

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7589 SENATE LABOR & COMMERCE

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

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April 12, 1991

Mr. Don Kubley, President
Alaska International Marketing
12280 Mendenhall Loop Road, Suite 4
Juneau, AK 99801

Dear Mr. Kubley:

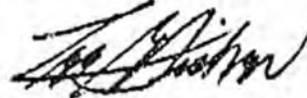
I have reviewed the materials you recently furnished pertaining to the Hydrocarb process. You appreciate that I am technically unqualified to evaluate the process, so the following comments rely on the assumption that the developers perform as stated.

A pilot project of the magnitude envisioned by Hydrocarb would bring positive attention to development of Alaska's enormous (untapped) coal reserves. It would appear feasible for the Governor to consider supporting state investment in this project through legislative grants, issuance of bonds, loans from AIDEA, or any blending of the preceding sources.

The combination of revenues from mining license taxes and corporate income taxes on estimated annual production of almost 22 million tons of coal per year would be material to Alaska's treasury. ^{2/}

Please keep me informed of the progress of this exciting project. You can, of course, count on the resources of the Department of Revenue to assist in any way possible to bring this technology to production and success.

Very truly yours,



Lee E. Fisher
Commissioner

LEF: [unclear]

^{2/} If a ten percent net income is assumed, the combined taxes would approximate \$39 million per year.

Alaska State Legislature

Chair, Resources Committee
Vice-chair, Transportation Committee
Member, Rules Committee
Member, Committee on Committees



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Senator Lloyd Jones

April 3, 1991

Mr. Don Kubley, President
Alaska International Marketing
12280 Mendenhall Loop Road Suite 4
Juneau, Alaska 99801

Dear Don:

Thank you for Keeping me abreast of the ongoing development of the Hydrocarb project in Alaska. As chairman of the Senate Natural Resources Committee I am committed to the prudent development of Alaska's resource base. The technology available through the Hydrocarb process is intriguing in its potential application to the Alaskan coal market.

As a state that holds over 70% of the coal reserves of the North American continent, I believe we have an obligation to further investigate a technology that can add value to such an abundant resource. The fact that the Hydrocarb process can produce marketable fuels such as "carbon black", and ultimately, even diesel and jet fuel, from the type of coal we have in Alaska, is staggering in its implications.

The construction of a demonstration plant in Alaska seems to be the next step toward the full application of this technology in our state. The potential job creation and inflow of dollars for a value-added product is reason enough for us to look seriously at funding this project. That the money will be repaid to the state is another plus.

Again Don, I want to be kept informed on the development of this project, and I want to know what I can do to help bring a new industry to our state.

Sincerely,

A handwritten signature in cursive script that reads "Lloyd Jones".

Lloyd Jones
Alaska State Senate

ALASKA STATE LEGISLATURE

Ry1

From Don

LEGISLATIVE DISTRICT 1HYDER
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Representative Cheri L. Davis

March 20, 1991

Mr. Don Kubley, President
Alaska International Marketing
12280 Mendenhall Loop Road, Suite 4
Juneau, AK 99801

Dear Don:

I appreciated you stopping by my office yesterday and briefing me on the Hydrocarb Project. It would be easy to support a project that would help diversify the economy of Alaska and reduce our dependency on oil.

I was amazed to find out that Alaska has 80% of North Americas' and 6% of the Earths' coal reserves. Furthermore, I was excited to hear that with the amount of coal we have, it could put Alaska at the top of energy technology and production.

Additionally, I was pleased to find out that the administration has been very receptive of this project and to exploring possible financing for the start-up of this operation. While I understand that development and start-up costs for a project of this magnitude can be enormous, we do have the perfect funding mechanism in place for this, the Alaska Industrial Development Authority.

Please keep me informed as to the status of this project and if I can be of any help, please do not hesitate to contact me.

Sincerely,

Cheri L. Davis
Alaska House of Representatives

Alaska State Legislature

Senator Paul Fischer, Chairman
Senator Al Adams, Vice-Chair
Senator Rick Uehling
Senator Arliss Sturgulewski
Senator Fred Zharoff



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Senate Special Committee on International Trade and Tourism

March 14, 1991

Don Kubley, President
Alaska International Marketing
12280 Mendenhall Loop Road Suite 4
Juneau, Alaska 99801

Dear Don,

Thank you for stopping by my office yesterday and updating me on the Hydrocarb Project. As I had previously indicated, I have wondered why Alaska has not tried to compete in the world "carbon black" markets.

It is interesting that the Hydrocarb process not only produces "carbon black", but also methanol and a wide range of particulate "clean carbon", "carbon slurry" and fuel products. This coal processing could produce: a fuel replacing diesel and heating oils for turbines, utilities, stationary engines, and locomotives; a fuel, either methanol or gasoline that can fit present auto fleets or modified ones; and of course, pure carbon. If I understand correctly, this process could also be used for treatment and transformation of solid municipal wastes. I would like to know more about this option.

It is also interesting that even the relatively small, 100 tons per day, coal-to-fuel demonstration plant here could match the total output of the world's largest supplier of thermal black. This could put Alaska in a first rank position, world wide, in energy-to-fuel technology and production. In particular, as it relates to an absolutely pollution free, low cost high revenue use of coal.

This may possibly be the technology that we have been looking for that will enable us to tap our vast resources of coal. It is also timely with the current international socioeconomic situation, and the need to find long term alternative energy sources. The Persian Gulf War has made crystal clear the need to decrease the nation's dependence on imported energy.

Don Kubley

page 2

March 14, 1991

As Chairman of the Senate Special Committee on International Trade and Tourism, I am impressed with the international nature of this project. The fact that Imperial Chemical Industries and Asea Brown Boveri are interested in working with the State of Alaska on the Demonstration Plant is encouraging, as is having Bechtel, and Stone and Webster expressing their support for the project.

The other interesting international aspect of this project is the finance plan for the three commercial facilities. Working with the Japanese, Taiwanese, and Korean Energy and Finance communities seems like a good way to go. With the P.I.K. or payment in kind bonds, the construction costs of the first three commercial facilities would be paid back in product. This gives an existing market for the product as soon as the plants are up and producing.

Since the State is being asked for help only in the demonstration phase and that the loan would be paid back seems reasonable. When considering this might attract an over \$4 billion construction project that would start a 50 year plus industry which could employ over 1000 Alaskans, I would like to know more about it.

I would like to schedule a meeting of the Senate Special Committee on International Trade and Tourism and invite representatives of the energy and finance communities of Japan, the Republic of China, and the Republic of Korea to attend. I would also like to extend an invitation to the corporate leaders of Bechtel, Asea Brown Boveri, and Imperial Chemical Industries to address my committee and the Senate Leadership about their potential involvement in the Hydrocarb Project. Please let me know when it would be possible for us to set this up.

There are several possibilities that might be used to encourage participation by these various parties, such as a loan from the Alaska Industrial Development Authority for the Demonstration Plan or a possible tax incentive for the investors in the commercial facilities.

Again, thank you for the material and information on this project. Please keep me informed of any new developments and let me know when we will be able to set up this informational meeting.

Cordially,



Senator Paul Fischer

PF/lis

ALASKA INTERNATIONAL MARKETING
YOUR KEY TO THE CAPITAL

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Ms. Ho-Ching Lee
Program Director
Division of International Affairs
National Science Council
Taipei, Taiwan

March 18, 1991

Dear Ho-Ching:

I would like to take this opportunity to update you on the fast moving Hydrocarb project here in Alaska. I am sorry we haven't been able to get our lines of communication wide open yet, but I guess we are rather far apart in miles and time zones. I am sure after we are able to talk directly with each other we will be able to figure out our schedules so that we may communicate more easily.

On Friday, March 15, 1991 I met with the State's Commissioner of Commerce and Economic Development. He has given the project an enthusiastic endorsement and will assist us in funding the Demonstration Plant with a loan from the Alaska Industrial Development Authority. This Legislatively funded economic development organization has over \$300. million available for projects such as ours, and answers to the Commissioner of Commerce and Economic Development.

As you can see from the Letter dated March 14, 1991, authored by Senator Paul Fischer Chairman of the Alaska State Senate International Trade Committee, this new technology has a lot of people very excited here in Alaska. Alaska's corporate and governmental leaders have been looking for a way to tap our vast resources of coal for decades. Because of the wet dirty nature of our deposits we have not been able to compete in the world coal markets, until now! The Hydrocarb process, developed at the Brookhaven National Laboratory and funded by the

U.S. Department of Energy, has given us the process that will make our 4 to 5 trillion tons of coal a readily available clean burning alternative energy supply for America and our neighbors in the Pacific Rim.

Accordingly, I would like to extend a cordial invitation to you and whatever governmental and corporate leaders from your energy and finance communities you feel are appropriate, to open up dialog on a potential working relationship between Taiwan, The State of Alaska and Hydrocarb Corp.. We feel that such a relationship could be a long lasting very rewarding one for all involved.

I look forward to talking with you personally, as soon as possible, at your convenience. At Senator Fischer's request, I would like to arrange for you to meet and discuss this, or other projects, with our State's leaders. Considering Our Legislative Session is nearly half over this year, I would appreciate a prompt reply.

If you would like any further back-up or support material please don't hesitate to ask. Best regards!

Most respectfully yours

Don Kubley
President
Alaska International Marketing

DWK/td

c.c

Dr. Edward Grohse, C.E.O. & President Hydrocarb Corp.

The Honorable Glen Olds, Commissioner of
Commerce and Economic Development

The Honorable Jack Coghill
Lt. Governor of Alaska

The Honorable Senator Paul Fischer
Chairman, The Senate Special Committee
on International Trade

The Honorable Senator Lloyd Jones
Chairman, Senate Natural
Resources Committee

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DRAFT
12/31/90

BIOMASS AND FOSSIL FUEL TO METHANOL AND CARBON
VIA THE HYDROCARB PROCESS

A Potential New Source of Transportation and Utility Fuels

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New York, New York

ABSTRACT

There is a need for new supplies of liquid fuels, especially from domestic sources, for the transportation sector. This fact, together with major concerns about health effects of urban ozone pollution--which now exceeds EPA standards in more than 100 U.S. cities--argue for increased production of methanol for use in vehicles. The current routes to methanol involve catalytic formation from synthesis gas produced by reforming of natural gas, oil or coal. The cost of methanol produced from natural gas may become more expensive if that resource is allocated in large measure to transportation fuels. The Hydrocarb process has the potential to increase the yield of methanol from a given supply of natural gas or replace gas with biomass and coal or other carbonaceous feedstocks by means of an energy-efficient, three-step process. An equally important product of this process is a carbon that is free of ash, sulfur and nitrogen. This carbon can be used as a clean utility fuel in power plants and in heat engines (turbines and diesels) to eliminate the pollution associated with the use of coal and reduce the cost of emission controls. In addition to carbon and methanol, methane and hydrogen can be alternate coproducts. A comparative analysis of the conversion of alternate feedstocks to methanol fuel will be presented. The possibility of global climate change implies that CO₂ emissions should be taken into account when assessing options for producing future alternative fuels. From this, as well as the other environmental standpoints, Hydrocarb offers advantages.

BIOMASS AND FOSSIL FUEL TO METHANOL AND CARBON
VIA THE HYDROCARB PROCESS

A Potential New Source of Transportation and Utility Fuels

by

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March 25-29, 1991

NOTICE

This document is a preliminary draft. It has not been formally released by the U.S. Environmental Protection Agency and should not be construed to represent Agency policy. It is being circulated only for comments on its technical merit and policy implications.

BIOMASS AND FOSSIL FUEL TO METHANOL AND CARBON VIA THE HYDROCARB PROCESS

A Potential New Source of Transportation and Utility Fuels

INTRODUCTION

Our dependence on petroleum fuels for the transportation sector involves expenses and risks that have been made dramatically clear by recent events. Sudden disruptions of supply or rapid increases in price have immediate adverse effects on inflation, employment, and productivity. Such negative impacts of petroleum dependence have already lead many to conclude that the time has arrived to begin an orderly transition to alternative fuels. That conclusion finds considerable support when one reckons the cost of petroleum not as dollars per barrel, but in terms of the above economic effects and other penalties, such as environmental impacts, associated with the use of gasoline and diesel fuels. These costs are real even though not included in the market price of those fuels; they are "external costs," hidden and difficult to quantify, but paid by society in one way or another and certain to increase each year. The external costs of petroleum use in the U.S., for the year 1985, are estimated to be \$32 - \$317 billion (6).

A large part of the external cost is attributed directly or indirectly to the effects of air pollution, the most urgent manifestation of which is the urban ozone problem. Hydrocarbons and nitrogen oxides generated by vehicles using petroleum fuels react photochemically in the air to produce ozone. Half the U.S. population is now exposed to ozone concentrations exceeding the standards established by the Environmental Protection Agency. Because alternative fuels such as alcohols or natural gas are cleaner burning and have much lower photochemical reactivity, their substitution for petroleum fuels is considered the most effective method of reducing ozone exposure. A modeling study by Russell et al. (9) indicates that conversion to methanol could decrease ozone exposure in Los Angeles 88 percent by the year 2000, relative to the reduction that could be achieved from the elimination of motor vehicle emissions.

Additional health risks associated with the combustion products of petroleum fuels, such as benzene and other aromatic carcinogens (added to fuels to replace lead as octane boosters), peroxyacetylnitrate (a smog component), carbon monoxide, and sulfur oxides can also be reduced by conversion to alternative fuels. The use of methanol in diesel engines equipped with the proper exhaust catalyst is especially effective in reducing emissions of all major pollutants from diesel buses (20). Because of its low flame temperature, methanol has an additional potential for reducing nitrogen oxides emissions from utility and industrial boilers and turbines. These stationary sources are

important contributors to the acid rain problem and Clean Air Act of 1990 will require future reduction of those emissions. Weir et al., (23) show that NOx emissions from a natural-gas-fired utility boiler can be reduced as much as 80 percent by cofiring methanol above the gas burners.

