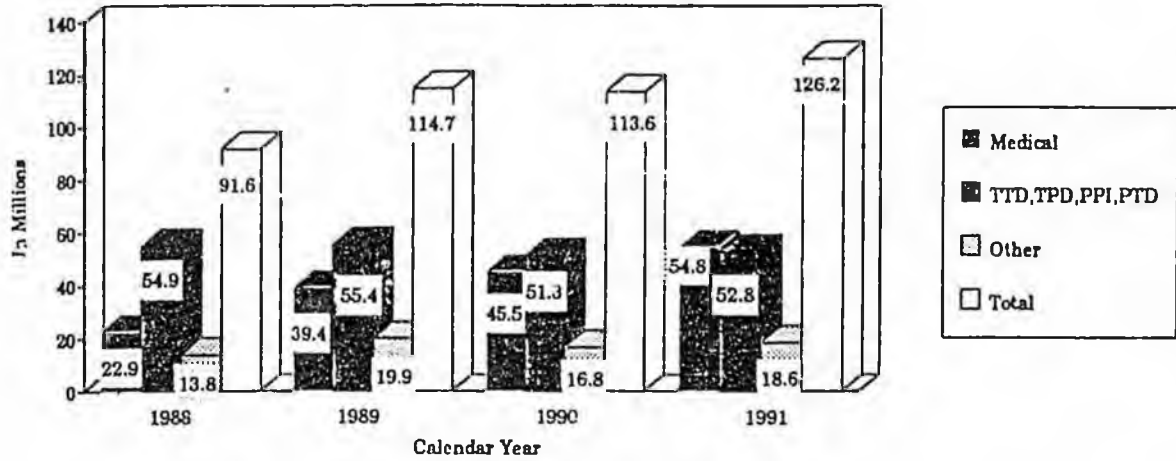


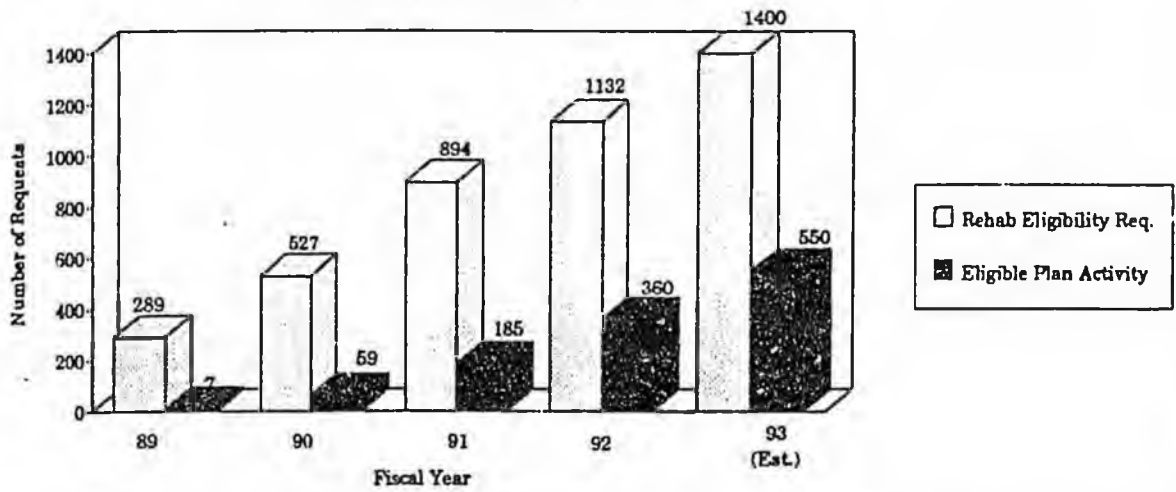
ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

7942 HOUSE LABOR & COMMERCE

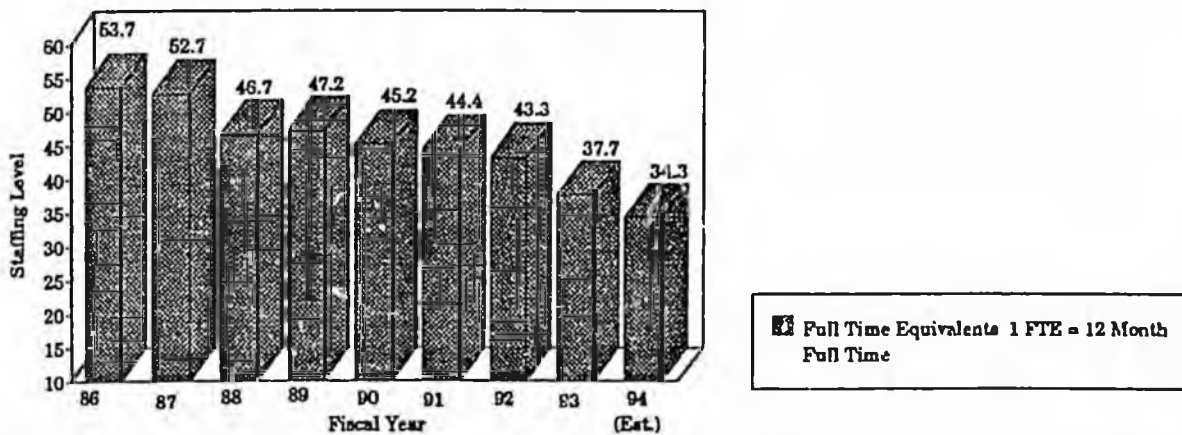
WORKERS' COMPENSATION PAYMENTS
Based on Annual Reports submitted by Insurers



REHABILITATION SECTION ACTIVITY



WORKERS' COMPENSATION
Conference Committee Authorized Staff



MEMORANDUM

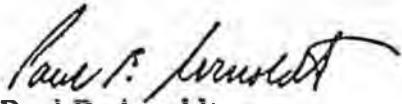
STATE OF ALASKA DEPARTMENT OF LABOR Workers' Compensation Division

TO: Shelby Stastny
Director
Office of Management & Budget

DATE: January 11, 1993

FILE: MEMOPS.WOR

PHONE: 465-2790

FROM: 
Paul B. Arnoldt
Director

SUBJECT: Other state's work
comp funding source

As requested in our meeting of January 5, 1993, I am attaching a summary of how other States fund the administration of their Workers' Compensation programs. This summary is taken from the State Workers' Compensation Administration Profiles published by the U.S. Department of Labor, October 1991. Three-fourth of the states fund their workers' compensation operating budget (directly or as a pass through) from premium taxes, assessments and user fees. The remaining one-fourth, like Alaska, are funded from General Fund appropriations.

Also, there appear to be some interesting individual state methods of financing the administration of workers' compensation.

Connecticut Carriers and self-insurers are assessed approximately 1% of the total workers' compensation benefits they paid out the previous year.

Georgia Assessments against carriers and self-insures are based on the Board of Workers' Compensation's budget for the upcoming fiscal year.

Kansas Division of Workers' Compensation is a fee fund agency. The budget is financed by an assessment tax on workers' compensation benefits paid during the calendar year by carriers and self-insures. \$200,000 of the amount collected goes into the General Fund, and the balance to the Division.

Louisiana Assessment made against carriers and self-insurers based on indemnity benefits paid to injured employees during the previous fiscal year. Additional assessments may be made during the year to meet increased budgetary requirements.

Massachusetts Assessment on employers doing business in the state.

Michigan Budget comes from General Fund; however, each party involved in a compromise and release is assessed a \$100 fee, which supplements the Bureau's budget.

New Hampshire Budget is approved by Governor and then an assessment is made on carriers and self-insurers based on the approved budget. Assessment is based on a pro-rata share of total benefits paid out during the previous year.

Oregon Premium assessment against employers which is paid to insurers who remit it to the Division. Monies are deposited to a special fund and used exclusively to meet costs of operating the Workers' Compensation and Occupational Safety and Health Divisions.

The major issues facing Alaska's workers' compensation and the need for additional funding, as identified in my memorandum to Commissioner Mahlen dated December 14, 1992, could be accomplished through legislation establishing a claims fee. This fee would significantly reduce the need for additional general funds and is consistent with the funding methods of other states.

cc: C.M. Mahlen
Commissioner of Labor

David Teal, Director
Administrative Services Division
Department of Labor

Cheryl Frasca, Director
Division of Budget Review
Office of Management & Budget

Sharon McCauley
Program Budget Analyst
Office of Management & Budget

Attachment

STATE/AGENCY

BUDGET/FINANCE

Alabama

Workmen Compensation Division
Department of Industrial Relations

Budget appropriated by legislature and approved by Governor
Financed by 1.2% premium tax on domestic insurance companies
and 4% premium tax on foreign insurance companies
Collected by Department of Insurance and deposited in general fund

Alaska

Workers' Compensation Division
Department of Labor

Operating funds appropriated by legislature and approved by Governor

Arizona

Industrial Commission of Arizona
(a self-supporting agency)

Budget appropriated by legislature and approved by Governor
Source of funds is a premium tax on insurance companies and self-insured employers
Premium tax supplies administrative expense with residual deposited in Second Injury Fund

Arkansas

Workers' Compensation Commission

Budget is approved and appropriated by the legislature
Budget goes directly to the agency and cannot be used for any other purpose
Workers' Compensation Trust Fund, Second Injury Fund, and Total Disability Fund are
financed by premium tax not to exceed 3% combined

California

Division of Workers' Compensation
Department of Industrial Relations

Budget approved and appropriated by the legislature
Budget provided by a combination of general funds and user funding
Workers' Compensation User Funding is a percentage assessment of indemnity

Colorado

Workers' Compensation Section
State Division of Labor

Budget is reviewed by Governor before approval and appropriation by legislature
Operating budget derived from a premium tax

Connecticut

Workers' Compensation Commission

Budget is appropriated by the legislature from General Fund
Carriers and/or insureds are assessed approximately 1% of total payout.
Division of Worker Rehabilitation and Division of Worker Education separately funded
by annual special assessments on carriers and self-insured employers

Delaware

Delaware Industrial Accident Board
Division of Industrial Affairs
State Department of Labor

(Information not provided for budget)

Florida

Division of Workers' Compensation
Department of Labor and Employment
Security

Source of operating funds derived from assessments against the insurance companies writing compensation insurance in the State, and self-insurers on a prorated basis. (Assessment not to exceed 4% of net premium)
Operating funds are maintained in the Workers' Compensation Trust Fund which is part of the State Treasury.

Georgia

Board of Workers' Compensation

Budget recommended by Governor and appropriated by legislature
Financed by assessments on carrier and self-insurers
Amount of assessment based on budget for upcoming fiscal year
Paid through State General Fund

Hawaii

Disability Compensation Division
Department of Labor and Industrial Relations

Operating budget financed by the State general revenue fund
Appropriated by legislature with approval of the Governor and Director of Labor and Industrial Relations
Insurance carriers are not assessed for this purpose

Idaho

Industrial Commission

Budget is financed by a two percent premium tax
Appropriated by the legislature with the approval of the Governor

Illinois

Industrial Commission

Source of operating funds is State general revenues
Appropriated by the legislature and approved by Governor
Insurance carriers are not assessed for the purpose of obtaining operating funds

Indiana

Workers' Compensation Board of Indiana

Source of operating funds is State general revenues
Supplemental Administrative Fund - source of monies comes from filing fees
Budget appropriated by legislature and approved by the Governor and the Director of the State Budget Agency

Iowa
Division of Industrial Services
Department of Employment Services

Operating budget is appropriated by the legislature and approved by Governor
Budget is received from general revenue funds

Kansas
Division of Workers' Compensation
Kansas Department of Human Resources

Budget is appropriated by the legislature and approved by Governor
Division is a fee fund agency.
Budget is financed by an assessment tax on workers' compensation benefits paid during calendar year by insurance carriers and self-insures
\$200,000 goes into a general fund, balance goes to Division

Kentucky
Department of Workers' Claims

Operating funds derived from special assessments against workers' compensation premiums, including self-insured employers
Funds collected are administered by the Workers' Compensation Funding Commission
Budget requires legislative approval

Louisiana
Office Workers' Compensation Administration
Department of Employment & Training

The Workers' Compensation Administrative Fund is financed through an assessment on workers' compensation insurance carriers and self-insured employers. Assessment based on indemnity benefits paid to injured employees during the previous fiscal year. Additional assessments may be made during the year to meet increases in budgetary requirements.

