

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7568 SENATE LABOR & COMMERCE

Alaska State Legislature

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During Session:
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Senator Drue Pearce
District G

TO: ALL SENATORS

FROM: Senator Drue Pearce



DATE: February 5, 1992

RE: Senate Bill 349 - "An Act relating to the implementation of special federal programs for unemployment compensation; and providing for an effective date.:"

This legislation allows the Department of Labor to implement emergency unemployment compensation programs immediately after they are authorized by the United States Secretary of Labor if they are of benefit to the people of the state.

The Department's authority is unclear in current statute and could cause a delay in the implementation of emergency benefits and similar programs. Senate Bill 349 removes any doubt that the Department is authorized to provide such emergency assistance to the people of the state without undue regulatory delay.

The Department had to adopt emergency regulations in order to take full advantage of the current federal unemployment compensation extended benefit program. 7,138 individuals in Alaska have benefitted as a result of the program. Congress is considering another extension program at this time. Passage of this legislation would allow such an extension to be implemented without delay.

The fiscal note on this legislation is zero. I urge you to this legislation.

STATE OF ALASKA

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

P.O. BOX 21149
JUNEAU, ALASKA 99802-1149
PHONE: (907) 465-2700

FAX: (907) 465-2784

January 10, 1992

JAN 10 1992

The Honorable Drue Pearce, Chair
Labor and Commerce Committee
Alaska State Senate
P.O. Box V
Juneau, AK 99811

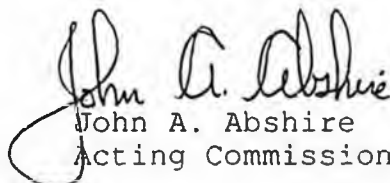
Dear Senator Pearce:

On Monday, January 13, 1992, the Governor is introducing a bill relating to the implementation of special federal programs for unemployment compensation. At this time the operation of the Emergency Unemployment Compensation Program, which Congress passed in November, 1991 is affected.

Due to the effective date of our emergency regulations and the effective dates included in this bill, I urge you to schedule a hearing as soon as possible.

Thank you for your prompt consideration.

Sincerely,


John A. Abshire
Acting Commissioner

JAA:kh

Enclosures

DRAFT TRANSMITTAL LETTER

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that will clarify the Department of Labor's authority to implement special federal unemployment compensation programs.

The bill adds a new subsection to AS 23.20.080 to clarify the Department of Labor's authority to implement additional unemployment compensation programs upon a determination by the commissioner of labor that the program will be beneficial to the state and its citizens. This will allow the department to act promptly to obtain benefits for the state as they are made available through changes in the federal unemployment compensation program.

AS 23.20.005 allows a liberal construction of the Alaska Employment Security Act (AS 23.20), and AS 23.20.080 currently promotes federal-state cooperation, directing the department to adopt regulations to obtain all advantages available under 26 U.S.C. 3303 and 3304 (Internal Revenue Code) and the Wagner-Peyser Act (29 U.S.C. 49). The Emergency Compensation Act of 1991 (P.L. 102-164) was signed into law by the president on November 15, 1991. It made 100 percent federal funding available to the states for an emergency unemployment compensation program. However, the state was just about to "trigger on" to an extended unemployment benefits period (under AS 23.20.408) under which only 50 percent federal

funding would be made available to the state. Under the new federal law, a state entering an extended benefit period was required to "trigger off" extended benefits in order to proceed with payment of the new emergency unemployment compensation.

The department found it necessary to adopt an emergency regulation, effective December 10, 1991, to "trigger off" the extended benefit period and thus qualify for the emergency unemployment compensation money. Paying benefits under the extended benefits program would have placed an additional cost on Alaskan employers and burdened Alaska's unemployment trust fund account (AS 23.20.130; AS 23.20.135). Preserving the trust fund account could result in lower tax rates for employers under Alaska law. Additionally, some claimants eligible for the federal emergency unemployment compensation program would qualify for more benefits under that program than they would under the state's extended benefits program. It is estimated that Alaska will be able to save from \$3.5 - \$7.5 million by "triggering off" the extended benefit period to receive the federal emergency compensation money. Although the Department of Labor considers that existing AS 23.20.005 and 23.20.080 provide authority for the emergency action, explicit authority for the department to act under these, and similar, circumstances is desirable.

Section 2 of the bill provides that the authorization in sec. 1 is retroactive to December 1, 1991, and sec. 3 provides an immediate

effective date. These sections provide clarification for the Department of Labor's emergency regulation.

The explicit authority provided by this bill will more clearly authorize the department to maintain the "triggered off" status. The emergency regulation, 8 AAC 85.045, will expire on April 7, 1992. For this reason, I urge your prompt consideration and passage of this bill.

Sincerely,

Walter J. Hickel

Governor

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO : SB 349

Revision Date: _____
Title: "An Act relating to the implementation of special ... unemployment compensation"
Sponsor: Rules Committee
Requestor: Governor

Department Affected: Labor
BRU: Employment Services
Component: Unemployment Insurance
COMPONENT SERIAL NO. 329

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Judy Knight, Director Phone : 465-2712
Division: Employment Security Division Date : 12/31/91
Approved by Commissioner: John A. Abshire, Acting Commissioner
Agency: Department of Labor Date: 12/31/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 1/13/92

FURTHER:

Date of 5-Day Notice: 1/23/92
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: _____

L&C Committee considered SENATE BILL NO. 349

Implementation of special federal programs for unemployment compensation; efd.

and recommends:

replace with _____ CS _____ (_____)

attaches amendment(s)

same title
 new title
 technical title change
(HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

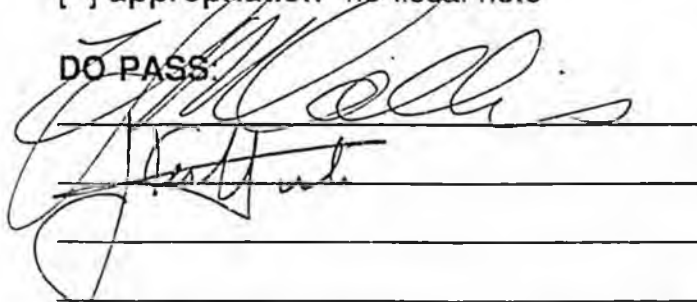
NEW FISCAL NOTES: Dept/Date

zero fiscal notes _____

fiscal notes _____

appropriation--no fiscal note

DO PASS:



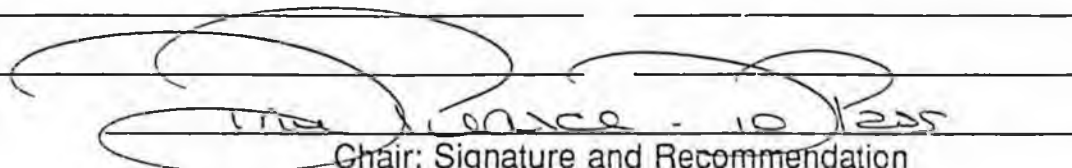
PREVIOUS FISCAL NOTES: Dept/Date

Governor's bill with fiscal notes:

zero fiscal notes LABOR 12-31-91

fiscal notes _____

OTHER RECOMMENDATIONS:


Chair: Signature and Recommendation

Alaska State Legislature

Senate District L
Al Adams

WHILE IN SESSION
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State Capitol
Juneau, Alaska 99811
(907) 465-3707

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



Official Business

TO: All Senators

FROM: Senator Al Adams *APA*

RE: Amendments to Senate Bill 349

DATE: February 5, 1992

Attached are three amendments to Senate Bill 349 for proposal on the Senate floor today. My concerns stem from the broad authority granted in this bill to the Department of Labor.

The first amendment is due to uncertainty who "interested parties" might be in regards to the department's notification requirement. The proposed amendment guarantees legislative notification.

The second amendment would require the department to notify the legislature and interested parties prior to action being taken under this subsection.

The third amendment states that use of this provision will be limited to programs that involve only federal funds. Unemployment programs exist that involve state funds. I question the desirability and constitutionality of allowing the Department of Labor to pass provisions that could affect, directly or indirectly, our state treasury.

Senate Bill 349, " An Act relating to the implementation of special federal programs for unemployment compensation; and providing for an effective date."

Amendment Number /

By Senator Adams

Page 1, line 11, after the word "notify" insert "the legislature and other"

2

Senate Bill 349, " An Act relating to the implementation of special federal programs for unemployment compensation; and providing for an effective date."

Amendment Number 2

By Senator Adams

Page 1, line 11, delete "if action is"

Page 1, line 11, insert "prior to action being"

Senate Bill 349, " An Act relating to the implementation of special federal programs for unemployment compensation; and providing for an effective date."

Amendment Number 3

Federal Trust Fund

By Senator Adams

Page 1, line 11, add a new sentence to read "The department may act under this subsection only if the program will be funded entirely with federal funds."

without additional



State general funds.

S B

3 5 5

DATE: 1/14/92

FURTHER: Finance

Date of 5-Day Notice: 2/3/92
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2/10/92

L&C Committee considered SB 355

Act to extend the Alaska Regional Economic Assistance Program

and recommends:

replace with _____ CS _____ (_____)

attaches amendment(s)

adopts _____ Letter of Intent

further referral to the _____

same title
 new title
 technical title change (HB only)

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES: Dept/Date

zero fiscal notes _____

fiscal notes _____

Dept of Commerce 2/5/92

appropriation--no fiscal note

PREVIOUS FISCAL NOTES: Dept/Date

Governor's bill with fiscal notes:
zero fiscal notes _____

fiscal notes _____

DO PASS:

Shirley Craft
Cynthia Callahan

OTHER RECOMMENDATIONS:

1/10/92
Chair: Signature and Recommendation

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 355

Revision Date: _____

Department Affected: Commerce & Econ. Dev.

Title: An Act to extend the Alaska Regional
Economic Assistance Program

BRU: Economic Development

Component: _____

Sponsor: Senator Sturgulewski

Requestor: Senator Sturgulewski

COMPONENT SERIAL NO.

	8	0	1
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0	750.0	750.0	750.0	750.0	0
MISCELLANEOUS						
TOTAL OPERATING	0	750.0	750.0	750.0	750.0	0

CAPITAL						
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REVENUE FUND RESOURCE:						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	750.0	750.0	750.0	750.0	0
FEDERAL FUNDS						
OTHER						
FUND SOURCE:						
TOTAL	0	750.0	750.0	750.0	750.0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS (Attach a separate page if necessary.)

This program is fully funded in the Governor's FY 93 Budget Request. Therefore, the fiscal impact of this bill does not arise until FY 94 and ends with FY 97.

Prepared By: Terry Miller, Development Specialist Phone: 465-2017

Division: Economic Development Date: 6/5/92

Approved by Commissioner: Glenn A. Olds Date: 8.7.92

Agency: Department of Commerce & Economic Development

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DER, Gov. Legis. Ofc., and Impacted Agency(ies).

SB 355: "An Act to extend the Alaska Regional Economic Assistance Program."

The Alaska Regional Economic Assistance Program was created in statute in June 1988. The program was designed to facilitate economic development at the regional and local levels by establishing a network of designated public/private economic development organizations. These organizations, which came to be called Alaska Regional Development Organizations (ARDORs), are charged with developing and implementing strategies to encourage economic development within their regions. The program's underlying goal is the creation of private sector employment through local economic development and capacity building. The statute allows up to fifteen ARDORs to be designated statewide and provides matching grants of up to \$50.0 per year to each organization. Administrative support for the program, as well as professional and technical assistance to the ARDORs, are provided by staff of the Division of Economic Development. On the assumption that the ARDORs could become operationally and financially self-sufficient after five years of state support (FYs 89-93), the program was scheduled for repeal in July 1993.

Although some ARDORs have been operational since FY 89, many have come into existence within the last year and two significant regions of the state are still in the process of structuring appropriate organizations. ARDORs now encompass 67 percent of the state's land area and 93 percent of its population. Nearly 200 community and business leaders throughout the state serve on ARDOR boards of directors. While the goal of creating self-sufficient regional entities remains, it is the position of this department that it is in the best interest of the state to continue this modest level of support to a highly successful and popular program that is making a significant contribution to encouraging local responsibility for economic development planning and program implementation.

The department recommends extending the Alaska Regional Economic Assistance Program to July 1997.

Glenn A. Olds
Glenn A. Olds, Commissioner
Date: 2-6-92

Alaska State Legislature



SENATOR
ARLISS STURGULEWSKI

111 C STREET, SUITE 550
ANCHORAGE, ALASKA 99503
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While in Juneau
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JUNEAU, ALASKA 99811
(907) 465-3818

Senate

MEMORANDUM

28 January 1992

TO: Senator Drue Pearce
Chair, Senate Labor & Commerce Committee

FROM: Senator Arliss Sturgulewski *AS*

I would greatly appreciate your scheduling of Senate Bil. 355 which extends the sunset date of the Alaska Regional Economic Assistance Program.