The Alternatives

Three principal substitutes for petroleum are being developed for use in the transportation sector: ethanol, methanol, and compressed natural gas. Ethanol, as a 10 percent blend with gasoline, is already a component of 9 percent of the motor fuel used in the U.S. and the blend has reached a market share as high as 30 percent in some states (1). Fuel ethanol is produced almost entirely from corn by the fermentation process at a current U.S. output of 1.1 billion gal/yr. It is feasible to double or triple this production (22), but a 3-billion gallon output would still account for less than 2 percent of the current energy requirements of the U.S. transportation sector. Furthermore, the economics of the fermentation process are such that the use of ethanol is entirely dependent on government incentives in the form of a tax credit, currently \$0.60 for each gallon of ethanol used for fuel blending. Even with this incentive, higher corn prices, due to increased demand, will be an impediment to expansion. Attempts are therefore being made to develop new processes based on the hydrolysis of cheaper feedstocks such as woody biomass.

For replacement of gasoline on a large scale, the most practical choices appear to be compressed natural gas or methanol (2, 21). When considered strictly on its merits as a transportation fuel, natural gas has some environmental advantages that are superior to methanol (6) and will be utilized as such in large amounts in spite of a general preference for liquid fuels. Methanol has the advantage, especially during the period of transition from petroleum to alternative fuels, of greater compatibility with the existing distribution and refueling network. More importantly, if methanol were widely available in sufficient quantities and reasonable cost, it could provide an effective means of reducing NOx emissions from large stationary sources, as indicated above, with a desirable impact on acid rain and other environmental problems. It is also apparent, as will be shown, that a suitable choice of the process for producing methanol can help eliminate the other component of acid rain, SOx, and perhaps reduce the cost of electric power production by transferring the task of pollution control from a power plant to a fuel processing plant.

The recoverable U.S. natural gas supply is estimated to be the equivalent of 2126 quads, of which 1150 is in unconventional deposits (sand formations, coal seams, and geopressurized brines) that are recoverable at higher cost. This supply is currently being drawn down at an annual rate of 18 quads equivalent. Natural gas could therefore replace about half the fuel

requirements of the U.S. transportation sector over the mid term of 20-50 years if its price rose to the level of \$9-11/10⁶ Btu that would make unconventional sources economic (6). If one considers the longer term, or fuel requirements exceeding 50 percent of the transportation sector, the gas supply must be substantially extended by supplementing it with fuels derived from renewable sources or coal if those requirements are to be met with domestic resources.

Finally, the question of CO₂ emissions must be taken into account when planning for future production and use of alternative fuels. The fact that alcohols can be produced wholly or in part from renewable biomass is perhaps their greatest advantage relative to natural gas: the combustion and regeneration of biomass through photosynthesis contributes no net CO₂ to the atmosphere. One purpose of this paper is to examine the prospect of producing and utilizing methanol with minimum CO₂ emission. Another purpose is to examine the possibility of extending the supply of domestic natural gas by utilizing biomass or coal as co-feedstocks for the production of liquid fuel. In so doing, these domestic fossil fuels might be utilized without increasing the ecological risks associated with global warming and climate change.

For these reasons, the Air and Energy Engineering Research Laboratory of the U.S. EPA is supporting an evaluation of the Hydrocarb process, as conceived by Steinberg and Grohse (14), and a feasibility study of a process configuration by which biomass and natural gas feedstocks are converted to methanol and pure carbon (17). We expect this analysis to be followed in the future by evaluations of other configurations based on feedstocks of biomass plus coal, and coal alone. Our reasons for initial emphasis of the biomass/natural gas option are: (1) it is less complex than the process configurations that utilize coal feedstock, (2) it is expected to have the lowest plant capital cost, (3) the desulfurization problem is minimized, (4) a greater yield of methanol can be obtained from a given supply of natural gas than by conventional methanol processes, and (5) ash production and disposal are minimized.

In the following, we will (a) outline the process concept, (b) discuss its options for producing the different fuels which may be required for particular industrial sectors or environmental objectives, and (c) make preliminary estimates of the cost, energy utilization efficiency, and CO₂ emissions associated with those options and compare them with other processes for alcohol production.

Potential Advantages

Several aspects of the process are important from the environmental standpoint. First, the material and energy balances show that 1.88 mols of methanol can be produced from each mol of natural gas consumed, or 88 percent more than the amount that could be produced by conventional steam reforming of that gas. The potential yield of useful fuel from a given gas resource is thereby significantly extended.

Second, the by-product carbon that is extracted from the biomass by hydrogasification is free of sulfur, ash, and nitrogen. It can therefore be utilized as a premium clean fuel in the industrial sector to eliminate SO₂ and particulate emissions. The absence of nitrogen in this fuel should reduce NO_x emissions about 50 percent compared to coal. Slurries of carbon black in fuel oil, methanol, and water (15) are currently being evaluated by EPA for possible use as boiler fuels. Such slurries could also be advantageously used in turbines and diesels with little modification of these conventional heat engines.

Third, the feedstock is not limited to biomass/natural gas. Virtually any carbonaceous material can, in concept, replace biomass--including municipal solid waste (16). Natural gas can be replaced by coal, or the process can be operated with coal substituting for both biomass and natural gas. These options widen the resource base and increase the potential supply of transportation fuel that might be produced from domestic resources. They also, however, increase the complexity of the process with respect to desulfurization and ash handling.

Natural gas is an excellent alternative fuel. Why then, convert it to methanol? As indicated above, the conversion would increase the amount of fuel that can be produced from a given supply of gas, yielding about 48 percent more fuel energy. Another reason has to do with the specter of global warming attributed primarily to CO₂ and other emissions from the combustion of fossil fuels.

Direct use of methane as an alternative fuel is complicated by the fact that it is an important greenhouse gas--much more potent than CO₂--and is accumulating in the atmosphere at nearly twice the rate of the CO₂ accumulation. Although

methane leakage from motor vehicles and the fuel distribution network will not contribute to the urban ozone problem, that CH₄ will ultimately undergo the same ozone-forming reactions in higher altitudes of the troposphere where ozone contributes significantly to the greenhouse effect. There is increasing concern about the effects of tropospheric ozone on the overall global warming problem. A large expansion of the distribution network for natural gas that would be required for vehicle refueling on a major scale will inevitably lead to leakage of methane to the atmosphere and contribute to global warming both as methane and as ozone.

DISCUSSION

CO₂ Stabilization

CO₂ emissions from the combustion of fossil fuels such as petroleum or natural gas add directly to the atmospheric CO₂ budget. Emissions from biomass combustion do not affect that budget because an equal amount of carbon is removed from the atmosphere when the biomass is regenerated by photosynthesis.

The transportation sector is currently responsible for about 24 percent of total U.S. anthropogenic CO₂ emissions. A recent report prepared by the Science Advisory Board (11) for the EPA recommends that a high priority be given to ecological risks, equal to the emphasis currently given to human health risks. The risk of climate change was cited as one of the most important ecological concerns. The best approach for dealing with climate change is a contentious issue, but there is general agreement that a number of actions can, and should, be undertaken that are justified for their own positive effects whether or not CO₂ stabilization of the atmosphere develops as a necessary objective (10). Energy conservation and improved energy utilization efficiency are examples. From the discussion above, the multiple environmental advantages of the Hydrocarb process would be consistent with that approach, especially if it is also shown to be capable of reducing CO₂ emissions. This section addresses that aspect of the process.

Complete combustion of methanol yields 160 lb CO₂/10⁶ Btu(LHV). Similarly, the complete combustion of gasoline and ethanol would yield 173 and 167 lb CO₂, respectively. Because of the lower C/H ratio of methanol and its higher combustion and thermal efficiencies, the CO₂ emissions from methanol fueled vehicles should be about 20 percent less than those fueled by gasoline (6). Second, the thermal efficiency of methanol production by Hydrocarb is expected to be substantially greater than other processes for producing alternative alcohol fuels; i.e., the ratio of the energy content of the product alcohol to

the potential energy of the feedstocks (if those feedstocks were used directly as fuels) is generally higher for the Hydrocarb process. Thus, more useful energy can be derived for a given CO₂ emission.

Most importantly, the amount of CO₂ released by the utilization of methanol and carbon fuels that are produced by Hydrocarb from biomass and methane can be controlled over a broad range. At the sacrifice of thermal efficiency and increased production cost of the fuel, this range of CO₂ emissions can vary from a net positive value to a negative value. These options are demonstrated by the following sample calculations based on data from Hydrocarb mass and energy balances.

Feeds: Biomass consumed = 4.382 mol
 Natural gas consumed = 1.109 mol

Products: Total carbon produced = 3.28 mol
 --of which 1.14 mol is burned for energy balance
 --of which 2.14 mol is available for use
 Methanol product = 2.086 mol
 0.492 mol gas purge, burned in reheater, containing
 3.9% CO, 0.3% CO₂, 18.8% CH₄, 76.1% H₂ and 0.9% CH₃OH

Biomass energy content (HHV) = 113 kcal/g mol

The products can be utilized in three ways: (1) both carbon and methanol are used as fuels--methanol in the transportation sector and carbon or carbon/methanol slurry in the utility sector, (2) the methanol is used as a transportation fuel and part of the carbon is sequestered in an amount that yields no net CO₂ emission when the remaining carbon is used as fuel, or (3) only the methanol is used as fuel, with all of the carbon sequestered to obtain maximum atmospheric CO₂ stabilization potential.

Using the first case as example, the CO₂ emission and thermal efficiency can be calculated (Steinberg, 1990) as:

$$\text{CO}_2 \text{ Emission} = \frac{(-4.382 + 2.086 + 3.28 + 0.177) \times 44 \times 2.2 \times 10^6}{(2.086 \times 173600 + 2.14 \times 94100) \times 3.97} = 47.7 \frac{\text{lbCO}_2}{10^6 \text{Btu}}$$

$$\text{Thermal Efficiency} = \frac{(2.14 \times 94100) + (2.086 \times 173600)}{(4.382 \times 113000) + (1.109 \times 212000)} = 0.77$$

Using the same procedure to evaluate the other Hydrocarb options yields the following results:

Methanol used as fuel, %	Carbon used as fuel, %	Net CO ₂ emission, lb/10 ⁶ Btu (all fuels)	Thermal efficiency, %
100	100	47.7	77
100	31.7	0	63
100	0	-69.8	50

Projected Cost of Methanol Production

The cost of producing methanol by the Hydrocarb process was estimated for each of the three basic options shown above, based on the following assumptions:

Methanol production, gal/day	6,026,000
Capital cost of plant	\$2.1 x 10 ⁹
Biomass requirement, tons/day	30,000
Conversion efficiency, %	90
Annual utilization factor, %	90
Delivered cost of biomass, per dry ton	\$42.00
Capital charge rate, less ROI	0.059
Other costs, per ton biomass	\$4.50
Carbon sequestering cost, per ton	\$21.00
Ash disposal cost, per ton	\$11.00
Value of fuel carbon, per ton	\$70.00
Natural gas cost, per MSCF	\$4.00
Return on investment, %	15

From the above data, the following production costs were obtained;

Process option	Plant-gate cost of methanol,	
	\$/gal	\$/10 ⁶ Btu(LHV)
All carbon black used as fuel	0.52	9.2
No net CO ₂ emission	0.58	10.3
All carbon black sequestered	0.64	11.2

The capital cost for the Hydrocarb plant is based on 88 percent of an equivalent Texaco plant, for which the most detailed engineering design and cost estimates are available. We believe it reasonable to expect that the actual Hydrocarb plant (using biomass and natural gas feedstocks) may cost as little as half that of Texaco process since it will contain no oxygen plant, steam plant, or shift plant, and will have much simpler acid-gas removal requirements.

Alternative Technologies for Alcohol Production

The cost of domestic natural gas assumed for the estimates summarized in the above table are based on the price elasticity data reported by DeLuchi et al. (7) for a total demand equivalent to 2/3 of the 15 quads of energy required by the U.S. transportation sector. If the production of methanol were to be undertaken on such a large scale using conventional technology it is generally agreed that the process of choice would be the reforming of natural gas obtained from remote sources--from which it could be produced and delivered to the U.S. at a slightly lower cost than methanol made from domestic natural gas. In that case, one of the principal advantages of instituting the use of alternative fuels--reduction of economic and security risks--could not be realized.

Table 2 compares the estimated cost of Hydrocarb methanol with that produced by conventional processes when the total demand is equivalent to 10 quads. The comparison is made for three configurations of Hydrocarb corresponding to different levels of CO₂ emission according to the amount of by-product carbon that is sequestered. The comparison shows that Hydrocarb should produce methanol at a cost less than that made from remote gas and do so with less CO₂ emission. It therefore could generate a large part of the fuel required for the transportation sector from domestic resources entirely. In so doing, it could also extract the energy of a major fossil fuel while avoiding the CO₂ emission that would otherwise result from its use.

Table 2 also compares Hydrocarb with other alcohol production technologies that are under development. In those cases, the costs available for comparison do not account for price elasticity of the raw feedstocks that can be expected if the alcohol is produced on a large scale. Nevertheless, it is clear that the cost of ethanol produced by either the standard fermentation process (8) or the newer acid-hydrolysis (24) or enzymatic-hydrolysis (25) processes will probably be significantly greater than the cost of methanol.

The lowest projected cost of methanol is \$9.0/10⁶ Btu(LHV), produced from coal by a dedicated Texaco oxygen-gasification plant (4). This process emits 349 lb of CO₂ per 10⁶Btu of alcohol energy produced. Hydrocarb, in the biomass/natural gas configuration, can operate with zero net CO₂ emission, at an

estimated methanol cost of \$10.3/10⁶ Btu. (As pointed out above, we believe this cost represents a maximum since it is based on a conservative estimate of capital investment.) Compared to the Texaco process the methanol cost differential corresponds to \$7.45/ton of CO₂ emission reduction. This value is about half the cost of collecting and disposing of 90 percent of the CO₂ from coal-fired power plants after combustion (5).

