

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
6481 SENATE RESOURCES

885

with the examination. The examiners shall report to the board of directors on the examination. The examiners shall prepare a summary report evaluating the bank's loan portfolio quality on a statistical basis and addressing the appropriateness and effectiveness of the bank's policies, practices, and management within the context of the bank's statutory purposes. The examiners shall distribute copies of the summary report to the bank, the legislature, and the governor. (§ 8 ch 109 SLA 1981; am § 7 ch 49 SLA 1987; am §§ 40, 41 ch 85 SLA 1988)

Effect of amendments. — The 1987 amendment added subsections (b) and (c). The 1988 amendment, effective June 2, 1988, rewrote the first sentence in subsection (a), which read "The legislative auditor may cause the bank to be audited in the manner and under the conditions pre-

scribed by AS 24.20.27," and deleted the former last sentence in subsection (b), which read "At the direction of the Legislative Budget and Audit Committee under AS 24.20.271, the legislative auditor may conduct an audit of the bank."

NOTES TO DECISIONS

Cited in Alaska Com. Fishing & Agriculture Bank v. O/S Alaska Coast, Sup.

Ct. Op. No. 3027 (File No. S-8:2), 715 P.2d 707 (1986).

Chapter 83. Alaska Power Authority.

Article

- 2. Purpose and Powers (§ 44.83.090)
- 4. Power Cost Equalization Program (§§ 44.83.162, 44.83.165)
- 6. General Provisions (§§ 44.83.187, 44.83.195, 44.83.224)
- 9. Energy Program for Alaska (§§ 44.83.386, 44.83.398, 44.83.410 — 44.83.425)

NOTES TO DECISIONS

Authority not suable in federal court. — The Alaska Power Authority cannot be sued in federal court as it cannot be considered a citizen for purposes of the diversity statute, 28 U.S.C. § 1332,

and, as a state agency, it enjoys the protections of the eleventh amendment. M-K Eng'g Co. v. Alaska Power Auth., 662 F. Supp. 303 (D. Alaska 1986).

Article 1. Creation and Organization.

Sec. 44.83.020. Creation of authority.

NOTES TO DECISIONS

Quoted in M-K Eng'g Co. v. Alaska Power Auth., 662 F. Supp. 303 (D. Alaska 1986).

Sec. 44.83.030.

Stated in M-K Eng'g Power Auth., 662 F. Supp. 303 (D. Alaska 1986).

Section
90. Power contracts and public Utilities Commission

Sec. 44.83.070.

Stated in M-K Eng'g Power Auth., 662 F. Supp. 303 (D. Alaska 1986).

Sec. 44.83.080.

Opinions of attorney authority may reimburse for (1) time spent in act

Stated in M-K Eng'g Power Auth., 662 F. Supp. 303 (D. Alaska 1986).

Sec. 44.83.090. Utilities Commission. methods which it n municipal electric, tric utilities and re rized by law to eng reasonable share of in a project, or for cause the power to l the full cost of the e ing costs, debt cove and other charges 44.83.425. Except 44.83.380 — 44.83. and distribution of capacity of it shall

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 1-26-89
IN ACCORDANCE WITH UNIFORM RULE 23

LSC

FURTHER FINANCE

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

DATE TURNED INTO OFFICE _____

1/9/89

Mr. President:

RESOURCES Committee considered SB 82

loans and lending practices of the Alaska Commercial Fishing and Agriculture Bank; providing an exemption for the bank's membership stock and certain other securities issued by the bank from registration under the Alaska Securities Act; 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 twice

FISCAL NOTE(S) attached zero

fiscal impact

appropriation no FN attached

Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

McKesson
Frank
Adrian Stungelworth
Rick Hafford

Debbie Fahrnkang Do Pass
Chairman signature and recommendation

Committee backup attached

REPORT OF EXAMINATION

RECEIVED JAN 30 1988



Qualitative

Examination

License or Certificate Number

ALASKA COMMERCIAL FISHING AND AGRICULTURE BANK

(P.O. BOX 92070, 2550 Denali St., Ste 1201, Anchorage, AK 99509-2070)

Examiner-in-charge Frank Puschak

Examined close of business 11/30/87

Willis F. Kirkpatrick

Director

DIVISION OF BANKING, SECURITIES, SMALL LOANS AND CORPORATIONS
STATE OF ALASKA

SCOPE OF EXAMINATION

In compliance with Chapter 81 of the Alaska Statutes as amended June 6, 1987, an examination of the Alaska Commercial Fishing and Agricultural Bank was performed by the Department of Commerce and Economic Development, Division of Banking, Securities and Corporations, that contains financial information prepared in accordance with generally accepted accounting principles.

LOAN PORTFOLIO

Analysis of the examination ratios indicate improvement in the quality of the loan portfolio since the first examination on April 29, 1985. The ratio of adversely classified loans to total loans decreased from 43.70% to 34.98% and the ratio of overdue loans to gross loans decreased from 41.54% to 37.35%. While these ratios are still considered to be above the norms, the trend shows definite improvement.

Of the \$13,965,552 in adversely classified loans, \$12,761,018 are nonearning loans (nonaccrual loans), and of that total, seven borrowers account for \$10,814,726. These seven lines were all granted from 1981 to 1984, prior to the arrival of the present management team. Since four of the seven lines are involved in bankruptcy proceedings, there is little that present management can do to accelerate resolution of these problem lines.

The reserve for loan losses has been increased to \$3,427,597, or 7.70% of total loans, and given loss classifications of \$1,891,586 appear adequate to provide the necessary loss protection.

BANK POLICIES AND PRACTICES

Since 1984, the senior management of the bank has been entirely replaced. As evidenced by the examination ratios and trends, there has been significant improvement in the bank's performance. The problem loans have been identified and are being handled as well as circumstances permit. In addition, a new loan policy was adopted, and the loan approval procedure is more closely controlled and monitored.

It is difficult, at best, to make the higher credit-risk loans as mandated by statute and still remain a viable business. The nonearning loans are the largest impediment to more profitable operations and the accumulation of capital to provide for growth and to meet statutory obligations. The increased competition from commercial banks and other state programs has taken some of the better quality customers, and the bank must contend with borrowers of greater credit-risk, a higher cost-of-funds, and the nonearning loans. Given the depressed economy, there is little more that can be done. However, with the present policies and practices, the condition of the bank is such that it appears capable of withstanding the current economic depression.

State Banking Authority (Signature)

Frank J. Puschak by: Terry L. Lutz

Examiner (Signature)

Frank J. Puschak

State Banking Authority (Signature)

Regional Director (Signature)

STATEMENT OF FINANCIAL POSITION

NUMBER

TYPE: Regular			DATE: 11/30/87		
ASSETS	AMOUNT	%	LIABILITIES AND CAPITAL	AMOUNT	%
Net loans and leases	41,113	84	Core deposits		
Securities over one year			Time deposits over 100M		
Subtotal	41,113	84	Deposits held in foreign offices		
Interest-bearing depository balances			Federal funds purchased and repos		
Federal funds sold and repos			Other borrowings (includes note option)	20,213	41
Trading account assets			Volatile liabilities	20,213	41
Debt securities one year and less	5,390	11	Acceptances outstanding		
Temporary investments	5,390	11	Other liabilities	878	2
TOTAL EARNING ASSETS	46,503	95	TOTAL LIABILITIES	21,091	43
Cash and noninterest-bearing depository balances	961	2	Mortgages and capitalized leases		
Acceptances (customers' liability)			Subordinated notes and debentures		
Premises, fixed assets, and capitalized leases	250	nil	TOTAL LIABILITIES AND DEBT	21,091	43
Other real estate owned			Limited life preferred stock	31,800	65
Investments in unconsolidated subsidiaries			TOTAL EQUITY CAPITAL	(3,671)	8
Intangible assets					
Other assets	1,506	3			
TOTAL ASSETS	49,220	100%	TOTAL LIABILITIES AND CAPITAL	49,220	100%

MEMORANDUM INFORMATION (Include the amounts of brokered deposits maturing in one year or less and over one year.)

* Matures on or before July 20, 2000

SUMMARY OF ASSETS SUBJECT TO ADVERSE CLASSIFICATION OR SPECIAL MENTION

ASSET CATEGORY	Special Mention	Substandard	Doubtful	Loss	Total Classified
Loans		12,283		1,682	13,965
Receivables		1,615			1,615
Other Assets		83		209	292
Totals - Current Examination		13,981		1,891	15,872
Totals at 4/29/85 examination		35,891		3,317	39,208
Totals at examination					
Totals at examination					

EXAMINATION RATIOS AND TRENDS

RATIOS	Current Exam.	Prior Exam.	Prior Exam.	Prior Exam.
	11/30/87	4/29/85		
Adversely Classified Assets: Total Assets	32.25%	38.78%		
Adversely Classified Loans and Leases: Total Loans and Leases	34.98%	43.70%		
Overdue Loans and Leases: Gross Loans and Leases	37.36%	41.54%		

COMMENTS:

Examination ratios indicate improvement in reducing adversely classified loans and assets.

ANALYSIS OF BANK EARNINGS

NUMBER

COMPARATIVE STATEMENT OF INCOME TYPE:	INTERIM			1985	1984
		11-30-87	1986		
Interest Income		5,574	6,284	10,504	12,911
Interest Expense		2,240	3,766	6,267	8,387
Net Interest Income		<u>3,334</u>	<u>2,518</u>	<u>4,237</u>	<u>4,524</u>
Non-interest Income					
Overhead Expense		2,440	1,932	2,888	3,260
Provision for Loan and Lease Losses		<u>75</u>	<u>50</u>	<u>1,235</u>	<u>11,242</u>
Provision for Allocated Transfer Risk					
Securities Gains (Losses)					
Net Operating Income (Pre-Tax)		819	536	114	(9,978)
Applicable Taxes		<u>19</u>	<u>226</u>	<u>32</u>	
Net Operating Income (After Tax)		800	310	82	(9,978)
Extraordinary Credits (Charges), Net of Tax Effect		<u>19</u>	<u>226</u>	<u>32</u>	
Net Income		819	536	114	(9,978)
Other Increases/Decreases		209	220	(348)	(234)
Cash Dividends					
Net Change in Equity Capital Accounts		1,028	756	(234)	(10,212)

COMPONENT RATIOS AND TRENDS

RATIOS	BANK			
	11-30-87	1986*	1985*	1984*
Net Operating Income to Average Assets	1.59%	0.48%	0.09%	(8.72)%
Net Interest Income (TE) to Average Earning Assets	6.51%	4.14%	4.87%	4.22%
Overhead Expense to Average Assets	4.85%	3.02%	3.12%	2.85%
Net Income to Average Total Equity	3.00%	2.01%	0.43%	(31.49)%

COMMENTS:

* Based upon year-end data.

Trend analysis indicates improved earnings, but the increasing trend in overhead expenses means that overhead should be reviewed with the goal of reducing expenses.

ANALYSIS OF LOAN AND LEASE RESERVES

RECONCILEMENT	TO DATE	1986	1985	1984
Beginning Balance	3,291	3,442	5,318	4,140
Gross Loan and Lease Losses	125	889	3,486	10,534
Recoveries	<u>187</u>	<u>688</u>	<u>375</u>	<u>470</u>
Net Loan and Lease Losses (Recoveries)	(62)	201	3,111	10,064
Provision for Loan and Lease Losses	75	50	1,235	11,242
Other Increases (Decreases)				
Ending Balance	3,428	3,291	3,442	5,318

COMPONENT RATIOS AND TRENDS

RATIOS	BANK			
	11-30-87	1986	1985	1984
Loss Reserve to Total Loans and Leases	7.70%	7.41%	5.22%	5.61%
Net Losses to Average Total Loans and Leases	(0.14)%	N/A	N/A	N/A
Recoveries to Prior Period Losses	21.03%	19.74%	3.56%	N/A
Earnings Coverage of Net Losses (X)	(13.20)	2.67	0.37	N/A

COMMENTS:

N/A - Not Available.

A ratio of 7.70% for loss reserve to total loans indicates a conservative and adequate level of reserves.



1988 ANNUAL REPORT
ALASKA COMMERCIAL FISHING & AGRICULTURE BANK

Alaska Commercial Fishing and Agriculture Bank

1988 Annual Report

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For more information contact:

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Executive Message to Members

May 31, 1988, marked the close of CFAB's first twelve-month fiscal year after seven years of operating on a calendar year basis and a five-month transition "year" which ended on May 31, 1987. While that makes certain kinds of comparisons difficult, your Board of Directors and management are pleased with the results of the year just ended and with the identifiable and measurable indications of continued progress.

Operating Results and Effects

As shown in the Financial Reports section of this Annual Report, CFAB's Fiscal 1988 operations resulted in about \$2,410,200 of proceeds before non-recurring items and before the imputation of any income tax effect. There was one particularly distressing and costly extraordinary event: In late 1987 an Anchorage Superior Court jury concluded that, several years earlier, CFAB had negligently and improperly responded to developments and circumstances which involved a multiplicity of parties, a loan proposal to finance a vessel refurbishing, and an undisclosed seaman's lien. There were \$688,500 of net proceeds available after the effects of that judgment, and the Board of Directors acted to apply that amount to reduction of the unallocated and undistributed 1984 loss. One of our major objectives continues to be to amortize that loss in a manner which will equitably spread the burden over a number of years.

The gradual reduction of that unallocated and undistributed 1984 loss produces a clear benefit to existing and future CFAB member-borrowers. But the effect of that benefit is diffused; no member-borrower is able to identify or calculate a specific effect on his or her loan account. However, the factors and events which led to that reduction do in fact have the additional effect of lessening the demands CFAB must make on those member-borrowers. Accordingly, we were pleased to announce a ½ percent reduction in CFAB's Variable Base Interest Rate effective July 1, 1988. Furthermore, as this message is being written there are plans to implement a second reduction, also ½ percent, effective September 1, 1988.