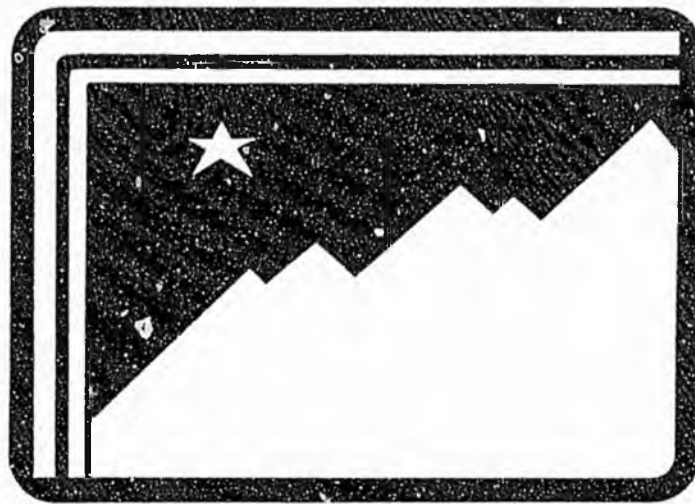
The purpose of this program is to encourage the formation of regional development organizations that address the economic problems of specific regions of the state and coordinate private and public resources to support economic development on a regional basis. In addition, the program is to provide assistance in local economic diversification and development efforts to encourage regions of the state to become economically self-sufficient.

Enclosed is information about the Alaska Regional Development Organizations and some of the projects that they have undertaken. This is a successful program and worthy of extension.

Please call Melissa Fouse of my staff if you have any questions. Thank you.

Alaska Regional Development Organizations Program

Division of Economic Development
Department of Commerce and Economic Development



ARDOR

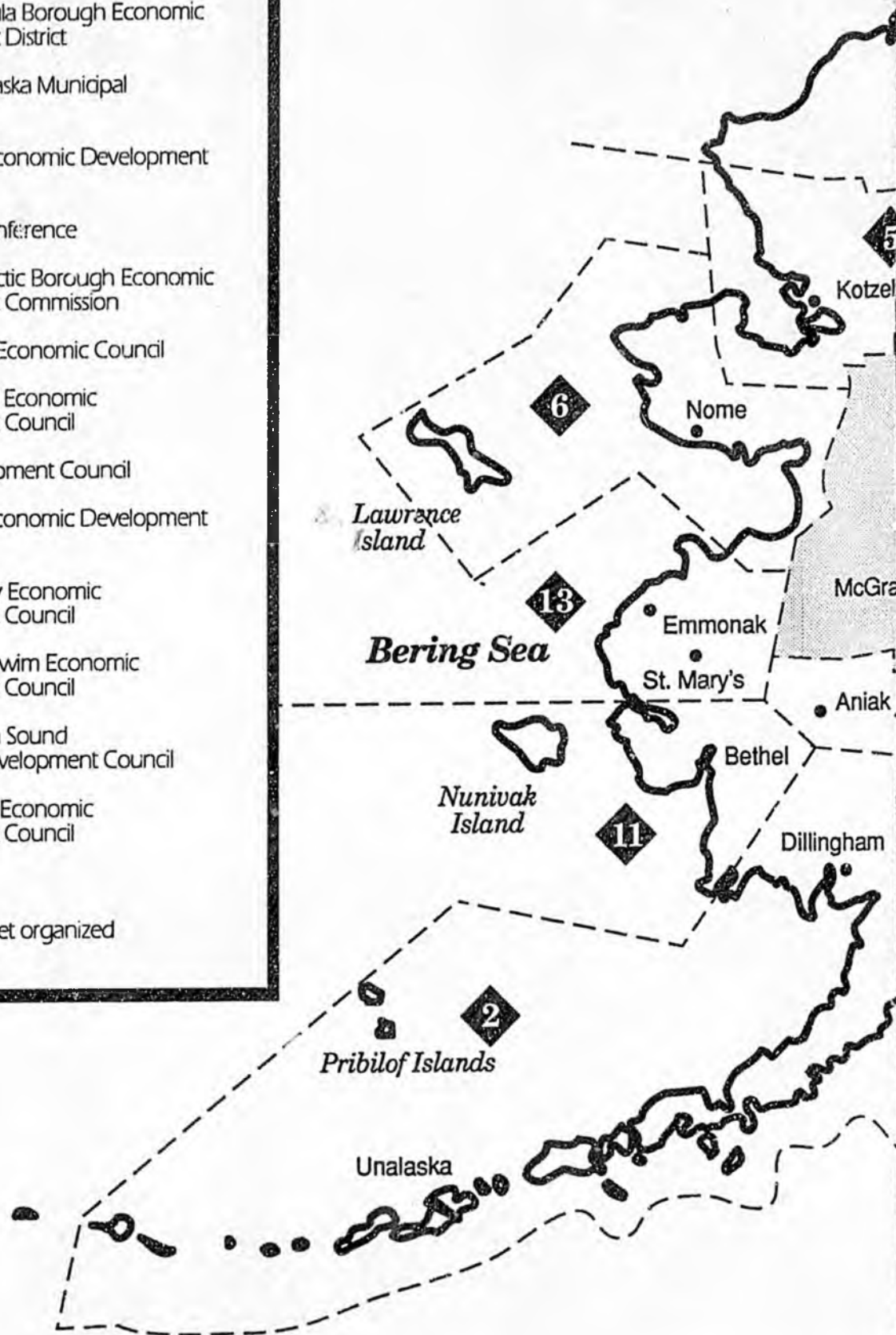
SHAPING ALASKA'S FUTURE

9th Floor, State Office Building
Juneau, Alaska 99811
(907) 465-2017

3601 C Street, Suite 724
Anchorage, Alaska 99503
(907) 563-2165

- ◆ 1 Kenai Peninsula Borough Economic Development District
- ◆ 2 Southwest Alaska Municipal Conference
- ◆ 3 Anchorage Economic Development Corporation
- ◆ 4 Southeast Conference
- ◆ 5 Northwest Arctic Borough Economic Development Commission
- ◆ 6 Bering Straits Economic Council
- ◆ 7 Interior Alaska Economic Development Council
- ◆ 8 Arctic Development Council
- ◆ 9 Kuskokwim Economic Development Council
- ◆ 10 Copper Valley Economic Development Council
- ◆ 11 Lower Kuskokwim Economic Development Council
- ◆ 12 Prince William Sound Economic Development Council
- ◆ 13 Lower Yukon Economic Development Council

▨ Regions not yet organized



DESIGNATED ARDORS
POPULATION AND LAND AREA

<u>Designated ARDOR</u>	<u>Population (est.)</u>	<u>Area (sq. mi.)</u>
Anchorage EDC	237,900	2,000
Arctic Slope DC	8,300	95,000
Bering Strait EC	10,000	26,000
Copper Valley EDC	2,500	17,000
Interior Alaska EDC	75,000	13,100
Kenai Borough EDD	40,800	25,600
Kuskokwim EDC	2,000	16,000
Lower Kuskokwim EDC	12,100	24,000
Lower Yukon EDC	5,500	23,000
NW Arctic Borough EDC	6,100	39,000
Pr. William Sound EDC	7,400	12,750
Southeast Conference	70,000	35,500
SW Alaska Munic. Conference	33,500	62,500
Totals:	511,100	391,450
Base:	550,000	586,000
Total as Percent of Base:	93%	67%

ALASKA REGIONAL DEVELOPMENT ORGANIZATIONS PROGRAM

The Alaska Regional Development Organizations (ARDOR) Program was established in statute in June 1988. Designed to facilitate economic development at the regional and local levels through a network of designated public/private economic development organizations, the program's underlying goal is the creation of private sector employment through local economic diversification and capacity building. The program reflects the "bottom up" approach to economic development which holds that sound economic development policy arises from local determination of economic development needs and priorities. **The statute allows up to 15 ARDORs statewide and only one organization may be designated within a region.** ARDORs must demonstrate their broad-based public and private sector support and they must prepare a detailed program of work to address regional economic development issues. **Matching grants of up to \$50,000 per year are available to designated ARDORs.** Technical and professional support services are provided to ARDORs by staff of the Division of Economic Development.

ARDOR FACTS

- o **13 ARDORs designated since 1989**
- o **93% of Alaska's population is represented by ARDORs**
- o **67% of Alaska's land area is included in ARDORs**
- o **More than 200 community leaders serve on ARDOR boards of directors**
- o **ARDOR program costs the state less than \$1.00 per capita**
- o **ARDORs encourage and support local responsibility for economic development planning and economic self-sufficiency**
- o **ARDORs are creating new jobs in every region**
- o **ARDORs are supporting new businesses in every region**
- o **ARDORs are supporting business education in Alaska's school systems**
- o **ARDORs are a critical linkage between local communities and state government for the examination and determination of economic development policy**

DESIGNATED ARDORs

- o **Kenai Peninsula Borough Economic Development District**
- o **Southwest Alaska Municipal Conference**
- o **Anchorage Economic Development Corporation**
- o **Southeast Conference**
- o **Northwest Arctic Borough Economic Development Commission**
- o **Bering Straits Economic Council**
- o **Interior Alaska Economic Development Council**
- o **Copper Valley Economic Development Council**
- o **Kuskokwim Economic Development Council**
- o **Arctic Development Council**
- o **Lower Kuskokwim Economic Development Council**
- o **Prince William Sound Economic Development Council**
- o **Lower Yukon Economic Development Council**

**Alaska Regional Development Organizations
Representative
Economic Development/Capital Projects
January 1992**

Anchorage Economic Development Corporation

Designated: April 11, 1989

- * Ship Creek Basin Redevelopment Project
- * Petroleum Visitors Center
- * Girdwood Water System Expansion/Alyeska Prince Hotel
- * Semiconductor Manufacture/Software Development Industry Promotion
- * Development of Anchorage as a Fish Processing, Transport and Industry Service Center

Arctic Development Council

Designated: March 1, 1991

- * Anaktuvuk Pass Lodge and Visitor Center
- * Business Development Technical Assistance Resulting in the Expansion or Startup of Local Transportation, Retail Grocery, Bed & Breakfast, and Marine Salvage Businesses in Barrow and Pt. Hope

Bering Straits Economic Council

Designated: January 11, 1990

- * Shishmaref Tannery Development & Marketing
- * Geophysical/Geological Mapping of Seward Peninsula
- * Port of Nome Development
- * Norton Sound Aquaculture Association
- * Elim Fish Hatchery
- * Regional Capital Projects Inventory
- * DOD Hazardous Materials Removal Project/Workforce Certification

Copper Valley Economic Development Council

Designated: November 1, 1990

- * Glennallen/Delta Electric Power Transmission Line
- * Copper Valley Summer Theater/Young Entrepreneur Program

Interior Alaska Economic Development Council

Designated: January 31, 1990

- * Alaska Railroad Spur and Loading Dock, Fairbanks
- * Ester Historical Restoration Project

- * Native Heritage Park and Tourism Facility, Nenana
- * Fairbanks Hospital Expansion Project
- * Technical Assistance to Over 472 Businesses and Non-Establishing or Expanding Businesses in Alaska

Kenai Peninsula Borough Economic Development District

Designated: February 22, 1989

- * Development of Kachemak Bay Shellfish Industry
- * Beluga Coal Fields Development
- * Harvest and Marketing of Beetle Killed Timber
- * Paint River Fish Ladder Development Project
- * Kenai Bicentennial Visitor and Cultural Center Development
- * Homer and Seward Port Development Projects

Kuskokwim Economic Development Council

Designated: February 15, 1991

- * Kalskags Gravel Quarry Development and Work Force Training Project
- * Russian Mission Truck Farm Development and Produce Marketing Project
- * Sleetmute Restaurant and Lodging Facility Development

Lower Kuskokwim Economic Development Council

Designated: September 17, 1991

This new ARDOR held its first board of directors meeting in December, 1991. In addition to producing community economic profiles and a regional economic development strategy the ARDOR is presently involved in the following regional development activities.

- * Kuskokwim Fisheries Market Development
- * False Pass Fishery Intercept Issue

Lower Yukon Economic Development Council

Designated: November 1, 1991

This new ARDOR will hold its first board of directors meeting and select an executive director in early February, 1992. The board will chart the course of work for the LYEDC for the following year, including the production of community economic profiles and a regional economic development strategy.

Northwest Arctic Borough Economic Development Commission

Designated: June 28, 1989

- * Upper Kobuk Birch Bark Basket & Dog Sled Cooperative

- * Northwest Arctic Borough Aquaculture Association
- * Expansion of Sikisulaq Springs Hatchery
- * Regional Ecotourism Development Plan (NPS)

Prince William Sound Economic Development Council

Designated: November 1, 1991

This new ARDOR held its first organizational meeting in November, 1991, at which a board of directors was elected and an executive director hired. In addition to commencing work on community economic profiles and production of a regional development strategy, the PWSEDC is involved in the following activities.

- * Valdez Fisheries Association, Value Added Processing Project
- * Technical Assistance to Individual Businesses Throughout Region

Southeast Conference

Designated: April 14, 1989

- * AMHS 20 Year System Plan, Full Funding and Implementation
- * Value Added Salmon Processing Utilizing New Microwavable Can Technology
- * Tongass Land Management Plan, Evaluation, Alternatives, Lobbying
- * Alaska/Canada Access Projects, Taku River and Bradfield Canal

Southwest Alaska Municipal Conference

Designated: April 6, 1989

- * Establishment of Southwest Alaska Tourism Council to Implement Regional Tourism Marketing Program
- * Recycling/Waste Management Studies to Identify Associated Business Opportunities and Implement Reduction Recommendations
- * Research, Education and Lobbying Activities to Insure Shoreside Allocation of Regional Fish Resources

ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF BUSINESS DEVELOPMENT

ALASKA REGIONAL ECONOMIC ASSISTANCE PROGRAM GUIDELINES

The purpose of the Alaska Economic Assistance Program is to encourage the formation of Alaska Regional Development Organizations (ARDORs) that address the economic problems of specific regions of the state; coordinate private and public resources to support economic development on a regional basis; provide the state with information on regional economic issues and opportunities; and provide assistance to local economic diversification and development efforts to encourage economic self sufficiency among regions of the state.

