures associated with the nurse aid registry in FY90. Of this request, one-half or 64.1 are general funds and an equal amount are federal funds.

Prepared by: Kim Busch, Director
Division: Medical Assistance

Phone: 465-3355

Date: _____

Approved by Commissioner: *Blanche Beum, Acting*
Ilyra N. Munson, Commissioner
Agency: Department of Health and Social Services

Date: February 1, 1989

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



154

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 3, 1989

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

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that will authorize the Board of Nursing in the Department of Commerce and Economic Development (DCED) to adopt regulations that establish a program for certifying nurse aides.

A recent federal law requires states to certify the education and competency testing, and to register, nurse aides. Without this certification program, the state's long-term-care facilities will no longer qualify for medicare and medicaid money.

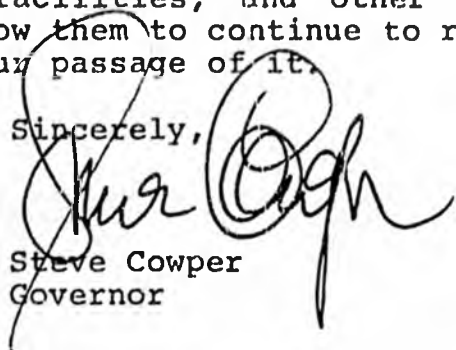
The division of medical assistance, in the Department of Health and Social Services, and the division of occupational licensing in DCED are jointly developing the education and competency testing components of this program. These agencies have agreed that the licensing and certification aspects should be in the division of occupational licensing, and the Board of Nursing has agreed to assume responsibility for the regulation of nurse aides.

The effective date of the requirement that a person be certified and registered before practicing as a nurse aide is delayed until January 1, 1990, to allow persons currently practicing as nurse aides to continue doing so until they have a reasonable opportunity to meet the standards and requirements that will be developed under sec. 2 of this bill.

The divisions understand that the federal government will provide approximately 90 percent of the costs of running this program in FY 89 and FY 90. After that, the state will have to assume the cost of the program.

Because this bill will advance the quality of care that provided by long-term-care facilities, and other health care facilities, and will allow them to continue to receive federal assistance, I urge your passage of it.

Sincerely,



Steve Cowper
Governor

Medical Assistance in the Department of Health and Social Services. The federal government is funding a portion of the \$96.1 for FY 89 and FY 90; after which, the costs to run the program will be built into the occupational licensing operating budget. Therefore, new funds are not required at this time.

DAVID T. WALKER
ATTORNEY AT LAW
MENDENHALL BUILDING
326 FOURTH STREET, SUITE B
JUNEAU, ALASKA 99801
(907) 586-3537

March 14, 1989

HAND DELIVERED

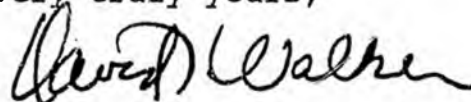
Senator Dick Eliason, Chairman
Senate Labor & Commerce
Capitol Building, Room 417
Juneau, Alaska 99801

Dear Senator Eliason:

I am the registered Lobbyist for the Alaska Nurses' Association. I would appreciate it if you or a member of your staff would contact me if you have any question or suggestion concerning legislation treating nurses, nursing, or the regulation of the practice of nursing.

The Association is the largest nursing organization in Alaska. The Association has always appreciated the Legislature's interest in providing quality health care and appreciates the opportunity to work with the Legislature to improve health care, and contain health care costs.

Very truly yours,



David T. Walker

DTW:ndp

cc: Constance Trollan

S B

162

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 2/9/89
IN ACCORDANCE WITH UNIFORM RULE 23



FURTHER FINANCE

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

DATE TURNED INTO OFFICE 2/29/89

2/6/89

Mr. President:

SB 162

L&C Committee considered _____

reviving the simplified refinancing mortgage loan purchase program of
the Alaska Housing Finance Corporation; efd

and recommended:

- replace with CS _____ same title
- attached amendment(s) and new title
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) attached zero
 appropriation no FN attached

fiscal impact
 Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS
[Signature]
[Signature]

OTHER RECOMMENDATIONS

[Signature]
Chairman signature and recommendation

Committee backup attached

February 13, 1989

Senator Dick Eliason, Chairman
Labor and Commerce Committee
Alaska Senate
P.O. Box B
Juneau, AK 99811

Dear Senator Eliason:

I request that when your committee hears proposed SB162 on Friday, February 17, you consider amending the bill to provide services now denied to seven-hundred (700) to eight-hundred (800) Alaskans -- refinancing of AHFC rental mortgage loans from sixteen (16) to thirty (30) years, as has already been provided to HOAP mortgage holders. If this is not done, rental mortgage holders likely represent the next category of AHFC foreclosures.

Between 1982 and July 1987, AHFC required that all AFHC mortgage holders reside in the home. If not, in order legally to rent the home to another party, the mortgage holder had to apply for and be granted a waiver, which was difficult to obtain, or refinance the loan from a flat interest rate into a no-cap interest rate.

Numerous realtors informed me in 1987 that many AHFC mortgage holders were simply moving out of their homes and renting the homes to other persons, without waivers and without refinancing. I did not do this. Instead, I complied with the rules and refinanced my AHFC home in Anchorage into a rental when I bought other property near my job in Eagle River in October 1987. The bank which did the paperwork on both loans had not been informed in October 1987 that the requirement for such refinancing had been withdrawn two months previously, so the house was refinanced into a rental with a no-cap interest rate.

My present status is that I rent the Anchorage property to an individual, and I use the rental check plus over two-hundred dollars (\$200) from my own income to keep the Anchorage mortgage payments current. My Eagle River mortgage payment effective February 1, 1989 was increased almost \$100 because of an increase in interest rates. Next year, when my Eagle River mortgage payment again increases, I will be unable to subsidize the AHFC property any longer. It will be foreclosed on.

In the meantime, Ron Lehr, Director of AHFC, informed me in a public meeting on January 26, 1989 that AHFC refuses to consider refinancing rental mortgage loans because within five (5) years the homes will be sold, the mortgages rolled over and the problem will no longer exist. I asked him who plans to purchase my AHFC-financed Anchorage property bearing a \$30,000 negative equity.

He failed to respond to that inquiry, but he did state that AHFC will think about putting a lid on rental mortgage payment increases. I replied that to do so would be a step in the right direction, however, unless AHFC can control the

national inflation rate, the increases in the mortgage where I reside will prevent me in 1990 from subsidizing the AHFC loan.

At this same time, if what the realtors told me was accurate, is it possible that Alaskans who simply moved away from their AHFC property and rented it to others without refinancing are now being rewarded, in effect, because AHFC is refinancing loans from sixteen (16) to thirty (30) years? Had I simply moved and rented the property out, would I now find myself eligible for refinancing to thirty (30) years?

The Ombudsman learned, when I requested his assistance, that in 1988 when AHFC began its refinancing to thirty (30) years program, apparently a computer error resulted in some rental mortgage holders being sent applications for refinancing. Approximately a half-dozen were actually processed and refinanced before the mistake was discovered. The rest of us remain unrefinanced.

I stated at the January 26, 1989 public meeting that it is incomprehensible to me how AHFC is permitted to operate by applying statutory law in a manner that all Alaskans are not handled the same. There is case law on this subject:

When the state distributes benefits equally, distinctions it makes are subject to scrutiny under equal protection, 14th Amendment.
Zobel v. Williams, 102 S.Ct. 2309

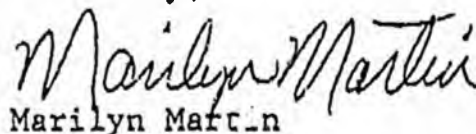
A statute fair on its face which is discriminatory in its application or its effect is repugnant to the Constitution.
State v. Norene, 457 P.2d 926

I, and hundreds of other Alaskans, will appreciate your introducing an amendment which will require AHFC to re-finance rental mortgages to thirty (30) year loans. I am not requesting financial subsidy, as provided to HOAP loan holders, only the same length mortgage for which they are eligible.