The Trend Toward Financial Stability

What were these "factors" and "events" which are now generating benefits and relieving pressures for CFAB and its member-borrowers? The answer can be found in a review of earlier Annual Reports. Since 1984, there has been in each report to members a discussion of CFAB's burden of non-performing loans. Each of those non-performing loans represents dollars which CFAB has borrowed and on which it must pay interest; but since the non-performing loan is not itself producing interest, CFAB has necessarily relied on other member-borrowers to carry the extra burden. Any interested observer of the Alaska commercial banking community over the past several years can undoubtedly understand and appreciate the dangers which an excessive volume of non-performing loans present for a lending institution.

Although this report to members is about CFAB's operations in Fiscal 1988, a clearer and somewhat more dramatic view of the significance of non-earning loans and of the slow and difficult process of dealing with them can be gained by comparing data at May 31, 1988, and at May 31, 1985 (which was not an audit date). The following schedule shows the number of borrowers with non-earning loans of \$1,000,000 or more; \$500,000 to \$999,999; etc. as of those two dates.

Size of Loan Accounts	May 31, 1985		May 31, 1988	
	Number of Borrowers	Total	Number of Borrowers	Total
Over \$1,000,000	7	\$20,165,695	2	\$ 5,300,515
\$500,000/\$999,999	4	2,552,087	2	1,548,479
\$250,000/\$199,999	5	1,644,819	3	988,641
\$100,000/\$249,999	11	2,041,415	7	1,051,154
\$50,000/\$99,999	15	1,054,709	9	732,983
Under \$50,000	24	507,587	19	424,833
Totals	80	\$27,966,312	42	\$10,046,605

The reduction of about \$17.9 million in non-earning loans during the 3-year period is certainly a positive indicator of CFAB's relative financial health, but unless that reduction has been the result of cash proceeds or of conversion to an interest-earning asset — rather than the result of charge-offs or of acquisition of non-productive collateral — it has little constructive effect.

The schedule below, then, serves to make more evident what the actual effect of the non-earning loan reduction has been.

	May 31, 1987	May 31, 1988	Change
Investments	\$ 1,200,000	\$ 0	(\$ 1,200,000)
Earning Loans and Receivables	50,569,700	31,569,700	18,999,999
Total Earning Assets	\$51,769,700	\$31,569,700	(\$20,199,999)
Less: Interest-Bearing Debt	67,660,000	18,639,700	49,020,300
Net (Deficit) Earning Assets	(\$15,890,300)	(\$12,920,000)	\$2,970,300

The positive change of nearly \$21.0 million (an amount well in excess of the \$17.9 million reduction in non-earning loans) is a meaningful indication of CFAB's viability today. We believe and intend that Fiscal 1989 will mark the transition from a "rehabilitation" mode to one of controlled growth for CFAB.

Achievements in Overhead Reductions

There is another important element to CFAB's recovery in which we take special pride and which we must mention. It was evident three and one-half years ago that CFAB's basic operating costs — its "overhead" — needed to be drastically reduced, even while we were committing major and sometimes costly resources to the administration and liquidation of non-performing loans. Those operating expenses had averaged slightly more than \$3.2 million annually in the years 1981 through 1984. In calendar 1985, they were reduced to \$2.8 million. There was significant reduction, to \$1.9 million, in calendar 1986. For the five-month fiscal "year" ending in May 1987 those expenses were incurred at an annualized rate of about \$2.0 million. The total for fiscal 1988 was less than \$1.8 million. That represents a 47 percent reduction from CFAB's peak year (1982) for operating expenses, and translates into \$3,300 less annualized costs for each and every loan on CFAB's books at May 31, 1988!

While we take pride in the accomplishment just mentioned, there is greater pride in emphasizing to you that it was essentially an accomplishment of CFAB's entire staff. Directors and managers establish objectives and policies, and provide direction, but implementation and achievement requires the constant and committed effort of every single staff member at every level. CFAB's staff today is a small

group, in numbers; but its overall quality and its record of accomplishments are admired within the Alaska financial community. As owners of CFAB, you also should take pride in that staff.

Other Measures of Progress

There are a number of other matters, with varying levels of significance and visibility, which developed or occurred during Fiscal 1988:

- At the end of the year, member-borrowers' equity investment under the "new" Class B Preferred Stock program totaled \$1,053,400. While there is no special meaning to that number, we believe that exceeding \$1.0 million is a notable milestone for the 2½-year-old program.

- As of November 30, 1987, the State of Alaska's bank examiners performed the first annual examination of CFAB in accordance with statutory amendments proposed by CFAB, and passed by the legislature, in early 1987. In every substantive way, the examiners' findings and report were consistent with CFAB's own evaluation of its overall financial condition and of its loan portfolio.

- CFAB's Bylaws were amended by the Board of Directors and distributed to all members in May. There were numerous changes. Particular objectives, which we believe were achieved, were to make the procedures for nominating Director candidates, and for the election of Directors, simpler and more efficient as well as to make it more practically possible for any interested member to become a candidate.

- The exposure and delivery of CFAB's credit services to prospective applicants is being enhanced by our development of a Loan Correspondent program. This program, simple in concept but with significant potential impact, involves the selection and designation of businesspersons or professionals to act as liaisons or points of contact for CFAB in fishing communities around the state. Their role is to provide basic information about CFAB to inquirers and to offer assistance in organizing and preparing loan applications and supporting information, in communications with CFAB, and in finalizing a loan transaction. They are not CFAB employees, and they have no influence on CFAB's

decision-making process; but they can be vital links in what is sometimes a confusing, intimidating, and/or costly application process. As of this writing, CFAB has Loan Correspondents in various communities in Southeastern Alaska and in the Prince William Sound, Southcentral, and Kodiak areas — by the end of 1988, we hope to have the network extended into the Bristol Bay area and Western Alaska.

- For a period from December 1983 through the end of 1985, CFAB had in place a supplemental member investment program known as the "C Stock Redemption Plan." It was intended to accelerate the accumulation of member-borrower equity, in anticipation of the future need to retire the State's equity investment in the Bank. Member-borrowers whose loans were obtained or modified during the period mentioned were participants in the program and continued to make the required investments, so long as their respective loans were outstanding, through the end of 1987.

Because of perceived ineffective or inappropriate features of the C Stock Redemption Plan, CFAB's "new" Class B Preferred Stock program (mentioned earlier) was adopted in January 1986 as a primary vehicle for borrower-member equity investment in the Bank. In early 1988 the Board of Directors concluded that, as a matter of practicality and equitability, the relatively small amount — \$251,919 — of C Stock Redemption Plan investment should be retired, with the proceeds returned to the owning member-borrowers. That was accomplished as of March 31; depending upon the respective circumstances of member-borrowers' loan accounts, the proceeds were paid in cash or applied to outstanding balances or, in instances where the Bank had earlier recognized a loss of principal or interest, were transferred to CFAB's Allowance for Loan Losses account.

- In January 1986, CFAB introduced its Modified Level Payment loan program — a fairly simple concept within which a loan's repayment installment amounts were fixed for three years at a time, even though the interest rate might vary. At the time of introduction, we believed that loan structure might appeal to some borrowers as a desirable alternative to the traditional repayment requirement of fixed principal amounts plus interest. CFAB's borrowers have voted by their actions, however, and by an overwhelming margin they have been selecting the Modified Level Payment plan as most suitable to their needs.

- Since June 1987, and as a result of amendments to CFAB's statute passed by the 1987 State Legislature, the circumstances under which CFAB may accept a Limited Entry Permit as loan collateral have been broadened. We have seen a considerable increase in the demand for such loans, a trend toward establishing permits as more useful assets for Alaska fishermen.

As the prices for which many permits are traded creep higher, and as an increasing number of the earliest permit-holders reach retirement age, we have encountered many instances in which the potential or desired sale of a permit to a younger local fisherman — frequently a second generation member of the same family — cannot be completed because the intended buyer is not able to make a cash purchase and has not acquired sufficient resources or experience to warrant normal financing by CFAB. We have developed a concept under which we believe CFAB could properly and constructively provide financing in certain of those cases, but the concept cannot be implemented without further amendment to CFAB's statute. We intend to ask the 1989 State Legislature for those amendments.

The 1988 Annual Meeting

In 1986 and 1987, CFAB held its Annual Meetings in three sessions each — sessions were held in Ketchikan, Cordova, Sitka, Kodiak, and Anchorage (twice). The Board of Directors and management continue to be attracted to the philosophical arguments in favor of holding meeting sessions in local communities, but it has not been a successful approach in terms of overall attendance. We have concluded to hold the 1988 meeting in one session, in Anchorage, only; but we are also exploring the feasibility of re-instituting local and informal meetings throughout the year, involving a limited number of CFAB personnel, in order to provide communications opportunities for more members. We welcome members' suggestions.

Paul A. Huppert
Chairman, Board of Directors

Edward E. Crane
President

1988 Loan Activity and Economic Impact

CFAB's Board of Directors and management continue to believe that the very existence of the Bank is a major and positive factor for participants in the resource industries which it serves — particularly those participants in the seafood industry. The number of sources of financing to that industry, especially to the harvester segment, is quite limited; and CFAB's presence in the market provides a strong competitive element.

During the past three to four years, the focus of CFAB's staff, and of the institution as a whole, has been primarily on rehabilitation and on the management of its non-earning loan accounts. The Bank has not been aggressive in seeking new business, and it appears to have been generally perceived over that period as an unattractive lender. Consequently, CFAB's outstanding loan volume has shrunk dramatically since a year-end peak of \$103.6 million at December 31, 1983.

That shrinkage slowed in Fiscal 1988. At May 31, outstanding loan balances were about 6.1 percent less than at May 31, 1987. There were 111 new term loans made during Fiscal 1988. Those loans totaled about \$7,706,000, of which \$1,303,000 was to refinance existing loans; the remaining \$6,403,000 was "new" money. Of the 111 loans made, 44 were to existing CFAB members, but 67 involved totally new members. That latter number is gratifyingly high in comparison to the experience of the previous three years.

CFAB's impact is manifested in other ways. In addition to the new term loans mentioned above (most of which were to individual fishermen), the Bank established seasonal revolving lines of credit totaling \$18.3 million for processors during Fiscal 1988. Nearly \$17 million of that amount was in the seafood industry; the remainder was for timber processing. A major percentage of the dollars borrowed by these Alaskan processors is for their purchases from fishermen, so CFAB's position in the flow of proceeds to fishermen from the ultimate purchasers of finished products is extremely important.

Balance Sheets

	<u>May 31,</u>		<u>December 31,</u>
	<u>1988</u>	<u>1987</u>	<u>1986</u>
Assets			
Cash	\$ 126,046	\$ 7,315	\$ 147,410
Temporary investments			4,150,000
Loans and other receivables, net of allowance for loan losses of \$2,197,140, \$3,367,869 and \$3,291,026	39,419,164	41,010,553	41,130,799
Accrued interest receivable	2,001,891	2,384,196	1,306,952
Investment in Spokane Bank for Cooperatives	5,526,629	5,390,548	5,390,548
Bank premises, furniture and equipment, net	169,920	297,266	351,874
Acquired assets held for sale	85,589	83,007	83,007
Other assets	13,389	23,511	28,997
	<u>\$47,342,628</u>	<u>\$49,196,396</u>	<u>\$52,589,587</u>
Liabilities			
Accounts payable and accrued expenses	\$ 138,482	\$ 231,523	\$ 191,979
Accrued interest payable	290,327	388,743	233,634
Class B preferred stock subscriptions	5,700		60,163
Notes payable	18,649,657	21,293,770	25,002,539
	<u>19,084,166</u>	<u>21,914,036</u>	<u>25,488,315</u>
Commitments and Contingent Liabilities (Note J)			
Capital and patronage			
Share capital -			
Class C special preferred stock, \$10,000 par value, authorized 4,000 shares, outstanding 3,180 shares	31,800,000	31,800,000	31,800,000
Class B preferred stock, \$100 par value, authorized 400,000 shares, outstanding 31,287, 39,693 and 40,410 shares	3,128,700	3,969,300	4,041,000
Loans receivable on Class B preferred stock	(2,075,300)	(3,448,700)	(3,698,500)
Class A membership stock, \$10 par value, authorized 10,000 shares, outstanding 1,068, 1,001 and 975 shares	10,680	10,010	9,750
	<u>32,864,080</u>	<u>32,330,610</u>	<u>32,152,250</u>
C stock retirement pool		251,919	184,930
Capital in excess of par value	95,310	89,280	86,940
Contributed capital	144,626	144,626	144,626
	<u>33,104,016</u>	<u>32,816,435</u>	<u>32,568,746</u>
Allocated undistributed patronage	825,691	825,691	825,691
Net proceeds		147,708	535,780
Unallocated patronage deficit	(5,671,245)	(6,507,474)	(6,828,945)
	<u>28,258,462</u>	<u>27,282,360</u>	<u>27,101,272</u>
	<u>\$47,342,628</u>	<u>\$49,196,396</u>	<u>\$52,589,587</u>

See notes to financial statements.

Statements of Net Proceeds

	Year ended May 31, 1988	Five months ended May 31, 1987	Year ended December 31, 1986
Interest Income			
Interest on loans and other receivables	\$5,712,091	\$1,966,333	\$6,119,445
Interest on temporary investments	3,707	30,990	165,143
	<u>5,715,798</u>	<u>1,997,323</u>	<u>6,284,588</u>
Interest expense			
Loss on sale of assets	1,936,013	964,863	3,765,900
Provision for loan losses	37,799	4,526	1,347
	<u>(451,699)</u>	<u>49,300</u>	<u>50,470</u>
	<u>1,522,113</u>	<u>1,018,689</u>	<u>3,817,717</u>
	<u>4,193,685</u>	<u>978,634</u>	<u>2,466,871</u>
Other Expenses			
Salaries and benefits	1,233,697	512,117	1,184,760
Occupancy expense	170,808	82,599	203,379
Depreciation and amortization	92,086	45,422	131,789
Travel, lodging and meals	59,089	25,370	66,219
Professional fees	58,149	84,415	110,181
Office operations	47,182	31,951	64,246
Advertising and promotion	41,129	20,832	67,861
Directors' fees	31,725	7,500	25,650
Telephone and postage	26,899	14,399	40,484
Miscellaneous	22,680	6,321	36,522
	<u>1,783,444</u>	<u>830,926</u>	<u>1,931,091</u>
	<u>2,410,241</u>	<u>147,708</u>	<u>535,780</u>
Unusual Item - Costs and Settlement of Litigation	<u>1,721,720</u>		
Proceeds before income tax expense and extraordinary credit	688,521	147,708	535,780
Income tax expense	274,000	53,000	226,300
Proceeds before extraordinary credit	<u>414,521</u>	<u>94,708</u>	<u>309,480</u>
Extraordinary credit — Utilization of net operating loss carryforward	<u>274,000</u>	<u>53,000</u>	<u>226,300</u>
Net Proceeds	<u>\$ 688,521</u>	<u>\$ 147,708</u>	<u>\$ 535,780</u>

See notes to financial statements.