Matching grants of up to \$50,000 per year for financial and technical assistance will be provided to each regional organization that qualifies.

The program is administered by the Department of Commerce and Economic Development, Division of Business Development. The Department stands ready to assist the Regional Organization in both the organization and operation of the ARDOR by providing information, data and technical assistance. This includes but is not limited to:

1. information, procedures, forms and other materials as required, on how to apply and qualify for Alaska regional development;
2. counseling and technical assistance to the regional economic organization in establishing and operating an Alaska regional development organization program; and
3. available data and information on the region's economy in support of the regional organizational efforts.

APPLICATION PROCEDURES

Applications for ARDOR designation and funding must be submitted on forms provided by the Department of Commerce and Economic Development.

Who May Apply:

The Department will accept applications from any organizations wishing to be designated as an ARDOR for a specific region and receive funding, as long as the applicant meets one of the following criteria:

1. A nonprofit corporation, including a regional Native non-profit corporation;
2. An association which can be composed of municipal governments, chambers of commerce, and/or local or regional development councils; or
3. A body formed by an organized municipality.

An Economic Development District formally recognized by the Economic Development Administration is automatically designated the ARDOR for the region it serves, but the district must still file an application for such designation.

(Revised 3/13/89)

The potentially thorny issues of delineating regions and recommending representative organizations is NOT the role of the state or the department. It makes much more sense that the establishment of regional boundaries and the development of ARDORS occur through local initiative. Each region should consist of communities with similar or related economic problems and opportunities and with the ability to work together to achieve common goals.

Where to Apply:

Division of Business Development
Department of Commerce and
Economic Development
P.O. Box D
Juneau, Alaska 99811
Phone: (907) 465-2017

Division of Business Development
Department of Commerce and
Economic Development
3601 C Street, Suite 722
Anchorage, Alaska 99503
Phone: (907) 563-2165

What to Submit:

Applications for designation as an ARDOR or for funding must be on forms provided by the Department of Commerce and Economic Development, Division of Business Development (see attached).

Application for ARDOR Designation. This application is used by applicants for the designation of an applicant as an ARDOR. In addition to the application form itself, the applicant will be required to submit the following:

1. A map delineating regional boundaries;
2. Regional population information;
3. A list of the membership of the Board of Directors for the ARDOR;
4. Bylaws of the regional organization;
5. Formal resolutions supporting the application;
6. A detailed project proposal and work program; and
7. Copy of the nonprofit incorporation papers.

Application for ARDOR Funding. This application will be used by applicants for funding the ARDOR program. A detailed budget for 12-month project period including identification of the source(s) of non-state matching funds must be included. **For first year funding, a funding application should be submitted with the application for ARDOR designation.**

When to Apply:

Applications for ARDOR designation and funding will be accepted by the department on a year-round basis. Funding applications will be processed on a "first come, first served" basis, until the appropriated funds are depleted.

Review Criteria:

Application for ARDOR Designation. When an APPLICATION FOR ARDOR DESIGNATION is received by the department, it will be evaluated to see if it complies with the program statutes and regulations, summarized below.

1. **Regional Size**—3 AAC 57.040 and AS 44.33.026(a)(2). The regional map and population information submitted must address the following information.

In general the region must form an economically viable unit with shared interests, resources, traditions, and goals. The region must contain the entire area of each municipality within the region and include at least one community with a population of 2,500 or more which serves as a regional supply, transportation, and financial hub. The region must be at least 12,000 square miles in area or have a total area population of 80,000 or more.

If the regional economic center does not include a population of at least 2,500 people, then supplementary information must be provided to justify that there is sufficient population and resources within the region to fulfill the intent of the program.

2. **Board Representation**—3 AAC 57.050 and AS 44.33.026(e). The board membership description should provide evidence that the region's economic, political and social interests are represented. The proposed board of directors should have both public and private sector representation on the board, including elected officials, business, service industries, transportation, labor, professions and educational institutions.
3. **Bylaws and Non-Profit Incorporation Papers**—3 AAC 57.060(a). The bylaws of the organization must be submitted and at a minimum, should describe: purpose of organization, board of directors, election of officers, duties of officers, meetings, and adoption and amendment of bylaws. If the organization has incorporated under the laws of the State of Alaska, a copy of the articles of incorporation should be provided. (Incorporation is not necessary.)
4. **Formal Resolutions supporting the Application**—3 AAC 57.060(a). Copies must be provided of formal resolutions supporting the applicant organization from three-fourths of the municipalities and villages and economic development organizations (such as chambers of commerce, OEDP committees, etc.) within the region. (Only those organizations which can be identified as being directly involved in business development or regional and/or community economic development activities need to pass resolutions.)
5. **Proposed ARDOR First Year Work Program and Budget**—3 AAC 57.090. The department anticipates that there will be more than one approach taken in the accomplishment of the various ARDOR programs. At a minimum the following must be included in the work program and budget: 1) the development of a Regional Development Strategy; 2) the completion of a set of economic profiles for every organized municipality in the region; 3) a detailed description of the work to be accomplished in the first year; 4) identification of the source of the required local match for receipt of the local share; and 5) a line item budget detailing expenditures for the total project.

NOTE: An APPLICATION FOR ARDOR FUNDING should accompany the APPLICATION FOR ARDOR DESIGNATION.

Application for ARDOR Funding. Once an ARDOR has been designated and funded, in subsequent years the ARDOR must annually file an APPLICATION FOR ARDOR FUNDING for continuation of funding. The Department will review the application to determine how well the ARDOR performed in the previous year's work program and will be looking at the details of the proposed work program for the the new year. This will include the review of: 1) the proposed work program for compliance with 3 AAC 57.090 (Functions and Responsibilities) and the ARDOR's Regional Development Strategy; 2) the proposed budget for the next year's program; and 3) identification of the source of the local matching share.

If an ARDOR submits an APPLICATION FOR ARDOR FUNDING for second year funding, the department will be especially interested in the progress being made on the Regional Development Strategy.

ARDOR DESIGNATION DECISION PROCESS

In order to process ARDOR designation applications in as orderly and efficient a manner as possible, the department has established the process described below. It is anticipated that if an APPLICATION FOR ARDOR DESIGNATION is filed with all the necessary information, exhibits and attachments; the application can be approved in approximately 45 days.

1. Application is received by the department.

—Day One—

2. Application is reviewed to see if the information required by regulation has been submitted (see Review Criteria above).

—Department has 10 days to review application—

3. If the department determines the application meets all requirements, Public Notice of Intent to designate an ARDOR is published.

—30 day public review and comment period—

4. If the department finds the application is deficient, competing applications are filed, or substantive objections are received during the public comment period, the application is returned to the applicant with an explanation as to what needs to be done to make the application satisfactory; but the process stops until the concerns are corrected.

Please Note: "It is not the responsibility of the department to mediate conflicts," 3 AAC.57.060(g). Any substantive objections or competing applications must be resolved by the applicant organization and a majority of the parties on record expressing the objections.

5. If there are no substantive objections or challenges registered during the 30 day public review period, the department will designate the applicant as an ALASKA REGIONAL DEVELOPMENT ORGANIZATION and execute a grant agreement.

—Department will sign the designation papers in 5 working days—

ARDOR FUNDING PROCESS

After the ARDOR has received its designation and first year funding, the following procedure will be used for processing an APPLICATION FOR ARDOR FUNDING in subsequent years:

1. at least 60 days prior to the end of its project year, the ARDOR should file an APPLICATION FOR ARDOR FUNDING with the department;
2. the department will review the application to assure compliance with program regulations (see review criteria above); and
3. if the review reveals no areas of concern, a new grant agreement will be executed with the ARDOR prior to the end of the existing project year. This new grant will go into effect upon the termination of the old.

In order for an ARDOR to receive funding, a grant agreement must be signed and executed by the ARDOR and the department.

ARDOR FUNDING POLICIES

Only one organization from a particular region can receive ARDOR grant funds. No more than 15 grants may be awarded by the department in a fiscal year. Grants of up to \$50,000 may be awarded to a designated ARDOR in a fiscal year. Applications for ARDOR funding are processed on a "first come, first served" basis. An organization that receives funding will have a first priority for funding in subsequent years. Nonfunded applications will have the next lower priority for funding in the next state fiscal year. The department, in its discretion, will adjust priorities and lower funding levels requested by previously funded ARDORs, to accommodate nonfunded applications. In FY 89, the department received \$300,000 to fund the program.

Grants are to be matched in cash, on a one-to-one basis with nonstate funds. Twenty percent of the match share, or \$10,000, whichever is less, must be from the municipalities and the private sector with the region. Under special circumstances, the department will review written requests from designated ARDORs to substitute up to twenty percent of the match requirement with in-kind services contributions for the first two years of funding. Such a request should be submitted with the APPLICATION FOR ARDOR FUNDING. The in-kind service contributions may not substitute for the municipalities/private sector contribution requirement listed above.

See 3 AAC 57.070 (Funding Procedures) for additional information.

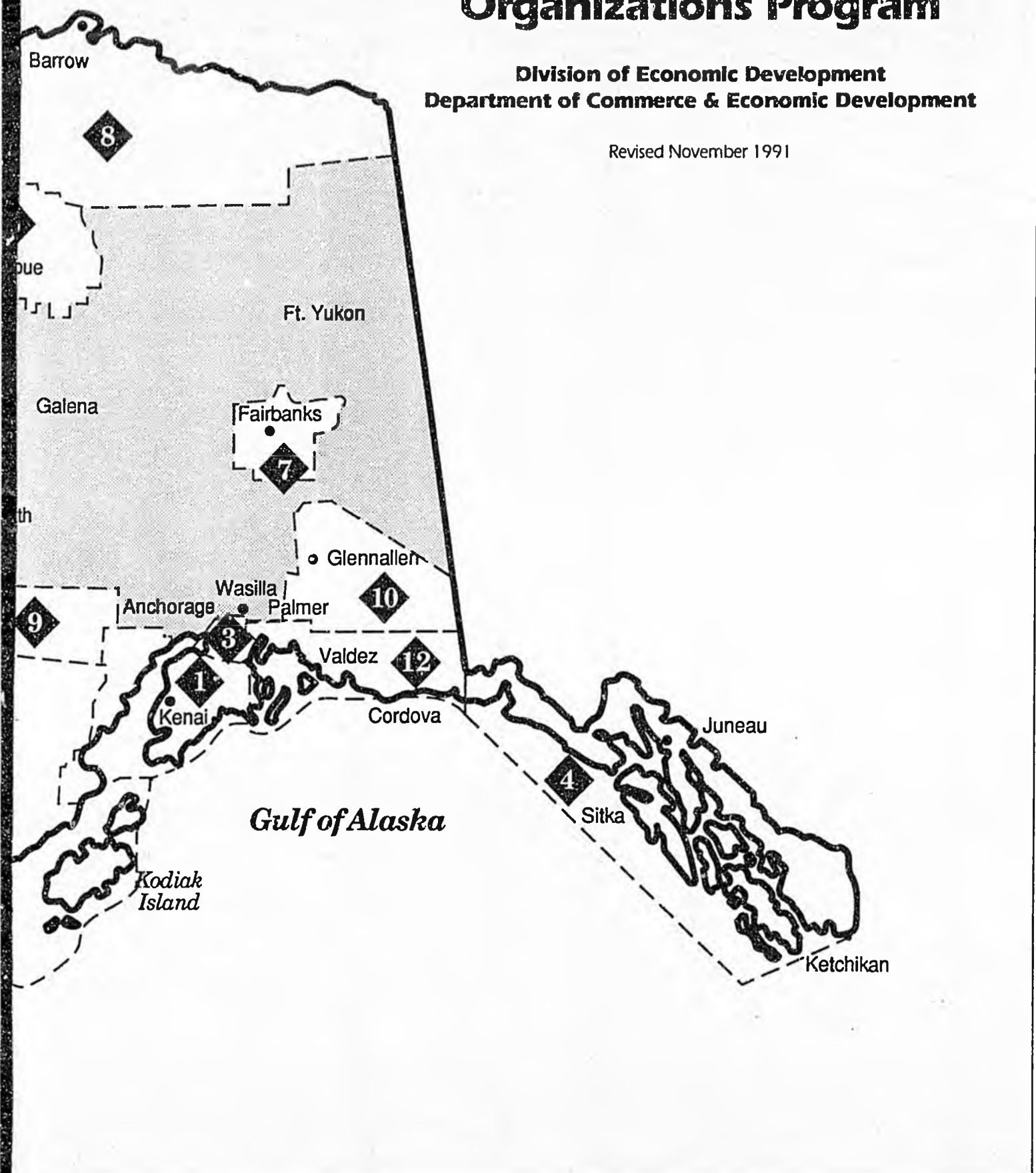
ARDOR OPERATIONS

ARDORs must maintain an office with regular office hours and retain the equivalent of one full-time professional staff. ARDOR offices are expected to have computers with communication capabilities to access computer bulletin board systems and data bases such as AKBizNET, the Alaska Small Business Development Center electronic bulletin board system.