Included in Table 2 is a Hydrocarb option that uses coal instead of natural gas as the co-feedstock with biomass. This estimate is the most speculative, but might yield methanol at about \$7.6/10⁶Btu if both the carbon and the methanol products are utilized as fuels. In this case, the CO₂ emission would be 163 lb/10⁶Btu or 53 percent less than the Texaco process. The principal problem with the use of coal is desulfurization which must be accomplished efficiently during hydrogasification. Waste disposal also increases the complexity of this option. On the other hand, the use of coal as well as natural gas greatly increases the quantities of methanol that could be produced from domestic resources, especially if industrial and utility sectors, as well as the transportation sector, are to be considered as recipients of the clean fuels.

The production of clean carbon (or carbon-methanol slurries) for fueling power plants would eliminate the problems of SO₂ and particulate control at the utilities (and reduce the NOx control problem) transferring those tasks to the Hydrocarb plant, where they might be handled more efficiently and remotely. Although the capital cost of a Hydrocarb plant using coal would be greater than one using natural gas, the cost of industrial boilers utilizing the clean fuels could be reduced substantially if pollution controls were unnecessary. If such a credit were applied to a coal-based Hydrocarb system, its capital cost would be much less than that assumed for this analysis.

The other comparisons made in Table 2 are the amount of biomass farm area required for the various renewable-feedstock processes and the overall energy-utilization efficiencies of each process. In both of these categories Hydrocarb is expected to be capable of large improvement over other methods of alcohol production from biomass. Both of these factors become very important when large scale production of alcohol is contemplated. The size of a single biomass farm would have to extend for tens of miles surrounding the plant site. Since Hydrocarb substitutes fossil fuel for part of the biomass required by the other processes, it can significantly reduce the farm area.

Finally, it must be noted that the cost of producing gasoline is about \$0.60/gal, or \$5.26/10⁶Btu. Although there is some possibility that Hydrocarb methanol might be able to compete with this cost (19) it is still likely that some form of Government intervention, either in the form of tax credit, carbon emission tax, or other regulation, will be required if any alternative fuel is to replace petroleum on a large scale. The

amount of tax credit required for methanol should, however, be as much as 42 percent less than that required for ethanol. Private enterprise cannot be expected to develop alternative fuel supplies from domestic sources or to address the issues of ecological risks without such incentives. The nation is approaching the point, however, where the question of incentives goes far beyond the issue of federal farm supports. The issue of increasing importance is the internalization of the social costs of using fossil fuels in terms of their health, environmental and ecological impacts.

As pointed out at the beginning of this article, the use of petroleum fuels involves external costs that are not reflected in the market price. The total of those external annual costs, which do not include the enormous potential impact of future climate change, are estimated to be in the range of \$32-317 billion. One can, on that basis, evaluate the cost of Hydrocarb methanol in much more realistic terms by comparing its cost, at \$10.3/10⁶Btu (for zero net CO₂ emission), with the \$5.26/10⁶Btu cost of gasoline. The difference, prorated for the 15 quads of energy consumed in the transportation sector, is \$76 billion--well within the range of external costs already being paid and much less than the higher estimate of those costs of petroleum dependence. It is important to note that this comparison does include an accounting of the cost of CO₂ mitigation from the transportation sector and therefore incorporates insurance against large future costs that might accrue from global warming.

SUMMARY AND CONCLUSIONS

The price of petroleum fuels is much less than the cost that society must ultimately pay for their use. The real costs include economic disruptions, increase of national debt, health risks associated with air pollution, and ecological risks resulting from greenhouse gas emissions. When the external costs of petroleum are accounted for, methanol becomes a realistic alternative liquid fuel for the transportation sector. It can be produced from domestic resources by the Texaco process using coal, or by the Hydrocarb process using biomass and natural gas. In the latter case, it should be possible to produce and utilize methanol without a net CO₂ emission to the atmosphere at a cost of about \$10.3/10⁶Btu, at least 35 percent less than the cost of ethanol. A substantial transition to methanol or any other alternative transportation fuel would require large increase in the amount of feedstocks from which it can be produced. The diverse feedstocks that can be used in Hydrocarb, which include biomass, coal, natural gas, and municipal solid waste, is a crucial advantage that can make methanol a practical long-term option. Its potential for effecting reductions in other areas of environmental concern, such as SO₂, particulate, and NO_x emissions from stationary sources, is another important advantage. Unique, perhaps, among the alternative options is the

possibility that this process might utilize the abundant domestic fossil fuels in a manner that will minimize their environmental impacts and will not contribute to the problem of global warming.

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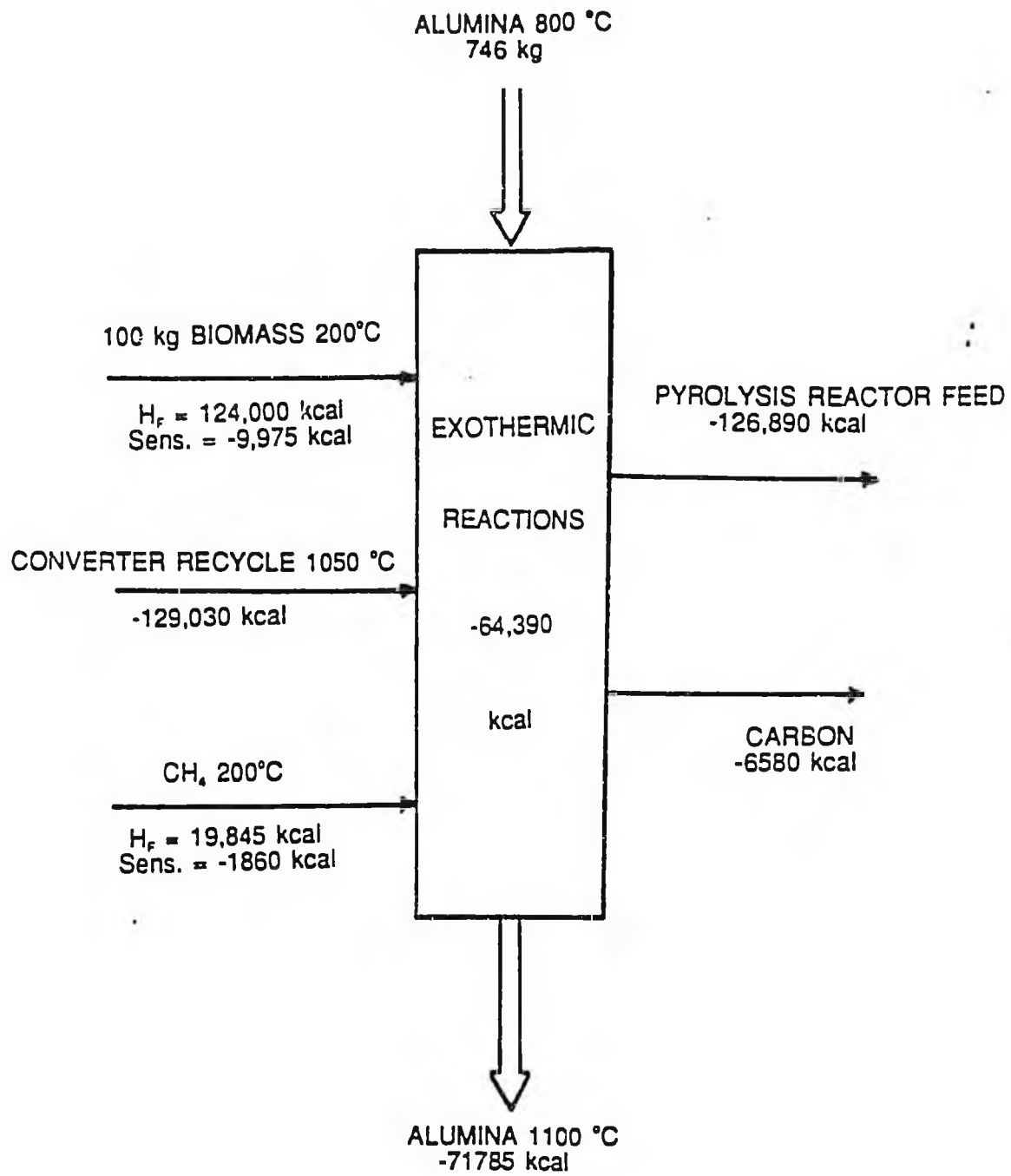