Should you have any questions, I may be reached at 276-3363 (work) or at 694-3303 (home).

Thank you for your consideration.

Sincerely,


Marilyn Martin

cc: Senator Rick Halford
Senator Tim Kelley
Representative Sam Cotten
Representative Randy Phillips



520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

January 5, 1989

Duncan C. Fowler
Ombudsman
P. O. Box WO
Juneau, AK 99811-3000

Re: Ombudsman Complaint A88-1103 and A88-1141

Dear Mr. ~~Fowler~~ *Duncan*

I am in receipt of your final analysis and recommendations regarding A88-1103 and A88-1141 concerning the Home Owners' Assistance Program and Rental Refinance Program.

While I understand that no response is specifically required of AHFC, however, I wished to express my concurrence with your recommendation that AHFC make every effort to notify borrowers and servicers of changes before they occur. We have tried to do so in the past and will continue do our best to notify servicers and the public of any changes in as far advance as possible.

Sincerely,

A handwritten signature in cursive script that reads 'Ron Lehr'.

Dr. Ronald D. Lehr
Executive Director

MN:ec



State of Alaska
ombudsman

Duncan C. Fowler

December 16, 1988

Ron Lehr, Executive Director
Alaska Housing Finance Corporation
Post Office Box 101020
Anchorage, Alaska 99510

ALASKA
HOUSING

DEC 20 1988

FINANCE
CORP.
RECEIVED

Reply to:

P.O. Box 102636
Anchorage, AK 99510-2636
(907) 583-3673
(800) 478-2824

P.O. Box W0
Juneau, AK 99811-3000
(907) 465-4970
(800) 478-4970

P.O. Box 74358
Fairbanks, AK 99707
(907) 452-4001
(800) 478-3257

RE: Ombudsman Complaint A88-1103 and A88-1141

Dear Dr. Lehr:

My Anchorage office received two related complaints against the Alaska Housing Finance Corporation (AHFC). These complaints allege that the agency acted arbitrarily by:

- (1) initially requiring borrowers who wanted to rent out their homes to participate in the Rental Refinancing Program (RRP), and then, a year later, allowing borrowers to rent out their home, without the RRP requirement;
- (2) refusing to allow RRP participants to apply for the agency's Home Owner Assistance Program (HOAP);
- (3) sending HOAP applications to RRP participants, but only allowing select RRP participants to participate in HOAP, and;
- (4) changing the guidelines for the type of loan it would accept for purchase after it indicated to the borrower's lender the borrower's loan would be accepted for purchase.

Assistant Ombudsman Penelope Horter investigated these complaints. Her investigation is complete and her report, along with my findings and recommendations are incorporated in this letter.

INVESTIGATION

In investigating the complaint, Ms. Horter spoke with the complainants; Betty Cook, Mortgage Director; Margaret Nelson, Public Information Officer; and received documentation from both AHFC staff and the complainant. A senior administrator at a major lending institution, who wishes to remain anonymous, was also interviewed during the investigation.

Ron Lehr

- 2 -

December 16, 1988

History

AHFC implemented the RRP to provide a simple refinancing program to home owners who wanted to convert their homes into rentals. AHFC loans which closed between 1982 and 1987 included a rider, to the deed of trust, which required the home be continually owner-occupied during the life of the loan. This rider was required by AHFC because bond requirements stated that loans sold on homes must be owner-occupied. At times, AHFC waived the rider and allowed some borrowers to rent their homes, however, waiver requirements were strict.

The RRP was developed by AHFC in 1986 so that people could rent out their homes and avoid foreclosure. The RRP required AHFC to self-insure loans under this program, as they no longer met bond requirements. In August 1987, AHFC's Board of Directors decided to allow borrowers to rent out their homes without going through the RRP. To continue to meet bond requirements, conversion to rental was allowed if the borrower had occupied the home for at least twelve months and they informed their servicer of their intent to rent their home.

The HOAP program was implemented by AHFC in December 1987 to provide financial assistance to eligible homeowners who were experiencing serious, on-going, financial difficulties. The HOAP application specifically stated that people who currently had a RRP loan were not eligible for the HOAP program.

Mortgage Guarantee Insurance Corporation (MGIC) administered the HOAP program for AHFC. Applications for the current phase of the HOAP program (HOAP II) were accepted by MGIC until October 31, 1988. Sometime after December 23, 1987, AHFC sent MGIC the list of all current AHFC borrowers to whom HOAP applications should be mailed. RRP borrowers were included on that list. Approximately six RRP borrowers completed and returned the HOAP applications and were approved by MGIC to close. All subsequent applications received by MGIC from RRP borrowers were returned to the borrowers.

RRP provides an adjustable rate mortgage with no subsidies by AHFC to the borrower. It is a fifteen year loan, with increasing loan payments after the fourth year of the loan. The HOAP program offers a fixed interest mortgage, payable over a thirty year period with monthly subsidies to home owners. HOAP also advances funds to home owners to bring a loan current. All subsidies to home owners under HOAP, are recovered in additional loan payments.

Complaints

Our complainants had financed the purchases of their primary residences through AHFC. They were restricted from converting their homes into rentals under the terms of the mortgage. Both complainants understood that to legally rent out their homes, they were required to participate in the Renters Refinancing Program (RRP). Neither borrower was informed that s/he would not be eligible for future AHFC programs if s/he applied for RRP. (The HOAP program, which began in 1988, offered AHFC subsidies and a longer repayment term.) Both complainants believed they were unfairly disadvantaged by this disparate treatment.

One complainant learned HOAP applications had been routinely mailed to RRP participants, and several RRP borrowers were allowed into the HOAP program.

Ron Lehr

- 3 -

December 16, 1988

In addition, Marilyn Martin's RRP loan see-sawed back and forth between the lender and AHFC for months because AHFC kept changing guidelines for loan acceptance.

In a letter to Ms. Cook from Ms. Martin's lender, Key Pacific Mortgage, dated October 10, 1988, Key Pacific states:

["Finally, we submitted the loan on July 25 with what we determined to be the exact documents AHFC wanted. According to the August 3 DNP memo, we succeeded in that respect. The crowning glory, however, was AHFC's decision not to purchase the loan simply because AHFC staff wanted to change the fire sale procedures, and until that was done, no loans would be accepted for purchase. This particularly frustrated us because we had received specific instructions permitting us to ship this loan from the very people that were not declining it (Ross Risvold and Debbie Sims).

We received the loan back from AHFC on August 5, and our Shipping Supervisor was bluntly told by Ross Risvold on August 8 that not only would AHFC not purchase the loan due to impending procedural changes, but the fact that it was a rental-refinance loan precluded it from ever being purchased. At no time to this point had we been notified, either in general seller/servicer memo form or a memo specific to Key Pacific, stating that AHFC would no longer accept these loans for purchase.

Our concern is that the lack of proper notification of not only the fire sale procedural changes (memo 88-10 dated September 8), but also the decision not to buy any rental-refinance loans caused us to lose the opportunity to sell the Martin loan. This was especially frustrating because we were given specific instructions by AHFC staff who never hinted at the possibility of future changes."]

Agency Response

Allegation #1: Agency initially required owners to refinance through RRP to rent out their homes, but shortly thereafter allowed other owners to rent without refinancing through RRP.

Ms. Cook said that owners who purchased homes between 1982 - 1987 could rent out their property without going through the RRP. AHFC tried to inform borrowers through advertising that they could legally rent their homes out without the RRP. However, Ms. Cook said that some borrowers may have believed that they were required to go through the RRP.

Allegation #2: Agency refuses to allow RRP participants to participate in the agency's HOAP program.

Ms. Cook said RRP loans cannot be easily sold on the bond market. The loans are self-insured by AHFC and therefore not financially attractive to a bond buyer. To sell

Ron Lehr

- 4 -

December 16, 1988

such loans, interest rates on bond sales of RRP loans may be high, making it expensive for AHFC to sell the bonds. If RRP loans were included in bond sales with HOAP loans, it would raise those interest rates as well. For this reason, AHFC does not allow RRP participants in the HOAP program.