Alaska Regional Development Organizations Program

Division of Economic Development
Department of Commerce & Economic Development

Revised November 1991



Designated Alaska Regional Development Organizations

Alaska Regional Development Organizations Program

Department of Commerce and Economic Development
Division of Economic Development

Kenai Peninsula Borough Economic Development District

Designation Date: February 22, 1989
James Elson, Chairman
Stan Steadman, Executive Director
110 Willow Street, Suite 106
Kenai, AK 99611
Phone: 283-3335
Fax: 283-3913

Southwest Alaska Municipal Conference

Designation Date: April 6, 1989
Rich Wilson, President
Marideth Sandler, Executive Director
3300 Arctic Boulevard, Suite 203
Anchorage, AK 99503
Phone: 562-7380
Fax: 562-0438

Anchorage Economic Development Corporation

Designation Date: April 11, 1989
Ron Duncan, Chairman
Scott Hawkins, President
550 West 7th Avenue, Suite 1130
Anchorage, AK 99501
Phone: 258-3700
Fax: 258-6646

Southeast Conference

Designation Date: April 14, 1989
Frank Wallace, President
Jim Kohler, Executive Director
124 West Fifth Street
Juneau, AK 99801
Phone: 463-3445
Fax: 463-5670

Northwest Arctic Borough Economic Development Commission

Designation Date: June 28, 1989
Ross Schaeffer, Chairman
William Spencer, Executive Director
P.O. Box 1110
Kotzebue, AK 99752
Phone: 442-2500
Fax: 442-2930

Bering Straits Economic Council

Designation Date: January 11, 1990
Lonnie O'Connor, President
Yvonne Dazeé, Executive Director
P.O. Box 1849
Nome, AK 99762
Phone: 443-5394
Fax: 443-2409

Interior Alaska Economic Development Council

Designation Date: January 31, 1990
Walter "Wally" Carlo, President
Wendy Warmick, Executive Director
520 Fifth Avenue, Suite 410
Fairbanks, AK 99701
Phone: 459-1310
Fax: 456-1942

Copper Valley Economic Development Council

Designation Date: November 1, 1990
Robert Wilkinson, President
Donna Tollman, Executive Director
P.O. Box 9
Glennallen, AK 99588
Phone: 822-5001
Fax: 822-5009

Kuskokwim Economic Development Council

Designation Date: February 15, 1991
Dennis Thomas, President
Jeannie Wooderson, Executive Director
P.O. Box 207
Aniak, AK 99557
Phone: 675-4418
Fax: 675-4419

Arctic Development Council

Designation Date: March 1, 1991
Conrad Bagne, President
Larry Meadows, Executive Director
P.O. Box 1353
Barrow, AK 99723
Phone: 852-4146
Fax: 852-4147

Lower Kuskokwim Economic Development Council

Designation Date: September 17, 1991
Ted Moses, Chairman
Carl Berger, Executive Director
P.O. Box 219
Bethel, AK 99559
Phone: 543-3521
Fax: 543-3596

Prince William Sound Economic Development Council

Designation Date: November 1, 1991
James Winchester, President
Jayne Sontag, Executive Director
P.O. Box 2353
Valdez, AK 99686
Phone: 835-3775
Fax: 835-2847

Lower Yukon Economic Development Council

Designation Date: November 1, 1991
Edwin Glotfelty, Interim Board Member
P.O. Box 9
Emmonak, AK 99581
Phone: 949-1249
Fax: 949-1926

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JAN 28 1992




Senator Rick Uehling

Downtown, Elmendorf, Northeast Anchorage

Senate Finance Committee
International Trade & Tourism Committee
State Affairs Committee

MEMORANDUM

TO: Senator Drue Pearce, Chair
Senate Labor and Commerce Committee

FROM: Senator Rick Uehling 

DATE: January 24, 1992

RE: SB 363, An Act requiring certain employers to post information on inquiries and complaints concerning sexual harassment.

I would appreciate your assistance in scheduling SB 363, an Act requiring certain employers to post information on inquiries and complaints concerning sexual harassment, for a hearing before the Senate Labor and Commerce Committee at the earliest possible time.

Thank you for your consideration of my request. Please contact Bryan Butcher in my office at 465-4821 if you have any questions.

Senator Rick Uehling

Downtown, Elmendorf, Northeast Anchorage



Senate Finance Committee
International Trade & Tourism Committee
State Affairs Committee

BILL SUMMARY

SB 363

An Act requiring certain employers to post information on inquiries and complaints concerning sexual harassment.

SB 363 will require workplaces of 15 or more people to post a notice, in a prominent location, stating what the federal definition of sexual harassment is, what state and federal agencies to report sexual harassment complaints to, and how long an employee has to report a complaint.

There is a significant amount of confusion by the public on what constitutes sexual harassment in the workplace, and this bill will inform people as to what it is and how to report it. Sexual harassment in the workplace is believed to be substantially underreported and this bill will heighten the awareness of the problem for both employers and employees.

(7-1-91 Edition)

1604.11 Sexual harassment.

(a) Harassment on the basis of sex is a violation of section 703 of title VII.¹ Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, (2) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual, or (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

(b) In determining whether alleged conduct constitutes sexual harassment, the Commission will look at the record as a whole and at the totality of the circumstances, such as the nature of the sexual advances and the context in which the alleged incidents occurred. The determination of the legality of a particular action will be made from the facts, on a case by case basis.

(c) Applying general title VII principles, an employer, employment agency, joint apprenticeship committee or labor organization (hereinafter collectively referred to as "employer") is responsible for its acts and those of its agents and supervisory employees with respect to sexual harassment regardless of whether the specific acts complained of were authorized or even forbidden by the employer and regardless of whether the employer knew or should have known of their occurrence. The Commission will examine the circumstances of the particular employment relationship and the job functions performed by the individual in determining whether an individual acts in either a supervisory or agency capacity.

(d) With respect to conduct between fellow employees, an employer is responsible for acts of sexual harassment in the workplace where the employer (or its agents or supervisory

employees) knows or should have known of the conduct, unless it can show that it took immediate and appropriate corrective action.

(e) An employer may also be responsible for the acts of non-employees, with respect to sexual harassment of employees in the workplace, where the employer (or its agents or supervisory employees) knows or should have known of the conduct and fails to take immediate and appropriate corrective action. In reviewing these cases the Commission will consider the extent of the employer's control and any other legal responsibility which the employer may have with respect to the conduct of such non-employees.

(f) Prevention is the best tool for the elimination of sexual harassment. An employer should take all steps necessary to prevent sexual harassment from occurring, such as affirmatively raising the subject, expressing strong disapproval, developing appropriate sanctions, informing employees of their right to raise and how to raise the issue of harassment under title VII, and developing methods to sensitize all concerned.

(g) Other related practices: Where employment opportunities or benefits are granted because of an individual's submission to the employer's sexual advances or requests for sexual favors, the employer may be held liable for unlawful sex discrimination against other persons who were qualified for but denied that employment opportunity or benefit.

(Title VII, Pub. L. 88-352, 78 Stat. 253 (42 U.S.C. 2000e et seq.))
[45 FR 74677, Nov. 10, 1980]

APPENDIX TO PART 1604—QUESTIONS AND ANSWERS ON THE PREGNANCY DISCRIMINATION ACT, PUB. L. 95-555, 92 STAT. 2076 (1978)

INTRODUCTION

On October 31, 1978, President Carter signed into law the *Pregnancy Discrimination Act* (Pub. L. 95-955). The Act is an amendment to title VII of the Civil Rights Act of 1964 which prohibits, among other things, discrimination in employment on the basis of sex. The *Pregnancy Discrimination Act* makes it clear that "because of sex"

¹The principles involved here continue to apply to race, color, religion or national origin.

1/24/92
Anchorage
Daily
News

Harassment

Prevention better than cure

After last fall's televised hearings on sexual harassment, some employers didn't waste any time. Before you could say "Clarence Thomas" or "Anita Hill," they had copies of their companies' harassment policies tacked to company bulletin boards.

So at least something good came out of these hearings. At least people became more aware of sexual harassment. At least they talked about it.

Now Sen. Rick Uehling, R-Anchorage, wants to make sure people remain aware. Sen. Uehling is sponsoring a bill that would require all employers with 15 or more workers to post information about sexual harassment in the workplace.

More red tape? More government interference? You could look at it that way. But then, all companies, public and private, already are bound by state and federal sexual harassment laws. If a simple, posted explanation could prevent a case of harassment, then it would keep government out of your business. Better prevention than damages or penalties.

Sexual harassment isn't the only form of discrimination, of course. It certainly would help to have people more aware of race or age or handicap discrimination as well. But, judging from the uproar over the Thomas-Hill hearings, people do seem to have particular trouble understanding sexual harassment. It couldn't hurt to give them more information while interest is high.

But perhaps the best way to see that education and prevention efforts on all kinds of discrimination are carried out is to fully fund the state Human Rights Commission. The commission has seen all complaints — including sexual harassment — go up 44 percent over the past year, while staffing has dropped by almost half over the past few years. Certainly the commission can't take on any new responsibilities under Sen. Uehling's bill, unless it gets the money to do so.

1/22/92

Anchorage Daily News

Bill aims to 'get the word out' on sexual harassment

The Associated Press

JUNEAU — Employers with 15 or more workers would be required to post information about sexual harassment in the workplace under proposed legislation introduced in the Senate Tuesday.

Notices must be placed in "prominent and accessible" locations, and include the federal definition of sexual harassment, a list of state and federal agencies that accept harassment complaints, and deadlines for filing complaints.

"I just don't think people know what constitutes sexual harassment in the workplace," said Sen. Rick Uehling, R-Anchorage and the bill's sponsor. "This bill is just trying to get the word out. It's a start."

Maine has adopted a similar law, he said.

Paula Haley, executive director of the state Human Rights Commission in Anchorage, said she reviewed a copy of the proposal Monday and planned to discuss it with the seven commissioners this week.

"I think posting notices about discrimination can be effective in advising employees of their rights and reminding employers of their responsibilities," Haley said.


Sexual harassment complaints filed with the commission last year doubled to about 28 cases from 14 the year before, Haley said. At least one of the cases investigated last year involved sexual harassment against a man.

Senate Bill 363 was assigned Tuesday to the Finance and Labor and Commerce committees.

serve a legitimate management purpose.

3. DEFINITIONS

3.1 Harassment: Unwanted communication and/or conduct by a supervisor, co-worker or non-employee in the workplace which adversely affects the employment relationship or working environment for the employee or applicant for employment and is based on the sex, race, religion, national origin, age, handicap, marital status, changes in marital status, pregnancy or parenthood of that individual. Harassment may include slurs, abusive language, threats, derogatory comments, unwelcome jokes, teasing and other such verbal or physical conduct.

 3.2 Sexual harassment: Addressed and defined by the U.S. Equal Employment Opportunity Commission in the Federal Guidelines on Discrimination Because of Sex published on November 10, 1980, and codified as 29 CFR Section 1604.11, sexual harassment is defined as follows:

"(a) Harassment on the basis of sex is violation of Sec. 703 of Title VII. Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, (2) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual, or (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive work environment."

4. GUIDELINES FOR THE IMPLEMENTATION OF POLICY

4.1 Responsibility for Implementation:

- (a) Overall responsibility for the administration of this order is delegated to the Director of the Division of Equal Employment Opportunity.
- (b) All agency heads, managers and supervisors within the Executive Branch of State Government are responsible for taking immediate and appropriate corrective action where they have any knowledge of such prohibited practices. Such corrective actions should be taken only after consultation with the State Division of Equal Employment Opportunity.

4.2. Complaints:

- (a) Employees believing they have been subjected to harassment

Current legislative policy

STATE OF ALASKA
THE LEGISLATURE

P O BOX 7, STATE CAPITOL
JUNEAU, ALASKA 99811
907 485-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

TO: All Legislators, and to Legislative and Agency Staff

FROM: *[Signature]* Sally Smith
Personnel and EEO Officer

SUBJECT: Sexual Harassment DATE: October 21, 1991

With the subject of sexual harassment so prominently in the spotlight, you may have questions about how the legislative branch would handle such an issue.

Sexual harassment is defined by the U.S. Equal Employment Opportunity Commission as:

Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment; (2) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual; or (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

While the federal Equal Employment Opportunity Commission (EEOC) enforces federal laws which prohibit discrimination, elected officials of a state or political subdivision and their personal staff members are excluded from provisions of the enabling Civil Rights Act. They are, however, subject to broader nondiscrimination provisions of Alaska State law.

*not
in
statute*

Alaska statutes^{*} define harassment as:

unwanted conduct or communication by a supervisor, co-worker, or nonemployee in the work place which is based on the sex, color, race, religion, national origin, age, handicap, marital status, changes in marital status, pregnancy, or parenthood of an individual and which adversely affects the employment relationship or working environment. This includes slurs, epithets, threats, derogatory comments, unwelcome jokes, teasing and other verbal or physical conduct.

Rather than the State's EEO office, it is the State Commission for Human Rights which has the authority to investigate any complaints concerning discrimination that emanate from Alaska's legislative branch.

As your EEO officer, I am available to answer questions related to your rights as an employee or supervisor and to provide you with any assistance in working through your concerns. You are encouraged to contact me at the earliest possible time so that we may understand and resolve issues before they escalate into problems. I would hope that no one of us would ever face the situation--on either side--that was witnessed by the nation last week.

Bill No: Senate Bill No. 363

Date: February 4, 1992

Title: An Act requiring certain employers to post information on injuries and complaints concerning sexual harassment

Contact: Arbe Williams
465-2700

Senate Bill No. 363 requires employers to post a notice that includes a definition of sexual harassment; provides the name, address, and telephone number of the state and federal agencies to which inquiries and complaints concerning sexual harassment may be made; and provides information concerning the deadlines for filing a complaint of sexual harassment with the agencies listed.

The bill's impact on the Department of Labor will be as an employer subject to the posting requirement. Senate Bill No. 363 has no program effect on the Department of Labor.

APPROVED:



John A. Abshire, Acting Commissioner
Department of Labor

POSITION PAPER/Department of Labor

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR UEHLING

TO: SB 363

Page 2, line 2, after "(c)":

Insert "The Alaska State Commission for Human Rights shall prepare and make available to employers notices that meet the requirements of this section.