Statements of Changes in Capital and Patronage

	Share capital	C stock retirement pool	Capital in excess of par value
Balance, January 1, 1986	\$31,809,310	\$ 92,152	\$ 82,980
Issuance (redemption) of stock during the year:			
Class B preferred stock, 25,435 shares, net	(2,543,500)		
Class A stock, 44 shares	440		3,960
C Stock retirement pool:			
Class B preferred stock assessments, net of assessments receivable		92,778	
Reduction in loans receivable on Class B preferred stock	2,886,000		
Loan principal charged against allocated undistributed patronage			
Net proceeds			
Balance, December 31, 1986	<u>32,152,250</u>	<u>184,930</u>	<u>86,940</u>
Amortization of unallocated patronage deficit			
Issuance (redemption) of stock during the period:			
Class B preferred stock, 717 shares, net	(71,700)		
Class A stock, 26 shares	260		2,340
Reduction in loans receivable on Class B preferred stock	249,800		
C stock retirement pool:			
Class B preferred stock assessments, net of assessments receivable		66,989	
Patronage refunds paid			
Net proceeds			
Balance, May 31, 1987	<u>32,330,610</u>	<u>251,919</u>	<u>89,280</u>
Amortization of unallocated patronage deficit			
Issuance (redemption) of stock during the year:			
Class B preferred stock, 8,406 shares, net	(840,600)		
Class A stock, 67 shares	670		6,030
Reduction in loans receivable on Class B preferred stock	1,373,400		
C stock retirement pool:			
Retirement of Class B preferred stock assessments		(251,919)	
Net proceeds			
Amortization of unallocated patronage deficit			
Balance, May 31, 1988	<u><u>\$32,864,080</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 95,310</u></u>

See notes to financial statements.

Contributed capital	Allocated undistributed patronage	Net proceeds	Unallocated patronage deficit	Total
\$ 144,626	\$1,045,365	\$ -0-	\$(6,828,945)	\$26,345,488
				(2,543,500)
				4,400
				92,778
				2,886,000
	(219,674)			(219,674)
		535,780		535,780
144,626	825,691	535,780	(6,828,945)	27,101,272
		(321,471)	321,471	
				(71,700)
				2,600
				249,800
				66,989
		(214,309)		(214,309)
		147,708		147,708
144,626	825,691	147,708	(6,507,474)	27,282,360
		(147,708)	147,708	
				(840,600)
				6,700
				1,373,400
				(251,919)
		688,521		688,521
		(688,521)	688,521	
<u>\$ 144,626</u>	<u>\$ 825,691</u>	<u>\$ -</u>	<u>\$(5,671,245)</u>	<u>\$28,258,462</u>

Statements of Changes in Financial Position

	Year ended May 31, <u>1988</u>	Five months ended May 31, <u>1987</u>	Year ended December 31, <u>1986</u>
Source of Funds:			
From operations			
Net proceeds	\$ 688,521	\$ 147,708	\$ 535,780
Items not requiring the use of funds:			
Depreciation and amortization	92,086	45,422	131,789
Provision for loan losses	(451,699)	49,300	50,470
Loss on sale of assets	37,799	4,526	1,347
	<u>366,707</u>	<u>246,956</u>	<u>719,386</u>
Funds provided from operations			
Net proceeds from sale of assets		4,660	1,368
Proceeds from stock issuance	6,700	2,600	4,400
Decrease in cash		140,095	
Decrease in temporary investments		4,150,000	
Decrease in acquired assets held for sale			1,523,157
Decrease in loans	2,762,118	43,403	21,515,111
Recoveries on loans charged off, net		27,543	
Decrease in other assets	10,122	5,486	61,566
Decrease in accrued interest receivable	382,305		808,394
Increase in accounts payable and accrued expenses		39,544	
Increase in accrued interest payable		155,109	
Increase in Class B preferred stock subscriptions	5,700		60,163
Increase in Class B preferred stock assessments, net		66,989	92,778
Increase in Class B preferred stock, net	532,800	178,100	342,500
	<u>\$4,066,452</u>	<u>\$5,060,485</u>	<u>\$25,128,823</u>
Use of Funds:			
Loans charged off, net of recoveries	\$ 719,030	\$	\$ 200,574
Loan principal charged against allocated undistributed patronage			219,674
Increase in cash	118,731		40,637
Increase in temporary investments			950,000
Increase in accrued interest receivable		1,077,244	
Increase in investment in Spokane Bank for Cooperatives	136,081		138,125
Increase in bank premises, furniture and equipment	2,539		14,874
Patronage refunds paid		214,309	
Decrease in accounts payable and accrued expenses	93,041		116,038
Retirement of Class B preferred stock assessments	251,919		
Increase in acquired assets held for resale	2,582		
Decrease in accrued interest payable	98,416		183,146
Decrease in stock subscription payable		60,163	
Decrease in notes payable	2,644,113	3,708,769	23,205,755
	<u>\$4,066,452</u>	<u>\$5,060,485</u>	<u>\$25,128,823</u>

See notes to financial statements.

Notes to Financial Statements

Year Ended May 31, 1988, Five Months Ended May 31, 1987, and Year Ended December 31, 1986

Note A — Summary of Significant Accounting Policies:

Operations: The Alaska Commercial Fishing and Agriculture Bank (CFAB) was incorporated on May 4, 1979 to promote growth of Alaska agriculture and fishing by providing debt financing to resident-owned businesses engaged in harvesting, processing or marketing, and to promote its own growth as a strong user-oriented institution through cooperative ownership and self-governance.

Interest on loans: The accrual of income is suspended on loans for which the payment of interest is contractually past due more than 90 days.

Investment in Spokane Bank for Cooperatives: The investment in Spokane Bank for Cooperatives (SBC) is stated at cost plus noncash patronage notifications. No ready market exists for this investment. Patronage dividends from SBC reduce interest expense to SBC in the year declared.

Allowance for loan losses: The allowance for loan losses is based upon specific identification of uncollectible loans and a general reserve for those loans not specifically identified.

Acquired assets held for sale: Acquired assets held for sale include those assets acquired through foreclosure. These assets are carried at the lower of fair value or the recorded investment in the related loan. Holding costs are expensed when incurred unless such costs increase the fair value of the asset.

Bank premises, furniture and equipment: Bank premises, furniture and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are charged to operations by use of the straight-line method over estimated useful lives of three to ten years. Expenditures for maintenance and repairs are charged to operating expense as incurred. Expenditures for renewals or improvements which extend the life of an asset are capitalized at cost and depreciated as stated above. Upon sale, retirement or other dispositions of property, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss recorded.

Income taxes: CFAB qualifies as a cooperative under Subchapter T of the Internal Revenue Code. Deferred income taxes may arise as a result of differences in the time of reporting for financial and Federal income tax purposes. The most significant difference relates to the allowance for loan losses. Deferred taxes have been offset by net operating loss carryforwards. At May 31, 1988, approximately \$5,500,000 of loss carryforward remains.

Change in fiscal year-end: During 1987, the Board of Directors voted to change from a fiscal year-end of December 31 to May 31 to better reflect the Bank's fiscal operating cycle. Accordingly, financial statements as of May 31, 1987 and for the five-month period then ended are presented.

Reclassifications: Certain reclassifications have been made to 1986 information to conform to 1987 and 1988 presentations.

Note B — Loans:

CFAB's loan portfolio by major category is as follows:

	May 31,		December 31,
	1988	1987	1986
Seafood harvesters	\$27,116,280	\$31,501,629	\$29,994,692
Fish processors	4,037,972	6,900,866	8,702,504
Agriculture and timber	7,638,225	7,605,989	7,596,991
Other receivables	4,899,127	1,818,638	1,826,138
	<u>43,691,604</u>	<u>47,827,122</u>	<u>48,120,325</u>
Less loans receivable on Class B preferred stock	(2,075,300)	(3,448,700)	(3,698,500)
	<u>41,616,304</u>	<u>44,378,422</u>	<u>44,421,825</u>
Less allowance for loan losses	(2,197,140)	(3,367,869)	(3,291,026)
	<u>\$39,419,164</u>	<u>\$41,010,553</u>	<u>\$41,130,799</u>

Notes to Financial Statements *continued*

In accordance with its statutory mandate and authority, CFAB's financing activity is limited to the Alaskan commercial fishing and agriculture industries. This concentration of loans in resource-based industries results in an unusual level of risk exposure.

The loan portfolio includes loans which have been classified as nonaccrual. Nonaccrual loans by major category are as follows:

	May 31,		December 31,
	1988	1987	1986
Seafood harvesters	\$ 3,982,047	\$ 5,776,534	\$ 5,311,987
Fish processors	1,122,643	3,726,235	4,441,655
Agriculture and timber	5,830,615	7,579,151	7,569,743
Less loans receivable on Class B preferred stock	(888,700)	(1,555,400)	(1,539,600)
	<u>\$10,046,605</u>	<u>\$15,526,520</u>	<u>\$15,783,785</u>

Activity in the allowance for loan losses is as follows:

	May 31,		December 31,
	1988	1987	1986
Balance at beginning of year	\$3,367,869	\$3,291,026	\$3,441,130
Charged to expense (income)	(451,699)	49,300	50,470
Recoveries on loans previously charged off	125,318	117,491	688,266
	<u>3,041,488</u>	<u>3,457,817</u>	<u>4,179,866</u>
Loans charged off	(844,348)	(89,948)	(888,840)
Balance at end of year	<u>\$2,197,140</u>	<u>\$3,367,869</u>	<u>\$3,291,026</u>

The allowance for loan losses is re-evaluated by management and increases or decreases are recorded through the current period provision for loan losses.

Loans to directors: To qualify for election to the CFAB Board of Directors, an individual must be a borrowing member. Loans to members who serve on the Board of Directors must be approved by the SBC. Loans to these members totalled \$113,897, \$129,094 and \$141,247 at May 31, 1988 and 1987, and December 31, 1986, respectively.

Note C — Investment in Spokane Bank for Cooperatives:

The Spokane Bank for Cooperatives is a member of the Farm Credit System. The Farm Credit System has incurred losses during 1986 and 1987. Continued losses may result in impairment of the investment in the Spokane Bank for Cooperatives in future years as the result of system-wide loss sharing arrangements in effect among system members.

Note D — Bank Premises, Furniture and Equipment:

The following represents a classification of bank premises, furniture and equipment by major category:

	May 31,		December 31,
	1988	1987	1986
Furniture, fixtures and equipment	\$ 833,146	\$ 868,405	\$ 893,365
Leasehold improvements	147,202	147,202	147,202
	<u>980,348</u>	<u>1,015,607</u>	<u>1,040,567</u>
Less accumulated depreciation and amortization	(810,428)	(718,341)	(688,693)
	<u>\$ 169,920</u>	<u>\$ 297,266</u>	<u>\$ 351,874</u>

Note E — Notes Payable:

Notes payable consists of:

	May 31,		December 31,
	1988	1987	1986
SBC long-term notes with interest rates ranging from 11.232% to 11.28% maturing at various dates to January, 1993	\$10,000,000	\$20,000,000	\$25,000,000
SBC short-term notes and seasonal loan with interest rates ranging from 7.26% to 9.00%, maturing at various dates in 1989	8,649,657	1,294,770	—
Other	—	—	2,539
	<u>\$18,649,657</u>	<u>\$21,293,770</u>	<u>\$25,002,539</u>

Notes to Financial Statements *continued*

The loans are secured by substantially all CFAB assets.

Principal payments required on notes payable are as follows:

<u>Year ending May 31,</u>	<u>Amount</u>
1989	\$8,649,657
1990	-
1991	-
1992	5,000,000
1993	5,000,000

Note F — Employee Benefit Plans:

CFAB has an employee benefit plan as defined under Section 401(k) of the Internal Revenue Service Code covering substantially all employees.

An employee is allowed to contribute up to 15% of his/her earnings to the maximum limit allowed by the Code. Contributions by CFAB to the plan are at the discretion of the Board of Directors. Contributions by CFAB for the year ended May 31, 1988, five months ended May 31, 1987, and year ended December 31, 1986 were \$65,539, \$26,169 and \$57,422, respectively.

The Board of Directors voted to terminate CFAB's floor retirement pension plan during 1986. As of December 31, 1986, the net assets available for benefits under the floor retirement plan was \$34,000. This amount will be refunded to CFAB upon the approval of termination by regulatory agencies. In accordance with generally accepted accounting principles, no gain will be recorded until the regulatory approval of the termination is obtained.

Note G — Capital:

Share capital: Shares owned by the State of Alaska must be repurchased by CFAB on or before July 20, 2000.

Preferential shareholders' rights on dissolution are attached in the order of Class C, Class B and Class A.

The following rights apply to the three categories of stock:

Class C - No voting or dividend rights. May only be issued to the State of Alaska.

Class B - No voting rights. Class B stock may only be held by members of CFAB. Prior to December 31, 1985, all loans required a purchase of Class B stock in an amount equal to 10% of the loan balance; however, this purchase was not funded but was evidenced by notes. On loans made subsequent to December 31, 1985, each borrower is required to make a cash purchase of Class B stock in an amount equal to 5% of the total loan. This investment will remain in place until retired by the Board of Directors.

Class A - No dividend rights. Each member of CFAB must own one share of Class A stock. Each share of stock carries one vote. To vote, a member must be engaged in commercial fishing or agriculture and must be a current borrower or have borrowed from CFAB during the preceding two years or have minimum retained patronage earnings with CFAB of \$2,500.