AHFC does not believe it, or the lenders, can handle the number of applications that might be received if they opened the HOAP program to RRP participants. In addition, Ms. Cook believes other AHFC borrowers should have the opportunity to refinance, as RRP participants did.

At the time the RRP was in progress, AHFC had no plans for a HOAP program. People who entered the RRP, therefore, had no prior knowledge that they might be limited from participating in other AHFC programs. AHFC did not know what terms its future programs would contain.

Ms. Cook indicated the agency hopes to include RRP loans in the HOAP program as early as January or February of 1989. On the other hand, Ms. Cook cautioned that RRP loans may never be included in the HOAP program because of the problem of selling them on the bond market and because AHFC does not view RRP participants as being detrimentally affected by the current exclusion from HOAP. Also, AHFC may not have the time to offer the HOAP program to RRP participants.

Allegation #3: Agency sent HOAP applications to RRP participants but only allowed select RRP participants into the HOAP program.

AHFC realized an error had been made after HOAP applications were sent to RRP participants, and five or six HOAP loans were closed by MGIC for RRP participants. At that time, AHFC and MGIC refused to accept any more HOAP applications from RRP program participants.

Ms. Cook assumes all RRP participants were included in the list AHFC sent to MGIC for the mailing of HOAP applications. There are 700-800 people currently in the RRP program. AHFC staff discussed the mistake and decided they should allow the five or six RRP participants who had been notified their HOAP loan had closed to stay in the program. Subsequent HOAP applications from RRP participants were not accepted. She believes this decision was not an arbitrary one by the agency. AHFC realized it had made a mistake, and corrected it.

Allegation #4: The agency acted arbitrarily in changing the guidelines for the type of loan they would accept of purchase after they indicated to the borrower's lender the borrower's loan would be accepted for purchase.

Ms. Nelson said that servicers are usually given three to four months notice that guidelines are going to change.

FINDINGS AND ANALYSIS

Allegation #1: The agency acted arbitrarily in requiring people who wanted to rent out their homes to go through the RRP and a year later allowing anyone to rent out their home without going through the RRP.

The agency developed the RRP so people could legally rent out their homes. The structure of the AHFC Board of Directors changed a year later and the new Board implemented a more lenient owner-occupied policy.

Ron Lehr

- 5 -

December 16, 1988

The nature of the housing market in Alaska has changed dramatically over the past ten years. It is not unreasonable for the AHFC Board of Directors to attempt to address the fluctuating market by changing their policy toward the renting of owner-occupied homes.

I find the allegation that the agency acted arbitrarily in requiring people who wanted to rent out their homes to go through the RRP and a year later allowing anyone to rent out their home without going through the RRP to be unsupported.

Allegation #2: The agency acted arbitrarily in refusing to allow RRP participants into the HOAP program.

AHFC's refusal to allow RRP participants into the HOAP program is reasonable. AHFC is attempting to ensure that the greatest number of borrowers have an opportunity at a refinancing program. AHFC staff indicated the corporation may be able to offer HOAP to RRP participants in the future.

I find the allegation that the agency acted arbitrarily in refusing to allow RRP participants into the HOAP program to be unsupported.

Allegation #3: The agency acted arbitrarily in sending HOAP applications to RRP participants, but only allowing select RRP participants to participate in the HOAP program.

AHFC erred in sending a list to MGIC which included the names of RRP participants. RRP participants were informed on the HOAP application that they were not eligible for the HOAP program. Several RRP participants were approved for closing in the HOAP program before the error was detected. The agency subsequently refused to allow other RRP participants into HOAP, because to do so would have been extremely expensive for AHFC. AHFC staff indicated this type of mistake was not likely to occur again.

AHFC believed that it should honor the loans MGIC had closed under the HOAP program to RRP participants, because these people had already received notice of approval. This was a reasonable approach to take in correcting an error, although it could appear to those RRP participants who were unable to qualify for HOAP, as an arbitrary act by the agency.

I find the allegation that the agency acted arbitrarily in allowing only a few RRP participants into the HOAP program to be unsupported.

Allegation #4: The agency acted arbitrarily in changing the guidelines for the type of loan they would accept, after indicating to the borrower's lender they would purchase the borrower's loan.

Agency staff stated that servicers are ordinarily notified of changing guidelines three or four months before the change occurs. The agency regularly sends policy statements to servicers. The complainant's servicer, however, said the agency did not notify them of fire sale procedure changes or the agency's decision not to buy any RRP loans. My staff cannot ascertain whether or not the servicer was notified of changes in guidelines.

Ron Lehr

- 6 -

December 16, 1988

I find the allegation that the agency acted arbitrarily in changing the guidelines for the type of loan they would accept, after indicating to the borrower's lender they would purchase the borrower's loan, to be indeterminate.

My finding of record is that the complaints are unsupported, based on the agency's changing response to a fluctuating real estate market and the facts of the investigation.

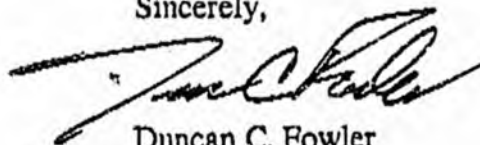
RECOMMENDATIONS

I recommend the agency make every effort to notify borrowers and servicers of changes in guidelines before those changes occur. I understand the agency sends out policy statements to servicers, and I urge the agency to make it's staff aware of the importance of notifying borrowers and servicers of changes in agency policy.

CLOSING

Ms. Horter asked me to thank your staff for their cooperation during this investigation. I am closing this complaint. If you have any questions concerning this letter, please contact me in Juneau at 800-478-4970 or Rosa Garner, Deputy Ombudsman in Anchorage at 277-8848.

Sincerely,



Duncan C. Fowler
Ombudsman

PWH:pjc

ALASKA MORTGAGE BANKERS ASSOCIATION

P.O. BOX 9-2691 / ANCHORAGE, ALASKA 99509-2691

February 17, 1989

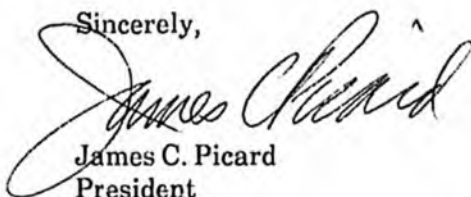
Senator Richard I. Eliason
Chairman, Labor and Commerce Committee
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Eliason:

The Alaska Mortgage Bankers Association supports passage of Senate Bill No. 162 which will give the Alaska Housing Finance Corporation authority to continue the simplified refinance of their existing mortgages.

Alaska continues to be in the grip of challenging times economically. While a large number of Alaskans were able to reduce their mortgage loan payments because of the original simplified refinance legislation, a majority of AHFC homeowner's still are carrying loans at artificially high rates or with unnecessary scheduled ABE increases. Giving AHFC ongoing authority to lower homeowner costs will benefit everyone and assist in a quicker economic recovery. Finally, we do not advocate the use of an adjustable interest rate by AHFC. If the corporation refinances an ARM loan, the new loan should be at a fixed rate, minimizing future payment increases.