(d)"

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: _____
 Title: An Act requiring certain employers to post information concerning sexual harassment.
 Sponsor: Uehling
 Requestor: Senate Labor and Commerce Committee

Department Affected: Administration
 BRU: Personnel/OEEO
 Component: Personnel/OEEO

COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

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

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)
 Assumes that the required posters will be provided to the department for distribution to State agencies.

Prepared by: R. H. King
 Division: Personnel/OEEO

Phone: 465-4430
 Date: January 31, 1992

Approved by Commissioner: Nancy Bear Usera
 Agency: Administration

Date: 2/4/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Clc., & Impacted Agency(ies).

**CHANGES MADE TO SB 363
IN THE SENATE LABOR AND COMMERCE CS**

Additions to Section 23.10.440

On page 2, line 2 is added:

“(c) The State Commission on Human Rights shall prepare and make available to employers notices that meet requirements of this section.”

On page 2, line 4 is added:

“(d) The department may impose a civil fine not to exceed \$500 on an employer for violation of this section.”

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ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX (907) 561-8998

April 7, 1992

The Honorable Representative Mike Navarre
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Navarre:

At the conclusion of the House Finance Subcommittee meeting on Committee Substitute House Bill 417 (CS HB 417) last week, several questions and discussion items remained open for further consideration. The purpose of this letter is to provide the subcommittee with additional information.

At the meeting, two specific questions were asked that required additional research. Specific questions and answers are as follows:

• Can the Alaska Seafood Center Project (ASC) be financed as a tax-exempt facility?

ANSWER: The Authority's participation in the project would consist of facilities for cold storage of frozen products and chilled storage of fresh products. ASC will lease the Project Facilities from the Authority for use in conjunction with fish processing facilities that ASC will install in the same structure as the Project Facilities. This structure, including both the Project Facilities and the processing facilities, will comprise the Alaska Seafood Center.

The Project Facilities will consist of two "rooms," together with related equipment. Products will be stored awaiting shipment to customers either via air shipment or by vessel from the Port of Anchorage.

Whether or not the Authority could use its tax-exempt financing powers for the Project will depend on the following set of conditions and facts:

- 1) The facility must be adjacent to and directly related to the airport and/or dock and not a manufacturing facility;
- 2) the facility must be governmentally owned; and
- 3) the project must meet a "public use" test under the tax regulations.

Legal counsel to the ASC has completed its review of the project and believes the Authority Project Facilities will satisfy the Internal Revenue Service (IRS) code requirements for tax-exempt financing. To ensure eligibility it is the Authority's intent to request a private ruling from the IRS prior to the issuance of any tax-exempt debt for the project.

ASC has informed the Authority that their financing plan does not anticipate using any of the state's volume ceiling for private activity bonds.

- If fish is processed at a proposed secondary fish processing plant built at the Anchorage International Airport, who would collect the fish tax? The Municipality of Anchorage or the port of entry?

ANSWER: A draft memorandum from the Authority's legal counsel is attached under separate copy.

Proposed amendments to CS HB 417 include authorization for several projects as follows: The Ketchikan Shipyard; a secondary fish processing plant in Anchorage; air cargo and maintenance facilities at the Anchorage International Airport; and a fuel consortium at the Anchorage International Airport. Per the committee's request, attached are detailed synopses of the projects.

Other amendments proposed by AIDEA include:

- * 1. Change the title to read:
"An Act relating to the financing authority of the Alaska Industrial Development and Export Authority to [A] projects for which the legislature has approved the Authority's issuance of bonds, to the issuance of bonds by the Alaska Industrial Development and Export Authority for additional projects, and to various matters regarding the Ketchikan Shipyard Facility.

and to the repair, maintenance, and reconstruction of vessels, docks, and transfer facilities of the Alaska Marine Highway System, and providing for an effective date."

2. Change Section 1 (5) to read:

(5) amend the project approval given by sec. 25, ch. 123, SLA 1990 to express legislative project approval for the Alaska Industrial Development and Export Authority's participation in the financing of a more versatile aircraft facility or facilities at the Anchorage International Airport as presently contemplated by the [PROJECT'S] principal sponsors of such facilities.

3. Add Sections 1 (6) and 1 (7) to read:

(6) provide legislative approval for the Alaska Industrial Development and Export Authority to issue bonds to assist in the financing of additional projects under AS 44.88.172 - 44.88.177.

(7) provide for the acquisition of the Ketchikan shipyard facility from the state by the Alaska Industrial Development and Export Authority, the improvement and expansion of the facility and the maintenance and repair of marine vessels of the state at the facility.

can't do w/ this title:

4. Add a new Section 2 to read:

AS 33.90.050 is repealed and reenacted to read as follows:
*Section 2. AS 36.90.050 MAINTENANCE OF STATE MARINE VESSELS. (a) Marine vessels owned by the state shall be maintained and repaired at a shipyard facility located in the state unless, as to any vessel, the commissioner determines in writing that there is no shipyard facility located in the state that is equipped or qualified to perform the particular maintenance or repair required, or, after taking into consideration the Alaska bidder preference set out in AS 36.36.170 and the interport differential, as determined by the Alaska Marine Highway System, that the proposed cost of the maintenance or repair work is unreasonable.

ENO

(b) The competitive bid provisions of AS 36.30 do not apply to a contract for the maintenance or repair of a marine vessel owned by the state if the contract is awarded to a facility in the state.

- 5. Renumber Sections 2 through 10 as 3 through 11.
- 6. Because of the proposed changes regarding interest rates, the Authority would suggest an additional amendment which clarifies the determination of interest rates on loans financed from the assets of the enterprise development account and allows for the AIDEA Board to incorporate new interest rate language in our regulations. The additional amendments are as follows:

Add a new Section 12 to read:

*Section 12. AS 44.88.085 (g) (2). loan guidelines and terms including, but not limited to, maximum loan amounts, [AND] required loan-to-value ratios, [BUT EXCLUDING LOAN INTEREST RATES] and a method for determining loan interest rates for loans financed directly from the assets of the Authority.

Add a new Subsection (c) 44.88.159 to read:

The interest rate of a loan financed directly from the assets of the Authority is the rate established in accordance with AS 44.88.085 (g) (2).

- 7. Section 12 is renumbered to 14 and is amended to read:
AS 44.88.900 "loan participation" means the purchase of a portion of a [AN EXISTING LOAN FROM A BANK] loan originated under AS 44.88.155 from a qualified loan originator.

- 8. Renumber Section 11 to Section 13.

- 9. Renumber Section 13 as Section 15 and amend it to read:
*Section 15. Section 25, ch. 123, SLA 1990 is amended to read:
Section 25. The Alaska Industrial Development and Export Authority may issue bonds to finance the acquisition, design,
+ construction of [A MULTI-BAY] aircraft maintenance/

air cargo/air transport support facilities [FACILITY] located at Anchorage International Airport, to be owned by the authority. The principal amount of the bonds may not exceed \$85,000,000 [50,000,000]. This section grants the legislative approval required by AS 44.88.095.

10. Add new Sections 16 - 18 to read:

*Section 16. The Alaska Industrial Development and Export Authority may issue bonds to finance the acquisition, design, and construction of public use aircraft fueling facilities located at Anchorage International Airport, to be owned by the authority. The principal amount of the bonds may not exceed \$40,000,000. This section grants the legislative approval required by AS 44.88.095.

*Section 17. The Alaska Industrial Development and Export Authority may issue bonds to finance the acquisition, design, and construction of a facility for the offloading, processing, storage and transloading of seafood located at or near Anchorage International Airport, to be owned by the authority. The principal amount of the bonds may not exceed \$50,000,000. This section grants the legislative approval required by AS 44.88.095.

*Section 18. The Alaska Industrial Development and Export Authority may issue bonds to finance the design, construction, reconstruction, improvements, and equipping of the Ketchikan shipyard facility to be owned by the authority. The principal amount of the bonds may not exceed \$15,000,000. This section grants the legislative approval required by AS.88.095.

11. Section 14 becomes Section 19

12. Add new Section 21: Sections 3 and 18 shall take effect only if the Alaska Industrial Development and Export Authority Board of Directors approves the acquisition of the Ketchikan shipyard facility under AS 44.88.172.

13. Section 15 becomes Section 20.

14. Add new Section 22: AS 36.90.050 is repealed August 30, 1997.

For your information, we have worked with the staff of the Alaska Marine Highway System (AMHS) to develop the above language regarding procurement and maintenance issues related to the Ketchikan Shipyard. The language is mutually accepted by the AMHS and AIDEA.

The original sponsor of CS HB 417, Representative Dave Choquette, has also proposed several amendments to the bill to mirror changes that have been made to the companion bill in the Senate (CS SB 226). The proposed amendments are as follows:

1. Amend the language which allows AIDEA to own and operate certain tourism facilities to read: "A new tourism destination facility or expansion of a tourism destination facility." This change is necessary to eliminate unnecessary language and to create a less restrictive description of tourism facilities the Authority would be authorized to own and operate under the Development Finance Program.

2. Eliminate the interest differential on bank originated loans guaranteed by the Authority. Currently if AIDEA guarantees more than 65 percent of the loan, the financial institution is allowed to charge an interest rate which is one and one-half percentage points above the prime rate. If the loan guarantee is equal to or less than 65 percent of the loan, the financial institution is allowed to charge two and three-quarters percentage points above prime. While this statute was enacted to encourage banks to retain a larger share of the risk, we have found it only increases confusion in the program and discourages use of the program.

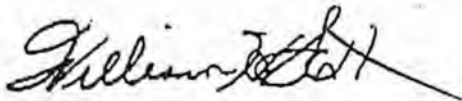
3. Increase the amount allowed under the streamlined Business Assistance Program for unsecured loan guarantees setting the cap for unsecured loans at \$100,000 from \$50,000. When this program was enacted in 1991 in House Bill 206, its primary purpose was to assist entrepreneurs in rural areas. However, we have had no responses to the program, despite promotional efforts, due lack of interest from financial institutions. Financial institutions have encouraged this amendment.

And finally, since the Subcommittee meeting, we have met with the Governor's Office and officials from the Department of Revenue and have been encouraged to submit an amendment for your consideration. Briefly stated, this amendment repeals the revenue stream that currently would direct revenue from the Red Dog project to the General Fund once the bonds are paid off, and redirects it to the Authority. A revenue stream will not be generated before 1997; however, repealing this existing language will enhance and protect AIDEA's bond rating for the next several years at no cost to the state (please note: bonds sold by AIDEA are not the general obligation of the state, they are the obligation of the Authority).

A letter to you containing a comprehensive explanation of this amendment and its purpose is attached to assist you in your review of the proposed amendment.

We look forward to discussing the above reference items at your next Subcommittee meeting. Should you need additional information or have additional questions, please do not hesitate to contact my legislative liaison, Katelyn Carrigan, or myself.

Sincerely,



William H. Scott
Executive Director

attachments

cc: Honorable Representative Eileen MacLean
Honorable Representative Ramona Barnes
Honorable Representative Mark Boyer
Honorable Representative Kay Brown

April 7, 1992

KETCHIKAN SHIPYARD

PROJECT BUDGET

Revenue bonds in the principal amount not to exceed \$15,000,000 to finance acquisition, design and construction of improvements to the Ketchikan Shipyard, to be owned by the Authority.

PROJECT DESCRIPTION

This project will provide funds for repairs and modifications to the existing shipyard to correct identified deficiencies and to make capital improvements. These include a new steel warehouse and fabrication shop, an industrial building, a moving covered construction area, a 200 ton travellift with fingerpiers and floats, a storm drain system, site grading, paving, oil/water separator, pier crane, engineering and design for the entire shipyard development, and various other items to correct known environmental, safety, site and equipment deficiencies.

PROJECT JUSTIFICATION

The State of Alaska, Department of Transportation and Public Facilities (DOT&PF) spent approximately \$30 million to construct the shipyard facility during the 1980s. Under a lease/management agreement with DOT&PF the City of Ketchikan subleased the shipyard operation and management to private contractors. Each of the contractors individually experienced operational and financial difficulties and the shipyard is struggling to stay in operation. This project will make improvements to the facility in an effort to enhance the shipyard's capabilities and thereby protect the state's investment in these facilities, provide skilled jobs, strengthen the local economy, and retain major ship repair capabilities in Alaska.

FEASIBILITY ANALYSIS

A market and financial feasibility study of the Ketchikan Shipyard was prepared for the Authority by Northern Economics in association with Ogden Beeman & Associates and ResourcEcon. The results of this study indicate that the proposed project improvements accompanied by a good business plan would subject the Authority to no more than normal business risks.

FROM A.I.D. E.A

April 7, 1992

ALASKA SEAFOOD CENTER/COLD STORAGE

PROJECT BUDGET

Revenue bonds in the principal amount not to exceed \$50,000,000 to finance acquisition, design and construction of a cold storage warehouse facility which will be an integral part of a state-of-the-art fish processing, cold storage and distribution center to be constructed by Alaska Seafood Center (ASC) in Anchorage.

PROJECT DESCRIPTION

This project will provide funds to construct a cold storage warehouse with a storage capacity of 45 million pounds that will be capable of handling as much as 2 million pounds of product in one day. The warehouse will include an energy-efficient ammonia refrigeration system, a high-bay racked storage system with automatic closure entrances and air-curtain walls, chill rooms, blast freezers, ice makers, a standby electrical generation system, and electric powered lift cranes, conventional forklifts and similar handling equipment.