C Stock retirement pool: Loans made by CFAB during the period December 1982 to December 1985 were subject to a supplemental investment requirement called the C Stock Retirement Program. Members borrowing during that period were required to make annual year-end investments related to their respective usage of CFAB funds during that year. The program was discontinued, with respect to new participants, upon adoption of CFAB's current Class B Preferred Stock investment policy at January 1, 1986. In March 1988, the accumulated investments in the C Stock Retirement Pool, totaling \$251,919, were retired. Proceeds were returned in cash to members whose loans had been paid in full or were applied to the credit of members with outstanding loan accounts.

Notes to Financial Statements *continued***Note H — Income Taxes:**

Income tax expense consists of the following:

	Year ended May 31, 1988	Five months ended May 31, 1987	Year ended December 31, 1986
Current:			
Federal	\$136,000	\$ 423,000	\$179,800
State	28,000	93,000	46,500
	<u>164,000</u>	<u>514,000</u>	<u>226,300</u>
Deferred:			
Federal	77,000	(380,000)	
State	33,000	(81,000)	
	<u>110,000</u>	<u>(461,000)</u>	
	<u>\$274,000</u>	<u>\$ 53,000</u>	<u>\$226,300</u>

At May 31, 1988, CFAB had available for financial reporting purposes approximately \$5,500,000 of net operating losses carryforward which expire May 31, 2000, if not used to reduce future taxable income.

Note I — Restructure of Loans:

During the year ended May 31, 1988, the terms of nonaccrual loans totalling approximately \$1,500,000 were modified through negotiation, and the loans were restructured as a note receivable. The interest rate on that note receivable was reduced from CFAB's normal lending rate for a period of three years. Interest income of approximately \$130,000 was received and recorded on this note for the year ended May 31, 1988; if the interest rates on the original loans had remained in effect, approximately \$200,000 of interest would have been due during that period.

Note J — Commitments and Contingent Liabilities:

Contingencies: CFAB is a litigant in several legal actions arising from normal business activities including actions related to delinquent loans and foreclosures. CFAB reserves for potential losses on delinquent loans as described in Note A. As to litigation outside of delinquencies and foreclosures, management believes that those actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect CFAB's financial position or its results of operations.

Commitments: CFAB has entered into certain noncancelable long-term operating lease agreements for buildings. Rental expense under these leases totalled \$165,348, \$78,558 and \$192,450 for the year, five months and years ended May 31, 1988 and 1987, and December 31, 1986, respectively. Minimum annual lease payments are as follows:

Year ending May 31,	Amount
1989	\$174,000
1990	43,000

Note K — Subsequent Event:

On July 19, 1988, the Federal Bankruptcy Court in Anchorage confirmed the Plan of Reorganization in connection with the Chapter 11 proceeding of one of CFAB's larger borrowers. CFAB subsequently received approximately \$5.7 million of cash and released all of its claims against the debtor. The entire proceeds were applied to reduce CFAB's borrowings from the Spokane Bank for Cooperatives and, in addition, CFAB's nonaccrual loans outstanding were reduced by an amount in excess of \$3.0 million.



Board of Directors
Alaska Commercial Fishing
and Agriculture Bank
Anchorage, Alaska

We have examined the balance sheets of Alaska Commercial Fishing and Agriculture Bank as of May 31, 1988, May 31, 1987 and December 31, 1986, and the related statements of net proceeds, changes in capital and patronage, and changes in financial position for the respective year, five months, and year then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Alaska Commercial Fishing and Agriculture Bank as of May 31, 1988, May 31, 1987 and December 31, 1986, and the results of its operations and the changes in its financial position for the respective year, five months, and year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

Certified Public Accountants
July 1, 1988

Board of Directors and Staff

Board of Directors

Paul A. Huppert
Chairman

Robert Waldrop
Vice Chairman

Gilbert Gunderson
Secretary-Treasurer

Hyoung "Henry" Kim
Director

Alan D. Otness
Director

Dean Paddock
Director

Harvey Samuelsen
Director

Staff

Iver Amundsen
Assistant Vice President

Karl D. Barnard
Vice President

Dan Berkshire
Vice President

Christina E. Boyce-Lee
Receptionist

Darleen S. Church
Vice President

Robert H. Clark
Assistant Vice President

Wendy M. Clark
Administrative Secretary

Rosemary G. Cox
Bookkeeper

Edward E. Crane
President

John W. Enge
Fisheries Analyst

A. W. Hall
Business Development Officer

Lela F. Hart
Assistant Vice President

Evelyn Johnson
Receptionist

Sharon A. Morgan
Administrative Support Secretary

Mary B. Ober
Documentation Assistant

David G. Rogers
Senior Vice President

Douglas W. Sindt
Data Processing Supervisor

Lora C. Smith
Senior Bookkeeper

Deborah A. Tosch-Price
Documentation Paralegal

Godelieve C. Van Lint
Administrative Support Clerk

DeLories M. vonGemmingen
Executive Secretary

S B

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SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

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

FURTHER

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

DATE TURNED INTO OFFICE 2/27/89

1/9/89
Mr. President:

RESOURCES _____ Committee considered SB 83

transfer of assets of the Alaska Resources Corporation upon
dissolution; and providing for an effective date.

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

OTHER RECOMMENDATIONS

[Handwritten signatures]

[Handwritten signature]
 Chairman signature and recommendation

Committee backup attached

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: _____
PUBLISH DATE: _____

FISCAL NOTE

REQUEST: _____

Revision Date: _____
Title: Transfer of Alaska Resources
Corporation assets upon dissolution
Sponsor: Rules
Requestor: Governor

Agency Affected: Department of Revenue
BRU: Treasury
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Mill Barker MB
Division: Treasury

Phone: 465-2350
Date: December 29, 1989

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: December 29, 1988

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

AN ACT

Relating to the Alaska Resources Corporation and
repealing the Alaska renewable resources development
fund and the Alaska renewable resources investment
fund; and providing for an effective date.

Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that

(1) it is in the best interests of the state to terminate the
operations of the Alaska Resources Corporation; and

(2) the Alaska Resources Corporation has made substantial loans
of equity investments in certain businesses as part of the performance of
its duties.

(b) It is the purpose of this Act to effect an orderly wind-up of
the affairs of the Alaska Resources Corporation.

* Sec. 2. AS 37.12.010 is amended to read:

Sec. 37.12.010. ALASKA RESOURCES CORPORATION CREATED. There is
created the Alaska Resources Corporation to carry out the purposes of
this chapter. The corporation is a public corporation of the state
and an instrumentality of the state within the Department of Revenue
(COMMERCE AND ECONOMIC DEVELOPMENT), but has a legal existence in-
dependent of and separate from the state. The exercise by the corpo-
ration of the powers conferred by this chapter is considered an essen-
tial function of the state.

* Sec. 3. AS 37.12.015 is repealed and reenacted to read:

Sec. 37.12.015. PURPOSE. The purpose of the corporation is to

Chapter 141, AS 37.12.012, is amended to read:

* Sec. 4. AS 37.12.012 is amended to read:

Sec. 4. AS 37.12.012. DEVELOPMENT CAPITAL FUND. The development capital fund is established in the corporation, consisting of the proceeds (plus, minus for transactions) to the corporation, net of FEDERAL AND INTEREST ON LOANS AND EQUITY INVESTMENTS BY THE CORPORATION. The development capital fund shall be used to pay the liabilities of the corporation that might arise as a result of the operation of the corporation. The development capital fund shall be used to pay the operating expenses of the corporation, to borrow money in the development capital fund and to pay the operating expenses of the corporation. The development capital fund shall be used to pay the operating expenses of the corporation, to borrow money in the development capital fund and to pay the operating expenses of the corporation. THE DEVELOPMENT CAPITAL FUND SHALL BE HELD BY THE CORPORATION UNDER AS 37.10.070(a).

* Sec. 5. AS 37.12.023 is amended by adding a new section to read:

Sec. 5. AS 37.12.023. DEPOSIT OF MONEY. Repayments of principal, payments of interest and other income from loans of the corporation, dividends received from capital stock investments, and money received from the sale of equity investments or other assets of the corporation must be deposited in the general fund.

* Sec. 6. AS 37.12.036 is repealed and reenacted to read:

Sec. 6. AS 37.12.036. COMPOSITION AND TERM OF BOARD OF DIRECTORS. The board consists of the commissioner of revenue, who shall serve as chairman, and the commissioner or two other principal executive officers designated by the governor. The term of office of board members continues until the corporation is dissolved.

* Sec. 7. AS 37.12.056(a) is amended to read:

(a) The three members of the board constitute a quorum for the transaction of business and the exercise of the powers and duties

the board.

* Sec. 8. AS 37.12.055 is amended to read:

Sec. 8. AS 37.12.055. COMPENSATION OF BOARD MEMBERS. Members of the board receive \$400 for each day spent on official business of the corporation, and are entitled to per diem and travel expenses authorized by law for state boards and commissions under AS 39.20.180.

* Sec. 9. AS 37.12.071 is amended by adding a new section to read:

Sec. 9. AS 37.12.071. ADDITIONAL POWERS. Notwithstanding other provisions of law governing disposal of state property, the board may, at either public or private sale, dispose of the assets of the corporation as required in AS 37.12.075. In addition, the corporation may spend money to protect the assets of the corporation.

* Sec. 10. AS 37.12.075 is repealed and reenacted to read:

Sec. 10. AS 37.12.075. DUTIES. In carrying out the purposes of this chapter the board shall

(1) contract with the Department of Revenue to manage the assets of the corporation;

(2) divest the corporation of all equity investments by July 1, 1989; and

(3) divest the corporation of all other remaining assets, with the exception of the outstanding loan portfolio, by July 1, 1989.

* Sec. 11. AS 38.05.180(c) is amended to read:

(c) The share of the net profit derived from a lease reserved to the state under (d) of this section is royalty sale proceeds for the purposes of the Alaska permanent fund under AS 37.13.010 (add THE ALASKA RENEWABLE RESOURCE DEVELOPMENT FUND UNDER AS 37.11.020).

* Sec. 12. AS 38.05.180(d) is amended to read:

(d) The commissioner may provide for the establishment of an exploration incentive credit system under which a lessee of state land

drilling an exploratory well on that land may earn credits based on the footage drilled and the region in which the well is situated. The commissioner may also provide for credits to be earned by performing geophysical work on state land, if that work is performed during the two seasons immediately preceding an announced lease and on land included within the sale area and the geophysical information is made public following the sale. Credits may not exceed percent of the cost of the drilling or geophysical work. Credits may be used during a limited period established by the commissioner and may be assigned during that period. Credits may be applied to:

- (1) oil and gas royalty and rental payments payable to the state;
- (2) taxes payable under AS 43.55. A [NO] credit may not exceed percent of the payment toward which it is being applied. Amounts in the Alaska permanent fund (AS 37.10.065) [AND THE ALASKA RESOURCE DEVELOPMENT FUND (AS 37.11.020)] shall be calculated at the application of credits under this subsection.

* Sec. 13. AS 43.05.010 is amended by adding a new paragraph to read:

- (17) contract to manage the assets of the Alaska Resources Corporation as provided in AS 37.12.075, and administer the outstanding loan portfolio upon dissolution of the corporation.

* Sec. 16. AS 44.83.161(c) is amended to read:

(c) The plan of finance shall include recommendations for the most appropriate means to finance a project, including, but not limited to,

- (1) the issuance of revenue bonds of the authority;
- (2) the issuance of
 - (A) general obligation bonds of the state; or
 - (B) revenue bonds of the authority that [ARE] guaranteed or partially guaranteed by the state;

- (3) an appropriation from the general fund
- (4) to pay debt service on bonds or for other project purposes; or
- (5) to reduce the amount of debt financing for the project;
- (6) a loan from the general fund;
- (7) financing arrangements with other entities using leveraged leases or other financing methods;
- (8) assistance from any federal agency, including, but not limited to, the Rural Electrification Administration;
- (9) a loan from the power project fund (AS 44.83.170(a)) [], OR FROM THE RENEWABLE RESOURCES INVESTMENT FUND (AS 37.11.950); or
- (10) any combination of financing arrangements listed in this subsection.

* Sec. 15. All but \$500,000 of the unexpended and unobligated money in the development capital fund is transferred to the general fund.

* Sec. 16. AS 37.11; AS 37.12.035, 37.12.045, 37.12.060, 37.12.070(5), 37.12.070(6), 37.12.070(11), 37.12.080, 37.12.085, 37.12.125(1), 37.12.125(4), 37.12.125(5), 37.12.125(6), 37.12.125(7); AS 44.66.010(a)(7), and 44.83.080(16)(E) are repealed.

* Sec. 17. The Alaska Resources Corporation is dissolved. As of the date of dissolution, administration of the outstanding loan portfolio, along with all attendant rights and obligations of the corporation is transferred to the Department of Revenue.

* Sec. 18. AS 37.12.010 - 37.12.125 are repealed.

* Sec. 19. Sections 1 - 16 of this Act take effect immediately in accordance with AS 01.10.070(c).

* Sec. 20. Sections 17 and 18 of this Act take effect July 1, 1989.

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

STEVE COWPER, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
P.O. BOX SB
JUNEAU, ALASKA 99811-0400

January 20, 1989

JAN 25 1989

The Honorable Bettye Fahrenkamp
Chair
Senate Resources Committee
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Attention: Danny Consenstein

Dear Senator Fahrenkamp:

At the request of your staff, I would like to provide you some background on Senate Bill 83, an Act relating to the transfer of assets of the Alaska Resources Corporation upon dissolution.

The Alaska Resources Corporation ("ARC") dissolves by law on July 1, 1989. At that time, current law provides for the transfer to the Department of Revenue of any outstanding loans that ARC has made. ARC has been in the process of collecting or liquidating these loans and depositing the proceeds in the general fund. The Department of Revenue would continue this process with the loan assets; it would directly hold after the transfer on July 1, 1989.

Unfortunately, current law is not clear as to what happens to non-loan assets of ARC, such as common stock or real estate, upon dissolution. These assets have also been in the process of liquidation. Under SB 83, disposition of these other assets also would be handled by the Department of Revenue and the proceeds deposited in the general fund.

Enclosed is a recent summary of the status of ARC's various assets. To assure your files are complete, I have also enclosed the Governor's transmittal letter and the Department of Revenue's fiscal note for this bill.