Sincerely,



James C. Picard
President

S B

174

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 2/23/89
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER FINANCE

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

DATE TURNED INTO OFFICE 2/28/89

2/14/89
Mr. President:

L&C

Committee considered SB 174

letters of credit issued by banks

and recommended:

replace with CS _____ same title

attached amendment(s) and new title

_____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) attached zero
 appropriation no FN attached

fiscal impact
 Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

[Handwritten signatures]

OTHER RECOMMENDATIONS

[Handwritten signature]
Chairman signature and recommendation

Committee backup attached

FISCAL NOTE

REQUEST:

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

EXPENDITURES / REVENUES : (Thousands of Dollars)

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

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

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

FUNDING: (Thousands of dollars)

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

POSITIONS:

FULLTIME	0	0	0	0	0	0
PARTTIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Willis F. Kirkpatrick, Director Phone: 465-2521
 Division: Banking, Securities and Corporations Date: 2-22-89
 Approved by Commissioner: Larry Mercurief Phone: _____
 Agency: Department of Commerce & Economic Development Date: 2/24/89

Distribution (by preparer):

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

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

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

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

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


Larry Mercurieff, Commissioner
Department of Commerce and Economic
Development

Date: 2/24/89

LM/WFK/dgl3399D
022389a

Key Bank of Alaska

A KeyCorp Bank



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

February 23, 1989

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

Re: SB 174 - Letters of Credit

Dear Mr. Homan:

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

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

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

wag/pm.3
letters.cre

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

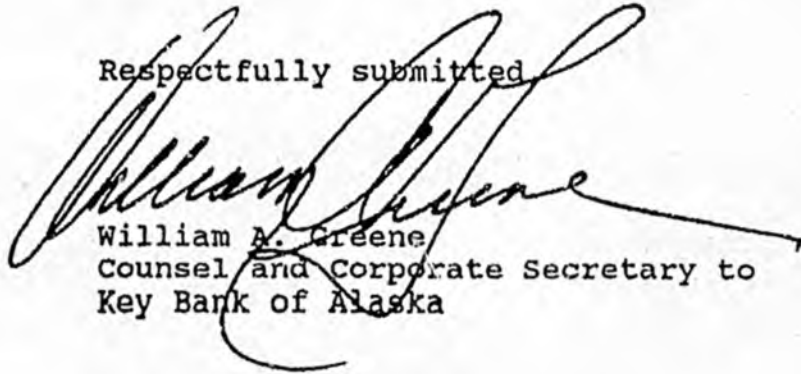
There is no durational limitation on letters of credit which national banks may issue, but AS 06.05.275(a) limits state-chartered banks' letters of credit to a duration of one year. It is interesting to note that the original legislative purpose in adopting this statute was "to improve the competitive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

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

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

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

Respectfully submitted

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

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

WAG/ag

Alaska Business News Summaries

Edited by Shehla A. Bradner

KeyBank Purchases Failed Alaska Statebank Assets

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

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

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

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

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

Alaska journal of Commerce

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

KeyCorp picks Alaska for first

By IMRE NEMETH

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

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

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

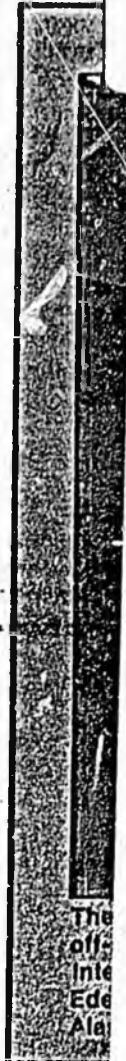
"Certainly they've come to realize that Alaska's ties with the Pacific Rim are so large and important," Jock said from his Seattle office last week. "They are looking now at how best to approach the market and support it."

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

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

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

See INTERNATIONAL, Page 2



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Industrial St

INTRODUCTION OF BILLS (Senate)

SB 173 (cont'd)

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

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

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

Letters of Credit

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

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

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

Consumption of Alcohol During Pregnancy

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

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

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

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

S B

177

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 2/2/89
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035
2/16/89

DATE TURNED INTO OFFICE 3/6/89

Mr. President:

L&C Committee considered SB 177

exempting employment of more than eight but no more than 10 hours a day in certain workweek schedules of no more than four days during a seven day period from the requirement of paying overtime wages; efd

and recommended:

- replace with CS _____ same title
- attached amendment(s) and new title
- _____ letter of intent adopted
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

FISCAL NOTE(S) attached zero fiscal impact
 appropriation no FN attached Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

[Handwritten signatures]

OTHER RECOMMENDATIONS

[Handwritten: Patrick Foley no rec.]

[Handwritten signature]
Chairman signature and recommendation

Committee backup attached

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: SB 177
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Labor
Title: "An Act exempting employment
of more than eight ... hours..." BRU: Labor Standards & Safety
Sponsor: Adams Components: Wage & Hour
Requestor: Senate Labor & Commerce

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Tom Stuart, Director *TS* Phone: 264-2452
Division: Labor Standards & Safety Date: 2/23/89
Approved by Commissioner: Jim Sampson *JS* Date: 2/23/89
Agency: Department of Labor

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

Bill No: Senate Bill No. 177

Date:

March 6, 1989

Title: "An Act exempting employment of more than eight but no more than 10 hours a day in certain workweek schedules of no more than four days during a seven day period from the requirement of paying overtime wages; and providing for an effective date."

Contact: Tom Stuart
Eileen Plate
465-2700

Senate bill No. 177 proposes an exemption from Alaska's overtime law for employment meeting certain criteria.

Under current law, the payment of overtime is required after 8 hours work per day and after 40 hours work per week. Under the provisions of this bill, overtime would not be required after 8 hours in a day if

- (1) the employees voluntarily agree to the pay/work hour plan and the plan is approved by the Department of Labor;
- (2) the work is divided equally between two crews who perform similar tasks but who do not work at the same time;
- (3) the two crews each work three or four (no more - no less) consecutive days per week;
- (4) the employees work at least 30 hours per week; and
- (5) the employees do not work more than 10 hours per day.

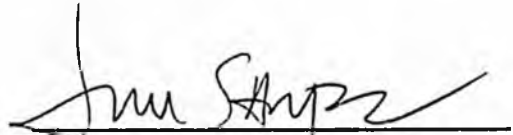
The Department's understanding is that the proposed exemption is an effort to permit workers in rural Alaska to participate in the workforce and minimize the impact on their cultural and subsistence life styles. The provisions of the bill are designed to achieve this by permitting two crews to each work, for example, 3 1/2 days per week (three 10-hour days and one 5-hour day); and, thereby have 3 1/2 days per week to pursue cultural and subsistence activities. Such a work schedule, under current law, would require the payment of 6 hours overtime per week for each worker.

POSITION PAPER/Department of Labor

The Department of Labor is historically opposed to exemptions from Alaska's overtime laws as such exemptions are an exploitation of workers. The purpose of overtime laws is to provide an economic disincentive to employers for working employees excessively. Workers should be able to make a living wage working no more than eight hours per day and 40 hours per week; and the premium pay which is required under current law for hours worked beyond these standards is designed to assure this. Nonetheless, it is difficult to argue against the provisions of Senate Bill 177 which are designed to accommodate the personal lifestyles of Alaskan workers.

In view of the bill's objectives, along with the very specific and narrow nature of the exemption, the Department's position on Senate Bill 177 is neutral.

APPROVED:

A handwritten signature in black ink, appearing to read "Jim Sampson", written over a horizontal line.

Jim Sampson, Commissioner
Department of Labor

Alaska State Legislature

Al Adams
District L

WHILE IN SESSION
P.O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-3707

OUT OF SESSION
P.O. Box 333
Kotzebue, Alaska 99752
(907) 442-3245

3111 C Street
Anchorage, Alaska 99503
(907) 561-7622

Official Business

February 21, 1989

TO: Senator Dick Eliason, Chairman
Senate Labor and Commerce Committee

FROM: Senator Al Adams *AAA*

RE: SB 177: "An Act exempting employment of more than eight but no more than ten hours a day in certain workweek schedules of no more than four days during a seven day period from the requirement of paying overtime wages; and providing for an effective date."

I would appreciate it if you would schedule SB 177 for a hearing in the Senate Labor and Commerce Committee at your earliest convenience.

I introduced SB 177 because of the attached April 21, 1988 ruling from the Wage and Hour Division of the Department of Labor. Until this ruling, the Department of Labor did approve flexible work hour plans where the employees worked less than a 40 hour work week.