PROJECT JUSTIFICATION

The cold storage warehouse as an integral part of the proposed Alaska Seafood Center will allow ASC to: perform secondary (value added) processing of bottomfish, surimi and salmon; provide freight forwarding of salmon and other seafood products by ASC and others; and provide commercial cold storage services for seafood and non-seafood products. The construction of the cold storage facility will create the opportunity for ASC to perform secondary (value added) processing in Alaska introduce a local market for shore based primary processors, and allow other Alaskan processors the opportunity to store frozen seafood in Anchorage at reduced rates for transportation and storage. The cold storage facility (which will be located close to Anchorage International Airport) will also allow ASC to provide logistic capabilities and chill room capacity to other Alaskan fish processors in a cost efficient manner.

ASC's operations will provide approximately 450 new year round jobs, not counting employment through transportation contracts and employment growth within other business sectors.

April 7, 1992

**AIRCRAFT MAINTENANCE AND CARGO FACILITIES
ANCHORAGE INTERNATIONAL AIRPORT**

PROJECT BUDGET

Revenue bonds in the principal amount not to exceed \$85,000,000 to finance acquisition design and construction of two aircraft maintenance facilities, a cargo handling facility, and associated fire suppression system. The Alaska Industrial Development and Export Authority received legislative approval during the Sixteenth Session to issue \$50,000,000 for construction of a multi-bay aircraft maintenance facility at Anchorage International Airport. The \$35,000,000 increment in funding will allow the Authority to accommodate the needs of both Alaska Airlines and Federal Express and provide sufficient contingency should Federal Express later decide to convert their proposed line maintenance hangar to a base maintenance facility. This request would also allow the Authority to build a new cargo facility for Alaska Airlines.

PROJECT DESCRIPTION

This project will provide funds to construct aircraft maintenance facilities to accommodate both Federal Express and Alaska Airlines. The Federal Express improvements will include a hangar capable of handling one wide body jet aircraft, a parking ramp, taxiway connection, utilities, auto parking lot, access road and landscaping. The Alaska Airlines development will include a hangar capable of handling multiple narrow body jet aircraft, a stores and fleet servicing facility and a cargo handling facility. The improvements will also include a large aircraft parking ramp, taxiway, auto parking lot, utilities and landscaping. The estimated cost of the Federal Express and the Alaska Airlines projects are \$25 million and \$45 million respectively. The fire suppression system which will serve both facilities is estimated to cost \$5 million. The remaining funds will be used for project contingencies, legal fees, administration and bond issuance costs.

PROJECT JUSTIFICATION

These facilities will strengthen Alaska's role as an international air crossroads and will help attract other carriers and air cargo haulers and solidify the presence of the existing airline with basic support services. Additionally, the facilities will assist interstate and intrastate airlines that base their aircraft in Alaska by locating a maintenance station where their aircraft are operated. Financing of this facility by the Authority will create several high skill level jobs and additional income for Alaskans. Federal Express will use their facility to perform line maintenance on the aircraft transiting through Anchorage but may eventually convert this hangar into a base maintenance hangar for their new fleet of MO-11s. Alaska Airlines has indicated that they will initially base 13 aircraft in Anchorage and that this number will increase to 25 by 1995. The new Alaska Airline cargo facility will better serve rural Alaskans dependent on daily air freight services.

April 7, 1992

**ANCHORAGE FUELING AND SERVICE COMPANY
TANK FARM AND DISTRIBUTION FACILITIES**

PROJECT BUDGET

Revenue bonds in the principal amount not to exceed \$40,000,000 to finance acquisition, design and construction of a jet fuel storage tank farm and distribution facilities to be constructed at Anchorage International Airport.

PROJECT DESCRIPTION

This project will provide funds to relocate and construct a new tank farm and distribution system to replace the old storage and distribution system. The new tank farm will consist of three one-hundred thousand barrel tanks, pumps, filters, operations building and an on-ramp truck loading island. The funds will also be used for new piping to tie into the Nikiski pipeline, to replace the port of Anchorage pipeline and to reroute the hydrant fueling system piping. A portion of the funding will also be used to demolish existing facilities and to accomplish environmental remediation.

PROJECT JUSTIFICATION

The existing tank farm and distribution facilities must be removed to accommodate planned airport expansion and roadway/traffic improvements at Anchorage International Airport. Relocation will allow for expanded storage capacity to accommodate future airline growth and for the replacement of existing facilities with modern, efficient, safe and environmentally sound facilities. Replacement of the old pipelines serving this facility will assure an uninterrupted supply of jet fuel to the airport and eliminate the potential for any environmental problems with the old piping systems. The completed facility will ensure a stable work place for over 100 employees.

LTC: SB 368

4/29

RE: AIDEA

Due!

The quick and dirty rindown on AIDEA.

The L & C CS is ready...two projects:

- a. Ketchikan Shipyard fro \$15 million;
- b. Anchorage air cargo/air transport facility for \$50 million.

What AIDEA wants, the Mayor wants, and the attached amendment provides is:

- a. \$45 million for Alaska Airlines expanded project;
- b. \$40 million for Fed Ex facility;
- c. \$15 million for Ketchikan Shipyard;
- d. \$40 million for Anchorage Fueling Facility--all airlines;
- e. \$50 million for Anchorage Seafood Center (location to be determined later)(This is a \$150 million deal=\$50 from AIDEA bonds; \$50 in capital; \$50 in private debt.)

Smootches...

Bm 4/29

P.S: At least it was quick.

P.S: I'm presuming LTC is delayed - I'll keep files here, on hold, until I hear different.

AMENDMENT

OFFERED IN THE SENATE
TO: CSSB 368 (L&C)

BY SENATE LABOR AND COMMERCE

Amend title to read:

"An Act authorizing the Alaska Industrial Development and Export Authority to issue bonds to finance the Ketchikan shipyard facility, to a project for which the legislature has already approved the Authority's issuance of bonds, and to the approval of the issuance of bonds to an Anchorage seafood facility and an Anchorage airport fueling facility; and providing for an effective date.

Page 2, line 1, after "support:"

Delete "facility" and insert "facilities"

Page 2, line 2, after "may not exceed:"

Delete \$50,000,000: and insert "85,000,000"

Re-number Sec. 3 to Sec. 5

Insert Sec. 3 to read:

The Alaska Industrial Development and Export Authority may issue bonds to finance the acquisition, design, and construction of public use aircraft fueling facilities located at Anchorage International Airport, to be owned by the Authority. The principal amount of the bonds may not exceed \$40,000,000. This section grants the legislative approval required by AS 44.88.095.

Insert Sec. 4 to read:

The Alaska Industrial Development and Export Authority may issue bonds to finance the acquisition, design, and construction of a facility for the off-loading, processing, storage, and trans-loading of seafood located at or near Anchorage International Airport, to be owned by the Authority. The principal amount of the bonds may not exceed \$50,000,000. This section grants the legislative approval required by AS 44.88.095.

**STATE OF ALASKA
1992 LEGISLATIVE SESSION**

BILL NO. CS SB 368

Revision Date: April 28, 1992 Department Affected: DCED
 Title: "An Act authorizing AIDEA to issue bonds for the Kethikan shipyard." BRU: AIDEA
 Component: _____
 Sponsor: Senator Jones
 Requestor: Senate Labor & Commerce COMPONENT SERIAL NO.

1	2	3	4
---	---	---	---

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

REVENUE FUND SOURCE:						
---------------------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

This bill provides bonding authorization and will have no fiscal impact on AIDEA.

Prepared By: William H. Scott, Ex. Director Phone: (907) 561-8050
 Division: AIDEA Date: 4/28/92
 Approved by Commissioner: Glenn A. Olds *[Signature]* Asst Comm.
 Agency: DCED Date: 4.28.92

CS SB 368 (L & C): "An Act authorizing the Alaska Industrial Development and Export Authority to issue bonds to finance the Ketchikan shipyard facility and modifying the purpose for which the Alaska Industrial Development and Export Authority is authorized to issue bonds in an amount not to exceed \$50,000 for a facility at Anchorage International Airport; and providing for an effective date."

The Department supports CS SB 368 (L & C).

The bill in its current form provides AIDEA with bonding authority not to exceed \$15,000 to acquire, design and construct improvements to the Ketchikan shipyard facility.

The bill also modifies the description of an aircraft maintenance facility at the Anchorage International Airport for which the Legislature authorized up to \$50 million in bonds in 1990. The modified description is to accommodate the private sector's requirement of a more versatile facility which will include cargo facilities and storage and to meet requirements on the bond market.

While the Alaska industrial Development and Export Authority (AIDEA) is in full support of CS SB 368 (L & C), the Authority would like to offer several amendments to the bill to include additional project authorization for the following projects: A Federal Express aircraft maintenance, cargo and storage facility; the Alaska Seafood Center; and the Anchorage Fuel Consortium. AIDEA requests the amendments to the bill to include additional specific project authorization following review and consent by the Committee.

The Department recommends full support of CS SB 368 with the proposed amendments.



Glenn A. Olds, Commissioner

Date: 7.23.92

7-LS1819D
Utermehle
4/28/92

CS FOR SENATE BILL NO. 368 (L&C)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS JONES, Zharoff, Duncan

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the Alaska Industrial Development and Export Authority to issue
2 bonds to finance the Ketchikan shipyard facility and modifying the purpose for which the
3 Alaska Industrial Development and Export Authority is authorized to issue bonds in an
4 amount not to exceed \$50,000,000 for a facility at Anchorage International Airport; and
5 providing for an effective date."

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

7 * Section 1. The Alaska Industrial Development and Export Authority may issue bonds to finance
8 the design, construction, reconstruction, improvements, and equipping of the Ketchikan shipyard facility
9 to be owned by the Authority. The principal amount of the bonds may not exceed \$15,000,000. This
10 section grants the legislative approval required by AS 44.88.095.

11 * Sec. 2. Section 25, ch. 123, SLA 1990 is amended to read:

12 Sec. 25. The Alaska Industrial Development and Export Authority may issue bonds to
13 finance the acquisition, design, and construction of an [A MULTI-BAY] aircraft maintenance/air

- 1 cargo/air transport support facility located at Anchorage International Airport, to be owned by
2 the Authority. The principal amount of the bonds may not exceed \$50,000,000. This section
3 grants the legislative approval required by AS 44.88.095.
4 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

S B

3 7 6

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

PO. BOX D
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2515

April 16, 1992

Handwritten signature/initials

The Honorable Dave Donley
Alaska House of Representatives
House Judiciary Committee
State Capital
Juneau, AK 99801-1182

Dear Representative Donley:

Enclosed as you requested, are lists of the sections of the CSSB 376 as passed by the Senate yesterday that identify the general purpose of the sections in terms of:

- (1) approved models required by the NAIC for accreditation;
- (2) approved models of the NAIC which, although not strictly required for accreditation, are necessary additions to our statute in order to implement the required models or too close loopholes;
- (3) a general revision of Chapter 27 which includes the NAIC approved Single Producer Procedure Act and relocates licensing of surplus lines brokers included in the NAIC Surplus Lines Law;
- (4) numerous consumer protection enhancements to current statutes including additions from the approved NAIC model Unfair Trade Practices Act; and
- (5) statute updating which incorporates editorial changes, deletes obsolete references, clarifies certain statutes, and coordinates premium tax payments with annual statement filing.

The first grouping shows accreditation model statutes and regulations required for accreditation which may be either wholly new to our statute such as the Reinsurance Intermediary Act or revisions to our statutes to bring them up to current models required for accreditation such as Insurance Holding Company System Regulatory Act. The legislation passed in 1990 incorporated parts of many other accreditation models and reduced our effort here.

The second grouping is also necessary for accreditation. The 1990 legislation prepared, before I got here, updated solvency for insurers, but inadvertently missed title insurers and fraternal benefit societies. In order to implement the new licenses for managing general agents, reinsurance intermediary brokers, and reinsurance intermediary managers, the old licensing chapter had to be rewritten to include the many nuts and bolts that are the heart of any licensure system.