Maine
Workers' Compensation Commission

Operating budget is appropriated by the legislature with approval of Governor
Source of funds is State General Revenue Fund
Employment Rehabilitation Fund is financed by a levy of 1% of actual paid losses during the previous calendar quarter if Fund balance falls below the previous levy

Maryland
Workers' Compensation Commission

Operating budget is appropriated by the legislature and approved by Governor
Source of funds is assessment on carriers and self-insurers paid to Commission.
Commission turns funds over to the General Fund for Commission budget

Massachusetts
Department of Industrial Accidents

Source of operating funds is an assessment on employers doing business in the commonwealth
Entire special fund assessment goes to Department and pays for administration
Budget is appropriated by the legislature and approved by Governor

Michigan

Bureau of Workers' Disability Compensation
Michigan Department of Labor

Budget is appropriated by the legislature and approved by Governor

Budget comes from State's General Fund

Each party involved in compromise and release is assessed a \$100 fee, which supplements the Bureau's budget

Minnesota

Workers' Compensation Division
State Department of Labor and Industry

Budget is appropriated by the legislature and approved by Governor

Budget comes out of State's Special Compensation Fund which is financed by assessments of Insurers and self-Insurers

Mississippi

Workers' Compensation Commission

Budget approved by the State Budget Commission and then the legislature

Financed by administrative assessments on carriers and self-Insurers. May be a specific amount or a percentage of gross compensation paid. Administrative assessment for 1990, billed in 1992, was 1.30% of medical and indemnity

Missouri

Division of Workers' Compensation
Department of Labor and Industrial Relations

Operating funds are derived from a two percent premium tax.

Funds go to a special workers' compensation fund; then are appropriated by the legislature

Montana

Employment Relations Division
Department of Labor and Industry

Budget is appropriated by the legislature and approved by Governor

Financed through assessment on premiums, penalty fines, and license fees (safety only)

Nebraska

Workers' Compensation Court
(Part of judicial branch of government)

Budget appropriated by the legislature and approved by Governor; largest share of revenue is general funds

A premium tax of one percent on premiums for domestic companies and foreign companies is assessed and collected by the Department of Insurance. Paid directly to the State General Fund; not for the Court use

Nevada

State Industrial Insurance System of Nevada
(Monopolistic State Fund)

No general fund monies from the state are used. Income is derived solely from insurance premiums and investment income

Monies are a Constitutional trust fund and are kept separately from general fund

Budget is approved by the State legislature

New Hampshire
Workers' Compensation Division
New Hampshire Department of Labor

Operating budget is acted on by the legislature and approved by Governor
An assessment is made on carriers and self-insurers based on approved budget. The assessment is based on a pro-rata share of total benefits paid out during the previous year. The assessment goes directly to the Workers' Compensation Division

New Jersey
Division of Workers' Compensation
New Jersey Department of Labor

Division is financed by an annual assessment imposed upon insurance carriers and self-insured employers

New Mexico
Workers' Compensation Administration

Budget is determined annually by legislative appropriation
Operating budget is financed by an assessment paid quarterly. Covered employees each pay \$2.00, and their employer matches with \$2.00 per covered employee.

New York
Workers' Compensation Board

Operating funds are obtained by assessing insurance carriers. The Board's operating funds are deposited in the State's general fund, but 100% of the money collected is used to operate the Board. Surplus funds are refunded to carriers, as appropriate.

North Carolina
North Carolina Industrial Commission
Department of Economic & Community
Development

Operating budget is appropriated by the legislature and approved by Governor

North Dakota
Workers Compensation Bureau
(Monopolistic State Fund)

Operating funds come from premium income, penalties, investment income, and fees which go into the Bureau fund.
Legislature approves administrative budget and sends to Governor for approval
North Dakota has an exclusive State fund. Private carriers and self-insures are not permitted.

Ohio
Ohio Bureau of Workers' Compensation
(Monopolistic State Fund)

Operating budget obtained through a payroll assessment against employers for administrative costs.
Assessment revenues go directly to the State Insurance Fund, not to the State's general Operating fund.
Operating budget is submitted to the General Assembly for approval.

Oklahoma

Oklahoma Workers' Compensation Court
(Part of Judicial branch of government)

Operating budget is appropriated by the legislature

Premium tax of 1% on all gross written in Oklahoma is assessed and collected by the Oklahoma Tax Commission. All assessments collected by the Tax Commission are deposited with the State Treasurer for credit to the Workers' Compensation Administration Fund.

Oregon

Workers' Combination Division
Department of Insurance and Finance

Budget recommended by the Governor; approved by the Legislature.

Financed by a premium assessment to employers which is paid to insurers and remitted to the Division. Monies are deposited to a special fund and used exclusively to meet costs of operating Workers' Compensation and Occupational Safety and Health Divisions.

Pennsylvania

Bureau of Workers' Compensation
Labor and Industry Department

Source of operating budget is assessment based on percentage of claims paid by each carrier or self-insurer. Budget submitted by Governor and approved by legislature. Funds are paid into an Administrative Fund.

Rhode Island

Workers' Compensation Unit
Department of Labor

Operating budget is funded by assessment for administrative costs. (Report did not indicate who approved the budget.)

South Carolina

South Carolina Workers' Compensation
Commission

Operating budget is appropriated by the legislature and approved by Governor.

Source of funds is a 2.5% premium tax on carriers and self-insurers which goes into the General Fund. Approximately 25% of assessment goes to Commission by way of a general appropriation as determined by the General Assembly.

South Dakota

Division of Labor and Management
Department of Labor

Source of operating funds is the General Fund.

Budget is approved by the Governor and is appropriated by the legislature. The budget amounts to approximately 25% of premium tax collected by Division of Insurance, South Dakota Department of Commerce.

Tennessee

Division of Workers' Compensation
Department of Labor

Budget appropriated from the General Fund by the legislature and approved by Governor.

Financed by 4.4% premium tax on carriers and self-insurers. Tax paid into State General Fund.

<p>Texas Texas Workers' Compensation Commission</p>	<p>Operating funds are collected by an assessment against insurance companies of not more than 2% of the gross premiums collected by the insurer. Monies are paid into the State's General Revenue Fund. Legislature appropriates the assessment income to the Commission.</p>
<p>Utah Industrial Accident Division Industrial Commission of Utah</p>	<p>Budget is derived from general funds appropriated by the legislature and approved by Governor</p>
<p>Vermont Division of Workers' Compensation Department of Labor and Industry</p>	<p>Budget is set by the legislature and approved by governor. Source of funding comes from the Workers' Compensation Administration Fund assessment. (Seven-tenths of one percent of each employer's annual workers' compensation insurance premium, and 1% of annual workers' compensation losses for self-insured employers.)</p>
<p>Virginia Virginia Workers' Compensation Commission Industrial Commission of Virginia</p>	<p>Budget is appropriated by the legislature and approved by Governor Source of funds is a premium tax of up to 2.5% on insurance carriers and self-insured employers. Commission is a special fund agency and all tax revenues become a part of the operation fund and not the State General Fund. For calendar year 1991 the maintenance tax was .75%</p>
<p>Washington Industrial Insurance Division Department of Labor and Industries (Monopolistic State Fund)</p>	<p>Division's income is derived from insurance premiums, assessments and investment income which are deposited in trust funds. Operating funds are obtained through legislative appropriations from trust funds.</p>
<p>West Virginia Workers' Compensation Division Bureau of Employment Programs Department of Commerce, Labor and Environmental Resources (Monopolistic State Fund)</p>	<p>Budget is approved by the Governor, the Department of Administration, and the Legislature. Financed by premium assessments on all regular subscribers which are based upon three-year loss experience. Assessments are paid directly to the Division</p>
<p>Wisconsin Workers' Compensation Division Department of Industry, Labor and Human Relations</p>	<p>Funds are appropriated by the legislature and approved by Governor. Operating funds come from an assessment of carriers and self-insurers which is paid into general fund and then allocated to Division.</p>

Wyoming
Workers' Compensation Division
Department of Employment
(Monopolistic State Fund)

Budget is approved by the Governor before submission to Joint Appropriations Committee of Legislature. Operating budget is appropriated from the State General Fund. Funds are derived from premium and investment income. Administrative expenses are repaid monthly to the State General Fund from the Workers' Compensation Account Fund.

more fax . . .

from multiple risk managers

DATE : March 9, 1993

SEND TO: Rep. Bill Hudson, Chairman
WITH : House Labor And Commerce Committee
FAX # : 465-6790

TOTAL NUMBER OF PAGES, INCLUDING THIS PAGE: 3

REGARDS: House Bill 203

Dear Representative Hudson, this bill is to be heard Thursday, 03/11 at 3:00 p.m. I would like my enclosed two pages of remarks to be distributed to L&C members and made a part of the record. Thank you.

FROM: FRANK THOMAS-MEARS
WITH: MULTIPLE RISK MANAGERS, INC.
POB 112063
ANCHORAGE, ALASKA 99511-2063

PHONE = 345-7181/FAX = 345-1982



Multiple Risk Managers, Inc.

POB 112063
Anchorage, Alaska 99511-2063
907-545-7181
800-478-7181

DATE : March 9, 1993

SEND TO: The Chairman And Members Of The
WITH : HOUSE LABOR AND COMMERCE COMMITTEE
FAX # : 465-6790

TOTAL NUMBER OF PAGES, INCLUDING THIS PAGE: 2

REGARDS: House Bill 203

I am not directly impacted by this proposed legislation. I have a long-standing and on-going interest in the Alaska workers' compensation system. I've read HB 203. This bill would create a dedicated fund, levy an unequal tax, and wipe out private enterprise public adjusting firms.

WHAT IS HB203

It's a user fee to fund operations of the Division of Workers' Compensation, the Workers' Compensation Board and the Rehabilitation/Reemployment Benefits Administrator. It assesses a user fee of 2.25% against compensation paid to the injured employee.

THIS IS A DEDICATED FUND

* Or it sure looks like one. Let's examine a state agency already collecting user fees, the Division of Insurance.

The Division of Insurance collects fees and taxes under authority of AS 21.06.250. I'll quote the following citation: AS 21.06.260 "The commissioner of administration shall separately account for fees collected under this chapter that the division deposits in the general fund. The annual estimated balance in the account may be used by the legislature to make appropriations to the Dept. of Commerce and Economic Development to carry out the operations of the division". Note the words "may be used".

The Division of Insurance has to compete for legislative appropriations along with all other State agencies. HB203 attempts to circumvent the legislative budget and appropriation process.

IT'S AN UNEQUAL TAX

* Each insurance company doing business in Alaska already pays a 2.7% premium tax to the general fund - in part to raise revenue for the State - in part to pay for their direct use (or indirect use through private adjusting firms) of State resources such as Division of Workers' Compensation. See AS 21.09.210.

Self-insurers, who utilize the same State resources, do NOT pay a premium tax.

This would "double tax" the insurers.

Page 2
March 9, 1993

- * Private adjusting firms would also be taxed. Private adjusting firms adjust claims for insurers and self-insurers.

This would "triple tax" the insurers. They'd pay a 2.7% premium tax, a 2.25% users fee as an insurer, and a 2.25% users fee if they adjust claims through private adjusting firms.

This would result in a "double tax" on self-insurers. They'd pay a 2.25% users fee once as a self-insurer, and a 2.25% users fee if they adjust claims through private adjusting firms.

- * This would only tax "compensation" which is not "medical expenses". This presupposes that only "compensation" type claims utilize the Division of Workers' Compensation's resources, while "medical expense" claims, and "reemployment benefit" claims do not.

From my perspective, two types of claims utilize the Division of Workers' Compensation resources. (1) Disputed compensation claims. (2) Reemployment benefits plans.

The MAJORITY of compensation cases are not disputed, and do not require the services of the Division of Workers' Compensation or the Workers' Compensation Board, other than mandatory filing requirements.

THIS TAX WOULD WIPE-OUT PRIVATE ADJUSTING FIRMS

- * To whom do you suppose these private adjusting firms will be able to pass along their loss?

For the private adjusting firm, this tax is not much different than a gross receipts tax. It will put them out of business almost overnight. This would be a grave error - Alaska needs these private adjusting firms - without them, many insurance companies would choose to do business elsewhere.