The new ruling by the Division of Wage and Hour states that "in order for the flexible work hour plan to be acceptable to the Department of Labor, the employee must be working 40 hours within the four days. (40 hours a week and not more than 10 hours a day)." It goes on to say that "any employee schedule of hours for less than 10 hours a day, 4 days a week is not acceptable as a flexible work hour plan and all hours over 8 per day must be compensated at one and one-half times the regular pay."

Certainly there are situations, especially in rural Alaska where we have a high unemployment rate and high cost of living and lack of alternate employment, when this flexible work hour plan needs to be a little more flexible....like it was until this past April.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF LABOR

3301 EAGLE STREET
P.O. BOX 107021
ANCHORAGE, ALASKA 99510-7021
PHONE: (907) 264-2452

April 21, 1988

LABOR STANDARDS & SAFETY DIVISION

Mr. David Freeman
Owens & Turner
1500 West 33rd Avenue, Suite 200
Anchorage, Alaska 99503-3639

WHOL #78

Dear Mr. Freeman:

RE: TMS Inc. Flexible Work Hour Plan

Enclosed is the Department's approval of your client's plan. I would like to take this opportunity to clarify the Department's position with regard to flexible work hour plans.

Alaska Statute 23.10.060(18)(b) clearly states that the approving certificate covers a flexible work hour plan which states the work is for 40 hours a week and not more than 10 hours a day; for work over 40 hours a week or 10 hours a day under a flexible work hour plan not included as part of a collective bargaining agreement, compensation at the rate of one and one-half times the regular rate of pay shall be paid for the overtime.

Therefore, in order for the plan to be acceptable to the Department, the employee must be working 40 hours within the four days (40 hours a week and not more than 10 hours a day). Overtime must be paid for all hours in which work is performed beyond this schedule. The plan must provide for three days off or the hours worked on the employee's scheduled days off are to be compensated at one and one-half times the regular rate of pay. Any employee schedule of hours for less than 10 hours a day, 4 days a week is not acceptable as a flexible work hour plan and all hours over 8 per day must be compensated at one and one-half times the regular rate of pay.

From my review of your client's plan, it appears to comply with these provisions.

If you have further questions, please contact me.

Sincerely,



Thomas E. Stuart, Jr.
Director
Labor Standards & Safety

Enclosure

TES/JRC:ras
PC2001

COPY

NORTHWEST ARCTIC BOROUGH

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

February 23, 1989

Senator Albert Adams
P. O. Box V
Juneau, Alaska 99811

This letter supports Senate Bill 177 entitled "An act exempting employment of more than eight but no more than 10 hours a day in certain workweek schedules of no more than four days during a seven day period from the requirement of paying overtime wages..."

The borough is supportive of such legislation because it permits employment opportunities that were denied to residents of Selawik and other villages in the Northwest Arctic Borough.

This past year there were attempts by contractors on an airport project funded by the state to hire two separate crews to work for 35 hours per week at 10 hours per day and a second shift as a comparable crew to do the same thing so that several benefits would accrue to both parties as follows:

- more local people would be employed;
- a 3 1/2 workday and days off would permit employees to accomplish both work and village duties without sacrificing either responsibility;
- the contractor could work long hours in a remote location without bringing in outside, out-of-region employees;
- the intent and integrity of local hire in an economically depressed zone would be addressed; and
- it would satisfy both the contractor and potential workers.

Unfortunately the strict interpretation of Alaska Department of Labor regulations stopped an appeal from even reaching a review by the Commissioner.

In a previous year, this employment practice was used in another village (Noatak) with excellent results. However, a subsequent request and ruling stopped this process from continuing.

When the people, employees, contractors, and local governments see this as an excellent vehicle to exercise initiative, it is unfortunate that State regulations forbid this practice.

For those above listed considerations I urge you to vigorously push for an amendment to State law as represented in Senate Bill 177.

Thank you,


Chuck Greene, Mayor

cc: Rep. Eileen MacLean
Office of the Governor
Assembly Members
Alaska Municipal League
City Councils
Maniilaq Association
Maniilaq Manpower
NANA Regional Corp.
Kikiktagruk Inupiat Corp.

S B

190

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 3/2/89
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

DATE TURNED INTO OFFICE 3/6/89

2/24/89

Mr. President:

L&C

SB 190

Committee considered

changing the name of the Alaska State Building Authority; efd

and recommended:

[] replace with CS SB 190 (L+C) [] same title

[] attached amendment(s) and [] new title

[] _____ letter of intent adopted

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

FISCAL NOTE(S) attached [] zero
[] appropriation no FN attached

[] fiscal impact
[] Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures: Robert Roden, Kate Roden, Jane Fink]

[Handwritten signature: D. Ross]
Chairman signature and recommendation

[] Committee backup attached



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 24, 1989

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

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill changing the name of the Alaska State Building Authority back to the Alaska State Housing Authority (the authority), the original name in effect from the advent of statehood to 1936. The introduction of this bill was requested by the board of directors of the authority.

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

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

I urge your favorable action on this bill.

Sincerely,

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

Steve Cowper
Governor

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: SB 190
PUBLISH DATE: 2/24/89

FISCAL NOTE

REQUEST:

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

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

Sponsor: Rules Committee
Requester: Governor

Components: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

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

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

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

FUNDING: (Thousands of dollars)

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

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
EMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

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

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

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

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

Phone: 465-2500
Date: 2/23/89

Distribution (by preparer):

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

3400D-1/02: 389a

FISCAL NOTE

REQUEST:

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

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

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

Components: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

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

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

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

FUNDING: (Thousands of dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

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

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

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

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

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

Distribution (by preparer):

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

go0789sE
Lauterbach
3/6/89

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

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

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act changing the name of the Alaska State Build-
7 ing Authority; and providing for an effective date."

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

9 * Section 1. AS 18.55.020(a) is amended to read:

10 Sec. 18.55.020. ALASKA STATE HOUSING [BUILDING] AUTHORITY. (a)
11 There is created in the Department of Commerce and Economic Develop-
12 ment the Alaska State Housing [BUILDING] Authority consisting of the
13 commissioner of commerce and economic development or the commission-
14 er's designee and four residents of the state.

15 * Sec. 2. To be consistent with the name change made by sec. 1 of this
16 Act, wherever in the Alaska Statutes and in regulations adopted under those
17 statutes "Alaska State Building Authority" is used, it shall be read as
18 referring to the Alaska State Housing Authority. Under AS 01.05.031, the
19 revisor of statutes shall implement this section in the statutes, and,
20 under AS 44.62.125(b)(6), the regulations attorney shall implement this
21 section in the administrative regulations.

22 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).
23
24
25
26
27
28
29

S B

191

SENATE COMMITTEE REPORT

FURTHER

FIN

4/5/89

DATE TURNED INTO OFFICE 4/6/89

Mr. President:

LABOR & COMMERCE

Committee considered

SB 191

employment contributions and to the establishing of employment and training programs; efd

and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS SB 191 (C+RA)) 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 4/5/89

MEMBERS SIGNING DO PASS

[Signature]
[Signature]

OTHER RECOMMENDATIONS

[Signature]
 Chairman signature and recommendation

Committee Backup attached



SENATOR FRED F. ZHAROFF
ALASKA STATE LEGISLATURE

P.O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:

P.O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

APRIL 1, 1989

MEMORANDUM

TO: SENATOR DICK ELIASON

FROM: SENATOR FRED F. ZHAROFF

RE: SB 191

A handwritten signature in black ink, appearing to read "Fred F. Zharoff", written over the "FROM" line of the memorandum.

I am writing to request your serious consideration and support for SB 191 when it reaches your committee.

As you are well aware, many rural Alaskans are having difficulty finding jobs and meeting the challenges of technological change required for the jobs that are available. Currently, Alaska is one of only 6 states that does not provide any state funded employment training program.

SB 191 remedies that situation in a unique way. Similar to the California employment and training program, SB 191 will generate up to \$2.5 million dollars over a two year period to help meet the training needs of unemployed Alaskans as well as encourage employers to hire these Alaskans.