Figure 2. ENERGY BALANCE ON HYDROGASIFICATION REACTOR

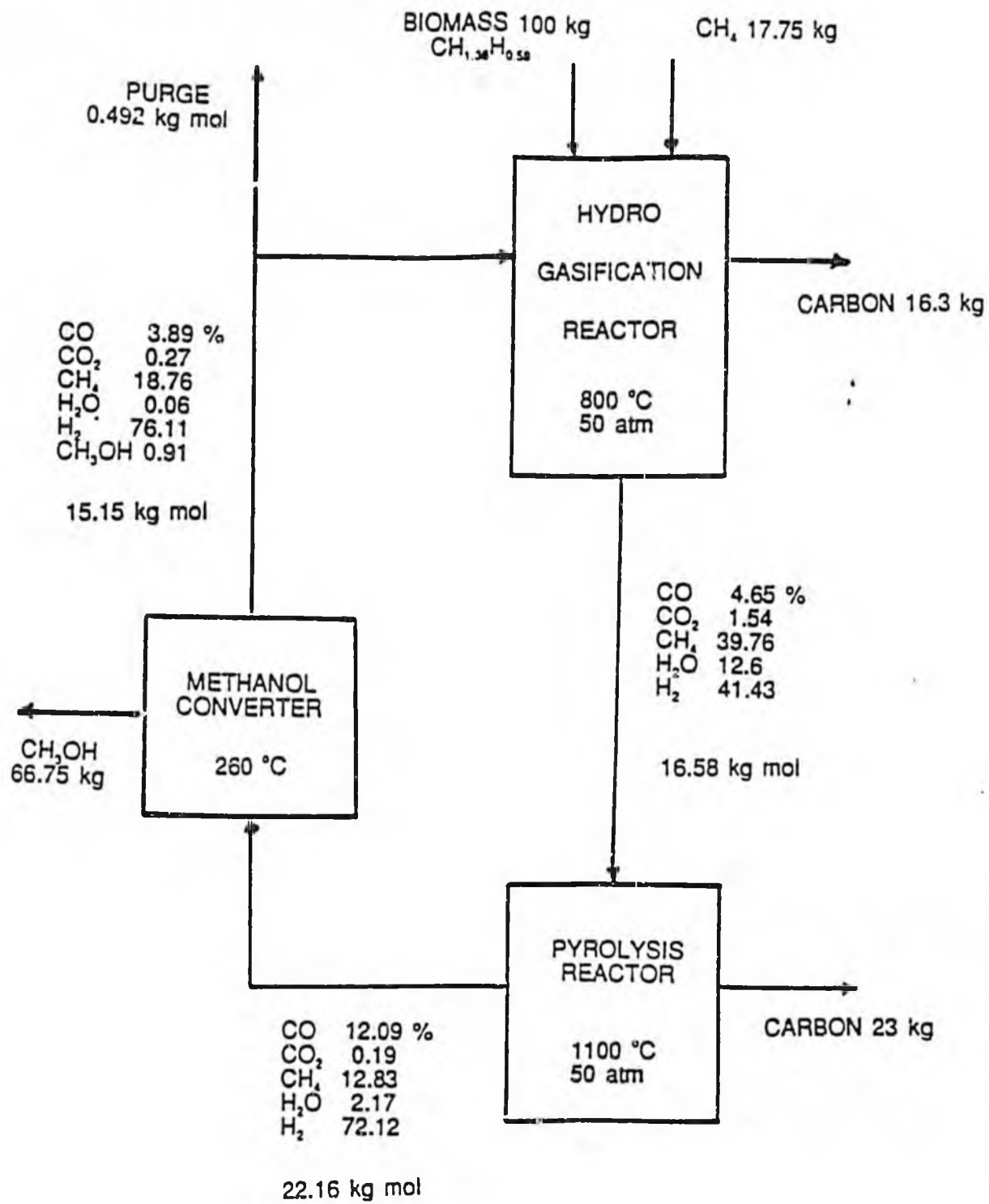


Figure 1. EQUILIBRIUM COMPOSITIONS AND MATERIAL BALANCE

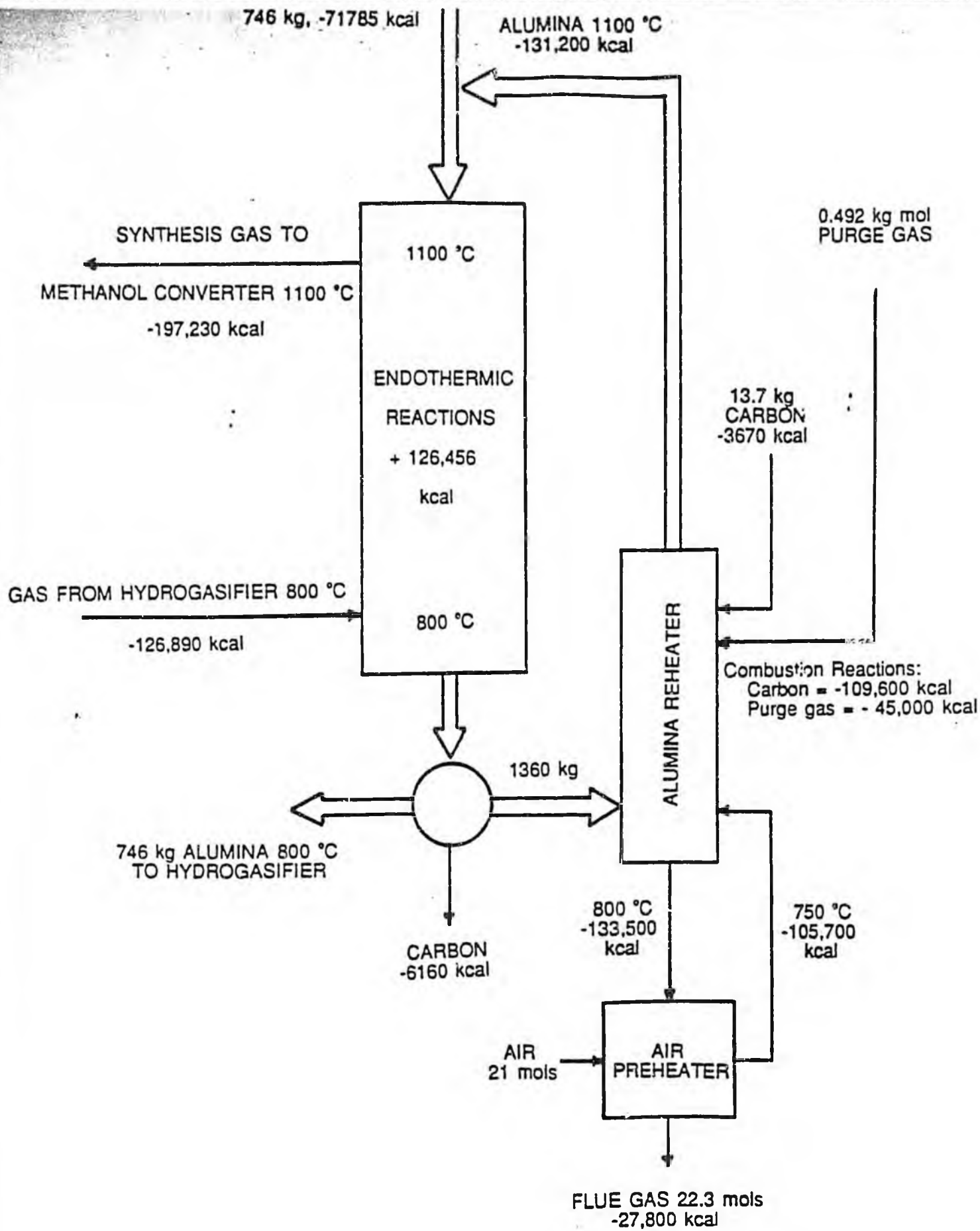


Figure 3. ENERGY BALANCE ON PYROLYSIS REACTOR

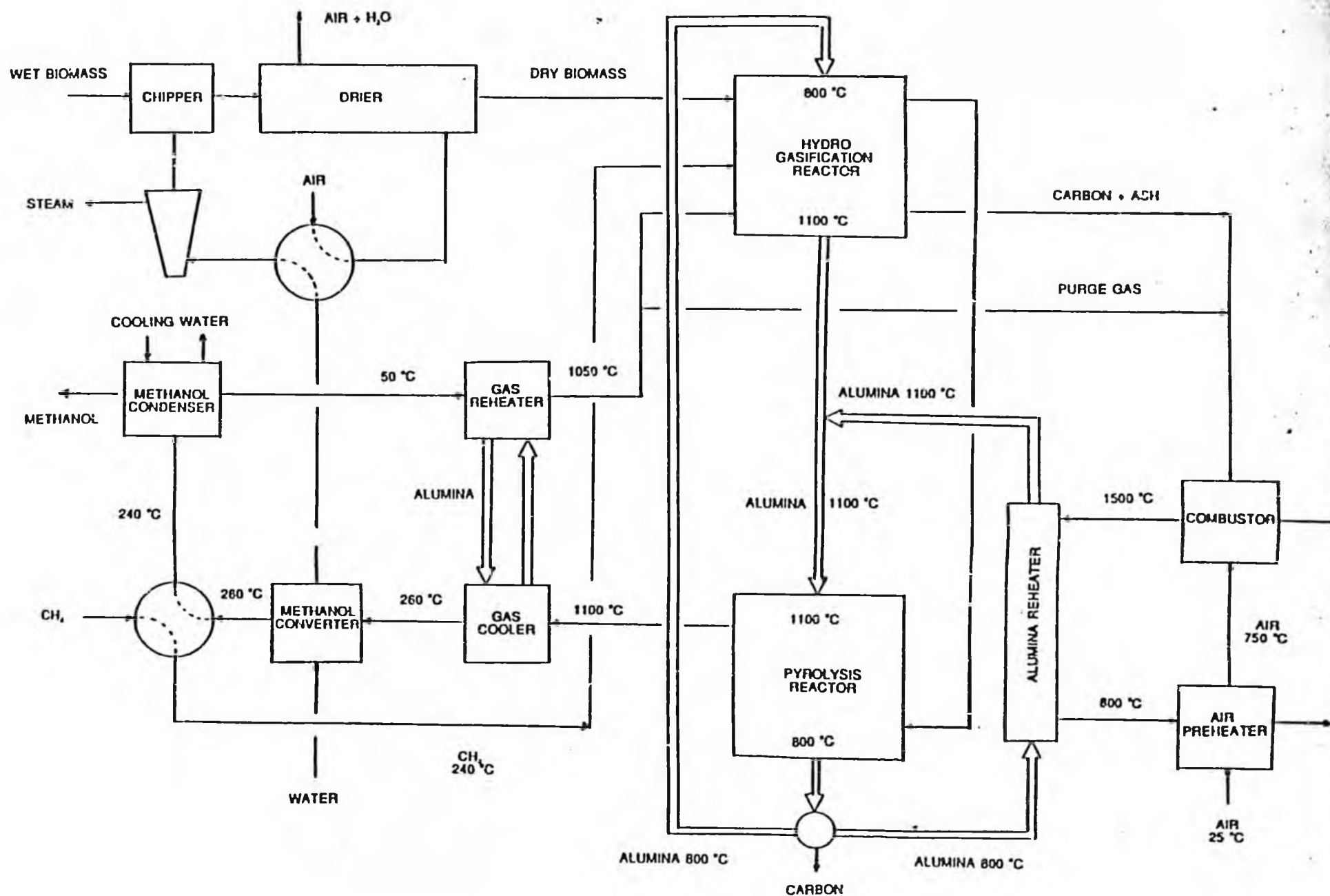


Figure 4. HYDROCARB FLOW SHEET FOR BIOMASS/NATURAL GAS FEEDSTOCKS

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

P. O. BOX 0
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2500

May 2, 1991

The Honorable Dave Chouquette
House of Representatives
State Of Alaska
PO Box V
Juneau, Alaska 99811

Dear Representative Chouquette:

I am most grateful for your leadership in sponsoring House Bill 206 as now amended to accommodate our concerns for rendering AIDEA more responsive to Alaska's needs for economic development.

Raising the cap to \$15,000,000 will permit two important initiatives in the pipeline essential to our development in the energy field. Permitting latitude in collaboration with lending banks re: lending time frames, and their important role in private initiatives will strengthen our support leverage for larger private sector involvement in development loans.

I trust this legislation will move forward smoothly. I fully expect AIDEA to play an increasingly important role in the development of Alaska's diversified economy. This effort legislatively should help. Thanks.

Cordially,


Glenn A. Olds

Commissioner
Department of Economic Development

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. CSSB 206 (L&C)

Revision Date: April 15, 1991 Department Affected: Commerce & Economic Dev.
 Title: An Act revising the loan authority of the AK Industrial Dev. & Export Authority BRU: AK Industrial Dev. & Export Authority
 Authority Sponsor: Choquette, Baker Component: _____
 Requestor: _____ COMPONENT SERIAL NO.

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

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	25,000	25,000	25,000	25,000	25,000	25,000
---------	--------	--------	--------	--------	--------	--------

REVENUE	25,000	25,000	25,000	25,000	25,000	25,000
---------	--------	--------	--------	--------	--------	--------

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	25,000	25,000	25,000	25,000	25,000	25,000
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

SEE ATTACHED

Prepared By: Bertram L. Wagon, Executive Director Phone: (907) 561-8050
 Division: AK Industrial Dev. & Export Authority Date: April 15, 1991
 Approved by Commissioner: Glenn A. Olds
 Agency: Department of Commerce & Economic Development Date: 4/30/91

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

FISCAL NOTE - CSSB 206 (L&C)

ANALYSIS:

Raising the loan limits from \$10 to \$15 million will tend to increase the amounts loaned and, in conjunction with shorter amortization on the originators' (banks) part, increase the number of loans. The new language restricting the program to "new business ventures" will tend to decrease usage of the program. The preparer's best estimate is that the net effect will result in the \$25 million range subject, of course, to external economic factors which impact lending.

Note: All funds are available for these purposes and require no appropriation from the Legislature.

SENATE COMMITTEE REPORT

DATE: 5/8/91

FURTHER:

DATE TURNED INTO OFFICE: _____

L&C Committee considered CS FOR HOUSE BILL NO. 206 (FINANCE) am

"An Act revising the loan authority of the Alaska Industrial Development and Export Authority, and relating to the authority's loan guarantees under its business assistance program; and providing for an effective date."

and recommended:

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

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

fiscal note(s) _____ Dept/Date: _____

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:

fiscal note(s) CDHM 14-30-91 Dept/Date: _____

zero fiscal note(s) _____

Governor's bill w/fiscal note

SIGNING DO PASS:

Carson Collins
Kirk Halford

OTHER RECOMMENDATIONS:

no rec.
Adelson needs amend.

True House

no pass

Chair: Signature and Recommendation

Alaska State Legislature
House of Representatives

INTERIM

3111 C Street
Anchorage, Alaska 99503
(907) 561-2032



SESSION

P.O. Box V
Juneau, Alaska 99811
(907) 465-2995

Representative Dave Choquette

May 13, 1991

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

From: Representative Dave Choquette *DVC*

Re: CSHB206 (Finance), An Act relating to the Authority of the Alaska Industrial Development and Export Authority providing requirements relating to the authority's loan guarantees under the Business Assistance Program, and providing for an effective date.

Thank you for hearing CSHB206 (Finance).

HB206 was introduced for two reasons. First, to increase bank participation in AIDEA programs, and, second, to foster a small business loan guarantee program better suited to meet the needs of this sector of the economy.

CSHB 206 has four components.

- a. It provides authority for AIDEA to allow a differential amortization schedule in order to induce bank participation in the commercial loan program.
- b. It increases the size of loans that may be made under the commercial loan program from \$10 million to \$15 million.
- c. It provides that AIDEA may increase the loan guarantee from 60% to 80% for loans of \$50,000 or less.
- d. It provides that AIDEA may waive on a case by case basis the collateral requirement for loan guarantees of \$50,000 or less provided for commercially worthwhile business ventures.

Thank you for your attention to this matter. CSHB206 (Finance) will go a long way to to further AIDEA's resolve to advance the economic prosperity of this state. ★

★
★ ★
★ ★

Alaska State Legislature
House of Representatives

INTERIM

3111 C Street
Anchorage, Alaska 99503
(907) 561-2032



SESSION

P.O. Box V
Juneau, Alaska 99811
(907) 465-2995

Representative Dave Choquette

OVERVIEW OF CSHB206 (FINANCE)

AIDEA BACKGROUND

The Alaska Industrial Development and Export Authority (AIDEA) is a public corporation of the State of Alaska, and a political subdivision within the Department of Commerce and Economic Development (DCED). It maintains a separate and independent legal existence from DCED. AIDEA's objective is to promote, develop, and advance the general prosperity of Alaskans. It serves this end by financing industrial, manufacturing, and other business enterprises located within the state, and by developing projects that will provide employment and economic development opportunities.

AIDEA activities are funded through the revolving fund established in the authority. The fund consists of legislative appropriations, money or assets transferred to the revolving fund by the authority, and unrestricted payments on loans made or purchased by the authority.

The activities of the AIDEA revolving fund are accounted for in the Enterprise Development Account and the Economic Development Account. Both accounts were established by the Legislature for separate and distinct purposes. The Enterprise Development Account is a trust fund established to finance industrial, manufacturing, and business enterprises not owned or operated by AIDEA.¹ The

¹ According to AIDEA's 1990 Annual Report, since July 1, 1980, this account consists of:

- a. \$32,212,300 in appropriations
- b. all rights, title, and interest in loans, with principal balances totalling approximately \$166,000,000 at the date of transfer, previously held by the Department of Revenue and the Department of Commerce and Economic Development.
- c. assets and liabilities of the Alaska State Development Corporation, the Small Business Development Corporation, and the

★ ★

★ ★

Economic Development Account is used only to finance, acquire, manage, and operate development projects that AIDEA intends to own or operate.

A. The commercial loan program

The commercial loan program is funded within the Enterprise Development Account. At present, money within the account may be used to purchase loans or to secure bonds issued to finance the purchase of loans for commercial projects. At present, a loan may be secured by bond or purchased so long as it:

1. does not exceed, \$10,000,000;
2. does not exceed the cost of the project or 75% of the appraised value of the project, whichever is less, unless the amount in excess of this limit is federally insured or guaranteed or insured by a qualified mortgage insurance company;
3. is not for a term longer than 3/4 of the authority's estimate of the life of the project, or for 25 years from the date of the loan, whichever is earlier;
4. contains complete amortization provisions, these provisions set the schedule for liquidation of a debt by installment payments; and
5. contains provisions with respect to insurance, repairs, alterations, payment of taxes and assessments, etc.

Additionally:

repayment is to be secured by mortgage, or another security instrument;

at least 20% of the principal amount of the loan is required to be retained by the originator of the loan, or 100% of the principal is to be guaranteed by the United States;

and the loan should be financed or expected to be financed from the proceeds of bonds.

Alaska Toll Bridge Authority, with a fund balance of \$2,554,055.

Proposed Amendments to the Commercial Loan Program

The commercial loan guarantee program has not been a resounding success. Banks are reticent to participate in it. According to the Alaska Banker's Association, the loan program could better fulfill its purpose of providing capital to small and medium sized businesses by allowing banks participating in the AIDEA program to be paid back on a faster amortization schedule than AIDEA.

As it presently stands, the requirement that a bank retain at least 20% of the principal amount of the loan for as much as 25 years works against the capital structure under which banks operate. Banks do not have a lot of capital available for long term lending because virtually all their cash, in the form of customer deposits, is short term. To tie up a disproportionate share of assets in long term loans would be detrimental to the banks, and would subject them to a high degree of scrutiny by bank examiners. AIDEA, on the other hand, is an instrument capable of maintaining long term loans.