Thank you for your consideration of my views.

FROM:
WITH:

FRANK THOMAS-MEARS
MULTIPLE RISK MANAGERS, INC.
POB 112063 ANCHORAGE, ALASKA 99511-2063
PHONE = 345-7181/FAX = 345-1982

CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS RESA JERREL, AND I AM THE STATE DIRECTOR FOR NATIONAL FEDERATION OF INDEPENDENT BUSINESS - NFIB/ALASKA.

NFIB/ALASKA IS COMPRISED OF 5,000 SMALL AND INDEPENDENT BUSINESS OWNERS. THE LEGISLATIVE AGENDA OF NFIB/ALASKA IS DETERMINED BY OUR BALLOT. THE BALLOT IS OUR ANNUAL POLL OF OUR MEMBERS ON A SERIES OF ISSUES DEEMED CRITICAL TO SMALL BUSINESS. A MAJORITY VOTE, OF THE MEMBERS IN RESPONSE TO THE POLL, SETS OUR POLICY AND POSITION ON LEGISLATIVE ISSUES. I APPRECIATE THE OPPORTUNITY TO BE HERE TODAY TO EXPRESS OUR OPPOSITION TO HB 203.

ON THE 1993 STATE BALLOT THE MEMBERS OVERWHELMINGLY VOTED, ~~192%~~ TO REDUCE STATE GOVERNMENT SPENDING BEFORE INCREASING PRESENT TAXES OR IMPOSING NEW TAXES.

IN 1992 MEMBERS WERE ASKED TO CHOOSE FROM ELEVEN (11) PROBLEM AREAS, THE MOST COSTLY OR BURDENSOME PROBLEM THEY FACED - WORKERS COMPENSATION COST WAS THE NUMBER ONE ITEM.

NFIB/ALASKA OPPOSES HB 203 WHICH IS SUPPOSED TO BE A "FEE" TO ADMINISTER THE PROGRAM BUT, IN REALITY IT IS A NEW TAXES IN ADDITION TO THE 2.7% INSURANCE PREMIUM TAX ALREADY BEING COLLECTED BY THE STATE.

UNDER AS 21.09.210 THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT, DIVISION OF INSURANCE AT THE END OF 1992 COLLECTED A TOTAL OF \$26,343,000 IN INSURANCE PREMIUM TAXES. THE DIVISION ESTIMATES THAT THE PREMIUM TAX ON WORKERS' COMPENSATION ALONE IS \$5,593,000 ANNUALLY. THESE TAXES GO INTO THE GENERAL FUND TO BE SPENT ON PROGRAMS DETERMINED BY THE LEGISLATURE.

IN THE OPERATING BUDGET (HB 55, PAGE 23, LINE 16) THE DIVISION OF WORKERS COMPENSATION IS LISTED AS COSTING \$4,830,900. WITH THE INSURANCE PREMIUM TAX ON WORKERS' COMPENSATION INSURANCE RAISING

Liberty

NFIB Alaska

National Federation of
Independent Business

POSITION PAPER

NATIONAL FEDERATION OF INDEPENDENT BUSINESS
NFIB/ALASKA

March 11, 1993
House Labor and Commerce Committee

OPPOSING

HB 203

Imposing a fee for the administration of the
workers' compensation program.

9159 Skywood Lane
Juneau, AK 99801



The Guardian of
Small Business

CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS RESA JERREL, AND I AM THE STATE DIRECTOR FOR NATIONAL FEDERATION OF INDEPENDENT BUSINESS - NFIB/ALASKA.

NFIB/ALASKA IS COMPRISED OF 5,000 SMALL AND INDEPENDENT BUSINESS OWNERS. THE LEGISLATIVE AGENDA OF NFIB/ALASKA IS DETERMINED BY OUR BALLOT. THE BALLOT IS OUR ANNUAL POLL OF OUR MEMBERS ON A SERIES OF ISSUES DEEMED CRITICAL TO SMALL BUSINESS. A MAJORITY VOTE, OF THE MEMBERS IN RESPONSE TO THE POLL, SETS OUR POLICY AND POSITION ON LEGISLATIVE ISSUES. I APPRECIATE THE OPPORTUNITY TO BE HERE TODAY TO EXPRESS OUR OPPOSITION TO HB 203.

ON THE 1993 STATE BALLOT THE MEMBERS OVERWHELMINGLY VOTED, (92%) TO REDUCE STATE GOVERNMENT SPENDING BEFORE INCREASING PRESENT TAXES OR IMPOSING NEW TAXES.

IN 1992 MEMBERS WERE ASKED TO CHOOSE FROM ELEVEN (11) PROBLEM AREAS, THE MOST COSTLY OR BURDENSOME PROBLEM THEY FACED - WORKERS COMPENSATION COST WAS THE NUMBER ONE ITEM.

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Page: 2
HB 203
March 11, 1993

\$5,593,000 THE FUNDING IS IN EXCESS OF THE MONEY NEEDED TO RUN THE ENTIRE DIVISION OF WORKER'S COMPENSATION.

FOR A MORE IN DEPTH AND TECHNICAL EXAMINATION AND OPPOSITION TO HB 203, I WOULD LIKE TO DRAW YOUR ATTENTION TO THE MEMO FROM FRANK THOMAS-MEARS SENT TO CHAIRMAN HUDSON MARCH 9, 1993.

THIS LEGISLATION WAS ONLY INTRODUCED LAST FRIDAY. MANY PEOPLE ARE NOT AWARE THAT IT EXISTS AND HAVE NOT HAD TIME TO EXAMINE ALL OF THE RAMIFICATIONS. IT HAS BEEN SUGGEST BY SOME MEMBERS, THEY WOULD LIKE TO SEE THE BILL HELD IN COMMITTEE UNTIL THESE AND MANY OTHER QUESTIONS TO BE DISCOVERED CAN BE ANSWERED:

- WHY IS THE ADDITION MONEY NEEDED?
- WHAT DOES THE DIVISION INTEND TO DO WITH THE ADDITIONAL FUNDING?
- HOW MANY NEW EMPLOYEES WILL THEY HIRE?
- WHAT WILL IT COST BUSINESS OWNERS?
- HOW WILL IT EFFECT WORKERS' PREMIUMS?

FROM PUBLISHED REPORTS, IT IS MY UNDERSTANDING THAT THE 18TH LEGISLATURE IS LOOKING AT WAYS TO HELP BUSINESS AND, TO ENCOURAGE NEW BUSINESS FORMATION. NFIB/ALASKA FIRMLY BELIEVES THIS BILL DOES EXACTLY THE OPPOSITE OF THAT STATED INTENTION.

NFIB/ALASKA THANKS YOU FOR THE OPPORTUNITY TO COMMENT ON THIS LEGISLATION. IF YOU HAVE ANY QUESTIONS I WOULD BE HAPPY TO TRY AND ANSWER THEM.

MEMORANDUM


STATE OF ALASKA

DEPARTMENT OF LABOR
Workers' Compensation Division

TO: C.W. Mahlen
Commissioner

DATE: December 14, 1992

FILE: Funding Issues

FROM: 
Paul B. Arnoldt
Director

PHONE: 465-2790

SUBJECT: Major Issues Facing
Workers' Compensation

Alaska's workers' compensation is faced with three major issues: (1) skyrocketing medical costs, (2) escalating rehabilitation requests, and (3) inadequate resources to manage the workers' compensation act.

MEDICAL COSTS: As depicted on the chart, medical costs have risen from \$22.9 million in 1988 to \$54.8 million in 1991. This represents roughly a 140% increase in three years. In 1988, medical payments accounted for 25% of all workers' compensation payments; in 1991, it increased to 44% of total compensation.

In 1988, legislation was enacted and regulations were promulgated capping medical charges at 90% of usual, customary and reasonable. However, funding for preparing a medical fee schedule was not provided, so the division selected a company to develop a fee schedule; developmental charges are being recovered by the company by charging each subscriber \$4.8 for a copy of the schedule. Consequently, many insurers are not using the schedule for payment comparisons. Without funding, the division cannot hire staff to audit insurers to verify compliance and to develop other cost containment measures. A medical benefit consulting firm should be under contract to assist the division in medical cost containment. Cost containment measures might include options such as second opinions, pre-authorization, peer reviews. The division is not equipped to address the problem with skyrocketing medical costs. Proven cost containment measures are available, but without funding these cannot be implemented. *Funding: \$85.0 contractual (consulting), \$58.1 personal services (WC Officer II-auditing), \$6.0 travel & \$5.0 equipment.*

REHABILITATION BENEFITS: In 1982 and again in 1988 rehabilitation benefits underwent major legislative rewrites which have culminated in a relatively good program for all parties involved. In FY89 the rehabilitation section was handling 289 requests for benefits. In FY93 the number will grow to about 1,400. As graphically shown, this is roughly a 5 fold increase in requests. There doesn't seem to be any single reason for the increase. Some of the increase is due to more familiarity with the program. Some may be due to the success of the program in retraining. Some may be due to the economy which is forcing some disabled workers to seek rehabilitation in order to improve their chances of reemployment. Whatever the reason, eligible injured workers

are using the program as a means to bridge unemployment following work related injuries. The rehabilitation section is staffed with 2 full time and 1 part time personnel. Such a small staff has not been able to keep pace with the large increase in workload. As a result, many of the statutory deadlines for processing rehabilitation requests are not being met. This slows the transition of workers from unemployment to employment and drives up the cost of workers' compensation. *Funding: \$58.1 personal services (WC Officer II) & \$5.0 equipment.*

INADEQUATE RESOURCES: Besides the issues discussed above, the Workers' Compensation Division is faced with other serious funding shortfalls:

(1) Compromises & Releases: The division has been taxed with an \$85.0 budget reduction for FY94. A cut of this magnitude cannot be absorbed within the division's existing budget without a corresponding reduction in program responsibility. The division is faced with cutting one hearing officer in Fairbanks and to cease the review of compromise and release agreements (C&R's).

The division receives about 775 C&R's a year for review. Most require minimal board involvement while some develop into full hearings with the board issuing decisions and orders.

The division believes the mere fact that C&R's are reviewed tends to produce more equitable agreements. One of the most prevalent items the board will not approve is the waiver of future medical benefits. There are always some claimants who would rather take a lump sum settlement today in lieu of future benefits. Most claimants are represented by lawyers, but a few are not. Staff intuitively believe those claimants represented by council fair better than those who aren't. We do not have any statistics to support this contention.

The current process of review does result in smoothing out difficulties and misunderstandings. Once agreements are approved by the board, they become final. If there should be an appeal, the Superior Court gives considerable weight to the board's action. Thus, the board's involvement adds to the strength of the agreement reached between the parties. Ceasing board review will mean disputes between insurers and claimants will now be directed to the courts. This only shifts the cost from one agency of government to another. Probably a number higher than those currently considered before the board will end up in litigation, but this is only speculation. *Funding: \$66.0 personal services (WC Hearing Officer).*

(2) Uninsured Employers: It is the expressed intent of the legislature in amending AS 23.30.075(b) and 23.30.155 that the Workers' Compensation Division strictly enforce the punishment authorized under AS 23.30.075(b) and the reporting requirements and penalties for non-compliance under AS 23.30.155. These sections address employers who do not provide workers' compensation insurance and the penalties for non-compliance with the workers' compensation act. Beginning with FY92 the uninsured employer investigator position was vacated to meet funding reductions.