SECTIONS FOR MODELS ON THE NAIC ACCREDITATION LIST

<u>CSSB 376 Section(s)</u>	<u>NAIC Model(s)</u>	<u>CSSB 376 Bill Page(s)</u>
1 through 13	Law on Examinations (Also Managing General Agents Act and Reinsurance Intermediary Act)	1 through 7
15	Regulation To Define Standards And Commissioner's Authority For Companies Deemed To Be In Hazardous Condition	7
19 through 22	Credit for Reinsurance	9 through 15
24 through 28; 214	Standard Valuation Law	15 through 18; 152
29 through 33; 35 through 49; 178	Insurance Holding Company System Regulatory Act	18 through 23; 25 through 36; 150 and 151
34 and 35	Investments In Medium Grade And Lower Grade Obligations Regulation	24 and 25
94	Business Transacted With Producer Controlled Property/Casualty Insurer Act	64 through 68; 101 through 103
94 and 95	Managing General Agents Act	68 through 74; 101 through 103
94 and 96	Reinsurance Intermediary Act	74; 101 through 103
190 through 211	Reciprocal Attorney-in-Fact Act	139 through 150

**SECTIONS FOR ADDITIONAL MODELS AND ADDITIONAL SECTIONS
REQUIRED TO IMPLEMENT REQUIRED MODELS FOR NAIC
ACCREDITATION**

<u>CSSB 376</u>	<u>Section(s)</u>	<u>NAIC Model(s)</u>	<u>CSSB 376 Bill Page(s)</u>
15	Regulation To Define Standards And Commissioner's Authority For Companies Deemed To Be In Hazardous Condition (Required increase in reserves to include IBNR)		7
50 through 92	Managing General Agents Act (Licensure process)		36 through 59
50 through 92	Reinsurance Intermediary Act (Licensure process)		36 through 59
94	Third Party Administrator Statute (Focused regulation of TPAs is better than regulation as an MGA)		75 through 84
155; 156; 158 through 160	All solvency models (Title insurers subjected to previously revised capital, surplus, deposit, unearned premium reserve, annual statement; certificate of authority; requirements)		128 through 130
187	All solvency models (Establishes records required to be maintained by domestic insurers)		138 and 139
216	All solvency models (Fraternal Benefit Societies subjected to previously revised capital, surplus, deposit, unearned premium reserve, annual statement; certificate of authority requirements)		152 and 153
222	All accreditation requirements (Adds definitions to Title 21)		156 through 161

LICENSING

<u>CSSB 376 Section(s)</u>	<u>Subject</u>	<u>CSSB 376 Bill Page(s)</u>
50 through 94	Single License Procedure Act	36 through 64; 101 through 103
94 and 153	Surplus Lines Law (Combines all licensees into Chapter 27)	95 through 98; 125 and 125
162 and 163; 165 through 172; 183	Title Insurance (Combines all licensees into Chapter 27)	130 and 131; 132 through 134; 137
215 and 216	Fraternal Benefit Societies (Combines all licensees into Chapter 27)	152 and 153

CONSUMER PROTECTION

<u>CSSB 376 Section(s)</u>	<u>Subject</u>	<u>CSSB 376 Bill Page(s)</u>
94	Independent Adjusters (Provides stricter limitations on unlicensed nonresident adjusters)	98 through 101
138	Unfair Trade Practices Act (Clarifies applies to transactions in this state and transactions relative to a subjects resident, located, or to be performed in Alaska)	121
139	Unfair Trade Practices Act (Unfair Financial Planning Practices section from current NAIC model is added)	121 and 122
140 through 142	Unfair Trade Practices Act (Clarifies that undefined unfair or deceptive acts or practices applies to all of Title 21; the director may adopt regulations to define other methods of competition found to be unfair or deceptive)	122 and 123
143 and 144	Alaska's Cancellation, Renewal, and Nonrenewal Laws (Adds timeliness standard for insurer's to return premiums if insured cancels policy and for insurer to promptly complete audits)	123 and 124
145	Alaska's Cancellation, Renewal, and Nonrenewal Laws (Extends protection to wet marine and transportation insurance such as Alaska's fishing vessels)	124
146	Unfair Trade Practices Act (Clarifies applies to all persons, not just persons in this state)	124
147 through 152	Unfair Trade Practices Act (Increases monetary civil penalties for violations; violations are cause for suspension or revocation of licenses; restitution may be ordered; misc. editorial changes)	124 and 125
154	Insurable Interest (Permits and provides consumer protection for charitable donations using life insurance beneficiary provisions)	126 through 128

CSSB 376 Section(s)

Subject

CSSB 376 Bill Page(s)

157	Title Insurer Guaranty Fund (Increases guaranty fund from \$100,000 to \$750,000)	129
164	Title Insurance (Allows greater flexibility in establishing title plants to reduce policy costs)	131 and 132
218 through 220;	Senior Driver Training Discount (Clarifies eligibility; adds policyholder notice mechanism)	154 and 155;
221	Mandatory Appraisal (Provides policyholders a quick and inexpensive means to resolve first party property loss valuation disputes with their insureds)	155 and 156

STATUTE UPDATING

<u>CSSB 376 Section(s)</u>	<u>Subject</u>	<u>CSSB 376 Bill Page(s)</u>
14	Title Insurer Trust Deposits (combines all insurers into Chapter 9)	7
16	Annual Statement Due Date (Editorial change)	7
17 and 18; 161	Tax Due Date (April to March to be with annual statement)	8 and 9; 130
94	Independent Adjusters (Combines all licensees into Chapter 27; clarifies regulation of trainees; improves oversight of unlicensed nonresident adjusters)	98 through 101
97 through 116	Unauthorized Insurers Act Unauthorized Insurers Process Act Non-Admitted Insurance Act (Clarifies applies to transactions in this state and transactions relative to a subjects resident, located, or to be performed in Alaska; tax due date changed from April to March for consistency; interest charged on late payment of taxes; increased penalties for violations of the Chapter 33; allocation schedule consistent with NAIC Surplus Lines Act for consistency for all unauthorized premiums; misc.editorial changes for consistent terminology throughout Title 21)	104 through 112
117 through 137	Surplus Lines Act (Clarifies status of subscription policies; separates capital and surplus for alien P & I clubs; enables SL stamping office; coordinates reports to division; adds late fee and interest on late payment of taxes and fees; brings premium allocation up to date with current NAIC model; misc.editorial changes for consistent terminology throughout Title 21)	113 through 121
173 through 185 (Deletes references to title insurance rating organizations which do not exist)	Title Insurance	134 through 138
186	Title Insurance (Deletes obsolete date)	138
213	Fraternal Benefit Societies (Deletes obsolete date)	151
217 (Relocates definitions consistent with drafting manual for consistency)	Fraternal Benefit Societies	153 and 154

Alaska State Legislature

Senator Drue Pearce, Chair
Senator Virginia Collins, Vice Chair
Senator Dick Eliason
Senator Rick Halford
Senator Jay Kertula



WHILE IN JUNEAU
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SENATE LABOR AND COMMERCE COMMITTEE

TO: Mike Ford, Legal Services
Legislative Affairs Agency

FROM: Senator Drue Pearce, Chair
Senate Labor and Commerce *Drue Pearce*

RE: SB 376 Title Change and Revision

DATE: March 16, 1992

David Dierdorff's March 12 memo makes a suggestion for a title change which we think would be appropriate. The word "taxation" however, as Mr. Dierdorff points out, is problematic. Luckily, this should be easy to fix as that section needs to be deleted.

As Mr. Dierdorff points out, the title's reference to taxation is a result of to Section 133 which deals with the taxation of nonadmitted insurers. This section should have been deleted in light of Senator Halford's motion (adopted unanimously by the Senate Labor and Commerce Committee on March 11), to delete Section 19 -- the taxation of admitted insurers. This is a technical amendment making a corresponding change to the previous deletion of Section 19.

Dave Walsh, Director of the Division of Insurance, feels that this amendment would enable us to remove the word "taxation" completely from the title.

Please prepare another CS with the title changed according to Mr. Dierdorff's March 12, 1992 memo deleting the word "taxation" from the title and deleting Section 133.

I am sorry, Mike, to have to bring this before you once again. I deeply appreciate all the work you have done on this. Please thank Mr. Dierdorff for his expert advice also.

If you have any questions, please don't hesitate to call.

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101


240 Main Street, Suite 500
Juneau, Alaska 99801-2101

MEMORANDUM

March 12, 1992

SUBJECT: Title of CSSB 376(L&C) (7-LS1887\G)

TO: Senator Drue Pearce
Chair, Senate Labor & Commerce Committee

FROM: David R. Dierdorff 
Revisor of Statutes

You have asked us to identify the specific sections of CSSB 376(L&C) that would have to be deleted if the title of the bill were changed to "An Act relating to Accreditation, Solvency, and Licensing of Insurance."

I reviewed the latest version of the bill and believe that a large number of sections would not fit under the proposed title. The most common reason is that many sections relate to general regulatory and management issues that affect licensees, but do not really fit under the descriptive term "licensing." There are also a few sections that are related to the time of filing of various reports and tax returns. Specifically, I have difficulty with bill sections 17, 18, 44, 77 - 84, 87, 91, 97 - 118, 122 - 155, 162 - 165, 167 -190, 192 - 203, 205 - 209, 214, and 216 - 223. I did not have time to review which of the repealers would fit within the title.

I believe that a descriptive title can be drafted that would not be as broad as the current title, yet would not be so specific that it would add a full page to the bill or serve as a trap in the event we failed to describe one or two specific provisions. I would suggest that you consider something like:

"An Act relating to the licensing, accreditation, examination, regulation, taxation, and solvency of persons engaged in the insurance business, including insurers and nonadmitted insurers; relating to the management of and the filing of reports by, persons licensed or otherwise doing business under the insurance code; and providing for an effective date."

It may be possible to delete the reference to "taxation," which I assume would be politically desirable. Time did not permit me to explore the exact changes being made in sec. 133. If that change does not affect the rate of tax or the flow of wealth

Senator Drue Pearce

March 12, 1992

Page 2

or value being taxed, but merely changes the administration of the tax (as do all other tax-related provisions of the bill), "taxation" could be deleted and those provisions would fit under "regulation" and under "the filing of reports."

I would be happy to work with you and Mike Ford as necessary to improve the title.

DRD:mi

92-039.mai

HAND DELIVERED

TO: Mike Ford, Legal Services
Legislative Affairs Agency

FROM: Senator Drue Pearce, Chair
Senate Labor and Commerce

RE: Title to SB 376

DATE: March 12, 1992

A number of Labor and Commerce Committee members continue to have problems with the current broad title of SB 376. In discussions yesterday evening, we were thinking about changing the title to something like "An Act relating to Accreditation, Solvency and Licensing of Insurance."

Could you please identify for us which specific sections of the existing CS would NOT fit under that title?

As time is short, I'd appreciate a written reply as soon as possible.

Mike, thank you for all your diligent work on the bill. I know it's been a monster to deal with . . . but it seems that we're getting most of the problems out of the way early. Hopefully, it will go easier in future committees.

DP:BM:ec

SENATOR RICK HALFORD
JUNEAU, AK

RE: CS 376 INSURANCE LEGISLATION

DEAR; SENATOR HALFORD

I AM WRITING TO YOU CONCERNING THE ABOVE BILL AS I WAS CHAIRMAN OF INDEPENDENT AGENTS ASSOCIATION'S COMMITTEE THAT ATTENDED THE TASK FORCE MEETINGS WITH THE DIVISION OF INSURANCE.

CS 376 PAGE 36, LINE 25 " EXPLAINING THAT THE MATTER MUST BE REVIEWED BY A LICENSEE". I AM WONDERING WHY WE ARE BEING SELECTED FOR THIS DISCLOSURE BY REGULATION (LAW). IF THE INSURANCE AGENTS HAVE TO MAKE DISCLOSURES AS TO WHO ISN'T LICENSED THAT MAY BE HANDLING YOUR FILE WHY DO WE NOT HAVE ATTORNEY'S, DOCTOR'S, CONTRACTOR' OR ANYONE WHO IS LICENSED BY THE STATE INFORMING THE PUBLIC JUST WHO IS HANDLING YOUR FILE AND THAT IT WILL BE REVIEWED BY A LICENSEE.

THIS IS NOT REQUIRED IN THE NAIC MODEL THAT THE DIVISION IS FOLLOWING TO TRY AND BECOME ACCREDITED.

I HAVE BEEN OUT OF STATE WITH MY FATHER WHO HAS BEEN QUITE ILL AND I JUST RETURNED YESTERDAY TO FIND THIS SUGGESTED CHANGE. I DO NOT THINK WE WOULD HAVE SIGNED OFF ON THIS CHANGE IF I HAD BEEN PRESENT TO DISCUSS WITH COMMITTEE. I HAVE BEEN OPPOSED TO THIS LEGISLATION FROM THE VERY BEGINNING AND FIND IT VERY INTRUSIVE OF THIS REGULATORY DIVISION TO TRY AND REGULATE THIS FAR DOWN AND INTO MY BUSINESS.

THEY HAVE MY LICENSE WHICH THEY CONTROL IF ANYTHING CAUSES A PROBLEM WITH THE CONSUMER OR WITH REGULATORY VIOLATIONS. I AM RESPONSIBLE TO TRAIN AND GIVE THESE PEOPLE THEIR EXPERIENCE IN THIS BUSINESS. THE SMALL AGENT WHO ONLY HAS ONE OR TWO EMPLOYEES AND IS IN A REMOTE AREA DOESN'T ALWAYS HAVE LICENSED PEOPLE AVAILABLE. HE HAS TO TRAIN THEM AND LICENSE THEM. IS IT FAIR THAT AN EMPLOYEE THAT HANDS OUT AN AUTO QUOTE THAT A COMPUTER PRODUCED HAS TO EXPLAIN "THAT THE MATTER MUST BE REVIEWED BY A LICENSEE?" WHEN AND IF THE CONSUMER BUYS SHE OR HE WILL BE WITH A LICENSED AGENT WHO WILL EXPLAIN THE DETAILS.

IF WE MUST DISCLOSE, THEN WHY NOT OTHER LICENSEE'S OF THE STATE. IT IS THINKING LIKE THIS THAT IS MAKING THE BUSINESS CLIMATE IN ALASKA TOUGH. WE NEED TO ENCOURAGE BUSINESS TO DEVELOP JOBS.

ATTACHED IS A COPY OF THE SENATE AMENDMENT. WE WOULD LIKE ANY REFERENCE TO DISCLOSURE DELETED IN ANY FORM.

SINCERELY;

GARY L. BOCKSNICK
312 TYEE
SOLDOTNA, ALASKA 99669

BY: Division of Insurance

TO: Page 36, line 25

SENATE BILL NO. CS 376 (L&C)

TO: _____

HOUSE BILL NO. _____

After: "after"

Insert: "explaining that the matter must be reviewed by a licensee"

Delete: "disclosure that the person is not licensed"

SPONSOR STATEMENT: Insurance licensees felt that "disclosure" may have unintended negative connotations which the suggested language would avoid. The division is satisfied that consumers will not be misled that the person is a licensed insurance professional.