Sincerely,



Milt Barker
Deputy Commissioner

MB/ph

January 9, 1989

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January 9, 1989

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Committee by request of the

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SB 81 cont'd

was read the first time and referred to the Resources
Committee.

Zero fiscal note published today from Department of Revenue.

Governor's transmittal letter dated January 9:

Dear Senator Kelly:

Under the authority of art. III, sec. 18, of the Alaska
Constitution, I am transmitting a bill relating to the
disposition of assets of the Alaska Resources Corporation
(ARC) upon its dissolution.

Current law provides that upon dissolution of the cor-
poration on July 1, 1989, "administration of the outstanding
loan portfolio along with all attendant rights and obli-
gations of the corporation is transferred to the Department
of Revenue." Section 17, ch. 161, SLA 1984 (emphasis
added). Also see secs. 18 and 20, ch. 161, SLA 1984. By
use of the term "attendant," this provision could be inter-
preted to mean that only those rights and obligations of the
corporation directly associated with the outstanding loan
portfolio are to be transferred to the Department of Revenue
at the time of dissolution. Under this interpretation, it
is unclear what would happen to other non-loan assets of the
corporation, such as common stock, preferred stock, and real
estate. This bill clarifies that all corporate assets
remaining as of the date of dissolution are to be trans-
ferred to the Department of Revenue.

The bill also makes minor technical changes to the 1984
session law. I urge your support of this bill.

Sincerely,

/s/
Steve Cowper

Governor

SB 84

SENATE BILL NO. 84 by the Rules Committee by request of the
Governor, entitled:

"An Act relating to the exemptions from the
salmon enhancement tax; and providing for an
effective date."

CODES: R-RESTRUCTURE
 E-EXPANSION
 S-START UP
 IB-INVESTMENT BANKING
 VC-VENTURE CAPITAL

ALASKA RESOURCES CORPORATION
 INVESTMENT RECAP
 September 30, 1988

CODE	COMPANY NAME	FISHERIES	SPECIAL FISH	AGRICULTURE	FOREST PRODUCTS	SPECIAL FOREST	MANUFACTURING	COMMITTED UNDIS. FUNDS	TOTAL DEBT	EQUITY AMOUNT	EQUITY %
RVC	ACT I (ALASKA F.I.S.H.)	-0-							-0-		
EIB	ALASKA TIMBER					-0-			-0-		
EIB	ALYESKA CANDY KITCHEN			-0-					-0-		
SIB	AMERICAN EAGLE	-0-	-0-						-0-		
SVC	ANCHOR RENEWABLE FARMS			-0-					-0-		
SVC	ANCHORAGE TANK						364,059		364,059		
SIB	ARCTIC FROST	-0-				-0-			-0-		
RVC	BALL BROTHERS	994,095	2,253,848						3,247,943	500,000	40%
RVC	BALL, ALBERT	2,329							2,329		
RVC	BALL, GERALD	434							434		
RVC	BALL, NEWTON	-0-							-0-		
SIB	CLARK, INC.		-0-						-0-		
RVC	ICICLE SEAFOODS		-0-						-0-	1,469,000	Est 28%
EIB	KACHEMAK	-0-							-0-		
SVC	KOKECHIK	174,296							174,296	490	49%
EVC	MASTERCRAFT				-0-				-0-		
EVC	PACIFIC FOREST PROD.				-0-	-0-			-0-		
EIB	PINES SAWMILL				-0-				-0-		
SVC	RICE FUR FARM			101,523					101,523		
RVC	SALAMATOF		1,900,000						1,900,000		
SVC	SAYLES MARINE	95,126							95,126		
EVC	SEAWARD SHIPYARD	124,932							124,932	150,000	22%
SVC	SMARAGD PARTNERS	-0-							-0-		
SVC	STEIK ENTERPRISES				-0-				-0-		
SVC	STERLING SEAFOODS	-0-							-0-	-0-	
SVC	TRINITY RESOURCES									-0-	
SIB	WYMAN	-0-							-0-		
TOTALS:		1,391,212	4,153,848	101,523	-0-	-0-	364,059	-0-	6,010,642	2,119,490	

ALASKA RESOURCES CORPORATION

Report Date: November 22, 1988

Period Ending: September 30, 1988

LOANS RECEIVABLE & PAST DUE
LIABILITY MONITORING REPORT

Reported By: Marty Lentz

Project & Resource Sector	Next Payment Due	Original Amount	Present Prin. Bal.	Date Loan Made	Maturity Date	Collateral Value & Type	Past Due	Total Liability	Interest Rate
ACT I Comment: Legal Counsel processing this account, Summary Judgement Order January 22, 1988, granted	-0-	125,000	-0-	06-30-80	09-30-82	N/A		-0-	
ALASKA TIMBER CORP. Comment: Company filed Chapter XI October, 1984. Deal failed for refinancing, Bank of California filed motion on May 5, 1986 to sale assets of company. As of December 1986, extensive fire damage on ARC security. April 18, 1988 meeting with Bank of California mill sold, no agreed settlement between ARC/Bank... Bank to make additional offer of settlement A.S.A.P.		-0-	-0-	05-04-81	07-30-89	Loan part. w/ Bank of Calif. value at \$4 Million with Bank of California	YES	-0-	
ALYESKA CANDY KITCHEN Comment: Paid in full, February 1985, no loss on this account.		37,600	-0-	03-18-80	01-01-86	N/A	N/A	-0-	
AMERICAN EAGLE SEAFOODS INCORPORATED Comment: Paid in full, settlement accepted 3-11-85 for \$75,000.00. Full recovery of principal, write off interest.		150,000 50,000	-0- -0-	03-26-80 05-29-80	09-01-81 09-01-81	N/A	N/A N/A	-0- -0-	
ANCHOR RENEWABLE FARMS Comment: Chapter 12 Plan approved by Bankruptcy Court March 17, 1988. REFER TO FILE FOR INFORMATION		120,000 404	-0-	08-04-80 03-27-84	07-01-87 Demand	DOT on real estate. No value in support	YES YES	-0-	
ANCHORAGE TANK & WELDING, INC. Comment: Filed bankruptcy April 1986, Bankruptcy judge approved plan June 9, 1987	06-02-88 05-02-88 Per Court Order, should have new payment schedule!	270,000 100,000	257,428.79 106,630.46	06-06-83 06-06-83	12-31-97 12-31-97	Equipment @ \$484,099	NO NO	259,121.69 108,920.72	8% 8%

ALASKA RESOURCES CORPORATION

Report Date: November 22, 1988
 Period Ending: September 30, 1988
 Reported By: Marty Lentz

LOANS RECEIVABLE & PAST DUE
 LIABILITY MONITORING REPORT

Project & Resource Sector	Next Payment Due	Original Amount	Present Prin. Bal.	Date Loan Made	Maturity Date	Collateral Value & Type	Past Due	Total Liability	Interest Rate
ARCTIC FROST SEAFOODS INCORPORATED		19,200	-0-	04-10-84	04-10-86	N/A	N/A	-0-	
Comment: Paid in full, 12/17/84, no loss on this account.									
BALL BROTHERS, INC.	All in default	150,000	150,000	05-01-82	05-01-82	NONE	YES	162,264.62	Sea-Firs 20%
	Demand	600,000	500,000	06-10-81	07-31-81		YES	593,666.65	20%
	Demand	159,852.83	159,852.83	08-17-82	Demand		YES	159,852.83	20%
	Demand	184,242.09	184,242.09	09-07-84	Demand		YES	184,242.09	Non-accru 16%
	10-13-81	1,000,000.	253,848.26	05-29-80	10-31-81		YES	518,246.05	Bank of America
	10-13-81	2,000,000.	2,000,000	05-29-80	10-31-86		YES	2,600,226.29	Bank of America
Comment: April 25, 1986 Ball Brothers, Inc. VS. Nefco, Judge signed settlement order, A.R.C. will be receiving a portion of \$750,000.00 As of October 20, 1987, bankruptcy Trustee "Tom Yerbitch" states settlement may take as long as a year or more!									
BALL, ALBERT	11-1-88	25,000	2,328.86	10-28-83	11-1-88	NONE	NO	2,540.06	10%
BALL, GERALD	11-1-88	25,000	434.02	10-28-83	11-1-88		NO	473.62	10%
BALL, NEWTON		25,000	-0-	10-28-83	11-1-88		NO	-0-	
Comment: Demand sent									
CLARK, INC.		395,000	-0-	11-13-81	09-20-96	Plant, equip. R/E 3,900,000. part. w/ CFAB	YES		
Comment: 4/17/87 Darlene Church (C.F.A.B.) said they have sold facility. Accounting of transaction will be provided SEE OWNED ASSETS SECTION									
ICICLE SEAFOODS, INC.		400,000	-0-	05-12-81	06-12-91		NO	-0-	
		1,900,000	paid in full	09-29-82	09-01-87		NO	-0-	
Comment: Performing and current, debenture and sale of 200,000 shares of common stock to Management Associates completed May 20, 1986. A.R.C. remaining 360,000 shares convert to preferred shares. ICICLE 5/21/87 Rec. \$162,720 dividend check, plus \$565,000 check for re-purchase of 100,000 shares preferred stock.									

ALASKA RESOURCES CORPORATION

Report Date: November 22, 1988
 Period Ending: September 30, 1988
 Reported By: Marty Lentz

LOANS RECEIVABLE & PAST DUE
 LIABILITY MONITORING REPORT

Project & Resource Sector	Next Payment Due	Original Amount	Present Prin. Bal.	Date Loan Made	Maturity Date	Collateral Value & Type	Past Due	Total Liability	Interest Rate
KACHEMAK SEAFOODS, INC.		250,000 1,092.10	-0- -0-	08-28-81 03-18-83	10-01-82 Demand	N/A	N/A N/A	-0- -0-	
Comment: Principal paid in full. VWH, Ltd. settlement proceeds provided \$68,983.26. Collection on judgement against Birdie Needham provided a net amount to retire Kachemak principal in full, with additional \$17,530.20 credited to accrued interest.									
KOKECHIK, INC.	07-01-85	300,000	174,295.98	05-15-80	07-01-87	Boats, motors orig. value \$300,000	NO	245,104.73	12%
Comment:									
MASTERCRAFT		315,000	-0-	08-08-80	10-01-87	N/A	N/A	-0-	
Comment: Paid in full, 12/23/84, no loss on this account.									
PACIFIC FOREST PRODUCTS INCORPORATED		10 @ 100,000 9 @ 200,000 1,000,000 1,800,000 165,065.83	-0- -0- -0- -0- -0-	12-13-83 12-13-83 11-02-84 04-08-81 12-13-83				-0- -0- -0- -0- -0-	
Comment: Execution sale scheduled for June 18, 1986. A.R.C. highest bidder, proceed to sell property. Total debt as of 6/18/86: Prin: \$5,810,657.42, Int. \$1,754,670.13. Agreement of Sale signed November 7, 1986, purchase price \$900,000.00. Deal closed 4/1/87, proceeds received \$1,059,178.00.									
PINES SAWMILL		30,000	N/A	04-02-80	04-01-85	N/A	N/A	-0-	
Comment: Paid in full									

ALASKA RESOURCES CORPORATION

Report Date: November 22, 1988
 Period Ending: September 30, 1988
 Reported By: Marty Lentz

LOANS RECEIVABLE & PAST DUE
 LIABILITY MONITORING REPORT

Project & Resource Sector	Next Payment Due	Original Amount	Present Prin. Bal.	Date Loan Made	Maturity Date	Collateral Value & Type	Past Due	Total Liability	Interest Rate
RICE FUR FARM	03-31-84	115,000	101,523.14	11-23-81	12-01-92	Foxes, cages, equip. & R/E \$184,000.00	YES	101,523.14	non-bear
Comment: In default \$5760.00 of \$12,500 minimum royalty payment due 03-31-84. Royalty payment and report due 03-31-85.									
SALAMATOF SEAFOODS, INC.	06-30-89	3,065,349.93	1,900,000.00	01-01-82	06-30-89	plant, equip. \$4.5 Mil 2nd 1st APB \$900,000	YES	1,900,000.00	
Comment: Final closing of reorganization by February 1986, primary changes - forgiveness of ??Int???. \$574,054.00 and Principal reduction from \$3,065,350.00 to \$1,900,000.00 to be paid in full June 30, 1989.									
SAYLES MARINE, INC.	12-31-82	86,126	25,126	04-29-82	12-31-82	Aluminum est @ \$15,000 vessel PMM \$85,000	YES	42,305.19	20%
	10-01-84	70,000	70,000	12-30-83	07-01-98		YES	104,307.85	11.5%
Comment: Case transferred to A.G. office in Juneau.									
SEAWARD SHIPYARD & MARINE SUPPLY INC.	06-01-84	210,000	26,061.98	05-01-82	06-01-84	R/E plant & equip value @ 1.1 Mil subject to 1st D/T @ \$140.K	YES	26,190.50	NBA pri
		20,000	-0- *	03-05-81	06-01-84		YES	-0-	"
	04-01-88	350,000	98,870.04	04-02-80	05-02-90		NO	99,357.66	10%
* Seaward Shipyard #80-022-A paid off in full 2-2-88 Comment: March 3, 1986 A.R.C. Board approved workout agreement on defaulted notes, stocks purchase; Mr. Selay has agreed.									
SMARAGD PARTNERS		498,000							
Comment: Paid in full, September 20, 1985, no loss to ARC									

ALASKA RESOURCES CORPORATION
OWNED ASSETS

Report Date: November 22, 1988
Period Ending: September 30, 1988
Reported By: Marty Lentz

MARTIN'S SEAFOODS, INC.

Comment: This asset is a Fish Processing and Freezer Plant 800 Ocean Dock Road, Anchorage, Alaska. Six month lease with option to purchase, signed June 1, 1987, with Seafoods From Alaska, extended May 1, 1988, as 4-1-88, final negotiations are in process for lessee to exercise option to purchase.

STEIK ENTERPRISES

Comment: Account in bankruptcy, Deed in Lieu of Foreclosure accepted 4/29/87. Lease agreement and Option to Purchase signed May 1, 1987, three-year option to repurchase at \$95,714.56, plus \$800 per month rental income.