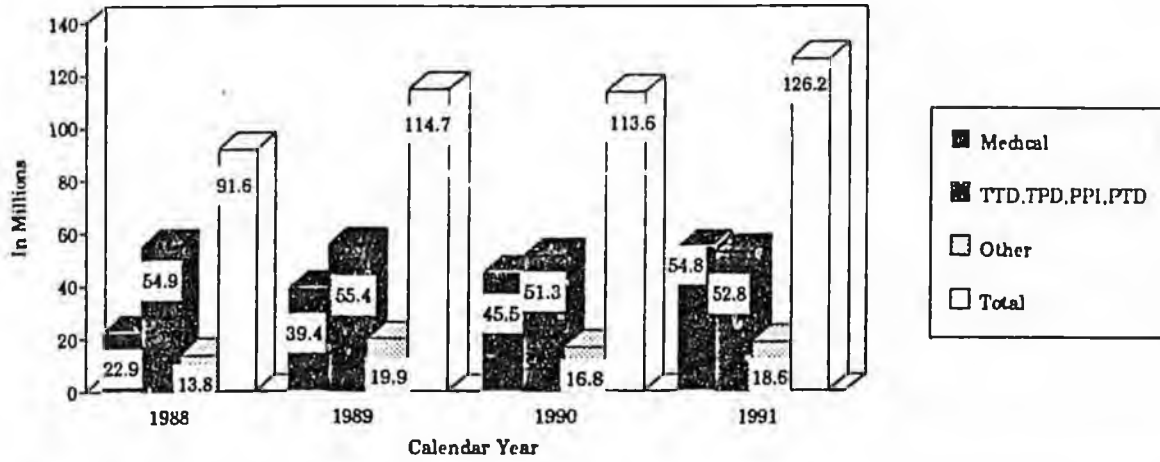
The division is able to identify uninsured employers, but no staff to do the investigation. We estimate there are potentially 1,775 uninsured employers with an undetermined number of workers. This creates three problems: (1) injured workers are unprotected, (2) employers with workers' compensation coverage are competitively disadvantaged in the market place, and (3) the state loses revenues under the insurance premium tax. *Funding: \$51.1 personal services (WC Officer I), \$5.0 equipment & \$4.0 travel.*

(3) Cost of Living Allowance (COLA): AS 23.30.175 requires the division to annually determine the differential between the cost of living in Alaska and other areas in which worker compensation recipient, reside and to adjust their compensation accordingly. Beginning in 1988, the division contracted annually with Runzheimer International to prepare a COLA comparison study. This study cost approximately \$50.0 annually. Industry was advised of the results of the study and recipient benefits were adjusted accordingly. The last COLA study was prepared in 1990, but because of budget cuts, no new studies have been prepared. Recent research indicates approximately 260 recipients reside in roughly 76 city areas in 33 states. The COLA benefit reduction for these recipients amounts to approximately \$150.3 annually. Industry has expressed concern about using a COLA study that has not been updated as required by statute. The original Runzheimer studies were based on surveying about 250 cities. By cutting the scope of this survey back to the 76 city areas currently affected, the cost of the study would be reduced to \$20.0. The legislature may wish to provide a mechanism for industry to reimburse the division for the cost of the study. Otherwise, if a study is to be done, the division's contractual budget will have to be increased. *Funding: \$20.0 contractual.*

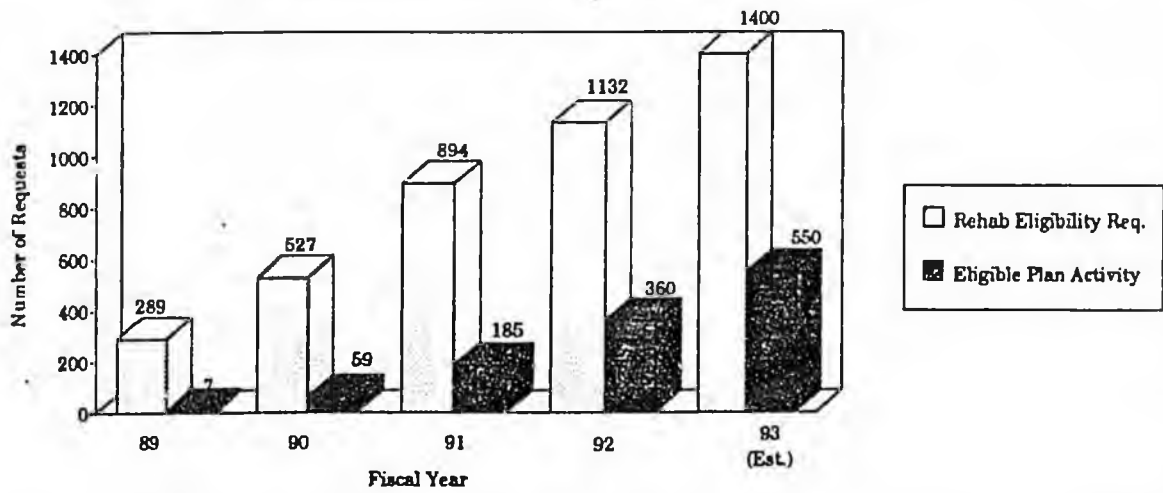
(4) Data Processing Personnel: The Department of Labor is currently implementing a common data base system. It is anticipated that this system will become fully operational during December 1993. The equivalent of one department programmer/analyst supports Workers' Compensation portion of the project. As the system becomes operational, the division will be responsible for its operation and maintenance. Texas Instrument's contract manager has advised the division that once the new system is implemented, the division will require two full-time programmer/analysts to maintain the system. *Funding: \$135.0 personal services (two programmer/analysts) & \$5.0 equipment.*

(5) Other Obligations: The division anticipates increased data processing chargeback from the Department of Administration, inadequate travel funding for newly appointed board members, shortfalls for copier maintenance agreements, telephone systems and postage (mailing of files between offices). The division's vacancy assessment factor is 6%. The division's staff (34.3 full-time equivalents) is small and seasoned. To achieve a 6% vacancy factor, staff will have to be terminated. The impact of this "underfunding" has not been identified in terms of program delivery, but it is clear that "to absorb the impact" is no longer an option. The fat is gone, it is all flesh. *Funding: \$34.5 DP chargeback, \$7.0 Board travel & \$59.6 personal services (3% vacancy).*

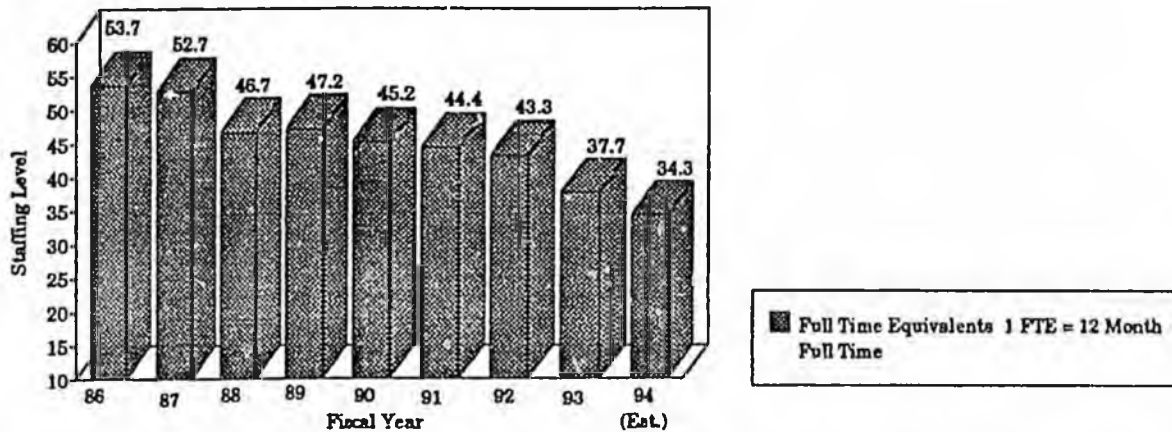
WORKERS' COMPENSATION PAYMENTS
Based on Annual Reports submitted by Insurers



REHABILITATION SECTION ACTIVITY



WORKERS' COMPENSATION
Conference Committee Authorized Staff



FISCAL NOTE

Li. V. ...

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO : HB 203

Revision Date: _____
 Title: Administrative Fee for
Workers' Compensation
 Sponsor: House Labor & Commerce
 Requestor: House Labor & Commerce

Department Affected: Labor
 BRU: Workers' Compensation
 Component: Workers' Compensation

COMPONENT SERIAL NO. 344

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	421.9	421.9	421.9	421.9	421.9	421.9
TRAVEL	17.0	17.0	17.0	17.0	17.0	17.0
CONTRACTUAL	151.5	151.5	151.5	151.5	151.5	151.5
SUPPLIES	12.1	12.1	12.1	12.1	12.1	12.1
EQUIPMENT	20.0	20.0	20.0	20.0	20.0	20.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	622.5	622.5	622.5	622.5	622.5	622.5

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

REVENUE	622.5	1,245.0	1,867.5	2,490.0	2,801.2	2,801.2
FUND SOURCE:	PR #1005	PR #1005	PR #1005	PR #1005	PR #1005	PR #1005

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		(622.5)	(1,245.0)	(1,867.5)	(2,178.7)	(2,178.7)
1005 GF/Program Receipt	622.5	1,245.0	1,867.5	2,490.0	2,801.2	2,801.2
1006 GF/MHTIA						
Other						
TOTAL	622.5	622.5	622.5	622.5	622.5	622.5

POSITIONS:

FULL-TIME	6.0	6.0	6.0	6.0	6.0	6.0
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ None

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Paul B. Arnoldt, Director *Paul B. Arnoldt* Phone: 465-2790
 Division: Workers' Compensation Date: 3/11/93

Approved by Commissioner: Charles W. Mahlen *Ch. Mahlen*
 Agency: Department of Labor Date: 3/11/93

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Fiscal Note Analysis for:

Administrative Fee for Workers' Compensation

This bill will establish an administrative fee to be collected from workers' compensation insurance carriers and self-insured employers. Revenue from the fee would be used to fund the operating costs of the Workers' Compensation program. The fee would be a percentage of all compensation, minus Second Injury Fund contributions, reported each year under AS 23.30.155(m). This fee would be phased in over a period of five years. In the first fiscal year, 1994, the fee would be one-half of one percent. The percentage would increase by an additional one-half percent in each of the following three years with an increase of one-quarter of one percent in the fourth year to a final rate of 2.25 percent in fiscal year 1998.

Using the fiscal year 1991 workers' compensation annual report figure of \$126.2 million in total compensation, less \$1.7 million for the Second Injury Fund, the department estimates revenues from the fee would be:

Fiscal Year 1994, 0.50% :	\$622.5
Fiscal Year 1995, 1.00% :	\$1,245.0
Fiscal Year 1996, 1.50% :	\$1,867.5
Fiscal Year 1997, 2.00% :	\$2,490.0
Fiscal Year 1998, 2.25% :	\$2,801.2

The increased receipts for fiscal year 1994 would be used by the Workers' Compensation program to offset an existing budget shortfall. The Workers' Compensation program is faced with three major funding issues: (1) skyrocketing medical costs, (2) escalating rehabilitation requests, and (3) inadequate resources to meet the statutory requirements of the workers' compensation act. These issues are discussed in detail below. After fiscal year 1994 the increasing level of program receipts would be used to reduce the budgeted general funds required to operate the program.

MEDICAL COSTS: In 1988, legislation was enacted and regulations were promulgated capping medical charges at 90% of usual, customary and reasonable costs. However, because funding for preparing a medical fee schedule and monitoring compliance with the schedule was not provided, cost containment measures remain virtually nonexistent. A medical benefit consulting firm should be under contract to assist the division in medical cost containment. Cost containment measures might include options such as second opinions, pre-authorization, or peer reviews. Cost containment measures are available, but without funding these cannot be implemented. *Funding: \$85.0 contractual (consulting), \$58.1 personal services (WC Officer II--auditing), \$6.0 travel, \$2.0 contractual, \$.5 commodities, & \$5.0 equipment.*

REHABILITATION BENEFITS: In 1982 and again in 1988, rehabilitation benefits underwent major legislative changes which have culminated in a relatively responsive program for all parties involved. In FY 89 the rehabilitation section was handling 289 requests for benefits. In FY 93 the number of requests is expected to be approximately 1,400. The rehabilitation section is staffed with 2 full time and 1 part time employees. The small staff has not been able to keep pace with the large increase in workload. As a result, many of the statutory deadlines for processing rehabilitation requests are not being met. This slows the transition of workers from unemployment to employment and drives up the cost of workers' compensation. *Funding: \$58.1 personal services (WC Officer II), \$2.0 contractual, \$.5 commodities, & \$5.0 equipment.*

INADEQUATE RESOURCES: Besides the issues discussed above, the Workers' Compensation Division is faced with other serious funding shortfalls:

(1) Compromises & Releases: The division has received an \$85.0 reduction in the department's FY 94 budget request. A cut of this magnitude could not be absorbed within the division's existing budget without a corresponding reduction in program responsibility. The reduction will cause the deletion of one hearing officer position which was responsible for the review of compromise and release agreements (C&R's).