The amendments proffered in Section 1 of the bill address this needed change. First, they allow AIDEA to provide for a differential amortization schedule. AIDEA may exercise this authority when doing so will induce the banks to participate in the commercial loan program, and when, in the authority's opinion, it appears, the project financed can support the increased debt service. Second, they remove the requirement that at least 20% of the principal amount of the loan be retained by the bank for as long as the loan is outstanding.

Section One also increases the size of loans that AIDEA may purchase or finance from \$10 million to \$15 million. This increase will allow AIDEA to provide additional support to commercially sound projects. Funds within the Enterprise Development Account are quite sufficient to handle this increase.

Lastly, as a security to protect the financial well-being of the Enterprise Development Account, Section One requires that AIDEA may not guarantee a loan if the project applicant is currently in default on another loan made by the state or a public corporation of the state.

B. Business Assistance Program

AIDEA also operates a business assistance fund, commonly known as a loan guarantee program. The purpose of the loan guarantee program is to furnish up to an 80% guarantee of the principal balance to the financial institution making the loan. This added degree of support is intended to make project financing, refinancing, and working capital loans, available to borrowers that might not otherwise be financed.

The fund is established in the authority from money within the authority's reserves. By statute as much as \$50,000,000 may be

reserved for the program, with at least \$25,000,000 of this amount reserved for loans of \$500,000 or less. At present, the authority only has \$3.6 million within the fund, and has only lent out \$500,000. The program is not filling the financing void it was created to alleviate.

Amendments to the Business Assistance Program

The business assistance program can be more successful if incentives can be created to make private banks more willing participants in the program. Just as importantly, it can be an effective vehicle for financing the programs and needs of Alaska's small business community. These amendments are an attempt to meet these ends. Additionally, they respond to the recommendations of the 1989 Governor's Conference on Small Business on this matter.

Sections 2 through 5 of the bill lay out the amendments.

Section 2 addresses the conditions by which the authority may guarantee a loan under the business assistance program. At present, the authority may guarantee a loan made to a business with a majority interest held by state residents so long as that loan is: commercially reasonable; contains satisfactory amortization provisions; is secured by adequate collateral; so long as the net cash flow of the borrower provides adequate coverage for debt service; and so long as the borrower's credit check is satisfactory.

Section 2 amends the framework by providing that the authority may waive on a case by case basis the collateral requirement for loan guarantees of \$50,000 or less when the loan amortizes within five years. Currently, AIDEA regulations place a difficult burden on Alaskan businesses attempting to get small loans. Namely, they provide that a bank will only get a guarantee on a loan if the business provides collateral for up to 125% of the requested amount. Despite the fact that the borrower's loan request may be commercially sound, that he or she may have adequate cash flow to service the debt, and that their credit history is satisfactory, many Alaskan small business owners simply cannot fulfill this collateral requirement. Resultingly, many cannot get an AIDEA guaranteed loan from the bank.

This amendment will allow AIDEA to more accurately weigh the security requirement for worthy loans of \$50,000 or less. With input from the banks, they may waive the collateral requirement or provide a collateral requirement that is less onerous than than 75% loan to value ratio presently practiced.

Section 3 amends existent statute and provides that the authority may guarantee 80% of a loan of \$50,000 or less. By regulation, the authority guarantees only 60% of loans of this total.

Often banks finds that a small loan is not worth the time and

expense of administering it. As a matter of practice, many small loans made to businesses for inventory, accounts receivable, or working capital do not exceed one year in duration. A bank manager generating this type of credit might turn down marginally qualifying loans due to time considerations and administrative costs.

Increasing the guarantee to 80% is intended to offset this difficulty and to offer opportunities for credit to new businesses and marginally capitalized businesses that otherwise would have a difficult time obtaining credit. A 20% risk factor for most bankers would be sufficient for a bank to maintain quality standards. The collection of excess bad debts by a bank is a drain on profitability which they are not willing to undertake.

Section 4 provides that the authority may not increase its guarantee of loan of \$50,000 or less for loans made before the effective date of these amendments.

Lastly, section 5 provides an immediate effective date.

C. Conclusion

House Bill 206 is an attempt to further AIDEA's resolve to advance the economic prosperity of the State. This is completed by increasing bank participation within the AIDEA framework and by responding to the call of Alaskan small businesses unable to secure loans of \$50,000 or less. We look forward to achieving both these ends.

HB

209

February 3, 1992

Representative Johnny Ellis
Chairman
House Rules Committee
State Capitol
Juneau, AK 99801

Dear Representative Ellis:

I respectfully request that you place priority on scheduling a House vote on House Bill 209. When this law was first enacted in 1951, the timing of this specific report was very important. The report consisted of a one page balance sheet. Now, the call condition frequently requires over 20 pages of financial information on all aspects of the bank. Additional time is necessary to ensure that this report will be complete and accurate. The 30-day period set by the bill corresponds with the time permitted by the Federal Deposit Insurance Corporation (FDIC) to file similar reports.

Your consideration of placing this piece of legislation for floor action would be much appreciated.

Cordially,

Glenn A. Olds
Commissioner

GAG/rs6015q
020392a

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 11, 1991

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Speaker Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to periodic bank reports of condition.

Under existing AS 06.05.045, state banks are required to file periodic reports of condition with the Department of Commerce and Economic Development. That statute requires these reports to be filed within 10 days after receipt of a request for filing from the department. This bill extends that filing deadline to 30 days following the end of the period covered by the report.

When the current law was passed, the financial report required consisted of a one-page balance sheet. Now, the call of condition frequently requires over 20 pages of financial information on all aspects of the bank. Additional time is necessary to ensure that this report will be complete and accurate. The 30-day period set by the bill corresponds with the time permitted by the Federal Deposit Insurance Corporation (FDIC) to file similar reports.

The bill also makes a minor technical amendment to the statute.

I urge your support of this bill.

Sincerely,

Walter J. Hickel
Governor

**HOUSE BILL 209: AN ACT RELATING TO TIME OF FILING
PERIODIC BANK REPORTS OF CONDITION.**

**WHEN THIS LAW WAS FIRST ENACTED IN 1951, THE TIMING
OF THIS SPECIFIC REPORT WAS VERY IMPORTANT. THE
REPORT CONSISTED OF A ONE PAGE BALANCE SHEET. NOW,
THE CALL CONDITION FREQUENTLY REQUIRES OVER 20 PAGES
OF FINANCIAL INFORMATION ON ALL ASPECTS OF THE BANK.
ADDITIONAL TIME IS NECESSARY TO ENSURE THAT THIS
REPORT WILL BE COMPLETE AND ACCURATE. THE 30 DAY
PERIOD SET BY THE BILL CORRESPONDS WITH THE TIME
PERMITTED BY THE FEDERAL DEPOSIT INSURANCE
CORPORATION (FDIC) TO FILE SIMILAR REPORTS.**

**STATE OF ALASKA
1992 LEGISLATIVE SESSION**

FISCAL NOTE

Revision Date: _____

Department Affected: Commerce & Econ. Dev.

Title: Time of filing periodic bank reports of
condition

BRU: Banking, Securities & Corporations

Component: Banking

Sponsor: Rules Committee

Requestor: Governor

COMPONENT SERIAL NO.

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING:	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE FUND RESOURCE:	0	0	0	0	0	0

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.)

Prepared By: Hillis F. Kirkpatrick, Director Phone: 465-2521

Division: Banking, Securities & Corporations Date: _____

Approved by Commissioner: Glenn A. Olds for [Signature] Const Comm.

Agency: Department of Commerce & Economic Development Date: 1.13.92

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

**ALASKA STATE LEGISLATURE
HOUSE BILL NO. 209**

HISTORY IN THE HOUSE

1991	Read first time and referred to: <u>LEC FIN</u>												
3/11													
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5/9	Reported correctly engrossed Signed by Speaker, to the Senate <u>Kristin Gray Amb</u> Chief Clerk of the House												

HISTORY IN THE SENATE

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APR 11 1991

UNIVERSITY OF ALASKA FAIRBANKS



ROD
FYI

Governance Office
Fairbanks, Alaska 99775-0680
(907) 474-7964 • FAX: (907) 474-5213

keep in case
it comes to
us.

April 8, 1991

Drue Pearce
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, Alaska 99811

Dear Senator Pearce:

The UAF Staff Council passed the enclosed motion endorsing House Bill 225-credit for unused sick leave in the public employees retirement system at their meeting on April 3, 1991. Staff Council unanimously endorsed this bill and would like your support on it.

If you have any questions regarding this motion, please do not hesitate to contact me at 474-6162 or Lola Oliver, President of the UAF Staff Council at 474-7114.

Sincerely,

Lois Hildenbrand, President-Elect
UAF Staff Council

Enclosure

cc Wendy Redman, Vice President for University Relations
Karen Cedzo, Associate Vice Chancellor for University Relations and
Institutional Advancement

LH/kam

LOOSY IORA

ROD

WHEN THE SICK/ANNUAL
SYSTEM + PERSONAL LEAVE
SYSTEMS WERE CREATED,
THE ANNUAL RATES TOOK
THIS INTO ACCOUNT.

The UAF Staff Council approved the following at its Meeting 33 on April 3, 1991:

MOTION PASSED (unanimous approval)

=====

The UAF Staff Council moves to endorse the following House Bill 225:

Credit for Unused Sick Leave

SPONSOR: KOPONEN

COMMITTEES: SA/FIN

An employee who is employed on or after July 1, 1990, and who retires after July 1, 1991, may elect to add unused sick leave credit to the total number of years of credited service under AS 39.35.370(c). Unused sick leave shall be credited on a day-for-day basis. Employee contributions may not be required for credited unused sick leave.

(b) An employee retiring before July 1, 1991, who returns to membership service with an employer on or after July 1, 1991, and who subsequently retires is eligible for unused sick leave credit only with respect to sick leave accrued during membership service on or after July 1, 1991.

(c) Unused sick leave may be added to credited service under this section as of the first day of the month after which

1. the employee meets the eligibility requirements of this section;
2. the employee is terminated from covered employment; and
3. the employee's written election regarding unused sick leave is received and verified by the administrator

EFFECTIVE: Immediately

RATIONALE: As state employees under the PERS system, UAF staff would be included in the bill and have their unused sick leave credited to total number of years of credited service. Employees under the TRS system are already allowed this credit. This bill requires no additional state funding and would be of significant benefit to University PERS employees.

 April 4, 1991

President, UAF Staff Council Date

Alaska State Legislature
Representative Niilo Koponen


Pouch V
Fairbanks, Alaska 99811
(907) 465-4992

House District 21

119 N. Cushman, Suite 207
Fairbanks, Alaska 99701
(907) 456-8172

MEMORANDUM

TO: Senator Drue Pearce, Chair
Virginia Collins, Vice-Chair
Senate Labor and Commerce Committee

FROM: Representative Niilo Koponen 

RE: Scheduling of CSHB 225

DATE: May 4, 1992

Attached you will find a copy of CSHB 225, related Fiscal Notes, the Position Paper, and back-up material. Please consider scheduling this legislation at the earliest possible date. Thank you for your time and consideration.

Alaska State Legislature
Representative Niilo Koponen

Pouch V
Juneau, Alaska 99811
(907) 465-4992

House District 21

119 N. Cushman, Suite 207
Fairbanks, Alaska 99701
(907) 456-8172

POSITION PAPER for HB 225

This bill corrects an inequity in the retirement system which unfairly discriminates against public employees.

HB 225 would apply to all Public Employees excluding those whose benefits have been negotiated under other contracts. Public employees have long been overlooked in nearly every aspect of their employment conditions. For example, many have no unemployment compensation, and there is no procedure for disbursing accumulated unused sick leave at termination or retirement, as is found in other organized employee benefit packages.

Educational support staff would be the principal beneficiaries in an attempt to create equity within school staff. HB 225 amends the provisions of the Public Employee's Retirement System (PERS) to make the calculation of credited service for non-certificated employees in the Teachers Retirement System (TRS) and for Legislative staffers in PERS. Teachers who are covered by TRS receive a full years credit for 180 days of work, while educational support staff receive only a percentage of each year's credit in one year.

It is imperative that public employees attend their jobs with few absences, because substitutes for janitors, secretaries, teachers' aides, nurses etc., are uncommonly found (a result of low wages, long and odd hours, and the requirement to be an Alaska Public Employee). The absence of any one of these employees is not only disruptive to the days' events in a public facility, but can have harmful effects in the event of an emergency. This bill would encourage those Public Employees to not sacrifice their retirement monies for personal leave.

FISCAL NOTE

No. 4

Bill Version: CSHB 225 (FIN)

(H) Publish Date: 3-4-92

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: _____
Title: An act allowing retirement credit for unused sick leave

Department Affected: Administration
BRU: Retirement and Benefits

Sponsor: KOPONEN
Requestor: House Finance Committee

Component: Retirement and Benefits
COMPONENT SERIAL NO. 64

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

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

POSITIONS

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

Estimate of current year impact: Zero

ANALYSIS: (attach a separate page if necessary.)

Prepared By: Gary Bader
Division: Retirement and Benefits

Phone: 465-4460
Date: January 23, 1992

Approved by Commissioner: Nancy Bear Usher
Agency: Department of Administration

Date: 1/24/92

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

COMMITTEE COPY

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: _____
Title: An act allowing retirement credit for unused sick leave

Department Affected: ALL STATE
BRU: ALL STATE

Sponsor: KOPONEN
Requestor: House Finance Committee

Component: ALL STATE

COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	594.6	594.6	594.6	594.6
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	594.6	594.6	594.6	594.6

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	594.6	594.6	594.6	594.6
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	0	0	594.6	594.6	594.6	594.6

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.) It will also increase personal services cost to political subdivisions by approximately \$387.4 in FY 95 and each year thereafter.

The attached sheet discusses the fiscal implications of this bill to the Public Employees' Retirement System.