CLARK, INC.

Comment: This asset is a fish processing plant/apartment complex in Dillingham, Alaska. ARC funding was a participation with Alaska Commercial Fishing and Agriculture Bank. ARC owned 13.17% of the loan, and CFAB as majority investors has controlled asset to date. Business failed, CFAB after bankruptcy sold the subject asset to Rodney C. Egemo on 5/30/86. Mr. Egemo, also has difficulty and CFAB is working with borrower. Due to legal and expense, ARC will have little recovery of debt.

ALASKA TIMBER CORPORATION

Comment: This asset is a timber mill facility in Klawock, Alaska. Bank of California provided financing for the mill facility. ARC participated with Bank of California in providing funding for power plant facility. This was a very complex bankruptcy.

ALASKA RESOURCES CORPORATION
OWNED ASSETS

Report Date: November 22, 1988
Period Ending: September 30, 1988
Reported By: Marty Lentz

ACT I 7 MACHEN

Comment: Summary judgment order signed January 22, 1988 in the amount of \$260,843.76 plus interest a attorney fees.

PACIFIC FOREST PRODUCTS &
MICHAEL & SHARON CHITTICK

Comment: \$25,000 promissory note @ 10% interest, 84 monthly installments of \$531.24 P/M commencing September, 1989.

SEAFOODS FROM ALASKA

Comment: \$35,205 promissory note @ 10% interest.

ANCHOR RENEWABLE RESOURCES

Comment: United States Bankruptcy Court confirmed Chapter 12 Plan. ARC will share pro-rata in the payments to unsecured creditors. Payments to be made over a three year plan. Commencemen date unknow, anticipated ARC to receive 20 cents on dollar.

S B

84

BILL: SB 84

NAME:

TITLE: "An Act relating to the exemptions from the salmon enhancement tax; and providing for an effective date."

PRIME SPONSOR: RULES
BY REQUEST OF THE GOVERNOR

CURRENT STATUS: (H) RES
THEN FIN

STATUS DATE: 03/08/89

Selection=>

PF1	PF2	PF3	PF4	PF5	PF6	PF7	PF8	PF9	PF10	PF11	PF12
HELP	SUBJ	EXIT	MENU	TEXT	PRINT	BWD	FWD		FIRST	LAST	QUIT

SB 84 Bill/Resolution Floor Action Page 2 of 2

Current Status: (H) RES

	Jrn-Date	Jrn-Page	Action
1	01/09/89	31	(S) READ THE FIRST TIME - REFERRAL(S)
2	01/09/89	31	(S) RESOURCES
3	01/09/89	32	(S) GOVERNOR'S TRANSMITTAL LETTER
4	01/09/89	32	(S) TWO ZERO FNS PUBLISHED (REV, F&G)
5	02/28/89	553	(S) RES RPT 5DP
6	02/28/89	553	(S) PREVIOUS ZERO FNS (REV, F&G) 1/9/89
7	02/28/89	553	(S) REFERRED TO RULES
8	03/06/89	642	(S) RULES TO CALENDAR
9	03/06/89	644	(S) READ THE SECOND TIME
10	03/06/89	644	(S) ADVANCED TO THIRD READING UNAN CONSENT
11	03/06/89	644	(S) READ THE THIRD TIME SB 84
12	03/06/89	644	(S) PASSED Y17 N- X2 A1
13	03/06/89	644	(S) EFFECTIVE DATE SAME AS PASSAGE
14	03/06/89	649	(S) TRANSMITTED TO (H)
15	03/08/89	551	(H) READ THE FIRST TIME - REFERRAL(S)
16	03/08/89	551	(H) RESOURCES, FINANCE

Selection=>

PF1	PF2	PF3	PF4	PF5	PF6	PF7	PF8	PF9	PF10	PF11	PF12
HELP	SUBJ	EXIT	MENU	TEXT	PRINT	BWD	FWD	CMT/JRNL	FIRST	LAST	QUIT

BASIS Journal Text

02/28/89

SENATE JOURNAL

PAGE 0553

SB 84

The Resources Committee considered SENATE BILL NO. 84 (An Act relating to the exemptions from the salmon enhancement tax; and providing for an effective date) and a majority of the committee recommended do pass. The report was signed by Senator Fahrenkamp, Chair, and concurred in by Senators Frank, Eliason, Zharoff and Sturgulewski.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 9, 1989

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

Dear Senator Kelly:

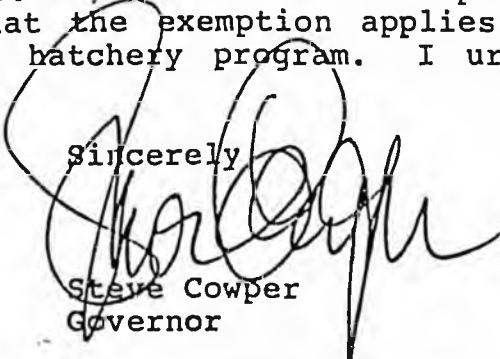
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the exemptions from the salmon enhancement tax imposed by AS 43.76. This bill is designed to clarify an ambiguity created through the enactment last session of AS 43.76.035.

Before the 1988 legislation was enacted, the practice of the Department of Revenue, in interpreting AS 43.76, was to exempt from the salmon enhancement tax salmon harvested under all special harvest area permits issued to hatcheries under AS 16.43.400. This practice exempted both regional and nonregional private, nonprofit hatcheries, on the basis that the tax is intended, for the most part, to benefit the state's hatchery program.

Last year's AS 43.76.035, however, codified the exemption only for regional aquaculture associations. Thus, by implication, that statute could be interpreted to repeal the exemption for those private, nonprofit hatcheries that are not run by regional aquaculture associations, thereby imposing a new tax burden of two or three percent on those hatcheries. The Department of Commerce and Economic Development has indicated that this added tax burden, if imposed, might affect the ability of these hatcheries to meet future loan payments.

We firmly believe that it was not the intent of the legislature, in passing AS 43.76.035, to limit the exemption, and this bill will clarify that the exemption applies to all hatcheries in the state's hatchery program. I urge your support of this measure.

Sincerely



Steve Cowper
Governor

FISCAL NOTE

REQUEST:

Revision Date: October 25, 1988
Title: Salmon Enhancement Tax: Hatchery Exemption.
Sponsor: Rules Committee
Requestor: Governor

Agency Affected: Revenue
BRU: Income and Excise Audit

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: See attached analysis.

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

Phone: (907) 465-2320
Date: October 25, 1988

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: October 25, 1988

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

Prepared by: Steven E. Kettel
Director, Income & Excise Audit
October 25, 1988

Analysis:

The proposed legislation exempts all private nonprofit hatcheries from salmon enhancement tax liability. The bill is necessary to correct an ambiguity that was created through the enactment last year of AS 43.76.035. Prior to enactment of Section 035, the Department practice was to exempt all salmon harvested under all special harvest permits issued under AS 16.43.400. This exempted both regional and nonregional private, nonprofit hatcheries. Section .035 however, codified the exemption only for regional aquaculture associations, and could be construed to repeal the exemption for private nonprofit hatcheries. This legislation expands the exemption to cover private nonprofit hatcheries.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Exemption of hatcheries
from salmon enhancement tax
Sponsor: Rules Committee
Requestor: Governor

Agency Affected: Dept. Fish and Game
BRU: FRED
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						
---------	--	--	--	--	--	--

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

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Dr. Brian Allee, Director
Division: FRED

Phone: 465-4160
Date: 10/19/88

Approved by Commissioner: *Orin Kaleneworth*
Agency: Department of Fish and Game

Date: 10/19/88

Distribution (by preparer): *RAA 10/19/88*
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

S B

96

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 3/2/89
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 3/8/89

1/9/89

Mr. President:

RESOURCES Committee considered SB 96

compensation for, penalties against, and proceeds, fees, forms, and reports transmitted by agents who sell or collect fees for certain licenses, tags, and permits; and providing for an effective date.

and recommended:

replace with CS SB 96 (Rev) 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

OTHER RECOMMENDATIONS

~~_____~~

_____ NO REC
_____ NO REC

Chairman signature and recommendation

Committee backup attached

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 12, 1989

SUBJECT: Title of Senate Bill 96
TO: Senator Bettye Fahrenkamp
Senate Resources Committee
FROM: George Utermohle *GU*
Legislative Counsel

Senate Bill 96, introduced by the Governor, has been referred to your committee.

The bill relates to agents who sell or collect fees for certain fish and game licenses, tags, and permits.

M Among the things the bill does is to amend AS 16.05.460 by repealing the responsibilities of these agents to assist applicants in the completion of annual application or renewal forms for interim-use and limited entry permits. This change in the duties of the agents is not expressed in the title of the bill. Under Article II, section 13 of the Alaska Constitution the subject of a bill must be expressed in the bill title.

(The defect in the bill title may be cured by inserting the words "duties of," on page 1, line 7, following "against,".

Also, on page 2, lines 16 - 17, the bill attempts to amend the catchline for AS 16.05.470 in a bill section that does not set out the full section. This is not consistent with legislative drafting style; the catchline line should be deleted. Any amendment of a catchline that should be made as the result of an amendment of a statute will be done editorially by the Revisor of Statutes when the Alaska Statutes are updated following the session.

If I may be of further assistance, please advise.

GU:kb
wkk1/028

*amendment
adopted
develop CS-*



**STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS**

DEPARTMENT Fish and Game	DIVISION Administration	BILL NUMBER HB 76/SB 96	SPONSOR Rules
SHORT TITLE OF BILL "An act relating to compensation for, penalties against, proceeds..."			
DEPARTMENT POSITION Recommend for approval.			
PREPARED BY Douglas S. Hanon	DATE 03-03-89	COMMISSIONER'S SIGNATURE <i>Conrad Hillenworth</i>	DATE 3.3.89

SUMMARY

OTHER AGENCIES AFFECTED BY BILL	CONSTITUENT GROUPS AFFECTED BY BILL
ORGANIZATIONAL SUPPORT FOR BILL	ORGANIZATIONAL OPPOSITION TO BILL

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

ANALYSIS OF BILL/PROGRAM EFFECTS

Changes in the proposed bill allow the department to enhance the revenue collection and statistically data gathering aspects of the licensing system by providing penalties for late filing of required reports and past due accounts and permitting tailoring of vendor contracts to specific vendor situations. The bill also eliminates minimum vendor commission payment restrictions, allowing the department to issue vendor compensation payments in amounts that are less than fifty dollars (\$50.00).

AMENDMENTS PROPOSED

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

FISCAL NOTE

REQUEST:

Revision Date: 03/15/89
Title: "An Act relating to compensation for..."
Sponsor: Rules, Governor
Requestor: Senate Resources

Agency Affected: Fish and Game
BRU: Administration and Support
Components: Administrative Services

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						
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Beverly Reaume
Division: Administration

Phone: 465-4120
Date: 03/15/89

Approved by Commissioner: [Signature]
Agency: Fish and Game

Date: 3/15/89

Distribution (by preparer):

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

CS FOR SENATE BILL NO. 96 (Resources) was read the second time.

Senator Halford offered Amendment No. 1:

Page 1, line 6: Delete "compensation for,"

Page 1, lines 7 - 8: Delete ", duties of, and proceeds, fees, forms, and reports transmitted by"

Insert "and duties of"

Page 1, line 9: After "permits;"

Insert "requiring reports and proceeds to be

Selection=>	PF1	PF2	PF3	PF4	PF5	PF6	PF7	PF8	PF9	PF10	PF11	PF12
HELP			EXIT	MENU		PRINT	BWD	FWD		FIRST	LAST	QUIT
BASIS	Journal Text											

received before compensation is paid to agents who sell certain licenses, tags, and permits; repealing the duties of and compensation for agents who assist in completing forms for interim-use and entry permits;"

Senator Halford moved and asked unanimous consent for the adoption of Amendment No. 1. Without objection, Amendment No. 1 was adopted.

SB 96 cont'd

Selection=>	PF1	PF2	PF3	PF4	PF5	PF6	PF7	PF8	PF9	PF10	PF11	PF12
HELP			EXIT	MENU		PRINT	BWD	FWD		FIRST	LAST	QUIT

amendment # 1 adopted

BILL: SB 96

NAME: CSSB 96(RES)(TITLE AM)

"An Act relating to penalties against and duties of agents who sell or collect fees for certain licenses, tags, and permits; requiring reports and proceeds to be received before compensation is paid to agents who sell certain licenses, tags, and permits; repealing the duties of and compensation for agents who assist in completing forms for interim-use and entry permits; and providing for an effective date."

PRIME SPONSOR: RULES

BY REQUEST OF THE GOVERNOR

CURRENT STATUS: PASSD(S) RECON NTCE

STATUS DATE: 04/14/89

Selection=>

PF1 PF2 PF3 PF4 PF5 PF6 PF7 PF8 PF9 PF10 PF11 PF12
 HELP EXIT MENU TEXT PRINT BWD FWD CMT/JRNL FIRST LAST QUIT
 SB 96 Bill/Resolution Floor Action Page 2 of 3

Current Status: PASSD(S) RECON NTCE

Jrn-Date	Jrn-Page	Action
1 01/09/89	47	(S) READ THE FIRST TIME - REFERRAL(S)
2 01/09/89	47	(S) RES, THEN FINANCE
3 01/09/89	47	(S) GOVERNOR'S TRANSMITTAL LETTER
4 01/09/89	47	(S) 2 ZERO FN PUBLISHED(F&G, REV)
5 03/09/89	703	(S) RES RPT CS 4DP 2NR NEW TITLE
6 03/09/89	703	(S) ZERO FN TO CS PUBLISHED (F&G)
7 03/17/89	830	(S) ZERO FN TO CS PUBLISHED (F&G)
8 04/14/89	1238	(S) ZERO FN TO CS PUBLISHED (REV)
9 04/12/89	1196	(S) FIN RPT 4DP 2NR (RES)CS
10 04/12/89	1196	(S) PREVIOUS ZERO FISCAL NOTES (F&G)
11 04/14/89	1240	(S) RULES TO CALENDAR
12 04/14/89	1245	(S) READ THE SECOND TIME
13 04/14/89	1245	(S) RES CS ADOPTED UNAN CONSENT
14 04/14/89	1245	(S) AM NO 1 MOVED BY HALFORD
15 04/14/89	1245	(S) AM NO 1 ADOPTED UNAN CONSENT
16 04/14/89	1246	(S) ADVANCED TO THIRD READING UNAN CONSENT
17 04/14/89	1246	(S) READ THIRD TIME CSSB 96(RES)(TITLE AM)
18 04/14/89	1246	(S) PASSED Y16 H- X4

Selection=>

PF1 PF2 PF3 PF4 PF5 PF6 PF7 PF8 PF9 PF10 PF11 PF12
 HELP EXIT MENU TEXT PRINT BWD FWD CMT/JRNL FIRST LAST QUIT
 SB 96 Bill/Resolution Floor Action Page 3 of 3

Current Status: PASSD(S) RECON NTCE

Jrn-Date	Jrn-Page	Action
1 04/14/89	1246	(S) EFFECTIVE DATE SAME AS PASSAGE
2 04/14/89	1246	(S) STURGULEWSKI NOTICE OF RECONSIDERATION

Selection

Original sponsor: Rules/Governor

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE BILL NO. 96 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to [compensation for] penalties
7 against, [duties of, and proceeds, fees, forms, and
8 reports transmitted by] ^{And duties of} agents who sell or collect
9 fees for certain licenses, tags, and permits; ^{requiring} and
10 ^{reports and proceeds to be received before} providing for an effective date."