The division receives about 775 C&R's per year for review. The division believes the mere fact that C&R's are reviewed tends to produce more equitable agreements. The review process does result in smoothing out difficulties and misunderstandings. Once agreements are approved by the board, they become final. Ceasing board review will mean disputes between insurers and claimants may be directed to the courts (where the cost to resolve the dispute would be greater), thereby shifting the cost from one agency of government to another. *Funding: \$74.5 personal services (WC Hearing Officer), \$2.0 contractual, & \$.5 commodities.*

(2) Uninsured Employers: It is the expressed intent of the legislature in amending AS 23.30.075(b) and 23.30.155 that the Workers' Compensation Division strictly enforce the punishment authorized under AS 23.30.075(b) and the reporting requirements and penalties for non-compliance under AS 23.30.155. These sections address employers who do not provide workers' compensation insurance and the penalties for non-compliance with the workers' compensation act. Beginning with FY 92 the uninsured employer investigator position was vacated to meet funding reductions.

The division has the capability to identify uninsured employers, but has no investigative staff available for that task. We estimate there are potentially 1,775 uninsured employers with an undetermined number of workers. This creates three problems: (1) injured workers are unprotected, (2) employers with workers' compensation coverage face a competitive disadvantage in the market place, and (3) the state loses revenues under the insurance premium tax. *Funding: \$51.0 personal services (WC Officer I), \$4.0 travel, \$2.0 contractual, \$.5 commodities, & \$5.0 equipment.*

(3) Cost of Living Allowance (COLA): AS 23.30.175 requires the division to annually determine the differential between the cost of living in Alaska and other areas in which worker compensation recipients reside and to adjust their compensation accordingly. Beginning in 1988, the division contracted annually with Runzheimer International to prepare a COLA comparison study. This study cost approximately \$50.0 annually and covered 250 city areas. Industry was advised of the results of the study and recipient benefits were adjusted accordingly. The last COLA study was prepared in 1990, but because of budget cuts, no new studies have been prepared. Recent research indicates approximately 260 recipients reside in roughly 100 city areas in 33 states. The COLA benefit reduction for these recipients amounts to approximately \$150.3 annually. Industry has expressed concern about using a COLA study that has not been updated as required by statute. By reducing the scope of this survey to the city areas currently affected, the cost of the study would be reduced to \$20.0. *Funding: \$20.0 contractual.*

(4) Data Processing Personnel: The Department of Labor is currently implementing a common data base system. It is anticipated that this system will become fully operational by December 1993. As the system becomes operational, the division will be responsible for the operation and maintenance of its portion of the system. Texas Instrument's contract manager has advised the division that once the new system is implemented, the division will require two full-time Analyst/Programmers to maintain the system. *Funding: \$133.4 personal services (two Analyst/Programmers), \$4.0 contractual, \$1.0 commodities, & \$5.0 equipment.*

(5) Other Obligations: The division anticipates increased data processing chargeback from the Department of Administration, and has inadequate travel funding for newly appointed board members, shortfalls for copier maintenance agreements, telephone systems, postage (mailing of files between offices) and commodities (office, data processing, and library supplies). In addition the division's FY 94 budgeted vacancy assessment factor is 6%. The division's staff (34.3 full-time equivalents) is small and seasoned. To achieve a 6% vacancy factor, existing staff would have to be terminated. The impact of this "underfunding" has not been identified in terms of program delivery, but it is clear that "absorbing the impact" is no longer an option. *Funding: \$34.5 DP chargeback, \$9.1 commodities, \$7.0 Board travel & \$46.8 personal services (3% vacancy).*

(6) Equipment: The division currently has no budgeted authorization for equipment purchases or replacement of obsolete and/or inadequate equipment. It is the division's desire to retain the \$20.0 equipment authorization which has been included on the fiscal note to provide funds for equipment purchase and replacement.

For purposes of calculating fiscal impact, an effective date of July 1, 1993 is assumed.

Position Title Workers' Compensation Officer I		No. of Positions 1	Range/Step 16A	Barg. Unit GGU
Time Status Full Time	Staff Months 12	Location Juneau		Election District 3
Type of Expenditure		Amount	Justification This position will investigate employers who do not provide workers' compensation insurance or who do not comply with the reporting requirements as set out in the workers' compensation act. Travel funds will be used for on-site investigations. Contractual costs include postage, phone, space rent, and other average per employee costs. Commodities cover normal office supplies. Equipment funds cover normal office equipment including a desk, chair, and personal computer. Equipment costs are a one-time item.	
Salary	\$36,400			
Benefits	\$14,600			
Premium Pay				
Other				
Total Personal Services		\$51,000		
Travel		\$4,000		
Contractual		\$2,000		
Commodities		\$500		
Equipment		\$5,000		
Other				
Total Cost		\$62,500		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004			
GF Program Receipt	1005	\$62,500		
CIP Receipts	1061			
Other				

**Request For
New Position**

Agency Labor
BRU Workers' Compensation
Component Workers' Compensation

Page 6 of 9
Revised Date

FY 94

Position Title Workers' Compensation Hearing Officer		No. of Positions 1	Range/Step 21C	Barg. Unit GGU
Time Status Full Time	Staff Months 12	Location Anchorage		Election District 9
Type of Expenditure		Amount		
Salary		\$54,900		
Benefits		\$19,600		
Premium Pay				
Other				
Total Personal Services		\$74,500		
Travel				
Contractual		\$2,000		
Commodities		\$500		
Equipment				
Other				
Total Cost		\$77,000		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
GI' Program Receipt	1005	\$77,000		
I-A Receipts	1007			
CIP Receipts	1061			
Other				
Justification				
<p>This position will perform the approximately 775 compromise & release reviews the division receives each year. The position which previously performed this function has been deleted from the FY 94 budget request due to a lack of funding.</p> <p>Contractual costs include postage, phone, space rent, and other average per employee costs.</p> <p>Commodities cover normal office supplies.</p>				

**Request For
New Position**

Agency Labor
 BRU Workers' Compensation
 Component Workers' Compensation

Page 7 of 9
 Revised Date _____

FY 94

Position Title Workers' Compensation Officer II		No. of Positions 1	Range/Step 18A	Barg. Unit GGU
Time Status Full Time	Staff Months 12	Location Anchorage		Election District 9
Type of Expenditure		Amount		
Salary		\$42,000		
Benefits		\$16,100		
Premium Pay				
Other				
Total Personal Services		\$58,100		
Travel				
Contractual		\$2,000		
Commodities		\$500		
Equipment		\$5,000		
Other				
Total Cost		\$65,600		
Funding Source for Total Cost				
Federal Receipts 1002				
G. F. Match 1003				
General Fund 1004				
GF Program Receipt 1005		\$65,600		
CIP Receipts 1061				
Other				
<p>Justification</p> <p>This position will assist current staff in handling rehabilitation benefit reviews and payments. The additional position will allow the unit to meet statutory deadlines for processing benefit requests which are not currently being met.</p> <p>Contractual costs include postage, phone, space rent, and other average per employee costs.</p> <p>Commodities cover normal office supplies.</p> <p>Equipment funds cover normal office equipment including a desk, chair, and personal computer. Equipment costs are a one-time item.</p>				

**Request For
New Position**

Agency Labor
 BRU Workers' Compensation
 Component Workers' Compensation

Page 9 of 9

Revised Date

FY 94

J J R C
JUNEAU RACQUET CLUB

Library

03/16/93.

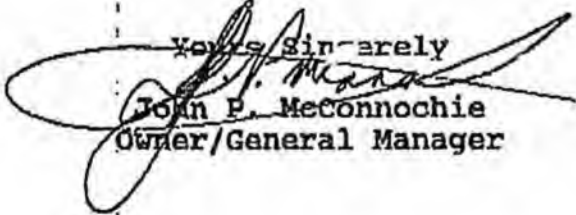
Representative Bill Hudson
House Labor and Commerce Committee
Fax # 465-4648

Dear Bill,

I understand that the Department of Labor, Division of Workers Compensation, via HB 203 has asked for a fee schedule on WC Insurance Carriers. This fee apparently would then be passed on to the business community in order that the Division can fund its operating costs.

This new fee (it looks more like a tax than a fee) is a cost that should not be borne by the business sector. For business's to be viable and involved in economic development we can not afford to be taxed with these "hidden costs" of doing business.

Thanking you in advance for your time and attention to this matter.

Yours sincerely

John P. McConnochie
Owner/General Manager

JERREL REALTY

P. O. Box 32601
Juneau, Alaska 99803

Phone: (907) 789-0063

Fax: (907) 789-3433

FAX MEMO

#PAGES 1

TO: Representative Bill Hudson
Chairman, House Labor and Commerce
State of Alaska

FROM: David R. Jerrel
Broker/Owner
JERREL REALTY

RE: HB 203 Workers Compensation "TAX".

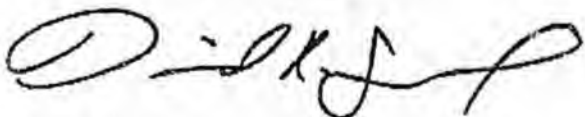
Dear Bill:

This is to inform you that I am opposed to HB 203. You can call it any thing you want, but it is nothing more than increased taxes on small business.

I recall a conversation with you on the evening of March 6, 1993, Rick Lauber's birthday party. You stated that "good things" for the business community would be happening in this legislative session. This is what you said, but the fact is, on March 5, 1993 you had introduced HB 203. How could you in good conscience look me in the eye and tell me you were doing "good things".

Again, I am opposed to HB 203 and I might add a little disgusted.

Respectfully Submitted



David R. Jerrel

a Memo from

*Lyle's*HARDWARE
& FURNITUREDOWNTOWN
Phone: 887-3225 or 882-8828VALLEY CENTER
Phone: 788-9021

HOME OWNED -- BOX 1247 -- JUNEAU, ALASKA 99803

to Rep Bill Hudson

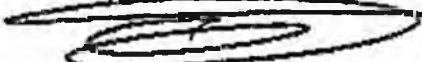
date 3-16-93

subject HB 203

message Bill!

In regard to HB 203. Please vote against this bill. Even though the amount is only .5%, that along with the projected increase to 2.25% along with the 2.7% we pay now, it's getting pretty expensive. Times like they are, we just can't afford or want any new taxes or fees.

Thanks much


signed M. L. Andy, Anderson

reply

204

HB



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

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

March 10, 1993

The Honorable Representative David Finkelstein
Alaska State Legislature
State Capitol
Juneau, AK 99811

Dear Honorable Representative Finkelstein:

I recently reviewed a copy of House Bill (HB) 204 that you sponsored, "An Act relating to the financing authority of the Alaska Industrial Development and Export Authority and giving approval of the issuance of bonds for an Anchorage airport seafood facility; and providing for an effective date," and thought it appropriate to provide you with background material regarding the project.

Late in the 1992 regular session last year, legislation was introduced calling for the Authority's involvement in the Alaska Seafood Center Project (ASC). At that time the project sponsor represented that its financing plan and market contract commitments were nearing completion, and without the Authority's ability to participate in the cold storage component of the project, the project would not be able to maintain its schedule for a 1992 design and construction start.

Based on these representations and to not impact the developers progress, it was agreed that specific project legislative authorization would be requested as soon as possible and that the Authority would start its due diligence and feasibility analysis of the project at once.

The legislation was not acted upon, however, during the general session, and when the Legislature went into the Special Session on May 13, sufficient information had not been compiled by the project sponsor to in all likelihood satisfy the minimum requirement necessary for AIDEA participation during 1992.

For this reason, project authorization for the ASC was not included in HB 598. However, in support of the project, at their May 29, 1992 meeting, the Authority's Board of Directors authorized staff to spend up to \$50,000 to retain consultant services to review formalized agreements with the prospective financiers, supply contracts (customers) and to determine the overall financial feasibility of the ASC business plan (Resolution 92-7 is attached). To date, no funds have been expended. The project sponsor has indicated a major international bank has agreed to be the lead lender on the project subject to AIDEA's participation and market contracts.

It may further be of interest to you that in early discussions between AIDEA, the Department of Transportation and Public Facilities (DOT/PF) and ASC, DOT/PF indicated there were concerns expressed by the Alaska International Airport System (AIAS) and airlines serving the Anchorage airport that a seafood facility located on airport property would attract birds. AIAS and the airlines were concerned the birds

could potentially create a safety hazard. While the developer has indicated the facility will be a secondary processor and will do over 80% of its processing with frozen products which would minimize this problem, in recognition of the concern of the airlines and the AIAS, the developer has analyzed three additional sites that are adjacent to or near the airport. These sites were found to be sufficient to develop the facility on.