Prepared By: Garv Bader
Division: Retirement and Benefits

Phone: 465-4460
Date: January 24, 1992

Approved by Commissioner: Nancy Bear Usher
Agency: Department of Administration

Date: 3/4/92

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

Finance Committee Substitute for House Bill 225
Analysis of Fiscal Implications to the Retirement Fund
Prepared by Division of Retirement & Benefits
Department of Administration
March 3, 1992

Analysis: Based upon a preliminary study of the State and several political subdivisions, we have assumed that each future Public Employees' Retirement System (PERS) retiree would be given credit for 200 hours of sick leave upon passage of this bill. This estimate is based upon the employee receiving credit for 40% of the sick leave that the employee has accrued on average, recognizing that some employees accrue personal leave and some accrue sick leave.

To fund this bill, the State PERS contribution rate would increase by .084%. The State payroll is estimated to be \$626,535,254 in FY95 and remain stable each year thereafter. The University of Alaska (U of A) PERS payroll is estimated to be \$81,266,873 in FY95 and remain stable each year thereafter.

The State cost of \$ 594.6 is calculated as follows:

Estimated FY95 state PERS salaries	\$626,535,254	
The increase in contribution rate	<u>.084%</u>	
Total State PERS cost.....		\$ 526.3
Plus estimated U of A PERS salaries	\$81,266,873	
The increase in contribution rate	<u>.084%</u>	
Total U of A PERS cost.....		<u>68.3</u>
TOTAL FY95 STATE COSTS...		\$ 594.6

In addition to the State's cost's above, political subdivision costs would increase by \$387.4 in FY95 based on estimated salaries of \$461,219,955. The political subdivision salaries are estimated to remain constant each year thereafter.

Estimated FY95 Political Subdivision PERS salaries	\$461,219,955
The increase in contribution rate	<u>.084%</u>

TOTAL FY95 POLITICAL SUBDIVISION COSTS...\$ 387.4

Passage of this bill would result in a .16% decrease in the PERS funding ratio and would increase the present value of the PERS unfunded liability by \$ 4,680,000.

**ALASKA STATE LEGISLATURE
HOUSE BILL NO. 225**

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5/1	Reported correctly engrossed Signed by Speaker, to the Senate <u>Justin Gray</u> Chief Clerk of the House																								

HISTORY IN THE SENATE

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Alaska State Legislature



Chairman
State Affairs
Committee

Legislative Council

Transportation
Committee

Representative Eugene Kubina

During Session:
State Capitol
P.O. Box V
Juneau, Alaska 99811
(907) 465-4859

During Interim:
P.O. Box 2463
Valdez, Alaska 99686
(907) 835-2111

SPONSOR STATEMENT

Sponsor: Representative Gene Kubina
Subject: HB 226 & HB 227: Electrical Extension Grant
Date: 11 April 1991

HB 226 & HB 227 would create and appropriate funds for the creation of an electrical extension grant to extend electrical services into outlying areas of the state currently not served. The intent is that through a matching grant program our electrical utilities would be encouraged to extend their lines into areas not financially viable.

A primary point of the bill is that the grant program would fund only the construction costs. The utilities would have to utilize their own resources for the full cost of planning, study, and design.

Rationale: bringing additional rural families and businesses on line is beneficial to our electrical utilities, good for the development of our rural communities, and more energy efficient than the use of individual generators.

— DISTRICT SIX —

• Chenega Bay • Chitina • Cooper Landing • Cordova • Hope • Moose Pass • Seward • Talitlek • Valdez • Whittier •



Cordova Electric Cooperative, Inc.

P.O. BOX 20 • CORDOVA, ALASKA 99574 • (907) 424-5555 • FAX (907) 424-5527

April 16, 1991

Representative Kubina
House of Representatives
P.O. Box V
Juneau, AK 99811

Dear Representative Kubina:

This is in regards to HB 227 of which you are a sponsor. Cordova Electric Cooperative supports the concept of an electrical service extensions fund, as it will help a lot of utilities extend their lines to consumers who cannot afford line extensions. It should be noted that REA Cooperatives have tariffs that require a payback of an extension within a certain time frame. This bill will certainly help lower that cost. However, we would like to obtain clarification on the connection fee as described in the bill.

Again, Cordova Electric Cooperative is in favor of the bill and would like to be kept apprised of any changes as it proceeds through the legislature.

Sincerely,

James H. Roberts, Jr.
General Manager



COPPER VALLEY ELECTRIC ASSOCIATION, INC.

P.O. BOX 45 GLENNALLEN, ALASKA 99588-0045

Glennallen (907) 822-3211
Valdez (907) 835-4301
Telefax # (907) 822-5586

April 17, 1991

Mr. Tom Van Brocklin
%The Honorable Eugene Kubina
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, Alaska 99811

Subject: HB 226 & HB 227 - Electrical Extension Grant

Dear Tom:

I appreciate the opportunity to express my support for the concept expressed in HB 226. Many individuals are near electrical service facilities; however, are not close enough to afford the serving utility with economic feasibility.

I believe that this concept might afford opportunities for a greater number of people to be connected to central station service. I do, however, have some concern with Section I, Item C, which restricts consumer contributions.

I would suggest deletion of that sentence, and in lieu thereof have a sentence which states, "Residential or commercial consumers may enter into a contract for service with the utility for the remaining 50%, provided that the repayment is a minimum billing which provides for energy per standard utility tariff."

If I may provide additional information, I will be happy to do so.

Again, thank you for the opportunity to provide comment.

Sincerely,

R. D. (Doug) Bursey
General Manager

c:\wp\rdb\91-141.jw

Proposed REA Borrower Rules Don't Fit Alaska

To rely on generalized income and unemployment statistics while neglecting cost of power figures in any ranking of borrowers under a needs test would be highly detrimental to Alaska rural electric co-ops.

This was the message sent to REA officials by ARECA and several member system in response to the agency's Proposed Rule for Borrow Eligibility published in the Feb. 20, 1991 *Federal Register*.

In a letter to REA last month, ARECA Executive Director David Hutchens said, "The census area data is not at all representative of the income and unemployment levels experienced in the Alaskan villages served by REA borrowers such as Alaska Village Electric

Cooperative and Tlingit-Haida Regional Electrical Authority."

Hutchens pointed out examples of inflated per-capita income figures being used by REA. For example REA relies on an areawide census figure of \$16,641 for Kodiak Island while a Census Bureau report sets the figure at \$4,045 for the community of Old Harbor on Kodiak Island.

The income figures are not adjusted for the cost of living either, Hutchens said. "An income of \$10,000 in rural Alaska is worth a great deal less than \$10,000 in rural Oklahoma or Iowa, and that fact needs to be accounted for in the Proposed Rule," he wrote.

For REA to depend on unemployment statistics creates even greater problems,

Hutchens said. He noted no statistics are even kept on villages served by some ARECA member co-ops.

Applying the concept of "unemployment" to areas where a subsistence lifestyle prevails is wrong, the letter states. "Many rural Alaskans are not really part of the cash economy. They have not left a job and are not looking for a job (where none exist), so they are not unemployed. Their need is great, but the way the unemployment factor is used, counts against them."

ARECA and member utilities submitting comment to REA emphasize that the element of cost of power should weigh most heavily in any means consideration.

Hutchens illustrates this by pointing out that AVEC, with the highest cost of power, highest rate level, and highest rate disparity in the country ranks 238th in overall need. He points out that AVEC's average consumer rate is 41 cents/kWh while Rio Grande Electric Cooperative in Texas, at 9 cents/kWh, ranks No. 3 in need of REA loans.

"That demonstrates clearly, in our view, that this needs test falls far short of being equitable," Hutchens said.

Sitka Electric Welcomed Into ARECA Fold

ARECA welcomes the City of Sitka as its newest contributing member. Greg Grissom is the electric utility superintendent.

Sitka has an unregulated municipal utility serving about 4,000 customers with 24,540 kW of installed hydro capacity and 7,500 kW in diesel capacity. Total annual sales average 82,000 MWh. Peak demand stands at about 22 MW.

There are some 14 miles of 69 kV transmission line interconnecting Blue Lake and Green Lake hydro sites with the city. Residential and commercial/industrial rates range from 6.6 cents to 8.4 cents per kWh.

ARECA now has 13 contributing member utilities serving more than 61,000 customers.

Bills Would Create, Fund Line Extension Program

Rep. Gene Kubina (D-Valdez) addressed those attending the ARECA Legislative Conference last month on two bills that would set up a distribution line extension program.

HB 226 and HB 227, introduced by Kubina, would establish a matching fund program through the Department of Commerce and Economic Development for funding line extensions to unserved areas and initially fund it with \$5 million. Grants for 50 percent of total construction costs would be available. Costs involving planning, feasibility studies or design work would not be eligible.

As originally written, the bill allowed utilities to charge not more than \$1,000 in connection fees for each residential or commercial service.

Kubina acknowledged that the bill did not provide a way for utilities to recoup their share of expenditures. He said he would work on an amendment to address that problem. Bill language was changed in late April to bring connection fees in line with utilities' policies, according to a Kubina aide.

ARECA members at the conference passed a resolution in support of the two bills contingent on changes that address utility hook-up costs.

Asked how he would prioritize funding to line extension projects, Kubina said he expects a formula would be worked out by the Alaska Energy Authority with input from the utilities statewide. He added that his goal is to get project funding spread equitably around the state and line extension decisions taken out of the annual budgetary arena.



Rep. Gene Kubina

FISCAL NOTE

No. 2

Bill Version: CSHB 226(FIN)

(H) Publish Date: 5/10/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: DCED

Title: An Act creating the BRU: _____

electrical service extension grant Component: _____

program.
Sponsor: Kubina

Requestor: HOUSE FINANCE COMMITTEE COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS. CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Representative Mike Navarre, Co-Chair *Mike Navarre* Phone: 465-3706
Representative Eileen MacLean, Co-Chair *Eileen MacLean* Phone: 465-3722
 Division: HOUSE FINANCE COMMITTEE Date: 5/9/91

Approved by Commissioner: _____

Agency: _____ Date: _____

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

May 15, 1991

! Please distribute to all members!

To the Senate Labor and Commerce Committee;

Please support the passage of HB 226, which you will be hearing this afternoon. This bill will provide a mechanism for voters who are near existing power lines to bring electricity to their homes.

Residents of Old Ridge Trail outside of Fairbanks live on land that was passed from State to private ownership in 1960, and still do not have power because no funding has been available to extend an existing line for 2 miles.

Please also consider funding this type of electrification from funds available from the Intertie Energy Fund or from funds available from reappropriations. Large energy projects do us no good when we can't get power lines to our homes.

Thank you for your consideration and support!

Martha Johnson
 Gary Selinger
 and children
 5688 Old Ridge Trail
 Fairbanks, AK 99709

SENATE COMMITTEE REPORT

DATE: 5/16/91

FURTHER:

DATE TURNED INTO OFFICE: _____

L&C Committee considered CS FOR HOUSE BILL NO. 226 (FINANCE) am
"An Act creating the electrical service extension grant program."

and recommended:

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

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) 4 FIN / 5-9-91

Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Tom G. ... NO Rec
... NO Rec
Kirk Hallford NO REC

Tom G. ... - NO Rec
Chair: Signature and Recommendation

SENATE COMMITTEE REPORT

DATE: 5/16/91

FURTHER:

DATE TURNED INTO OFFICE: 5-19-91

L&C Committee considered CS FOR HOUSE BILL NO. 226 (FINANCE) am
"An Act creating the electrical service extension grant program."

+ maj of s etc rept it back w/ no - rec

and recommended:

- replace with _____ CS _____
- or adopt _____ CS _____
- attached amendment(s)
- _____ letter of intent adopted

- same title
- new title
- technical title change (HB only)

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

of FN

ATTACHES NEW FISCAL NOTE(S): Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:
 fiscal note(s) _____

zero fiscal note(s) *(H) FN / 5-9-91*

Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Chris G. ... NO REC
John ... NO REC
Rick Halford NO REC

[Signature]

Chair: Signature and Recommendation

HB

2410

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CSHB 240 (JUD)

Revision Date: April 20, 1992
Title: Unclaimed Intangible Property
Sponsor: House Labor and Commerce
Requestor: _____

Department Affected: Department of Revenue
BRU: Revenue Operations
Component: Income and Excise Audit

COMPONENT SERIAL NO. | 1 | 1 | 3 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \$0.0

ANALYSIS:

SEE ATTACHED

*** Although the amount of additional revenues which would be generated by this bill is unknown, it is estimated that additional revenues may be up to \$250.0 per year. This bill will only result in additional revenues to Alaska.

Prepared By: Paul Dick Phone: (907) 465-2320
Division: Income and Excise Audit Date: April 20, 1992

Approved by Commissioner: Darrel J. Rexwinkel Date: 4/12/92
Agency: Department of Revenue

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

CSHB 240 would add a new section to AS 34.45 pertaining to intangible property subject to the state unclaimed property provisions. Pursuant to the legislation all intangible property held by persons located both within and outside Alaska would be presumed abandoned and deemed to constitute unclaimed property subject to Alaska custody if:

1. the address of the owner is unknown,
2. the owner has not claimed the property within 3 years, and
3. the issuer of the property is this state, a subdivision of this state, or a person incorporated, organized or created in this state.

This section would not apply to property otherwise subject to Alaska custody under another section of the unclaimed property law that provides for a dormancy period different from the three year period established in the bill. The legislation would also apply to property that is considered abandoned prior to the effective date of the act but still in the possession of a holder on the effective date.

The Unclaimed Property Act provisions (AS 34.45) currently cover intangible property. However, in those situations where the address of the owner is unknown, the provisions may only authorize recovery where the holder of the property is domiciled or incorporated in the state. The legislation is intended in part to extend the Unclaimed Property Act to brokerage firms located outside Alaska that hold dividends and interest attributable to securities issued by Alaska or Alaska corporations.

Alaska, along with 37 other states, contends that when the last known address of the owner of unclaimed property is unknown, the property should be subject to the custody of the state from which the security was issued. Delaware asserts the property is subject to the custody of the state of incorporation of the holder. New York asserts the property is subject to the custody of the state of the holder's headquarters. California, the District of Columbia, and the remaining five states assert the property is subject to the custody of the state based on the holder's commercial activity. The dispute is presently before the United States Supreme Court in Delaware v. New York, No. 111 Original, and the legislation is designed to ensure that Alaska will be in a position to recover any property in the event of a favorable decision.