Please give this measure your careful consideration and move it out of your committee at your earliest convenience.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 24, 1989

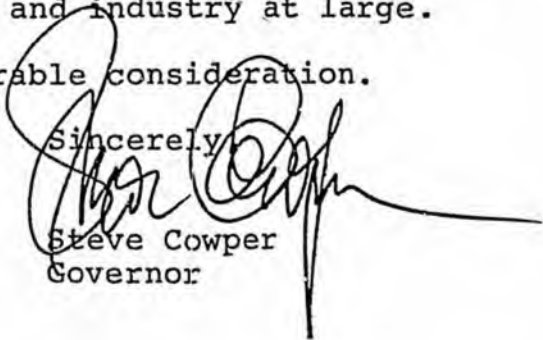
The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to create a two-year pilot project program to increase training opportunities for Alaskans severely affected by fluctuations in the Alaskan economy or by technological changes in the work place. The bill would allow the Alaska Department of Labor to award a grant to the existing State Job Training Coordinating Council to administer the program and to provide grants to qualified employment assistance and training entities, according to priorities established by the department after solicitation of comments from key organizations with experience in the training needs of the state. The department would also be authorized to award grants directly to the training entities.

The bill was designed to prevent this new state training program from competing with existing programs, and to meet current unmet training needs in the state. Additionally, the bill is designed so that the program will be funded by legislative appropriation of a small portion of the employee contribution under the current statute, earmarked for this purpose, rather than by general fund money, yet without violating the dedicated-fund prohibition in art. IX, sec. 7, of the Alaska Constitution. I view the bill as a strong step forward in allowing the state to design employee training programs to meet the needs of the employees, employers, unions, and industry at large.

I urge your prompt and favorable consideration.

Sincerely,

Steve Cowper
Governor

Senate Bill No. 191

Proposal

Senate Bill No. 191 establishes a two-year pilot program to increase training opportunities for Alaskans whose livelihood is affected by changes in Alaska's economy or by technological changes in the workplace.

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

Description of Problem

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

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

job training programs is required to provide more flexibility in structuring programs in the best interest of Alaska's employers and residents.

Inasmuch as State General Fund monies are scarce, the Department feels that other financing methods needed to be explored; and Senate Bill No. 191 offers another way to fund state job training programs. The funding mechanism proposed will permit training programs to be matched to Alaska's employment needs, not constrained by inappropriate federal restrictions and guidelines.

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSSB 191 (C&RA)

PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "An Act relating to employment
 contributions...and training programs"
 Sponsor: Rules Committee
 Requestor: Senate Community & Regional
 Affairs

Agency Affected: Labor
 BRU: Employment Security
 Components: _____
Unemployment Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Judy Knight, Deputy Director

Phone: 465-2700

Division: Employment Security Division

Date: 3/21/89

Approved by Commissioner: Jim Sampson

Date: 3/21/89

Agency: Department of Labor

Distribution (by preparer) :

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

Fiscal Note Analysis
for

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

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

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

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

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

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

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

Assumptions:

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

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: SB 191
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PAKT-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Judy Knight, Deputy Director Phone: 465-2700
 Division: Employment Security Division Date: 2/24/89
 Approved by Commissioner: Jim Sampson Date: 2/24/89
 Agency: Department of Labor

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

Fiscal Note Analysis
for

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

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

Revenue calculations for FY 90 and FY 91 are as follows (in 000's):

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

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

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

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

Assumptions:

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



State of Alaska

Department of Community and Regional Affairs

David G. Hoffman, Commissioner

P.O. Box B

Juneau, Alaska 99811

(907) 465-4700

MEDIA RELEASE

Rural Development Division
Release Date: 3-3-89; For Immediate Release

Contact: Bill Mailer
Phone: (907) 563-1955

Subject: Governor's Bill Would Create New Employment Assistance and Job Training Opportunities

Alaskans who are having difficulty finding jobs will get some additional help from the state if a bill introduced by Governor Steve Cowper is approved by the Legislature. Senate Bill 191 proposes the creation of a new state program designed to work alongside existing federal programs which provide employment assistance and job training. The Governor first proposed the job training initiative in a speech last month at a private industry conference in Anchorage. "We would take a small percentage of the dollars that employees pay into the State Unemployment Insurance System, about \$2.5 million a year, and we're going to take some of this money and create a job training program with it. We think it's wise to do that; we think it's a good use of that money." Cowper said. The program would operate initially for two years on a pilot-program basis.

Because the new job training program would be state-funded, it could be customized to better reflect the actual needs of Alaskan workers and the special conditions of Alaska's economy and work place. Many Alaskans who are not eligible to participate in the existing federal programs would be eligible to participate in the more flexible state program proposed in the bill.

- more -

The new program would not require the use of any new general funds. Instead the program would be funded by using a small fraction of the unemployment taxes which employees pay into the state's unemployment insurance fund. If the concept works as planned, the increase in job training will help more Alaskans find jobs and reduce the number of people on the unemployment roles. The reduction in unemployment payments is expected to more than offset the cost of the job training programs and would result in a net gain for the state's unemployment insurance fund.

The new state-funded job training program would be administered by the State Job Training Coordinating Council which oversees the existing federally-funded job training programs. The Council will award grants to one or more entities which provide employment assistance and job training services. To avoid duplication of services, the bill permits the Council to award the new state-funded grants only to those service providers which would not replace or compete in any way with existing job training programs.

As specified in the bill, the services provided by the new state job training program can include industry-specific training, on-the-job-training, job-related classroom training, relocation assistance, living allowance while in training, and the provision of necessary tools and other necessities required to obtain or retain employment. Each year, based on studies of unemployment conditions and industrial projections, the state program will focus its funding on training projects and services which most directly address actual Alaskan job training and employment service needs.

- end -





ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION

March 15, 1989

Honorable Al Adams
Chairman
Community and Regional Affairs Committee
Alaska State Senate
P. O. Box V
Juneau, AK 99811

Dear Senator Adams:

This letter is to express AEDC's support for Senate bill 191, which would provide additional training monies to backstop existing programs and provide added training flexibility for economic development applications.

While there are currently several training programs offered or administered by the State of Alaska, there are many gaps and inadequacies when all programs are viewed as a whole. For example, the federal JTPA program addresses only the on-the-job training needs of those with extremely low incomes. Most displaced Alaska workers do not qualify.

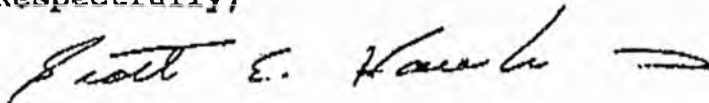
Further, existing programs are inadequate for economic development purposes. There is an urgent need for additional funds that can be used to design training incentives for use in attracting new industries or expanding existing basic industry. This was brought to our attention very forcefully in our negotiations and conversations with Federal Express. Alaska is viewed by investors as having a workforce of limited size and depth, which acts as an impediment to the new industry investments that will be needed to offset the statewide economic impact of the gradual decline of the Prudhoe Bay oilfield in the 1990s.

550 West 7th Avenue
Suite 1130
Anchorage, AK 99501
Telephone (907) 258-3700
FAX (907) 258-6646

Honorable Al Adams
March 15, 1989
Page -2-

As a final note, we have been impressed by the Cowper Administration's progress in coordinating the State's several existing training agencies. In this context, it appears that SB 191 would be a good use of training resources. It would also be a good first step toward bringing Alaska's training programs up to the level currently offered by many other U.S. states.

Respectfully,



Scott E. Hawkins
President

pc: Honorable Steve Cowper
Governor of Alaska

Honorable David Hoffman
Commissioner
Department of Community and Regional Affairs

Honorable Larry Mercurieff
Commissioner
Department of Commerce and Economic Development

213kr



INTERNATIONAL BROTHERHOOD OF PAINTERS AND ALLIED TRADES

A.F.L.-C.I.O.