The Authority remains interested in the success of the project and has continued to work and support the ASC effort due to its value in creating jobs, the importance to the seafood industry throughout Alaska, and the potential role the project would have to diversify seafood exports through value-added secondary processing. ASC could be the first major secondary processor in Alaska and may create 450 direct full-time year-round jobs in addition to 750 indirect jobs in Anchorage. ASC's business plan indicates the project will support all primary processors in Alaska by purchasing its raw materials from them and making the projects 45 million pound cold storage facility available to them - a seafood infrastructure Alaska has discussed for a number of years.

I would be happy to keep you informed of issues related to the project's progress. If you have questions or wish to discuss this project in greater detail, please do not hesitate to contact me.

Sincerely,


William R. (Riley) Snell
Executive Director

attachment

WRS:KO

cc: Commissioner Paul Fuhs
Kris Lethin
Darrel Rexwinkle
Mayor Tom Fink
Howard Benedict

FISCAL NOTE

Revision Date:
Title: AIDEA Bonds: Anchorage Seafood
Facility

Department Affected: DOT&PF
BRU: AIA

Sponsor: Finkelstein
Requestor: Finkelstein

Component: AIA Administration
Component Serial Number: 613

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
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)

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL FUNDING:	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 (FY93) impact: \$0

ANALYSIS: (Attach a separate page if necessary)

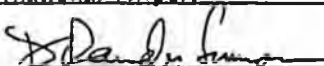
No Fiscal Impact

Prepared by: Gina Marie Lindsey

Phone: 266-2540

Division: Anchorage International Airport

Date: March 12, 1993

Approved by Commissioner: 
Frank G. Turpin

Phone: 465-3900

Agency: Department of Transportation and Public Facilities

Date: March 12, 1993

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*Department of Transportation
and Public Facilities*

POSITION PAPER

BILL NO: HB 204

APPROVED: *[Signature]*

TITLE: AIDEA Bonds: Anchorage Seafood
Facility

DATE: March 12, 1993

The department has no objection to a bill granting AIDEA approval to issue bonds for a seafood facility but has serious concern with the possibility of locating such a facility on or near airport property. We recognize that such a facility could generate revenue through lease payments, but the department objects to a seafood center on airport property for the following reasons:

1. Seafood facilities tend to attract birds and could create a major safety hazard. A seafood center was proposed for Anchorage International several years ago and airlines serving the airport strenuously objected to such a facility in close proximity to aircraft operations.
2. There is a finite amount of developable or leasable airport land and as much as possible should be reserved for activities which must operate on the airport.

For Further Information contact Katy McHugh at 465-3904.

Alaska Seafood Center, Inc.

Anchorage, Alaska

BACKGROUND INFORMATION

Advantages for Alaska

- ASC will be the first major Alaska-based, seafood manufacturer shipping finished value-added products to markets in the lower '48 and overseas
- ASC has developed a business strategy to overcome Alaska's biggest manufacturing disadvantage, its remoteness from consumer markets and higher shipping costs
- ASC will start a new Alaskan infrastructure - high technology secondary fish processing and will demonstrate for the first time that a value added secondary processing plant in Alaska makes economic sense
- The \$165 million ASC manufacturing facility will be designed, engineered and built by Alaskan contractors whenever possible

Impact on Anchorage

- 450 new year-round jobs and as many as 750 indirect jobs throughout Alaska
- ASC will be the largest private user of electricity in the city
- Substantial new business for Alaska Railroad and Anchorage International Airport

Impact on Alaska's Fishing Industry

- ASC will not compete with existing primary processors and will do no fishing
- ASC will make major year-round product purchases from Alaska's primary processors for use in secondary (value-added) processing
- ASC will have 45 million pounds of cold storage which it will make available to Alaska processors and other Alaskan firms in need of commercial cold storage
- ASC will provide reliable and economical transportation services to primary processors

To make this happen...

- ASC is not asking for any State subsidies. The AIDEA bill will authorize a bond issue for funding which will be paid back in full by ASC, on the same basis as outside conventional lenders.
- ASC will bring to Alaska \$100 million in outside funds. The State's financial participation is necessary as outside lenders will not invest in Alaska without evidence of State support. The financing provided by AIDEA will not be used until after the outside funds are in place.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. A92-7

A RESOLUTION OF THE ALASKA INDUSTRIAL
DEVELOPMENT AND EXPORT AUTHORITY RELATING
TO THE ALASKA SEAFOOD CENTER

WHEREAS, the Alaska Industrial Development and Export Authority ("Authority") is committed to the consideration of qualified Development Projects which promote economic growth and development;

WHEREAS, the seafood industry is a critical component of the Alaska economy;

WHEREAS, there is a need to promote and develop shore-based facilities which enhance the value and marketability of Alaska seafood resources;

WHEREAS, the Alaska Seafood Center ("Center") has proposed the development of a seafood processing facility to be located in Anchorage, Alaska;

WHEREAS, the Facility under consideration will provide for the processing and enhancement of Alaska seafood product;

WHEREAS, the Facility will provide a critical economic benefit to the seafood industry in Alaska;

WHEREAS, the Center has discussed with the Authority the possibility of the Authority's financial participation in development of the Center;

WHEREAS, the Center intends to enter into negotiations with prospective financiers, suppliers and customers to formalize a Business Plan for the Center;

NOW, THEREFORE, BE IT RESOLVED:

1. The Authority is fully supportive of development of the Center.

2. Staff is directed, if requested, to work in coordination with the Center to assist in the formalization of those agreements with prospective financiers, suppliers, and customers as are necessary to formalize a Business Plan for the Center.

3. The Authority looks forward to an opportunity to review a request for participation in the financing of the Center once the Business Plan is formalized.

4. Staff is authorized to expend up to \$50,000 in assets of the Economic Development Account, A.S. 44.88.172, for expenses incurred under Item 2 of this Resolution.

DATED at Anchorage, Alaska, this 29th day of May 1992.

Chairman

(SEAL)
ATTEST

Secretary

Big Anchorage seafood project makes progress

Progress is slow, but steady: Developers of what is hoped to be a \$150 million seafood processing and cold storage facility in Anchorage say they are making progress, but are still working to nail down critical sales contracts. The group is working with Alaska Industrial Development and Export Authority on potential financing for a freezer and storage unit. The processing plant would be privately financed. The group has a major Wall Street firm working on financing, and has now secured supply contracts, they say. Three sites in Anchorage are being considered but an important criteria is general proximity

to Anchorage International Airport. The plant, which would eventually employ about 450, would offer processing and storage capacity for bottomfish, surimi, salmon and other seafood product, and also cold storage services for other types of food products. The group has proposed that AIDEA finance some \$50 million, about one-third the project costs. If it can be put together, the seafood center would do a lot to put Anchorage on the map for the fishing and processing industries. *The key missing ingredient is a deal with a major food company — Mrs. Paul's Kitchens is the name most often mentioned.*

PROJECT: Alaska Seafood Center/Cold Storage

NB

DATE: September 10, 1992

STATUS: The Legislature failed to act on bonding authority for this project in 1992. The AIDEA Board approved an expenditure of up to \$50,000 to work with the Alaska Scafood Center to develop a business plan. The project may be brought before the Legislature in 1993.

BUDGET: \$50 million **FUND SOURCE:** Revenue bonds sold by AIDEA

PURPOSE: To expand the capabilities of the Alaska seafood industry to provide secondary processing, freight forwarding, and commercial cold storage services.

PARTICIPANTS: AIDEA will finance in Anchorage a cold storage warehouse facility as part of the proposed Alaska Seafood Center. The facility will be an integral part of the state-of-the-art fish processing, cold storage, and distribution center planned by ASC.

BACKGROUND: The cold storage warehouse will allow ASC to perform secondary (value added) processing of bottomfish, surimi, and salmon; provide freight forwarding for seafood products; and provide commercial cold storage services for seafood and non-seafood products. The secondary processing capabilities will create a local market for shore-based primary processors. Other Alaskan processors will be able to use the frozen storage and chill room capacities at cost-efficient rates. The facility will be located near the Anchorage International Airport, making it accessible to processors throughout the state.

ECONOMIC EFFECTS: ASC operations will provide 450 new year-round jobs at the Anchorage facility and additional employment in related business sectors, including transportation. **SOCIAL EFFECTS:** The facility should strengthen the entire seafood industry in Alaska by enhancing the cold storage, secondary processing, and freight forwarding capabilities available.

SCOPE OF PROJECT: The cold storage warehouse will have a storage capacity of 45 million pounds, capable of handling as much as 2 million pounds of product in one day. The warehouse will include an energy-efficient ammonia refrigeration system, a high-bay racked storage system with automatic closure entrances and air-curtain walls, chill rooms, blast freezers, ice makers, and standby electrical generation.

PROJECT: Unalaska Geothermal Project

DATE: September 18, 1992

FUND SOURCE: \$80 million through the sale of tax-exempt bonds sold by the Alaska Energy Authority (AEA) or AIDEA; to be repaid through user fees.

PURPOSE: Due to rapid economic growth resulting from expansions in the on-shore fish processing industry, Unalaska's energy requirements have grown dramatically. This project provides an alternative energy supply for the City reducing its dependence on fuel oil, which fluctuates in price.



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PROJECT FACT SHEET: Alaska Seafood Center/Cold Storage

DATE: November 25, 1992

STATUS: The Legislature failed to act on bonding authority for this project in 1992. The AIDEA Board approved an expenditure of up to \$50,000 to work with the Alaska Seafood Center to develop a business plan. The project may be brought before the Legislature in 1993.

PROJECT BUDGET: \$50 million

SOURCE OF FUNDS: Revenue bonds sold by AIDEA

PURPOSE: To expand the capabilities of the Alaska seafood industry to provide secondary processing, freight forwarding, and commercial cold storage services.

PARTICIPANTS: AIDEA will finance construction in Anchorage of a cold storage warehouse facility as part of the proposed Alaska Seafood Center. The facility will be an integral part of the state-of-the-art fish processing, cold storage, and distribution center planned by ASC.

BACKGROUND: The cold storage warehouse will allow ASC to perform secondary (value added) processing of bottomfish, surimi, and salmon; provide freight forwarding for salmon and other seafood products; and provide commercial cold storage services for seafood and non-seafood products. The secondary processing capabilities will create a local market for shore-based primary processors. Other Alaskan processors will be able to use the frozen storage and chill room capacities at cost-efficient rates. The facility will be located near the Anchorage International Airport, making it accessible to processors throughout the state.

ECONOMIC EFFECTS: ASC operations will provide about 450 new year-round jobs at the Anchorage facility and additional employment in related business sectors, including transportation.

SOCIAL EFFECTS: The facility should strengthen the entire seafood industry in Alaska by enhancing the cold storage, secondary processing, and freight forwarding capabilities available.

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

~~CONFIDENTIAL~~

ALASKA SEAFOOD CENTER

Executive Summary

April 3, 1992

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

ALSC0053

EXECUTIVE SUMMARY

Introduction

The Alaska Seafood Center, Inc., a privately-owned company ("ASC" or "the Company"), proposes to develop, build, own and operate a state-of-the-art fish processing, cold storage and distribution center ("the Facility") to be located in Anchorage, Alaska. ASC is being developed at a time of profound change in the seafood industry in Alaska and the eating habits of Americans, i.e., a rapid reduction in the consumption of red meat and an escalation in the demand for seafood. ASC believes that the combination of these circumstances has created a significant opportunity for ASC and for Alaska.

ASC's operations will be based on producing high quality, value added seafood products. ASC will create approximately 450 new year round jobs at the Facility itself and support many other jobs in Anchorage in indirectly related businesses. For example, a great number of jobs will be created in the State transportation system (airline, railroad and trucking) to serve ASC. ASC will also provide economical cold storage and transportation services to smaller fish processors in the State, giving them faster and more profitable access to their customers. The Company's business segments will be:

- Secondary processing of bottomfish based on Alaskan raw material of blocks and fillets from pollock and cod (frozen products).
- Secondary processing of surimi based on Alaskan raw material of surimi blocks, a fish paste primarily made from minced Alaskan pollock (frozen products).
- Secondary Processing of salmon based on Alaskan wildlife salmon (frozen products).
- Primary processing of salmon (chilled products).
- Freight forwarding of salmon and other native fish owned by ASC and others (chilled products).
- Commercial cold storage services for seafood and non-seafood products.