THUR 10 92 02:27 PM SENATOR FRED SHAROFF 863 5043 P.275

To: Pam Dundy
Fax #: 463-3043

Add in proper language to 21.87.140

Medical service corporations shall meet the following provisions:

Open panel of all providers licensed in Alaska to provide the services they offer.

All reserves shall be provided from the Service Corporation funds. (not provider withholding)

Provider panel agreements shall be negotiated with a provider panel committee of 5 members appointed according to a ratio of Alaska providers from each provider group. (ie: 1 panel member per given number of providers appointed by their respective professional associations)

The insurance contract shall be re-negotiated together with the provider panel once every two years

Claims shall be based on nationally used and accepted insurance procedures and treatment and diagnostic codes that are approved by the provider panel committee.

8

by a public agency, or under agreements between other parties not solicited by the corporation. (§ 1 ch 120 SLA 1966; am §§ 5 — 7 ch 40 SLA 1981)

Sec. 21.87.130. Services and benefits that may be provided, hospital service corporations. (a) A hospital service corporation shall have the right to provide to its subscribers part or all of the following services and benefits only:

(1) hospital services furnished to the subscriber by participant hospitals;

(2) indemnity in a reasonable amount with respect to hospital services furnished to the subscriber by nonparticipant hospitals, but subject to AS 21.87.070(3);

(3) indemnity in a reasonable amount for other health care services, as defined in AS 21.87.330.

(b) This section does not prohibit the corporation from acting as compensated servicing agent as to health care services to be provided by a public agency, or under agreements between other parties not solicited by the corporation. (§ 1 ch 120 SLA 1966)

Sec. 21.87.140. Medical service agreements. (a) A medical service corporation shall enter into service agreements with providers licensed by the state only.

(b) Each service agreement shall require the participant providers to furnish to subscribers of the service corporation the medical or surgical services, or both, that are, under the subscriber's contract, to be furnished by participant providers. This obligation to furnish the services, as provided for in the subscriber's contract, shall be a direct obligation of the participant providers to the subscribers as well as to the service corporation.

(c) Each service agreement shall further effectively provide in substance that

(1) the participant provider shall be compensated for services rendered to a subscriber in accordance with a schedule of fees contained in the agreement or attached to and made a part of the agreement, and that the participant provider may not request or receive from the service corporation compensation for the services which is not in accord with the schedule;

(2) compensation for services may be prorated and settled under the circumstances and in the manner referred to in AS 21.87.900;

(3) if the participant provider withdraws from the agreement, the withdrawal may not be effective as to a subscriber's contract in force on the date of the withdrawal until the termination of the subscriber's contract or the next anniversary of the subscriber's contract, whichever date is the earlier.

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

**DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT**

P. O. BOX D
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2515

DIVISION OF INSURANCE

March 18, 1992

The Honorable Drue Pearce
Chairman
Senate Labor and Commerce Committee
State Capitol
Juneau, AK 99801-1182

Dear Senator Pearce:

Committee Substitute for Senate Bill 376 is a single bill that includes the legislation needed for the Division of Insurance to become an accredited regulatory office by the National Association of Insurance Commissioners (NAIC) and includes revisions which bring the insurance statutes up to date.

The NAIC has instituted a program of accreditation for state insurance regulatory offices to provide a minimum level of regulation across the United States. The program consists of two facets: (1) adoption of specific NAIC model legislation and regulations; and (2) the presence of sufficient resources to provide a level of regulatory activity which is acceptable in overseeing the insurance industry. This bill includes those required NAIC model laws that are not presently in Alaska Statute.

This bill also includes reorganization and revision of the requirements for licensing of insurance professionals and revision of other areas of the Alaska insurance statute to reflect current regulatory needs.

The bill includes the following:

- o incorporates the NAIC model law on examination of insurance companies including requirements for processing of examination reports;
- o adopts authority for regulations to adopt the NAIC model regulation on action available to the director when an insurer is found to be in hazardous financial condition;
- o changes the date for premium tax payments from April 1 to March 1;

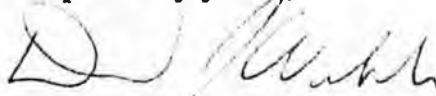
- o requires reinsurers accredited by the division to file financial statements annually and adds requirements for accreditation of differing insurance organizations;
- o requires domestic insurers to obtain annual actuarial opinions on claim reserves and adds requirements for valuation of assets and claim reserves for financial statement presentation;
- o adopts limitations on the type of subsidiaries in which insurer may invest and limitations on subsidiary acquisitions which result in market concentration;
- o adopts limitations on investment in medium and lower grade bonds;
- o adopts rules on evaluating material transactions between affiliates and determining payment of extraordinary dividends;
- o requires annual filing of holding company registration statements;
- o restructures statute to consolidate all requirements and qualifications for licensing of insurance professionals in one chapter;
- o adopts biennial license renewal for insurance professionals;
- o adopts licensure of reinsurance intermediary brokers and reinsurance intermediary managers;
- o adopts additional requirements for licensure and operation of managing general agents;
- o adopts registration for third-party administrators;
- o requires that persons may not call themselves financial planners when they are only engaging in the business of insurance;
- o clarifies a 45-day limit on return of unearned premium to consumers who cancel insurance policies;
- o increases penalties for violations of the insurance statutes;
- o allows specific types of charitable organizations to be life insurance policyholders or beneficiaries;
- o adopts financial requirements for title insurers that are similar to those required for other insurers;

March 18, 1992

- o requires licensing of attorneys-in-fact and establishes minimum requirements for subscriber advisory committees for reciprocals;
- o allows a receiver to recover distributions to affiliates of an insurer paid within 12 months of a liquidation or rehabilitation order;
- o adopts for fraternal benefit societies the requirement and limitations on other insurers for assets, investments, and licensing;
- o clarifies the timing and determination of eligibility for senior premium discounts; and
- o requires insurance policies to have an appraisal clause for settling first-party property valuation disputes.

Please contact me at any time if you have questions about this proposed legislation.

Respectfully yours,



David J. Walsh
Director

DJW/mst3644&3653m
012492a

John L. George and Associates
9515 Moraine Way
Juneau, Alaska 99801
Tel 907 789-0172 Fax 907 789-6964

February 21, 1992

Senator Drue Pearce
Senate Labor and Commerce Committee
P.O. Box v
Juneau, Alaska 99811

Re: Senate Bill 376

Dear Senator Pearce,

My client, the American Council of Life Insurance, a life insurance trade association representing the majority of the life insurers licensed in the state, supports passage of S.B. 376 with certain modifications that we have discussed with the Director of Insurance. It is our understanding that the Director of Insurance will request these amendments at the next hearing on the bill. By working through the Director we hope to have simplified the process for the Director and for the legislature. We reserve the right to bring these issues up independently if for some reason the Division of Insurance does not.

We have requested deletion of Third Party Administrators from the definition of Managing General Agents (Sec 222) and the addition of the NAIC Third Party Administrator Model language. We have also requested that Sec 144 be amended to provide that any undefined unfair methods, acts or practices may be DEFINED BY REGULATIONS ADOPTED BY THE DIRECTOR. Additionally we have requested several other minor changes that do not warrant comment here.

The ACLI recognizes the importance of adequate regulatory supervision by state insurance regulators. Without the tools provided in S.B. 376 the Director will be at a distinct disadvantage. We also support the additional staffing needs of the division. Uniquely, the additional staff will be self funded through additional cost plus billings to our industry. As insurers are examined by the Division of Insurance, new revenue is generated. Failure to add positions will result in lost revenue opportunity and more importantly lost examination opportunity. Our industry strongly believes that sound regulation of all insurers

Senator Pearce

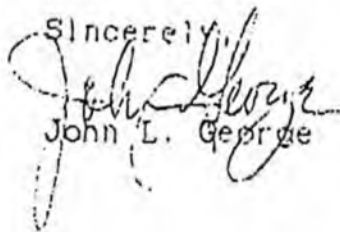
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February 21, 1992

benefits each of us. Failure of the Division of Insurance to meet the NAIC requirements will prove detrimental to insureds, insurers, and the State.

I will be available at the hearing next week or you may contact me at your convenience to discuss this or other legislation.

Sincerely,



John L. George

John L. George and Associates
9515 Moraine Way
Juneau, Alaska 99801
Tel 907 789-0172 Fax 907 789-6964

February 21, 1992

Senator Drue Pearce
Senate Labor and Commerce Committee
P.O. Box v
Juneau, Alaska 99811

Re: Senate Bill 376

Dear Senator Pearce,

My client, National Association of Independent Insurers a property and casualty insurance trade association, supports passage of S.B. 376 with certain modifications that we have discussed with the Director of Insurance. It is our understanding that the Director of Insurance will request these amendments at the next hearing on the bill. By working through the Director we hope to have simplified the process for the Director and for the legislature. We reserve the right to bring these issues up independently if for some reason the Division of Insurance does not.

The ACLI recognizes the importance of adequate regulatory supervision by state insurance regulators. Without the tools provided in S.B. 376 the Director will be at a distinct disadvantage. We also support the additional staffing needs of the division. Uniquely, the additional staff will be self funded through additional cost plus billings to our industry. As insurers are examined by the Division of Insurance, new revenue is generated. Failure to add positions will result in lost revenue opportunity and more importantly lost examination opportunity. Our industry strongly believes that sound regulation of all insurers benefits each of us. Failure of the Division of Insurance to meet the NAIC requirements will prove detrimental to insureds, insurers, and the State.

I will be available at the hearing next week or you may contact me at your convenience to discuss this or other legislation.

Sincerely,


John L. George



HUGHES THORSNESS
GANTZ POWELL & BRUNDIN

Est. 1939

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**ONE SEALASKA PLAZA
SUITE 303

JUNEAU, ALASKA 99801-1249
TELEPHONE (907) 586-5912
TELECOPIER: (907) 463-3020

Reply to: JUNEAU

February 21, 1992

FEB 21 1992

Senator Drue Pearce
Room 101, Capitol Building
PO Box V
Juneau, Alaska 99811

Re: Senate Bill 376
Our File No: 220-92 & 30-213

Dear Senator Pearce:

We are writing to you on behalf of State Farm Insurance Company and Allstate Insurance Company concerning the above-referenced legislation. State Farm and Allstate are the two largest personal lines insurers currently doing business in the State of Alaska. Cumulatively, they are writing approximately 70% of the automobile insurance policies in the State.

SB 376 is obviously a very lengthy and complex piece of legislation. Both State Farm and Allstate support the Division of Insurance's efforts to seek NAIC accreditation. Moreover, State Farm and Allstate have no objection with respect to the proposed single producer licensing provisions. There is however

one additional provision unrelated to NAIC accreditation or to the single producer licensing provisions that both companies have problems with. Section 221 of the bill provides for a mandatory appraisal process. As drafted, this provision would require all automobile, homeowner, or dwelling insurance policies to contain a mandatory appraisal clause for disputes over first party property losses. First party losses are those claims made by a policyholder to his or her insurer. For example, if a driver has a claim under his or her own automobile policy for a loss associated with his or her own vehicle, this would be a first party loss. Under this provision, if there is a dispute over the value of that property loss, the insured and the insurer each retain an appraiser to provide a value estimate. If the two appraisers do not agree on a mutual value, an umpire is selected to resolve the difference.

In concept, State Farm and Allstate do not have a problem with the appraisal process. However, as drafted, this particular appraisal provision is problematic. It is uncertain under this provision whether the appraisal process is mandatory for all losses, optional at the election of the insured or insurer, or if it is the final resolution of the claim. In other words, after the appraisal process is completed, it is ambiguous as to whether the insured or the insurer, if they are unhappy, can still file a complaint in superior court.

State Farm and Allstate are also concerned that the appraisal concept be drafted to avoid certain abuses they have experienced in other states. In some states insureds have used the appraisal process to raise disputes about policy terms or definitions. For example, if there are estimates from three body shops to repair the same damage and the insured wants the repairs made by a shop other than the low bidder, the appraisal process has been used in other states to dispute this. This practice has nothing to do with the value of the loss since both body shops will be obligated to make the same repair. As such, claims like these should not be subject to appraisal. This is the reason why we would strongly recommend that appraisal be limited to only total losses. If it is made applicable to partial losses, the legislation should clearly set forth that it will only pertain to disputes concerning the value of the property loss.

We would be happy to work with members of the Senate Labor & Commerce Committee, the Division of Insurance, and any other interested parties to find a solution to the above-referenced concerns.

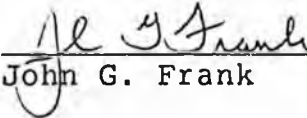
Senator Drue Pearce
February 21, 1992
Page 3

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW

As always, should you have any question or comment concerning the above or any other aspect of SB 376, we would be happy to respond. Thank you for your courtesy and cooperation.

Sincerely,

HUGHES, THORSNESS, GANTZ,
POWELL & BRUNDIN

By: 
John G. Frank

JGF:sb/1176

cc: Senator Virginia Collins
Senator Richard Eliason
Senator Rick Halford
Senator Jalmar Kertulla

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 376

Revision Date: _____ Department Affected: Commerce & Economic Dev.

Title: An Act relating to insurance BRU: Insurance

Component: Operations

Sponsor: Sen. Pearce

Requestor: _____ COMPONENT SERIAL NO.

0	3	5	4
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

No fiscal impact.

Prepared By: David J. Walsh, Director Phone: 465-2515

Division: Insurance *David J. Walsh* Date: 1-28-92

Approved by Commissioner: Glenn A. Olds, Commissioner *for [Signature]* last Comm.

Agency: Commerce and Economic Development Date: 1-29-92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Leg. Ofc., & Impacted Agency(ies).