11 BE IT ENACTED BY THE LEGISLATURE OF THE ST. ^{received before compensation is paid to agents who}
^{sell certain licenses, tags, and permits;}
^{repealing the duties of and compensation for}
12 * Section 1. AS 16.05.390(c) is amended ^{agents who assist in completing forms for interim-}
^{use and entry permits;"}

13 (c) On March 31, June 30, September 30, and December 31 of each
14 year the commissioner [OF REVENUE] shall calculate the compensation
15 earned by an agent under (a)(2) of this section, minus the penalties
16 assessed under (g) of this section. If the compensation due exceeds
17 \$50, the commissioner shall pay the compensation not later than 30
18 days after the date for which the compensation was calculated. If the
19 compensation due is \$50 or less, the commissioner shall pay the com-
20 pensation not later than January 30 of the year following the year in
21 which the compensation was earned. The commissioner shall pay compen-
22 sation [IN AN AMOUNT EXCEEDING \$50] only for sales of licenses or tags
23 for which the commissioner has received the report and proceeds
24 required to be transmitted under (b) of this section.

25 * Sec. 2. AS 16.05.390 is amended by adding new subsections to read:

26 (f) Proceeds and reports under (b) of this section shall be
27 transmitted to the commissioner by the last day of the month following
28 the month in which the licenses and tags are sold, unless an alterna-
29 tive reporting schedule has been established by contract.

1 (g) The commissioner may assess a penalty against an agent who
2 does not transmit proceeds within the time allowed under (f) of this
3 section. The penalty is equal to one and one-half percent of the
4 amount of proceeds due. The penalty may be assessed for each month or
5 portion of a month that the proceeds are delinquent. A penalty under
6 this subsection shall be withheld from the agent's compensation under
7 (a)(2) of this section.

8 * Sec. 3. AS 16.05.460 is amended to read:

9 Sec. 16.05.460. COMMISSIONER [OF REVENUE] MAY APPOINT AGENTS.
10 The commissioner [OF REVENUE] may appoint qualified persons as agents
11 to receive applications, issue licenses, and collect license fees
12 under AS 16.05.440 - 16.05.480 [, AND TO ASSIST IN THE COMPLETION OF
13 ANNUAL APPLICATION OR RENEWAL FORMS FOR INTERIM-USE PERMITS AND ENTRY
14 PERMITS ISSUED UNDER AS 16.43].

15 * Sec. 4. AS 16.05.470 is amended by adding new subsections to read:

16 (c) Forms and fees under (a) of this section shall be transmit-
17 ted to the commissioner by the last day of the month following the
18 month in which the fees are collected. The commissioner may grant an
19 extension of not more than 30 days if the agent establishes that

20 (1) failure to grant an extension would impose an excessive
21 financial hardship on the agent;

22 (2) the fees collected by the agent for the period, includ-
23 ing the amount that the agent is authorized to retain, totals less
24 than \$1,000; and

25 (3) the cumulative amount of fees due from the agent,
26 including the fees due for the current period, does not exceed \$1,000.

27 (d) The commissioner may assess a penalty against an agent who
28 does not transmit fees within the time allowed under (c) of this
29 section. The penalty is equal to one and one-half percent of the

1 amount of fees due. The penalty may be assessed for each month or
2 portion of a month that the fees are delinquent.
3 * Sec. 5. AS 16.05.470(b) is repealed.
4 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

REQUEST:

Revision Date: 03/03/89
 Title: "An act relating to compensation for penalties against proceeds..."
 Sponsor: Rules
 Requestor: Steve Cowder

Agency Affected: Fish and Game
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)


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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See Bill Analysis.

Prepared by: Douglas S. Hanon  Phone: 465-4120
 Division: Administration Date: 03-03-89
 Approved by Commissioner: *One Bill's worth* Date: 03-03-89
 Agency: Fish and Game

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

The actual legislation proposed by the Governor does the following:

1. Transfers administration of the program from the Department of Revenue to the Department of Fish and Game.
2. Allows for tailoring vendor contracts to specific vendors to allow flexibility in relieving small vendors of monthly reporting.
3. Allows for assessment of penalties for vendors who fail to report according to their contractual schedules.

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSSB 96 (b)
PUBLISH DATE: 4/13/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act transferring issuance of fishing, hunting, trapping licenses...
Sponsor: Rules Committee
Requestor: Governor

Agency Affected: Revenue
DRU: Income and Excise Audit
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS:

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

Phone: (907) 465-2320
Date: December 19, 1988

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: December 19, 1988

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

Changes in the Resources ES have no fiscal effect. This fiscal note is appropriate
page 1 of 1

FISCAL NOTE

REQUEST:

Revision Date: 03/15/89
Title: "An Act relating to compensation for..."
Sponsor: Rules, Governor
Requestor: Senate Resources

Agency Affected: Fish and Game
BRU: Administration and Support

Component: Administrative Services

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						
---------	--	--	--	--	--	--

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

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Beverly Reaume
Division: Administration

Phone: 465-4120

Date: 03/15/89

Approved by Commissioner: [Signature]
Agency: Fish and Game

Date: 3/15/89

Distribution (by preparer):

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

SB 96

SENATE BILL NO. 96 by the Rules Committee by request of the Governor, entitled:

"An Act relating to compensation for, penalties against, and proceeds, fees, forms, and reports transmitted by agents who sell or collect fees for certain licenses, tags, and permits; and providing for an effective date."

was read the first time and referred to the Resources Committee and the Finance Committee.

Zero fiscal notes published today from Department of Fish and Game and the Department of Revenue.

Dear Senator Kelly:

Under the authority of art. III, sec. 23, of the Alaska Constitution, I am transmitting Executive Order No. 73, transferring the functions of issuing fishing, hunting, and trapping licenses, tags, and identification cards from the Department of Revenue to the Department of Fish and Game.

Also, under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a related bill that would make some changes and additions to AS 16.05.390, 16.05.460, and 16.05.470, concerning agents appointed to serve as private license vendors.

The Executive Order will make the operation of state government more efficient because the transfer of the fish and game licensing function places that function in the department that is responsible for the resource management programs that are partially funded by the license revenue. Also, that department, the Department of Fish and Game, can more efficiently gather the most appropriate information during the license issuance process to assist in its management functions. The transfer will reduce the number of departments an individual must contact if the individual intends to take fish or game. At the same time, because the Department of Fish and Game has more field offices than does the Department of Revenue, the transfer will probably make the contact more convenient.

SB 96 cont'd

In addition, the transfer will enable the Department of Revenue to focus more of its attention and resources on its primary responsibility -- collecting revenue owed to our state government.

Sections 1 -- 12 of the Executive Order delete references in AS 16.05.335 -- 16.05.826 to the commissioner of revenue and to the Department of Revenue, leaving only references to the "commissioner" and the "department." Those terms are then defined in AS 16.05.940(6) and (7), respectively, as the commissioner of fish and game and the Department of Fish and Game.

Sections 13 and 14, respectively, of the Order delete the power to issue fish and game licenses from the Department of Revenue powers listed in AS 44.25.020 and add it to the Department of Fish and Game powers set out in AS 44.39.020. Section 15 of the Order sets out transition provisions regarding regulations relating to the transferred function.

The only other changes made by the Executive Order are a few housekeeping clarifications in AS 16.05.390 and 16.05.470, and in AS 44.25.020 (secs. 6, 11, and 13 of the Order). No substantive changes, other than the transfer itself, are made by this Order.

Sections 1, 2, and 4 of the related bill amend AS 16.05.390 (concerning vendors of all licenses but commercial fishing licenses) and 16.05.470 (concerning vendors of commercial fishing licenses), to allow penalties to be assessed against license vendors or agents who do not transmit to the Department of Fish and Game, in a timely manner, the license fees that they collect.

Sections 2 and 4 of the related bill also specify that the monthly reports and fee transmittals that are already required from vendors must be made by the last day of the month after fees are collected, unless an alternative schedule is set by contract for vendors covered by AS 16.05.390, or unless an extension is granted for vendors covered by AS 16.05.470.

Finally, secs. 3 and 5 of the related bill delete reference in AS 16.05.460 and 16.05.470 to issuance of interim-use and entry permits by vendors. This deletion merely eliminates possible confusion, and conforms the statute to the reality that private vendors have not issued limited entry permits since 1979.

SB 96 cont'd

I urge you to further increase the efficiency gained from the Executive Order by passing the related bill.

Sincerely,

/s/
Steve Cowper
Governor

March 9, 1989

SENATE JOURNAL

p. 703

SB 96

The Resources Committee considered SENATE BILL NO. 96 (An Act relating to compensation for, penalties against, and proceeds, fees, forms, and reports transmitted by agents who sell or collect fees for certain licenses, tags, and permits; and providing for an effective date) and a majority of the committee recommended it be replaced with

CS FOR SENATE BILL NO. 96 (Resources), entitled:
"An Act relating to compensation for, penalties against, duties of, and proceeds, fees, forms, and reports transmitted by agents who sell or collect fees for certain licenses, tags, and permits; and providing for an effective date."

and do pass. The report was signed by Senator Fahrenkamp, Chair, and concurred in by Senators Kerttula, Eliason and Sturgulewski. Senators Halford and Frank signed "no recommendation."

Zero fiscal note for the committee substitute published today from Department of Fish and Game and fiscal note forthcoming.

SENATE BILL NO. 96 was referred to the Finance Committee.

March 17, 1989

SENATE JOURNAL

p. 830

SB 96

Zero fiscal note for Committee Substitute for Senate Bill NO. 96 (Resources) (An Act relating to compensation for, penalties against, duties of, and proceeds, fees, forms, and reports transmitted by agents who sell or collect fees for certain licenses, tags, and permits; and providing for an effective date) published today from Department of Fish and Game.

SB 96 cont'd

April 12, 1989

SENATE JOURNAL

p. 1196

SB 96

The Finance Committee considered SENATE BILL NO. 96 (An Act relating to compensation for, penalties against, and proceeds, fees, forms, and reports transmitted by agents who sell or collect fees for certain licenses, tags, and permits; and providing for an effective date) and a majority of the committee recommended the Resources Committee Substitute (page 703) be adopted and do pass. The report was signed by Senator Uehling, Co-Chair, and concurred in by Senators Zharoff, Pearce and Fischer. Senators Duncan and Frank signed "no recommendation."

Previous zero fiscal note.

SENATE BILL NO. 96 was referred to the Rules Committee.

April 14, 1989

SENATE JOURNAL

p. 1238

SB 96

Zero fiscal note for Committee Substitute for Senate Bill No. 96 (Resources) (An Act relating to compensation for, penalties against, duties of, and proceeds, fees, forms, and reports transmitted by agents who sell or collect fees for certain licenses, tags, and permits; and providing for an effective date) published today from Department of Revenue.

April 14, 1989

SENATE JOURNAL

p. 1240

SB 96

The Rules Committee considered SENATE BILL NO. 96 (An Act relating to compensation for, penalties against, and proceeds, fees, forms, and reports transmitted by agents who sell or collect fees for certain licenses, tags, and permits; and providing for an effective date) and a majority of the committee recommended calendar. The report was signed by Senator Sturgulewski, Chair, and concurred in by Senators Eliason, Kerttula and Kelly.

SENATE BILL NO. 96 is on today's calendar.

SB 96

SENATE BILL NO. 96 (An Act relating to compensation for, penalties against, and proceeds, fees, forms, and reports transmitted by agents who sell or collect fees for certain licenses, tags, and permits; and providing for an effective date) was read the second time.

Senator Sturgulewski moved and asked unanimous consent for the adoption of the Resources Committee Substitute offered on page 703. Without objection, CS FOR SENATE BILL NO. 96 (Resources) (An Act relating to compensation for, penalties against, duties of, and proceeds, fees, forms, and reports transmitted by agents who sell or collect fees for certain licenses, tags, and permits; and providing for an effective date) was adopted.

CS FOR SENATE BILL NO. 96 (Resources) was read the second time.

Senator Halford offered Amendment No. 1:

Page 1, line 6: Delete "compensation for,"

Page 1, lines 7 - 8: Delete ", duties of, and proceeds, fees, forms, and reports transmitted by"

Insert "and duties of"

Page 1, line 9: After "permits;"

Insert "requiring reports and proceeds to be received before compensation is paid to agents who sell certain licenses, tags, and permits; repealing the duties of and compensation for agents who assist in completing forms for interim-use and entry permits;"

Senator Halford moved and asked unanimous consent for the adoption of Amendment No. 1. Without objection, Amendment No. 1 was adopted.