Secondary processing consists of adding value to primary processed raw materials such as fish blocks and individual quick frozen fillets (IQF's). The finished product consists of a portion controlled piece of fish and added coatings, sauces or toppings in order to prepare it for consumption.

When fully on-line, the Facility will have the capacity per day to process (raw material) approximately 210,000 pounds ("lbs") of bottomfish products, 13,000 lbs of surimi products and 180,000 lbs of salmon (during the salmon season). Upon completion, it will have a cold storage capacity of approximately 45 million lbs of seafood and non-seafood products and a chill room capacity for receiving and shipping of chilled fish of approximately 2.2 million lbs. The fish resources of the Bering Sea and the Gulf of Alaska will provide the raw materials for the Company's seafood processing business segments. In 1991, Alaskan waters within the Alaskan Exclusive Economic Zone ("EEZ") produced 4.4 billion lbs of bottomfish which included cod and pollock, the most important species for ASC's production. The salmon harvest was a 60-year record of 725 million lbs.

U.S. fisheries harvest all bottomfish coming from the EEZ. The primary processing (heading, gutting, filleting and in certain cases mincing) and freezing into IQF fillets and fish blocks is done on shore based primary processing plants and on board catcher/processing ships, within hours after the catch so as to avoid spoilage. The resulting products (fish blocks and IQF fillets) are shipped by refrigerated cargo ships to Japan, Korea, Europe and the contiguous 48 states (the "Lower 48") for secondary processing.

ASC offers the opportunity for Alaska to have secondary (value added) processing take place within the State, resulting in a substantial number of year round jobs for Alaskans. ASC will be a major customer of shore based primary processors, buying substantial quantities of product from them, which will eliminate their transportation disadvantage.

ASC offers other Alaskan processors the opportunity to store frozen seafood and offers other food businesses the opportunity to store non-seafood products on a commercial basis. Commercial fisheries can take advantage of ASC's location to store their products in Anchorage and reduce their transportation and storage costs. ASC will provide greater flexibility to other food businesses and distributors by providing them the ability to store larger quantities in Anchorage instead of the Lower 48.

ASC offers freight forwarding of chilled fish products to other Alaskan processors. ASC's logistic capabilities and chill room capacity located close to the airport are essential for air transportation of chilled fish in a regularly scheduled and therefore cost efficient manner.

The Facility

ASC has located several sites on which it has negotiated an acceptable price. They are zoned for processing, storage, wholesaling and distribution operations. All have sewer, water and utility services up to or near the property line which are considered by ASC to be satisfactory for the contemplated uses. Before notice to proceed is given to the contractor, a complete geotechnical study will be done. There are various permits and approvals that are required to be obtained prior to the start of construction and operation of the Facility. ASC is confident that the Facility will receive all these necessary permits on a "fast track basis" based on assurances from the city.

The sites have been selected because of their access to all forms of transportation. They are two to seven minutes from the Anchorage International Airport and about 15 minutes from the Port of Anchorage. All have direct rail access by rail from a spur off the main line to the property boundary via a dedicated easement.

ASC has entered into a \$62,736,000 lump sum turnkey fixed price contract with National Projects, Inc., a subsidiary of Morrison-Knudsen Corporation, ("National") for the design and construction of the Facility. The cost of processing equipment is not included in the contract price. ASC will procure all processing equipment directly from the vendors. Allowances, rather than fixed prices, are included for landscaping, stonework, permits, signs and installation of the first processing line. The contract calls for a construction schedule of 20 months with liquidated damages in the amounts of \$29,000 per day for late completion subject to a cap of \$1,500,000. The contract also provides National with a \$14,500 per day early completion bonus.

The Facility will consist of approximately 245,000 square feet. The first floor will be used for processing, freezing and storage of fresh and frozen fish and other foods. The second floor will be used for sanitary facilities, an employee lunchroom, administrative offices, and a guest lunchroom. The Facility will include a paved parking area and the dock areas will be paved as well, to accommodate refrigerated vans and other trucks. In addition, the truck staging area will provide space for refrigerated vans. The fish processing, processing support and office areas, dock facilities and cold storage building will be constructed with concrete and steel. In the cold storage area, the structure will be approximately 63 feet high, while the racks used to store product will be approximately 50 feet high. The energy building will house the refrigeration equipment, battery charger and heating equipment as well as the maintenance department.

The Facility will use state-of-the-art equipment designed to include the latest proven technological developments. The heart of the ASC seafood processing system will be two secondary bottomfish processing lines, one for battered and breaded products (sometimes called "B&B"), and one line for prepared foods. There will also be a line for the secondary processing of surimi and a line for secondary processing of fish blocks into portions and headed and gutted salmon into steaks. The Facility will have a single line for primary salmon processing (i.e., heading, gutting and filleting). Such salmon then will be either flown out fresh as chilled fillets or glazed and blast frozen in preparation for cold storage as frozen fillets and headed and gutted salmon for later steaking.

ASC's state-of-the-art equipment will make it possible to process chilled and frozen products in a cost efficient manner. Strict hygiene and quality control standards, which meet or exceed U.S. inspection criteria, will ensure that the finished products can meet customers' demands for the highest quality.

Employment

When fully on line, ASC's operations will provide approximately 450 new year round jobs to Alaskans who will be employed directly at the Facility. In addition, numerous other existing and newly created jobs will be supported in the businesses that serve and service the Facility. For example, many jobs will be created in the transportation sector (airline, railroad and trucking). Also, the wages paid to the employees at ASC and the related service businesses will benefit the local economy according to the economic multiplier for the community.

While Anchorage can provide a well educated labor force, ASC will need to train new staff at many different levels of the organization. For this reason, and because ASC needs to start up new functions in the areas of technical operations, processing, sales/marketing, logistics and administration, a start up schedule for the operation has been carefully worked out. ASC's production and service activities will be ramped up over several years and the employees will be hired in accordance with this schedule.

Location

The Facility's location in Anchorage will place it close to the bottomfish harvesting grounds and at the center of the four major Alaskan salmon fishing areas. Anchorage is a beautiful modern city, the largest in Alaska, with a year-round moderate climate and a population of approximately 225,000 people. The Anchorage location will provide a competent and stable labor force and a readily available supply of workers, many already experienced in seafood processing.

Transportation of frozen raw materials to the Facility and of frozen finished products to the market will be by surface transportation.

To get the chilled fish products to the U.S. market and abroad ASC will take advantage of Anchorage International Airport, which is the biggest air cargo center in the U.S. The airport provides access to all destinations served by the eleven international and ten domestic airline companies operating there. Major air cargo carriers such as Japan Airlines and Korea Airlines have facilities at the airport and United Parcel Service and Federal Express have recently completed major international cargo and package terminals as well.

Raw Materials

ASC, with its location in Anchorage, Alaska, will have access to one of the world's most important fisheries. The Alaska Seafood Center will process three of the top four fish species in the U.S., based on landed seafood tonnage - Alaska Pollock #1, Salmon #3, and Cod #4. In 1990, Alaska handled 5.4 billion pounds of landed fish, five times as much as the state with the second highest tonnage, Louisiana (which is predominantly shrimp). Based on the dollar amount of seafood products, Alaska handled five times as much fish as the second highest state, Massachusetts. Alaska is a reliable and well-managed source of high quality fish. Access to high quality raw materials is a worldwide problem for the seafood industry. In the northern hemisphere there are only three major areas (the North Sea in Europe, the Grand Banks of New England and Nova Scotia, and Alaska) that have the shallow cold water which can support commercial levels of bottomfishing. The processing industries of the North Sea and the Grand Banks lack adequate raw materials because the fish stock has been greatly overfished. Alaskan fisheries, however, are not overfished and are extremely well managed by Federal and State authorities. ASC will have direct access to the world's largest fishery of high quality wild salmon, unlike other processors which may use farmed salmon, which is often of lower quality and is often chemically treated.

ASC has entered into contracts with three suppliers which either procure or otherwise control seafood products in adequate quantities and qualities to more than meet its requirements. ASC also has received expressions of interest from other seafood product suppliers.

Demand for Seafood Products

As the U.S. population ages and becomes more health conscious, Americans are turning to fish, among other items, as an essential part of a healthy low cholesterol and low fat diet. Consumer expenditures for fish in 1990 totalled \$26.7 billion, of which one-third was sold in stores (primarily supermarkets) and two-thirds were sold through the food service sector, including restaurants. The demand for seafood in the U.S. has been steadily increasing over the last ten years based on an increased consumption per capita and a growing U.S. population.

The National Fisheries Institute indicates that if the 20 pound per capita goal for the year 2000 is met (1990 consumption was 15.5 pounds per capita), U.S. consumers will eat over 5.3 billion pounds of seafood. Comparing this to the 3.9 billion pounds consumed in 1990, an additional 1.4 billion pounds of edible weight of seafood must enter the market by the year 2000. 75 percent of this growth can be attributed to the increase in per capita consumption. Although domestic fish consumption has grown at a rapid rate, Americans still eat approximately one-tenth as much fish as the Japanese and one-fourth as much as the Europeans. ASC believes that this also supports the estimated growth of domestic consumption in the coming years.

The countries in the Far East, i.e. Japan, Taiwan and Korea represent strong markets for seafood products. Because of the lack of raw material, European countries such as France, Italy and Spain also represent markets with sharply increasing demands for frozen and especially chilled seafood products.

The Market

ASC has successfully developed a market niche for selling its products through extensive studies of the market and competitors and by working with several large buyers of seafood products. ASC's concept for doing business with its customers will be:

- ASC will work with a few large customers on a long term contractual basis.
- ASC will not develop its own brand name but instead will be a reliable supplier of customized private label seafood products based on consistent quality and availability.
- ASC will provide its customers with a one-stop shopping program based on a full range of value added table ready seafood products made from Alaskan raw materials.
- ASC will provide research and development services by working with the customers to develop their private label program of customized products.

In this way ASC will meet the customers needs; for fewer, larger, more reliable, flexible, quality oriented suppliers that will work with them in a one-stop shopping program to develop and maintain their private label products.

ASC will sell its processed seafood products to wholesale grocery and food service distributors, retail supermarket chains, institutional food service establishments, seafood and family style restaurant chains and fast food chains. ASC will market its fresh and frozen seafood products in the United States and abroad through a direct sales organization, brokers and distributors.

ASC contemplates that the Facility will offer services such as cold storage and freight forwarding of chilled fish on a commercial basis.

Cold Storage

ASC believes that there will be a demand for commercial cold storage services because no large-scale, centralized cold storage facilities exist in Alaska. At present, salmon cold storage is handled primarily by staging refrigerated vans around local processing plants during the salmon season and then bringing the salmon directly to Japan by tramper or taking it through Anchorage for further shipment to Seattle by barge for longer term storage. This approach is costly and inefficient and lowers product quality. Local commercial fishermen can take advantage of ASC's Anchorage based facility to reduce transportation costs and increase product quality. Alaska imports the majority of its foodstuffs from the Lower 48 by barge, which takes from five to seven days to reach Anchorage from Seattle. There is little cold storage in the State and none that could service the overall demand in Anchorage for any extended period of time. The State and Anchorage can take advantage of the greater flexibility by storing imported foodstuffs in Anchorage, i.e., closer to the end users.

Freight Forwarding

ASC will provide freight forwarding services for chilled fish products owned by ASC and others. The facility will be located close to Anchorage International Airport and will have the necessary chill room capacity and size of operation to work with the airlines on a regularly scheduled and therefore cost efficient basis.

Ownership and Management of ASC

All of the outstanding stock of ASC is currently owned by members of the family of Howard M. Benedict, President and Chief Executive Officer of ASC. Howard M. Benedict is President of The Benedict Companies formed in New Haven, Connecticut in 1947, and a principal of various other corporate and partnership interests of the Benedict family. For 35 years, he has been actively engaged in commercial real estate development. Over the past several years, Mr. Benedict expanded into other diversified business interests. As an outgrowth of his real estate activities in Anchorage, he became interested in broadening his economic base in Alaska and in 1986 began work which led to the development of ASC. Keld Andersen, an experienced Danish seafood executive, has been appointed Chief Operating Officer and Managing Director of ASC.