LOCAL UNION #1555

P.O. Box 1428

Fairbanks, Alaska 99707

(907) 457-4444

MIKE ANDREWS
Business Representative
Financial Secretary

Members of the Senate
Community & Regional Affairs Committee
Alaska Legislature
Juneau, Alaska

March 8, 1989

Dear Chairman Adams and Committee Members,

The International Brotherhood of Painters & Allied Trades Local Union #1555 has reviewed Senate Bill #191, "An act relating to employment contributions and to the establishment of employment and training programs" and we wish to go on record as an organization that supports this legislation.

You have an opportunity to help unemployed Alaskans through this legislation by providing something more than welfare. This bill would assist them in training programs and offer new avenues upon which to start or build careers.

As well, SB #191 allows the state to implement a sound employment and training policy controlled by the state while creating a necessary conduit for enhanced cooperation between state agencies to provide services through private and public vendors. This shall diversify the economy in several ways and place monetary and personal value back into Alaska's most viable, flexible and productive resource, its citizens and future workers.

We urge you to pass this bill as written and look forward to helping you gain full Senate and House approval.

Sincerely,

George R. Cheap
President
IBPAT L.U. #1555
Fairbanks, Alaska



"A Partnership Putting Alaskans to Work"

P.O. Box BC, Juneau, Alaska 99811

Phone: (907) 465-4890

March 7, 1989

State of Alaska
Senate
Community and Regional Affairs Committee

RE: Senate Bill 191

Honorable Senators:

On February 15, 1989 the Alaska Statewide Private Industry Council met in Anchorage. Representatives from the Department of Labor discussed with the Council proposed legislation to create a two-year pilot employment and training program, funded through contributions and credits to the unemployment insurance trust fund. As a result of this discussion, the Council has endorsed the legislation, now introduced as Senate Bill 191.

The Council provides policy guidance and oversight for federally funded Job Training Partnership Act (JTPA) programs throughout rural Alaska. We are pleased to see efforts by the state to supplement these federal dollars. We believe that the programs created by SB 191 would be compatible with our existing JTPA programs, consistent with JTPA intent and goals adopted by the Council, and could be effectively and efficiently administered through the current delivery system.

We appreciate this opportunity to express support for SB 191 and urge your favorable consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Pennelope Goforth".

J. Pennelope Goforth
Chair

MAR 13 1989



North & Northwest Mayor's Conference

P.O. Box 68
Unalakleet, Alaska 99884



President: Alton Washington (907) 923-3771
Secretary: Robert Footo (907) 824-3655

RESOLUTION NO. 89 - 10

Second Session of the Ninth Annual
NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE
Unalakleet, Alaska
February 9 & 10, 1989

A RESOLUTION OF THE NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE REGARDING SUPPORTING GOVERNOR COWPER'S PROPOSAL TO ESTABLISH A PROGRAM TO HELP TRAIN UNEMPLOYED AND UNDEREMPLOYED ALASKANS FOR RE-ENTRY INTO THE LABOR FORCE.

WHEREAS, the North and Northwest Alaska Mayors' Conference is an organization established to promote the social and economic well being of its member communities and the people of the region; and

WHEREAS, the percentage of unemployed and underemployed Alaskans in the Northwest region is 80% to 90%; and

WHEREAS, these unemployed and underemployed Alaskans often could re-enter the labor force if they had access to training that addresses regionally viable economic development projects; and

WHEREAS, Governor Cowper's proposed Alaskan Employment Training Assistance Program would help train eligible unemployed and underemployed Alaskans for re-entry into the labor force; and

WHEREAS, this program would have no impact upon the State's general fund as it would be funded through the Unemployment Insurance Trust Fund; and

WHEREAS, the Program would ultimately reduce the demands on the Unemployed Trust Fund by training and placing individuals currently drawing unemployment insurance benefits, among other services and benefits; and

WHEREAS, the services to be provided would include those types currently offered under the Job Training Partnership Act (JTPA) programs and would be provided through the existing JTPA service delivery system administered by the Department of Community and Regional Affairs; and

WHEREAS, this delivery system is centered within the regional communities, thereby ensuring local access, local control and involvement of locally viable economic development projects.

RESOLUTION NO. 89-10

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NOW THEREFORE BE IT RESOLVED BY THE NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE TO: support Governor Cowper's proposal to establish the Alaska Employment Training Assistance Program.

Passed and approved by the SECOND SESSION OF THE NINTH ANNUAL NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE THE 10th DAY OF FEBRUARY, 1989.

Robert A. Washburn
President

Bob Focht
Secretary

INTRODUCED BY: Wales

VOTE: YES Unanimous

SECONDED BY: Shungnak

NO _____

DIRECTED TO: Governor's Office

Alaska State Legislature

S B

204

Patrick M. Rodey
Senator

Alaska State Legislature



Senate

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

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

DATE: April 25, 1989

TO : Senator Dick Eliason, Chair
Senate Labor & Commerce Committee

FROM: Senator Patrick Rodey

RE : CSSB 204 - Amendments to the new corporations code

Committee Substitute for Senate Bill 204 passed out of the Senate Judiciary Committee earlier today. The bill has an additional committee referral to the Labor and Commerce Committee.

In view of the rapidly approaching adjournment and in an effort to expedite this legislation, I respectfully request that you waive the Labor and Commerce Committee referral.

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

Rodey
POUCHY STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3100

MEMORANDUM

April 25, 1989

SUBJECT: Sectional comparison and analysis of proposed
CSSB 204(Jud) and SB 204

TO: Senator Pat Rodey

FROM: Theresa L. Bannister *TB*
Legislative Counsel

This provides a sectional comparison and analysis of the above described bills.

As a preliminary matter, note that a sectional comparison and analysis of a bill should not be considered an authoritative interpretation of the bills and the bills themselves are the best statement of their contents.

Section 1 (AS 10.06.010). Same as SB 204. Eliminates an inconsistency with AS 10.06.485 by making the loan approval requirement applicable to employee loans as well as loans to officers and directors. Clarifies that a corporation has the power to make guarantees to eliminate a question that they were included in corporate powers. Gives corporations the powers of a limited or general partner. Corrects the term for joint ventures.

Section 2 (AS 10.06.020). Same as SB 204. The current content is designed to protect third parties from an ability of the corporation, or any shareholder asserting a derivative claim, to evade liability for an act or undertaking of a corporate agent by claiming that it was done without real authority. The amendment allows the corporation to assert limitations on the powers of corporate agents set forth in the articles but not to assert limitations found in its by-laws or board resolutions as a defense to the third party's claim. This change would protect shareholders to the extent that the articles of the corporation contained such limitations on either the nature of agency power or the manner of its exercise.

Senator Pat Rodey

Page 2

April 25, 1989

Section 3 (AS 10.06.025(a)). Same as SB 204. Deletes language that created an internal conflict within AS 10.06.

Section 4 (AS 10.06.105(c)). Same as SB 204, except adds "or an abbreviation of "limited"."

Section 5 (AS 10.06.130). Same as SB 204. Eliminates the need for a corporation to take any other steps to protect the exclusivity of its name and allows the corporation to enjoin the use of the same or a deceptively similar name.

Section 6 (AS 10.06.230(a)). A new section. Makes a technical deletion in order to make AS 10.06.230(a) consistent with the other changes made in the bill regarding the number of directors.

Section 7 (AS 10.06.343). Same as sec. 6 in SB 204. States that the corporation may issue stock purchase rights or options for shares of any class or classes. Substitutes "shall" for "must" as a technical change.

Section 8 (AS 10.06.348). Same as sec. 7 in SB 204. Coordinates AS 10.06.348 with the proposed new AS 10.06.349.

Section 9 (AS 10.06.349). Same as sec. 8 in SB 204. Allows a corporation to issue shares without certificates and establishes a procedure for notifying the shareholder of certain information that is usually disclosed on certificates under other sections of AS 10.06.

Section 10 (AS 10.06.353). Same as sec. 9 in SB 204. Coordinates section with new ability to issue certificateless shares.