Assuming the favorable decision by the Court, the legislation would bring in additional revenues. However, the department cannot at this time make any reasonable estimate of the extent of those revenues.

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

February 12, 1992

WALTER J. HICKEL, GOVERNOR

REPLY TO:

1031 W 4th AVENUE SUITE 200
ANCHORAGE, ALASKA 99501-1094
PHONE: (907) 278-3550
FAX: (907) 278-3897

KEY BANK BUILDING
100 CUSHMAN ST. SUITE 400
FAIRBANKS, ALASKA 99701-4873
PHONE: (907) 452-1588
FAX: (907) 458-1317

P.O. BOX K—STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 485-3800
FAX: (907) 483-5285

The Honorable Drue Pearce
Room 101, Capitol Bldg.
P.O. Box V
Juneau, Alaska 99811

RE: HB 240, An Act relating to
intangible unclaimed property.

Dear Senator Pearce:

House Bill 240 is presently before the Senate Labor & Commerce Committee, having passed the House during the first session. As you may be aware, the bill is designed to ensure that state law conforms to the expected results in *Delaware v. New York*, presently before the United States Supreme Court and in which Alaska has intervened. The case revolves around which state has the right to unclaimed intangible personal property (basically corporate dividends and other money from stock and bond transactions) that is currently in the possession of the State of New York. The Special Master appointed to recommend a decision to the Supreme Court recommended that the property should go to the state where the corporate issuer is domiciled.

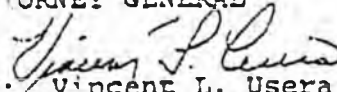
Based on the Special Master's report, outside counsel handling the litigation for us has recommended several minor changes to the present language of the bill as passed by the House. Enclosed is a copy of their suggested changes in language and a section-by-section analysis as well as a copy of their letter explaining the necessity for the changes. We have reviewed the suggested changes and conferred with outside counsel. We recommend that the changes be adopted.

If you have any questions, please do not hesitate to contact me or Gary Amendola at 465-2398.

Thank you.

Sincerely yours,

CHARLES E. COLE
ATTORNEY GENERAL


By: Vincent L. Usera
Assistant Attorney General

VLU:prz
Encs.

FEB 12 1992

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL
February 12, 1992

WALTER J. HICKEL, GOVERNOR

REPLY TO:

1031 W 4th AVENUE SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 276-3550
FAX: (907) 276-3697

KEY BANK BUILDING
100 CUSHMAN ST. SUITE 400
FAIRBANKS, ALASKA 99701-4679
PHONE: (907) 452-1568
FAX: (907) 456-1317

P.O. BOX K— STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 463-5295

The Honorable Drue Pearce
Room 101, Capitol Bldg.
P.O. Box V
Juneau, Alaska 99811

RE: HB 240, An Act relating to
intangible unclaimed property.

Dear Senator Pearce:

House Bill 240 is presently before the Senate Labor & Commerce Committee, having passed the House during the first session. As you may be aware, the bill is designed to ensure that state law conforms to the expected results in *Delaware v. New York*, presently before the United States Supreme Court and in which Alaska has intervened. The case revolves around which state has the right to unclaimed intangible personal property (basically corporate dividends and other money from stock and bond transactions) that is currently in the possession of the State of New York. The Special Master appointed to recommend a decision to the Supreme Court recommended that the property should go to the state where the corporate issuer is domiciled.

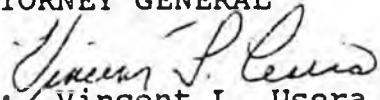
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If you have any questions, please do not hesitate to contact me or Gary Amendola at 465-2398.

Thank you.

Sincerely yours,

CHARLES E. COLE
ATTORNEY GENERAL


By: Vincent L. Usera
Assistant Attorney General

VLU:prm
Encs.

7-200 X 6398

Proposed Amendment to Alaska
Unclaimed Property Statute

HOUSE BILL NO. 240

Section 1. AS 34.45 is amended by adding a new section to article 2 to read:

Sec. 34.45.130. INTANGIBLE PROPERTY ORIGINATED OR ISSUED BY THE STATE, A POLITICAL SUBDIVISION OF THE STATE, OR A PERSON INCORPORATED, ORGANIZED, [OR] CREATED OR OTHERWISE LOCATED IN THE STATE. (a) All intangible property, including interest, dividends, and other earnings on the property, less lawful charges, held by a person regardless of the location of the holder, is presumed abandoned and subject to the custody of the state as unclaimed property if

(1) the address of the owner is unknown;

(2) the owner has not claimed the property or corresponded in writing with the holder concerning the property within three years after the date [established] prescribed for payment or delivery by the issuer of the property; and

(3) the person that originated or issued the property is the state, a political subdivision of the state, or a person incorporated, organized, [or] created or otherwise located in the state.

(b) This section does not apply to property that is presumed abandoned and subject to the custody of the state as unclaimed property under another provision of law that establishes a dormancy period different from the dormancy period established by this section.

Section 2. This Act applies to all property held on or after the effective date of this Act regardless of when the property [is] became or becomes presumptively abandoned.

note: Underlined words represent additions to bill; bracketed words represent deletions.

January 8, 1992

Explanation of Proposed Amendment to
Alaska Unclaimed Property Statute
Providing for Recovery of Unclaimed Distributions

1. The Amendment is necessary to permit the State to recover the unclaimed property at issue in Delaware v. New York, No. 111 Original, pending before the United States Supreme Court.

2. Although current State law may cover dividends, interest and other securities distributions at issue in the litigation, it may not permit recovery from out-of-State holders when such holders did not originate (issue) the unclaimed funds and are merely intermediaries.

3. The Amendment is limited to circumstances where there is no last known address of the unclaimed property owner.

4. The Amendment authorizes recovery of owner-unknown unclaimed distributions under whatever test the Supreme Court adopts to define the location of issuers of securities.

5. The Amendment applies only to property and situations not otherwise covered by existing State law.

6. (a) The dormancy period is three years because the New York dormancy period is three years. If this becomes a problem with the legislature, the litigation will not be undermined by modifying the three year dormancy period to conform to the traditional State dormancy period.

(b) In circumstances where the same property would be covered both by existing law and this Amendment, and they have different dormancy periods, existing law controls.

7. The Amendment applies to property held at the date of enactment, irrespective of when the property became abandoned, as well as to property becoming abandoned after enactment. This eliminates dispute by explicitly authorizing the State to recover its share of the funds taken by New York prior to enactment of the Amendment.

January 8, 1992

DICKSTEIN, SHAPIRO & MORIN

2101 L STREET, N. W.
WASHINGTON, D. C. 20037

202 785-9700

TELEX: 892608 DSM WSH

FAX: 202 887-0689

VIRGINIA OFFICE
8300 BOONE BOULEVARD
SUITE 800
VIENNA, VIRGINIA 22182
703 847-9180

NEW YORK OFFICE
598 MADISON AVENUE
NEW YORK, N. Y. 10022
212 832-1900

BERNARD NASH
DIRECT DIAL
202 828-2209

RECEIVED

Department of Law

JAN 13 1992
AM 11:21 AM 12:34 PM 5:00

January 8, 1992

ATTORNEY-CLIENT COMMUNICATION
CONFIDENTIAL AND PRIVILEGED

Honorable Charles E. Cole
Attorney General of Alaska
P.O. Box K, State Capitol
Juneau, Alaska 99811-0300

Re: Delaware v. New York, No. 111 Original:
Amendment to State Unclaimed Property Statute

Dear General Cole:

As you know, we have proposed an amendment to the Alaska unclaimed property statute that is necessary to ensure that Alaska is explicitly authorized to recover the unclaimed property at issue in Delaware v. New York. This amendment was incorporated into House Bill No. 240, which passed the House during last year's legislative session but had not yet been voted upon in the Senate when the session ended. With the 1992 legislative session approaching, and the Special Master's Final Report to the Supreme Court likely to be issued this month, we thought it appropriate to enclose a copy of that bill, redlined to reflect additional language that is needed in light of the recommendations in the Draft Report circulated by the Special Master.

We are concerned that Alaska may not be permitted to recover its share of the funds taken by New York if Alaska's statute is not amended prior to the date of the Supreme Court's decision in this case, which could be as early as June 1992. To date, 18 of our client States have enacted such an amendment (Alabama, Arkansas, Florida, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Montana, Nevada, New Hampshire, North Dakota, South Dakota, Utah and West Virginia). It has not been rejected by any State legislature.

As described in our previous correspondence with your office, Alaska and forty other States contend that when the last-known address of the owner of unclaimed dividends, interest and other securities distributions is unknown, the property is subject

Honorable Charles E. Cole
January 8, 1992
Page 2

to the custody of the State that issued the underlying security, the State in which a political subdivision issued the underlying security, or the State in which the corporation that issued the underlying security has its "chief (or principal) executive offices." Alternatively, the 41 States contend that the State in which the issuer was incorporated should be entitled to custody of such distributions.

Alaska and forty States reject the contention of Delaware that the property may be claimed by the State of incorporation of the brokerage firm or other intermediary holding the distributions, the contention of New York that it is entitled to keep all of the property at issue because most of the brokerage firms are headquartered in New York and certain intermediaries are incorporated in New York, and the contentions of California, five other States and the District of Columbia that the Supreme Court's prior decisions should be discarded in favor of some contrived "commercial activity" formula.

The Special Master has circulated a Draft Report to the Supreme Court which recommends that, as advocated by the 41 States, the Court should give the State of the issuer priority to custody of owner-unknown unclaimed distributions. The Draft further recommends that the location of the issuer for purposes of implementing that rule be defined as the issuer's "chief (or principal) executive offices." This latter recommendation represents a modification of the existing locational test, which looks to the State of incorporation of the issuer. Although the 41 States did not initially propose that the locational test be modified, they support the Special Master's proposed modification, arguing as a fallback their original position that owner-unknown unclaimed distributions go to the issuer's State of incorporation.

Although Sections 34.45.110, 34.45.120 and 34.45.200 of the Alaska statute cover unclaimed distributions, the statute only explicitly authorizes recovery of owner-unknown unclaimed distributions in circumstances in which the holder of the distributions is domiciled (incorporated) in Alaska. Because our litigation involves brokerage firms and other intermediaries incorporated in Delaware and New York (and therefore not domiciled in Alaska) that are holding the distributions, the Alaska statute needs to be amended to authorize recovery of distributions held by non-domiciliaries of Alaska, provided that the issuer of the underlying security is Alaska, a political subdivision of Alaska, or a corporation headquartered or incorporated (domiciled) in Alaska (depending upon the locational test adopted by the Supreme

Honorable Charles E. Cole
January 8, 1992
Page 3

Court). Section 1(a) of House Bill No. 240 provides this necessary modification. We have redlined the bill to reflect proposed new language that authorizes Alaska's recovery under the modified locational test. We do not know whether it is feasible at this stage of the legislative process for the bill to be revised to incorporate the new language. If it is feasible, we recommend that the bill be so revised.

Section 1(b) of House Bill No. 240 ensures that the amendment applies only to property not otherwise covered by the Alaska statute.

Section 2 of House Bill No. 240 provides that the amendment also applies to property that became abandoned prior to enactment. This provision should eliminate dispute by explicitly authorizing Alaska to recover its share of the funds taken by New York prior to enactment of this amendment. We have redlined this section to indicate proposed new language that makes explicit its application to property that New York already has seized.

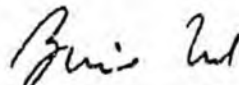
As you will also note, the bill shortens the dormancy period for unclaimed property covered by the proposed section to three years. This provision is important because the dormancy period of New York is three years. A longer dormancy period for Alaska would allow New York to retain custody of property it has unlawfully taken for several years after judgment. Although the disparity in dormancy periods would not prevent Alaska from eventually obtaining the unclaimed property, we recommend adoption of the three year dormancy period for ease of administration.

Copies of House Bill No. 240, as redlined, and an explanation of the bill are enclosed for your convenience. We also are providing the material to Patty Smith, Unclaimed Property Administrator, Income & Excise Audit Division, Department of Revenue. Because of the sensitive nature of this amendment to the pending litigation, we would appreciate it if you would try to limit publicity and discussion with other States.

Honorable Charles E. Cole
January 8, 1992
Page 4

Please call me if you have any questions, or if you believe it would be helpful for me to communicate with any of your legislative or other executive branch officials.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Bernard Nash".

Bernard Nash

Enclosures

cc: Gary I. Amendola, Esq.

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

March 3, 1992

Bill Miles
Legislative Aide
Office of Senator Drue Pearce
Capitol Building, Room 101
Juneau, Alaska 99811

RE: HB 240, An Act relating to
intangible unclaimed property

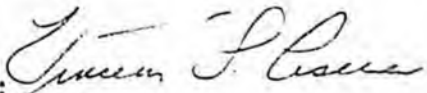
Dear Mr. Miles:

As you recall, we recently forwarded recommended changes to HB 240 received from our counsel in Washington, D.C. These changes are designed to ensure that Alaska's statutory scheme will allow the state to receive its expected share of unclaimed property now in the custody of New York State. I wanted to alert you to the fact that the Supreme Court of the United States has received and accepted the Report of the Special Master on February 24, 1992. The Court further ordered that exceptions to the report be filed within 45 days and replies be filed within 30 days after that.

If you have any questions, please contact either myself or Gary Amendola at 465-2398 at your convenience.