SB 96 cont'd

Senator Halford moved and asked unanimous consent that CS FOR SENATE BILL NO. 96 (Resources)(title am) (An Act relating to penalties against and duties of agents who sell or collect fees for certain licenses, tags, and permits; requiring reports and proceeds to be received before compensation is paid to agents who sell certain licenses, tags, and permits; repealing the duties of and compensation for agents who assist in completing forms for interim-use and entry permits; and providing for an effective date) be considered engrossed, advanced to third reading and placed on final passage. Without objection, it was so ordered.

CS FOR SENATE BILL NO. 96 (Resources)(title am) was read the third time.

The question being: "Shall CS FOR SENATE BILL NO. 96 (Resources)(title am) (An Act relating to penalties against and duties of agents who sell or collect fees for certain licenses, tags, and permits requiring reports and proceeds to be received before compensation is paid to agents who sell certain licenses, tags, and permits; repealing the duties of and compensation for agents who assist in completing forms for interim-use and entry permits; and providing for an effective date) pass the Senate?" The roll was taken with the following result:

CSSB 96 RES(TITLE AM) 3RD

Yeas: 16 Adams, Binkley, Coghill, Duncan,
Eliason, Faiks, Frank, Halford,
Jones, Kelly, Kerttula, Rodey,
Sturgulewski, Szymanski, Uehling,
Zharoff

Nays: 0

Excused: 4 Fahrenkamp, Fischer, Pearce,
Pourchot

and so, CS FOR SENATE BILL NO. 96 (Resources)(title am) passed the Senate.

Senator Halford moved and asked unanimous consent that the vote on the passage of the bill be considered the vote on the effective date clause. Without objection, it was so ordered.

Senator Sturgulewski gave notice of reconsideration.

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 96 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to compensation for, penalties
7 against, duties of, and proceeds, fees, forms, and
8 reports transmitted by agents who sell or collect
9 fees for certain licenses; tags, and permits; and
10 providing for an effective date."

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

12 * Section 1. AS 16.05.390(c) is amended to read:

13 (c) On March 31, June 30, September 30, and December 31 of each
14 year the commissioner [OF REVENUE] shall calculate the compensation
15 earned by an agent under (a)(2) of this section, minus the penalties
16 assessed under (g) of this section. If the compensation due exceeds
17 \$50, the commissioner shall pay the compensation not later than 30
18 days after the date for which the compensation was calculated. If the
19 compensation due is \$50 or less, the commissioner shall pay the com-
20 pensation not later than January 30 of the year following the year in
21 which the compensation was earned. The commissioner shall pay compen-
22 sation [IN AN AMOUNT EXCEEDING \$50] only for sales of licenses or tags
23 for which the commissioner has received the report and proceeds
24 required to be transmitted under (b) of this section.

25 * Sec. 2. AS 16.05.390 is amended by adding new subsections to read:

26 (f) Proceeds and reports under (b) of this section shall be
27 transmitted to the commissioner by the last day of the month following
28 the month in which the licenses and tags are sold, unless an alterna-
29 tive reporting schedule has been established by contract.

1 (g) The commissioner may assess a penalty against an agent who
2 does not transmit proceeds within the time allowed under (f) of this
3 section. The penalty is equal to one and one-half percent of the
4 amount of proceeds due. The penalty may be assessed for each month or
5 portion of a month that the proceeds are delinquent. A penalty under
6 this subsection shall be withheld from the agent's compensation under
7 (a)(2) of this section.

8 * Sec. 3. AS 16.05.460 is amended to read:

9 Sec. 16.05.460. COMMISSIONER [OF REVENUE] MAY APPOINT AGENTS.
10 The commissioner [OF REVENUE] may appoint qualified persons as agents
11 to receive applications, issue licenses, and collect license fees
12 under AS 16.05.440 - 16.05.480 [, AND TO ASSIST IN THE COMPLETION OF
13 ANNUAL APPLICATION OR RENEWAL FORMS FOR INTERIM-USE PERMITS AND ENTRY
14 PERMITS ISSUED UNDER AS 16.43].

15 * Sec. 4. AS 16.05.470 is amended by adding new subsections to read:

16 (c) Forms and fees under (a) of this section shall be transmit-
17 ted to the commissioner by the last day of the month following the
18 month in which the fees are collected. The commissioner may grant an
19 extension of not more than 30 days if the agent establishes that

20 (1) failure to grant an extension would impose an excessive
21 financial hardship on the agent;

22 (2) the fees collected by the agent for the period, includ-
23 ing the amount that the agent is authorized to retain, totals less
24 than \$1,000; and

25 (3) the cumulative amount of fees due from the agent,
26 including the fees due for the current period, does not exceed \$1,000.

27 (d) The commissioner may assess a penalty against an agent who
28 does not transmit fees within the time allowed under (c) of this
29 section. The penalty is equal to one and one-half percent of the

1 amount of fees due. The penalty may be assessed for each month or
2 portion of a month that the fees are delinquent.

3 * Sec. 5. AS 16.05.470(b) is repealed.

4 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).
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S B

119

SENATE COMMITTEE REPORT

FURTHER

FIN

2/8/89

DATE TURNED INTO OFFICE

3/8/89

Mr. President:

Resources

Committee considered

SB 119

required reporting methods for corporate income taxes owed by members of an affiliated group whose common parent is a corporation incorporated outside the United States; efd

and recommended

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

Resources letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

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

MEMBERS SIGNING DO PASS

Ardis Stangor

OTHER RECOMMENDATIONS

Richard Stinson no rec
Yvette do not pass
Donna no rec
Rick Halford DO NOT PASS

Julio Fabrenberg do Pass
 Chairman signature and recommendation

Committee Backup attached

Alaska State Legislature

Senate Resources Committee

Senator Bettye Fahrenkamp, Chairman

Senator Jay Kerttula, Vice Chairman
Senator Dick Elhason
Senator Steve Frank
Senator Rick Halford
Senator Arliss Sturgulewski
Senator Fred Zharoff



P.O. Box V
Juneau, Alaska 99811
(907) 465-4907

SENATE RESOURCES COMMITTEE LETTER OF INTENT FOR SB 119

This bill will require multinational firms with foreign parents to file Alaska corporate tax returns using the water's edge method. The ability to use the water's edge method has been sought by foreign firms contemplating investments in Alaska, and by Keidanren, the umbrella organization of Japanese business and economic interests. The committee believes the change proposed in this bill will remove a barrier to greater foreign investment in Alaska.

Under SB 119 (and under current law), firms with domestic (U.S.) parents are not permitted to use the water's edge filing method. The committee considered arguments for extending the water's edge method to domestic firms, but rejected such an extension. Water's edge accounting entails very little state revenue loss when applied only to firms with foreign parents, but would cause a loss of \$3-6 million annually if applied to all multinational firms doing business in Alaska. Testimony before the Senate Resources Committee failed to demonstrate that additional investment would flow to Alaska from domestic firms as a consequence of allowing them water's edge filing, or that such additional investment would justify the revenue loss.

It is the intent of the committee that the administration continue to monitor the potential impacts of extending the water's edge method to all multinational corporations. Further, it is the intent of the committee that the administration notify the appropriate legislative committees if it appears that significant new domestic investment would occur as a result of the change.

STATE OF ALASKA

DEPARTMENT OF REVENUE

STEVE COWPER, GOVERNOR

STATE OFFICE BUILDING
P.O. BOX 5A
JUNEAU, ALASKA 99811-0400

March 8, 1989

The Honorable Bettye Fahrenkamp
Alaska State Senator
Box V
Juneau, AK 99811-3100

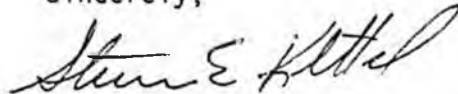
Dear Senator Fahrenkamp:

The Alaska Department of Revenue believes an annual domestic disclosure spreadsheet can be an important tool in insuring fair administration of the corporate tax as it would be revised by the SB 119. Our attorneys advise, however, that sufficient authority already exists in AS 43.20 (Alaska Net Income Tax) for the Department to issue regulations to implement these requirements. We therefore have no objection to deleting the language referring to the spreadsheet on page 2, lines 2 and 3 of SB 119. I have enclosed a copy of the bill with this revision marked.

Assuming that this bill were adopted in its current form, applying only to multinational corporations with foreign parents, the Department might not find it necessary to adopt regulations requiring the spreadsheet. If the spreadsheet were required we would not anticipate that more than a dozen or so taxpayers would have to file it. Indeed, we would intend to ask for the spreadsheet only from firms with a substantial nexus within Alaska, and in most of those cases would only require information readily available from filed state and federal tax returns, plus property, sales and payroll factor information for each state in which the taxpayer or affiliated corporation does business.

I would reiterate that the above applies if water's edge filing is restricted to firms with foreign parents. Should the bill be extended to all multinational corporations, fair administration of the law might require a much more extensive domestic disclosure spreadsheet from substantially more taxpayers.

Sincerely,



Steven E. Kettel
Director
Income & Excise Audit Division
(907) 465-2320

SEK:lr
89-76



Official Business


Alaska State Legislature

Senate

Finance Committee

Pouch V
State Capitol
Juneau, Alaska 99811

SB 119

TO: Senator [redacted] amp 
FROM: Senator Rick Uehling, Co-Chairman
Senate Committee on Finance
DATE: April 9, 1990
RE: CSSB 119 (Fin), Unitary Tax Bill

Senate Bill 119, as originally introduced, provided for water's edge reporting only for corporations having foreign parents. However, that bill contained no definition of a water's edge reporting method, and left it largely to the discretion of the Department of Revenue to prescribe the method that taxpayers would be required to use. The Finance Committee Substitute does two things. First, it expands the coverage of the bill to include domestic multinational corporations; second, it sets out in some detail the provisions that will govern tax returns under a water's edge combined reporting method.

I am enclosing a synopsis of CSSB 119 (Fin) for your review.

SYNOPSIS OF CSSB 119 (Finance)

Senate Bill 119, as originally introduced, provided for water's edge reporting for only for corporations having foreign parents. That bill contained no definition of a water's edge reporting method, however, and left it largely to the discretion of the Department of Revenue to prescribe the method that taxpayers would be required to use. The proposed CS does two things. First, it expands the coverage of the bill to include domestic multinational corporations; second, it sets out in some detail the provisions that will govern tax returns under a water's edge combined reporting method.

The proposed CS contains only one substantive provision, contained in sec. 2 of the bill. */ Section 2 adds a new section to AS 43.20 -- AS 43.20.073. That provision is divided into seven subsections. Subsection (a) sets out the kinds of affiliated corporations that are to be included in the taxpayer's water's edge combined tax return. These consist only of (1) corporations that do substantial business within the United States (regardless of whether

*/ Section 1 of the proposed CS sets out the purpose of the Act -- to promote investment and trade opportunities in the state. Sections 3 and 4 are effective date sections, providing that the water's edge method will apply to tax years beginning after December 31, 1989.

they are incorporated in the United States or elsewhere), **/
(2) domestic and foreign sales corporations (which are essentially paper corporations formed for the purpose of obtaining special federal tax treatment under the Internal Revenue Code), and (3) so-called "tax haven" corporations (which have been formed for the purpose of avoiding taxes in the United States).

Subsection (b) provides that certain income received from foreign corporations will be excluded from the taxpayer's total taxable income -- specifically, 80 percent of dividends and royalties as well as all amounts that are treated as dividends under Sec. 78 of the Internal Revenue Code. ***/ Foreign dividends and royalties are in actuality nothing more than income earned outside the United States that happens to be returned to

**/ Specifically, a corporation is considered to be part of the taxpayer's water's edge "family" (and its income taxable in Alaska) if 20 percent or more of its average property, payroll and sales factors are within the United States. An affiliated corporation with less than 20 percent of its property, payroll and sales factors within the United States will also be considered part of the water's edge group if that corporation does not meet the requirements of sec. 861(c) of the Internal Revenue Code; that is, if 20 percent or more of the corporation's gross receipts are from sources within the United States.

***/ Under the Internal Revenue Code, a corporation is permitted to take a tax credit for income taxes paid by certain affiliated foreign corporations. Section 78 provides that if a corporation does take a foreign tax credit, an amount equal to the tax credit will be "deemed" to have been received as taxable income by the taxpayer corporation as a dividend from the foreign corporation. Alaska does not allow corporations to take a foreign tax credit. Thus in Alaska there is no justification for including any amount of these "deemed" dividends in the corporation's taxable income.

the domestic parent in the form of dividends or royalties. Since the purpose of a water's edge method is to tax a corporation based only on income derived from its United States operations, foreign income in the form of dividends and royalties must be excluded. At the same time, a certain amount of the total expenses that a domestic parent incurs inevitably go towards supporting the income producing activities of its foreign subsidiaries. The expenses attributable to foreign operations should not be deductible from income that is earned within the United States. For that reason, the proposed CS provides that 20 percent of dividend and royalty income received from a foreign corporation will remain taxable. The actual expenses of a particular corporation in a given year may, of course, be greater or less than 20 percent of its foreign dividend and royalty income. However, it would be extremely difficult for the Department of Revenue to determine precisely which expenses of a corporation are actually attributable to foreign operations. The simplest way to deal with the concern that expenses related to foreign operations will be deductible from domestic income is simply to require corporations to include each year a fixed percentage of their foreign dividends and royalties as taxable income.

Subsection (c) is borrowed from Minnesota's water's edge statutes, and addresses a concern that the Minnesota tax administrators had that a taxpayer might attempt to claim the 80 percent exclusion for dividends or royalties received from a

foreign corporation that is not part of the taxpayer's unitary business -- in other words, purely passive investment income. This provision ensures that corporations will not be able to exclude any portion of passive investment income received from foreign corporations.

Subsection (d) simply recognizes that the 20 percent of foreign dividends and royalties that are included in taxable income are included for the purpose of offsetting the expenses of the parent corporation attributable to its foreign operations.

Subsection (e) provides that if taxpayers do not provide the Department of Revenue with the information it needs to properly audit a water's edge return, then the department may require the taxpayer to file a worldwide combined return instead.

Subsection (f) makes it clear that the water's edge reporting method is not applicable to taxpayers subject to AS 43.20.072, who are engaged in the production or transportation of oil or gas.

Subsection (g) contains definitions of the terms "affiliated corporation," "affiliated group," "foreign corporation," and "water's edge combined reporting method."