Section 11 (AS 10.06.355). Same as sec. 10 in SB 204. Coordinates section with new ability to issue certificateless shares.

Section 12 (AS 10.06.356). Same as sec. 11 in SB 204. Allows a corporation to establish procedures by which the beneficial owner of shares that are registered in the name of a nominee is recognized by the corporation as the shareholder. The purpose of the section is to facilitate communication between the corporation and the beneficial owner.

Section 13 (AS 10.06.358(c)). Same as sec. 12 in SB 204. Eliminates the unqualified requirement that the amount of

distributions payable in property be based on generally accepted accounting principles.

Section 14 (AS 10.06.358(d)). Same as sec. 13 in SB 204. Eliminates the unqualified requirement that the eligibility to make certain distributions is limited to corporations that classify their assets under generally accepted accounting principles.

Section 15 (AS 10.06.358(e)-(f)). Same as sec. 14 in SB 204. Allows a board to determine that a distribution is not prohibited either by generally accepted accounting principles or by accounting practices and principles that are fair and reasonable in the circumstances. States that statements and determinations prepared or arrived at under generally accepted accounting principles are fair and reasonable, but that the fairness and reasonableness of statements and determinations made under other practices and principles must be proved by the corporation.

Section 16 (AS 10.06.360). Same as sec. 15 in SB 204. Changes the insolvency test. Allows existing directors to make the distribution and then determine whether the distribution did, in fact, render the corporation unable to meet its current debts. If it does, the corporation could theoretically recover the illicit dividend from the shareholders.

Section 17 (AS 10.06.385(b)). Same as sec. 16 in SB 204. Coordinates subsection with new ability to issue certificateless shares.

Section 18 (AS 10.06.385(d)). Same as sec. 17 in SB 204. Coordinates subsection with new ability to issue certificateless shares.

Section 19 (AS 10.06.405). Same as sec. 18 in SB 204. States that the failure of a corporation to hold an annual meeting at the required time does not cause the corporation to forfeit its status, does not cause a dissolution of the corporation, and does not affect the validity of corporate action. Restores to the new corporations code the section from the former corporations code that indicated that the failure did not affect the validity of corporate action.

Section 20 (AS 10.06.410). Same as sec. 19 in SB 204. Substitutes a ten-day minimum notice of shareholders' meet-

ing for the current twenty-day requirement because some corporations find it difficult to know 20 days ahead that a meeting will be necessary. Makes a minor change relating to the mailing of the meeting notice to a shareholder's new address.

Section 21 (AS 10.06.413(a)). A new section. Makes technical changes to make AS 10.06.413(a) consistent with the 10-day notice requirement in sec. 45 of this bill.

Section 22 (AS 10.06.413(c)). A new section. Makes a technical change to make AS 10.06.413(c) compatible with the 10-day notice requirement in sec. 45 of this bill.

Section 23 (AS 10.06.418(b)). Same as sec. 20 of SB 204. Makes two minor changes relating to revocation of a proxy.

Section 24 (AS 10.06.418(e)). Same as sec. 21 of SB 204. Defines the term "pledgee" and makes a citation change to coordinate with the changes to AS 10.06.425.

Section 25 (AS 10.06.418(f)). Same as sec. 22 of SB 204. Coordinates the section with the changes in AS 10.06.425.

Section 26 (AS 10.06.418(g)). Same as sec. 23 of SB 204. Gives to a transferee (of a share having an otherwise irrevocable proxy) title clear of the proxy unless the transferee knows about the proxy provision or the proxy, or the irrevocability or notice of the proxy appears on the certificate.

[Former sec. 24 (AS 10.06.420(c)) of SB 204 has been deleted from proposed CSSB 204(Jud).]

Section 27 (AS 10.06.420(e)). Same as sec. 25 of SB 204. Clarifies the intent of the subsection. States that shares may not be voted if they are owned, directly or indirectly, by a second corporation, domestic or foreign, and if the first corporation owns, directly or indirectly, a majority of the shares entitled to vote for the directors of the second corporation. This section is based on a public policy objection to permitting a corporate subsidiary that is presumably under the direct or indirect control of the parent to vote shares of the parent at a meeting of the parent corporation's shareholders.

Section 28 (AS 10.06.420(i)). Same as sec. 26 of SB 204. Coordinates subsection with new ability to issue certificateless shares.

Section 29 (AS 10.06.421). Same as sec. 27 of SB 204. Based on the Revised Model Business Corporation Act, its purpose is to provide guidelines for election judges and directors when deciding whether to accept certain documents.

Section 30 (sec. 10.06.424). Adds a new section to SB 204 addressing the use of shareholder agreements.

Sec. 10.06.424(a) authorizes the use of unanimous shareholder agreements that impose restrictions on the transfer or registration of corporate shares to accomplish certain listed purposes and any other reasonable purpose.

Sec. 10.06.424(b) authorizes the use of unanimous shareholder agreements to provide for the selection of directors and officers.

Sec. 10.06.424(c) establishes disclosure requirements when there is a shareholders' agreement under this section.

Sec. 10.06.424(d) removes certain shares in certain circumstances from being covered by a shareholders' agreement under this section.

Sec. 10.06.424(e) defines "shares" to include a security that is convertible into shares or that carries a right to subscribe for or acquire shares.

Section 31 (AS 10.06.425(a)). Sec. 28 of SB 204. Indicates that the subsection doesn't invalidate an irrevocable proxy that complies with AS 10.06.418(e).

Section 32 (AS 10.06.425(b)). Sec. 29 of SB 204. Rewrites the subsection to expressly allow shareholders to enter into a voting agreement or any other agreement if the agreement is consistent with this chapter.

Section 33 (AS 10.06.430(a)). Sec. 30 of SB 204. Makes technical wording changes to make the use of the term "books and records of account" consistent throughout the section.

Section 34 (AS 10.06.430(b)). Sec. 31 of SB 204. Conforms the section to the demand and scope provisions of Sec. 16.02-(b)-(c) of the Revised Model Business Corporation Act. Requires that a shareholder's demand to inspect the books and records of a corporation be made with reasonable particularity. Places some burden on the shareholder making the re-

quest in order to avoid harassment requests. Substitutes "directly connected" for "relevant". Makes a technical wording change to make the use of the term "books and records of account" consistent throughout the section.

Section 35 (AS 10.06.430(c)). Sec. 32 of SB 204. Makes technical wording changes, including one to make the use of the term "books and records of account" consistent throughout the section.

Section 36 (AS 10.06.433(a)). Sec. 33 of SB 204. Exempts a corporation with less than 100 shareholders from the requirement of sending out an annual report, unless its articles or bylaws impose the requirement.

Section 37 (AS 10.06.435(a)). Sec. 34 of SB 204. Coordinates subsection with new ability to issue certificateless shares.

Section 38 (AS 10.06.450(c)). Sec. 35 of SB 204. Is taken from Sec. 8.30(c) of the Revised Model Business Corporation Act and indicates when a director cannot be considered to be acting in good faith.

Section 39 (AS 10.06.450(f)). Sec. 36 of SB 204. Follows the suggestion of the ALI Statement on Corporate Governance and articulates the business judgment defense for directors. No jurisdiction has, to this point, ever attempted a statutory formulation of the business judgment rule. The reader is referred to the official comments of the ALI statement for a fuller understanding of the relationship between the duties of care and loyalty and the business judgment rule.

Section 40 (AS 10.06.453(a)). Sec. 37 of SB 204. States that the board consists of one or more members. Establishes how the number of directors is fixed. Restricts changing the number of directors to amendment of the articles, if the articles fix the number of directors. Sets the number of directors at three if the number is not otherwise set.

Section 41 (AS 10.06.453(b)). A slightly altered version of Sec. 38 of SB 204. Coordinates subsection with AS 10.06.230 and the new language of AS 10.06.453(a). Changes the references in the introductory phrase of the subsection.

Section 42 (AS 10.06.465(d)). Sec. 39 of SB 204. Allows a director to resign at any time.