Sincerely,

CHARLES E. COLE
ATTORNEY GENERAL

By: 
Vincent L. Usera
Assistant Attorney General

VLU/prm

WALTER J. HICKEL, GOVERNOR

REPLY TO:

- 1031 W 4th AVENUE SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 276-3550
FAX: (907) 276-3697
- KEY BANK BUILDING
100 CUSHMAN ST. SUITE 400
FAIRBANKS, ALASKA 99701-4679
PHONE: (907) 452-1568
FAX: (907) 456-1317
- P.O. BOX K— STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 463-5295

FISCAL NOTE

No. 1

Bill Version: HB 240

(H) Publish Date: 4/3/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____
Title: An Act relating to Unclaimed
Property
Sponsor: House Labor & Commerce
Requestor: House Labor & Commerce

Department Affected: Department of Revenue
BRU: Revenue Operations
Component: Income and Excise Audit

COMPONENT SERIAL NO. | 1 | 1 | 3 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year impact: 0.0

ANALYSIS: Attach a separate page for analysis.

SEE ATTACHED

Prepared By: Carl Meyer, Chief of Appeals *Carl Meyer* Phone: (907) 465-2320
Division: Income and Excise Audit Division Date: March 29, 1991

Approved by Commissioner: Lee E. Fisher *Lee E. Fisher*
Agency: Department of Revenue Date: 4-1-91

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

March 29, 1991

HB 240
FISCAL NOTE ANALYSIS
DEPARTMENT OF REVENUE

HB 240 would add a new section to AS 34.45 pertaining to intangible property subject to the state unclaimed property provisions. Pursuant to the legislation all intangible property held by persons located both within and outside Alaska would be presumed abandoned and deemed to constitute unclaimed property subject to Alaska custody if:

1. the address of the owner is unknown,
2. the owner has not claimed the property within 3 years, and
3. the issuer of the property is this state, a subdivision of this state, or a person incorporated, organized or created in this state.

This section would not apply to property otherwise subject to Alaska custody under another section of the unclaimed property law that provides for a dormancy period different from the three year period established in the bill. The legislation would also apply to property that is considered abandoned prior to the effective date of the act but still in the possession of a holder on the effective date.

The Unclaimed Property Act provisions (AS 34.45) currently cover intangible property. However, in those situations where the address of the owner is unknown, the provisions may only authorize recovery where the holder of the property is domiciled or incorporated in the state. It is our understanding that the legislation is intended to extend the Unclaimed Property Act to brokerage firms located outside Alaska that hold dividends and interest attributable to securities issued by Alaska or Alaska corporations.

Alaska, along with 37 other states, contends that when the last known address of the owner of unclaimed property is unknown, the property should be subject to the custody of the state from which the security was issued. Delaware asserts the property is subject to the custody of the state of incorporation of the holder. New York asserts the property is subject to the custody of the state of the holder's headquarters. California, the District of Columbia, and the remaining five states assert the property is subject to the custody of the state based on the holder's commercial activity. The dispute is presently before the United States Supreme Court in Delaware v. New York and the legislation is designed to ensure that Alaska will be in a position to recover any property in the event of a favorable decision.

Assuming the favorable decision by the Court, the legislation would bring in additional revenues. However, the department cannot at this time make any reasonable estimate of the extent of those revenues.

**ALASKA STATE LEGISLATURE
HOUSE BILL NO. 240**

HISTORY IN THE HOUSE

HISTORY IN THE SENATE

1991
3/27 Read first time and referred to:
L&C Jud FIN

4/3 L&C RPT CS() New Title
2 DP 6 DNP 2 NR 6 AM
FN OFN Previous FN

4/17 Jud RPT CS(Jud) New Title
4 DP 6 DNP 6 NR 6 AM
FN OFN Previous FN 6

4/24 Fin waived RPT CS() New Title
DP DNP NR AM
FN OFN Previous FN

5/3 Read second time
CS(Jud) Adopted

Amended

5/3 Advanced

5/3 Read third time

Return to second for specific amendment

5/3 PASSED EFD Same ___ or
Yeas 38 Yeas
Nays 6 Nays
Excused 1 Excused
Absent 1 Absent

___ Intent adopted

Reconsideration
Reconsideration not taken up

PASSED ON RECON. EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

___ Intent adopted

5/3 Reported correctly engrossed
Signed by Speaker, to the Senate

Robert Gray
Chief Clerk of the House

1991
5/6 Read first time and referred to:
L&C, Jud

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

Rules Calendar() CS AM C ner
New Title Same Title Previous FN
FN OFN

Read second time

___ CS Adopted () ___ New Title
___ Amended ___ Advanced

Read third time

___ Letter of Intent adopted
___ Return to second for specific amendment

PASSED EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reconsideration
Reconsideration not taken up

PASSED EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reported correctly engrossed
Signed by President, to the House

Secretary of the Senate

ALASKA STATE LEGISLATURE
HOUSE BILL NO. 240

HISTORY IN THE HOUSE

HISTORY IN THE SENATE

1991
3/27 Read first time and referred to:
L&C Jud FIN

4/3 L&C RPT CS() New Title
2 DP DNP 2 NR AM
FN OFN Previous FN

4/17 Jud RPT CS(Jud) New Title
4 DP DNP NR AM
FN OFN Previous FN

4/24 Fin waived RPT CS() New Title
DP DNP NR AM
FN OFN Previous FN

5/3 Read second time
CS(Jud) Adopted

Amended

5/3 Advanced

5/3 Read third time

Return to second for specific amendment

5/3 PASSED EFD Same ___ or
Yeas 38 Yeas
Nays Nays
Excused Excused
Absent 1 Absent

___ Intent adopted

Reconsideration
Reconsideration not taken up

PASSED ON RECON. EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

___ Intent adopted

5/3 Reported correctly engrossed
Signed by Speaker, to the Senate

Robert Gray
Chief Clerk of the House

1991
5/6 Read first time and referred to:
L&C, JUD

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

Rules Calendar() CS AM Other
New Title Same Title Previous FN
FN OFN

Read second time

___ CS Adopted () ___ New Title
___ Amended ___ Advanced

Read third time

___ Letter of Intent adopted
___ Return to second for specific amendment

PASSED EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reconsideration
Reconsideration not taken up

PASSED EFD Same ___ or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reported correctly engrossed
Signed by President, to the House

___ Secretary of the Senate

H B

2 4 5

Alaska State Legislature
House of Representatives



INTERIM

3111 C Street
Anchorage, Alaska 99503
(907) 561-2032

SESSION

P.O. Box V
Juneau, Alaska 99811
(907) 465-2995

Representative Dave Choquette

M E M O R A N D U M

DATE: April 7, 1992

TO: Senator ~~Dale~~ Pearce, Chairwoman
Senate Labor & Commerce Committee

FROM: Rep. Dave Choquette *JVC* THANKS!

RE: CSSH B 245 (Finance), "An Act relating to publications produced by state agencies and the procurement of property, property interests, and services, including the services of employees, by certain public entities."

I respectfully request that you schedule CSSH B 245 (FIN) for a hearing before the Senate Labor & Commerce Committee at your earliest convenience. This legislation, which I have titled this legislation the Make-it-in-Alaska bill, would amend the State procurement code to help ensure Alaskans have a fair and equitable chance at competing for State work.

CSSH B 245 (FIN) is one arm of my attempt to get Alaskans to do business with other Alaskans. The money multiplier for Alaska, or the average number of times money changes hands before leaving the state, is 2.1. The national money multiplier, or average number of times money changes hands before leaving a state, is 7.8.

It is clear that Alaska's economic condition is directly affected by the degree to which Alaskans look in-state for the services and goods they require. As State government is one of the largest purchasers of goods and services in the State, the more our government looks in-state for its procurements, the healthier our economy and the State's general well being. CSSH B 245 (FIN) works towards this end.

This legislation has six key components. It aims at increasing the share of work going to Alaskans without increasing costs to the State by:

- 1) Encouraging procurement officers in each government agency to restrict notice of contract solicitation to Alaskan suppliers and providers of services desiring to compete for state contract work;

★ ★
★ ★

Senator Drue Pearce
Senate Labor & Commerce Committee
Memorandum on CSSSHB 245 (Finance)
April 7, 1992
Page 2

- 2) Requiring procurement officers to include administrative costs of administering a bid as a criterion in evaluating a bid or proposal, which would include the additional costs that result from the out-of-state geographical location of the bidder or offeror;
- 3) Requiring procurement officers, to the fullest extent practicable, to structure procurements to foster participation by Alaskan bidders and offerors;
- 4) Providing that bidders and offerors explain how they intend to use supplies and services from businesses located in the State, and, if they will not be, to explain why they are not;
- 5) With certain exceptions, prohibiting State agencies from soliciting outside the State for individuals to fill a position as a State employee unless an agency has solicited in good faith in the State and has been unable to find sufficient individuals qualified for the position; and
- 6) Replacing the requirement that publications of a State agency be printed at a state-operated facility with a requirement that publications of a State agency be produced at a facility located in the State when practicable.

In addition, the House Finance Committee amended the bill at the request of the Ombudsman and chairman of the Alaska Legislative Council to clarify that the office of the ombudsman, as an agency in the legislative branch, is exempt from but must adopt procedures by regulation consistent with AS 36.30.

This bill has 31 cosponsors in the House and unanimously passed the body, has the full support of the administration, and maintains a zero fiscal note.

CSSSHB 245 (FIN) should have a significant influence on the ongoing recovery and further development of Alaska's economy.

This bill is one of my top priorities, and I appreciate your timely consideration. If you have any questions, please contact me or have your staff contact Josh Fink in my office at x2995.

Revision Date: _____
Title: An Act relating to publications and procurement
Sponsor: Choquette
Requestor: Choquette

Department Affected: Commerce & Econ. Dev.
BRU: Comm./Administrative Services
Component: Administrative Services

COMPONENT SERIAL NO.

1	0	2	8
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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						
REVENUE FUND RESOURCE:						

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: _____

ANALYSIS (Attach a separate page if necessary.)

Prepared By: Phil Bennett, Finance Officer Phone: 465-2509
Division: Administrative Services Date: 3-2-92
Approved by Commissioner: Glenn A. Olds *Glenn A. Olds*
Agency: Department of Commerce & Economic Development Date: 3-3-92

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

ALASKA STATE LEGISLATURE
 SS HOUSE BILL NO. 245

HISTORY IN THE HOUSE

HISTORY IN THE SENATE

1991
 3/27 Read first time and referred to:
 LEC STA FIN

4/12 SS intro: LEC STA FIN

4/26 LEC RPT CS(LEC) New Title
 3 DP 0 DNP 1 NR 0 AM
 FN 1 OFN Previous FN

5/9 STA RPT CS(STA) New Title
 4 DP 0 DNP 2 NR 0 AM
 FN 1 OFN Previous FN

1992
 3/20 FIN RPT CS(FIN) New Title
 6 DP 0 DNP 3 NR 0 AM
 FN 2 OFN Previous FN

4/3 Read second time
 CS(SS FIN) Adopted

Amended

4/3 Advanced

4/3 Read third time

Return to second for specific amendment

4/3 PASSED EFD Same ___ or
 Yeas 34 Yeas
 Nays 0 Nays
 Excused 5 Excused
 Absent 1 Absent

Intent adopted

Reconsideration
 Reconsideration not taken up

PASSED ON RECON. EFD Same ___ or
 Yeas Yeas
 Nays Nays
 Excused Excused
 Absent Absent

Intent adopted

4/3 Reported correctly engrossed
 Signed by Speaker, to the Senate

Kurtis Gray
 Chief Clerk of the House

1992
 4/6 Read first time and referred to:
 LEC STA FIN

RPT() CS DP NR DNP AM
 New Title Same Title Previous FN
 FN OFN To

RPT() CS DP NR DNP AM
 New Title Same Title Previous FN
 FN OFN To

RPT() CS DP NR DNP AM
 New Title Same Title Previous FN
 FN OFN To

Rules Calendar() CS AM Other
 New Title Same Title Previous FN
 FN OFN

Read second time

CS Adopted () New Title
 Amended Advanced

Read third time

Letter of Intent adopted
 Return to second for specific amendment

PASSED EFD Same ___ or
 Yeas Yeas
 Nays Nays
 Excused Excused
 Absent Absent

Reconsideration
 Reconsideration not taken up

PASSED EFD Same ___ or
 Yeas Yeas
 Nays Nays
 Excused Excused
 Absent Absent

Reported correctly engrossed
 Signed by President, to the House

Secretary of the Senate

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CS3SHB 245 (FIN)

Revision Date: March 20, 1992

Department Affected: Administration

Title: An Act relating to publications produced by State agencies.

BRU: General Services

Sponsor: Choquette

Component: Purchasing

Requestor: _____

COMPONENT SERIAL NO.

6	0		
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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: None

ANALYSIS: (Attach a separate page if necessary.)

This bill will have minimum fiscal impacts to the division's purchasing or central duplication activity.

Prepared by: Anne McCord, Director *Anne McCord*
Division: General Services

Phone: 465-2250
Date: March 25, 1992

Approved by Commissioner: Nancy Bear Usera
Agency: Administration

Date: 4/3/92

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

HB

247

STATE OF ALASKA

FISCAL NOTE

BILL NO. CSHB 247(L&C)

1992 LEGISLATIVE SESSION

Revision Date: 01/22/92 Department Affected: Commerce & Economic Development

Title: An Act relating to licensure of dentists. BRU: Occupational Licensing

Component: Administration

Sponsor: Rep. Mackie

Requestor: House Rules

COMPONENT SERIAL NO.

0	3	5	6
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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	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE	0.0	0.0	0.0	0.0	0.0	0.0
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

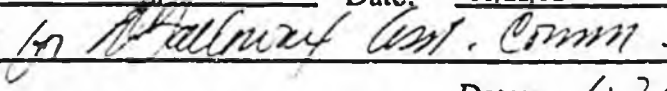
Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

CSHB 247(L&C) amends the dental statutes (AS 08.36) to bring the statutes into conformity with recent court decisions concerning licensure without examination; and further mandates access to clearinghouses of disciplinary information making it possible to render an informed judgement on the applicant. New funds are not required to implement provisions of the bill.

Prepared By: Jennifer Strickler  Phone: 465-2144

Division: Occupational Licensing Date: 01/22/92

Approved by Commissioner: Glenn A. Olds  for Hallmark Com. Comm.

Agency: Commerce & Economic Development Date: 1.22.92

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