Experienced Management. From 1985 to 1989, Mr. Keld Andersen, Chief Operating Officer and Managing Director of ASC, was the general manager of a large modern seafood processing plant, Royal Greenland, in Aalborg, Denmark, which produces ready-made fish dishes, smoked salmon and Greenland turbot, shrimp in brine and other advanced seafood products. During the Royal Greenland plant's development stage, Mr. Andersen was in charge of all feasibility studies, preliminary engineering and construction. After completion of the Royal Greenland plant, Mr. Andersen was in charge of the entire processing plant and was also involved in the marketing and distribution of finished products. During the years 1975-85, Mr. Anderson was Technical Director for one of Denmark's largest primary seafood processors, Skagerak Fiskeexport A/S, and General Manager for a large commercial cold storage operation.

Financing

Based on construction cost estimates provided by ASC, the total Facility cost is projected to be \$146.4 million. The construction takeout and term financing structure is assumed to be a combination of strategic limited partnership equity and term debt.

ASC is seeking strategic partners and/or investors to invest up to \$50 million equity in the Company. The strategic partners would provide, in addition to the capital investment, significant marketing and distribution expertise for the fish products produced by the Facility.

The debt financing which will be solicited from commercial banks, insurance companies and institutional investors will be arranged after the equity investment has been committed. The Construction Loan will be for 100% of the Facility cost and, at completion will be replaced by the equity investment with the remaining term debt amortized over seven years.

Sources and Uses of Funds

The following table shows the estimated cost of the Facility and the sources of permanent financing (\$ in thousands).

Sources:	
Senior Debt	\$ 68,432
Tax Exempt Debt	40,000
Equity	<u>50,000</u>
Total Sources of Funds	<u>\$158,432</u>
Uses:	
Turnkey Fixed Price Construction Contract	\$ 62,736
Allowance for ASC-Designated Equipment	27,132
Construction Contingency ⁽¹⁾	5,989
Land	6,432
Construction Management	2,780
Start-Up Expenses	11,886
Insurance	<u>525</u>
Placement, Legal, Engineering, Accounting and Miscellaneous Fees and Third-Party Reimbursables	8,775
Development Fee	2,000
Lender Fees	3,254
Escalation	7,199
Capitalized Interest	<u>1,724</u>
Total Construction Financing	<u>146,432</u>
Working Capital Reserve	5,000
Debt Service Reserve	<u>7,000</u>
Total Term Financing	<u>158,432</u>
Total Uses of Funds	<u>\$158,432</u>

(1) Includes a 5% building contingency and a 10% equipment contingency.

HB

220

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. CSHB 220 (CRA)

Revision Date: _____

Department Affected: Administration

Title: 'An Act relating to the economic development grant program; and providing for an effective date.'

BRU: Administrative Services

Sponsor: Rep Moses

Component: Administrative Services

Requestor: House CRA

COMPONENT SERIAL NO. 46

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	62.3	62.3	62.3	62.3	62.3	62.3
TRAVEL	1.2	1.2	1.2	1.2	1.2	1.2
CONTRACTUAL	1.0	1.0	1.0	1.0	1.0	1.0
SUPPLIES	.2	.2	.2	.2	.2	.2
EQUIPMENT	3.0	3.0	3.0	3.0	3.0	3.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	67.7	67.7	67.7	67.7	67.7	67.7

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

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

FUNDING:

1002 Federal Receipts						
1003 GF Match						
1004 GF	67.7	67.7	67.7	67.7	67.7	67.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
TOTAL	67.7	67.7	67.7	67.7	67.7	67.7

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: None

ANALYSIS: (Attach a separate page if necessary.)
See attached

Prepared by: Sharon Barton
Division: Administrative Services

Phone: 465-2277
Date: _____

Approved by Commissioner: Nancy Bear Usery
Agency: Administration

Date: 3/21/93

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CONTINUATION of FISCAL NOTE ANALYSIS
CSHB 220 (CRA)

The requested position is a Grant Administrator III. The position will be responsible for taking the lead in establishing regulations, evaluating grant applications as a member of the application committee, administering the grant program and performing some audit work. In addition, there will likely be some accounting structure preparation work as well as some fund accounting made necessary by the economic development grants program, that will be performed by the Grant Administrator.

The non-personnel services items are for minimal travel, the purchase of a computer and other associated costs.

H B

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ALASKA FIRE CHIEF'S ASSOCIATION

680 N. SEWARD MERIDIAN PARKWAY • WASILLA, ALASKA 99654 • (907) 373-8830 FAX 376-0799

ANDREW POSTISHEK
PRESIDENT

March 25, 1993

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Past President
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Valdez

The Honorable Harley Olberg, Chairman
House Community and Regional Affairs Committee
Juneau, Alaska

Dear Representative Olberg:

The purpose of this letter is to urge your support for H.B. 221 which clarifies the protection provided to volunteer firefighters through Workers Compensation. As president of the Alaska Fire Chief's Association, I am requesting your support on behalf of the state's fire chiefs.

As a career fire officer, I have spent years working with volunteers whose selfless dedication and hard work have provided protection for the citizens of Alaska. Much of what is required of them is unseen by the public. The hundreds of hours of training each volunteer must participate in, is as much a public service as responding to emergencies. It is absolutely essential that these men and women are protected during these activities as well.

The passage of this bill is extremely important to all of us.

Thank you very much.

Sincerely,

Andrew W. Postishek
president, A.F.C.A.



Alaska State Legislature

REPRESENTATIVE BILL HUDSON

State Capitol
Juneau, Alaska
99801-0182
(907) 465-3744

COMMITTEES

CHAIR
Labor & Commerce
VICE CHAIR
Resources
MEMBER
Transportation
Regulation Review
Economic Development
Task Force

SPONSOR STATEMENT

HOUSE BILL 221

House Bill 221 was introduced to clarify Workers' Compensation statutes that have been the cause of much confusion or misinterpretation, particularly with regard to benefits for volunteers.

Workers compensation benefits are intended, subject to minimum and maximum limits, to replace the lost wages of injured workers. Section 1 of HB 221 recognizes that volunteers should receive wage replacement based on the actual wages lost or the comparable wage they would receive were they paid employees rather than volunteers. Current law limits wage loss benefits for volunteer fire fighters, for example, who may have high earning capacity in their regular employment, to the benefits based on the wage paid a carrier fire fighter. House Bill 221 corrects the inequities in benefit calculations for volunteer ambulance attendants, police officers and fire fighters by calculating compensation based on the higher wage earned.

Section 2 of HB 221 is to clarify the original intent of AS 23.30.243, which is to extend coverage for volunteer fire fighters. In the past year, compensation benefits for volunteer fire fighters, while engaged in fire department activities other than responding to emergencies, has been questioned. Since "employees" are covered for injuries arising out of and in the course of employment, volunteer fire fighters are similarly covered. Unfortunately, AS 23.30.243 has been misinterpreted to limit coverage only to those instances where the volunteer was responding to an emergency. This section was originally intended to extend coverage, not limit it.

Therefore, in order to restore the original intent of AS 23.30.243, and to clarify once and for all that volunteers are employees and are covered as any other employee for the purposes of workers' compensation, Section 2 of HB 221 amends AS 23.30 by adding a new section that defines volunteer ambulance attendants, police officers and fire fighters as "employees."

Section 3 repeals AS 23.30.092. This statute has been interpreted to mean that a municipality "may" provide workers compensation coverage for volunteers. Conversely, it may be incorrectly interpreted to mean that a municipality may elect not to provide coverage. In reality, this section provides that an alternative policy may substitute for a workers' compensation policy so long as the benefits are equal or better than a statutory workers' compensation policy. However, this section has done nothing but cause confusion and I believe repealing it will clarify that all volunteers who meet the definition in AS 23.30 must be covered by workers' compensation.

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO : HB 221

Revision Date: _____
 Title: Workers' Compensation :
Volunteer Fire Fighters, Etc
 Sponsor: Representatives Hudson, Grussendorf
 Requestor: House Community & Regional Affairs

Department Affected: Labor
 BRU: Workers' Compensation
 Component: _____
Workers' Compensation
 COMPONENT SERIAL NO. 344

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ None

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Paul B. Arnoldt, Director *Paul B. Arnoldt* Phone : 465-2790
 Division: Workers' Compensation Date : 3/16/93

Approved by Commissioner: Charles W. Mahler *Charles W. Mahler*
 Agency: Department of Labor Date: 3/16/93

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FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. HB 221

Revision Date: _____
Title: 'An Act relating to workers' compensation for volunteer ambulance attendants, police officers and fire fighters.'
Sponsor: Hudson
Requestor: _____

Department Affected: Administration
BFU: Risk Management
Component: _____
COMPONENT SERIAL NO. 0071

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
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
---------	---	---	---	---	---	---

REVENUE FUND SOURCE:	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	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 (FY93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)
This bill would not affect Risk Management budget requirements.

Prepared by: Don Hitchcock, Director
Division: Risk Management

Phone: (907) 465-2180
Date: _____

Approved by Commissioner: Nancy Bear Usura
Agency: Administration

Date: 3/18/93

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DIVISION OF LEGAL SERVICES

**LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

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FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 22, 1993

SUBJECT: Sectional Summary of HB 221

TO: Representative Bill Hudson

FROM: Michael F. Ford *MFF*
Legislative Counsel *MFF*

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Provides that for purposes of calculating the compensation paid to a volunteer ambulance attendant, police officer, or fire fighter, the person would receive workers' compensation benefits equal to that paid a full-time employee where the injury occurred or equal to the amount that the person would receive based on earnings in their regular employment, whichever is higher.

Section 2. Provides that a person who is injured while performing service as a volunteer ambulance attendant, police officer, or fire fighter, is for purposes of workers' compensation benefits considered an employee of the municipality in which the person performs the volunteer service, if the person is not already covered by insurance.

Section 3. Repeals a provision of law allowing a municipality to elect to extend coverage to volunteer ambulance attendants, police officers, or fire fighters.

Section 4. Effective date.

MFF:gc
93-251.glc

In Re: CBJ Self-Insurance Certificate

thereunder at Chapter 46 of Title 8 of the Alaska Administrative Code (8 AAC 46).

The CBJ asserts that volunteer firemen² have workers' compensation coverage under AS 23.30.243(a) under certain circumstances, i.e., proceeding to or engaging in a fire suppression or rescue operation or the protection of life or property.³ The CBJ asserts it is not clear what other types of activities are covered under the AWCA for the volunteer firemen.

By its petition, the CBJ seeks an order which would extend AWCA coverage to volunteer firemen under the CBJ self-insurance certificate, while engaged in "approved" training and community service activities. At hearing, the CBJ informed us it wishes us to determine if we have any objection to their voluntarily providing coverage under its certificate of self-insurance.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

AS 23.30.092 provides:

A political subdivision may elect to provide benefits and compensation to its volunteer . . . firemen by obtaining insurance which would provide its volunteer . . . firemen with benefits and compensation at least equivalent to those conferred upon volunteer . . . firemen by this chapter, and the election shall be considered compliance with the coverage and insurance provisions of this chapter. The election shall be made by filing copies of the

board."

² AS 23.30.265(30) provides: "'volunteer fireman' means an individual whose name is registered with the state fire marshal as a member of a regularly organized volunteer fire department or who serves with a full-time fire department on a temporary, voluntary basis."

³ AS 23.30.243 is quoted and discussed below.

insurance policy or policies with the commissioner.

AS 23.30.243(a) provides:

For the purpose of workers' compensation, any injury, disability or death incurred by a fireman by reason of the fireman's proceeding to or engaging in a fire suppression or rescue operation, or the protection or preservation of life or property, anywhere in the state is considered to have arisen out of and been sustained in the course of employment, and the fire department or regularly organized volunteer fire department of the fireman's primary employment or registration is considered to be the employer, except when the injured, at the time of injury or death, is acting for compensation from another.

AS 23.30.092 provides a procedure for the resolution of the CBJ's problem, i.e., purchasing workers' compensation insurance coverage for the volunteer firemen, and filing a copy of the insurance policy with the Commissioner of Labor. We assume the CBJ is aware of this option, and has declined to purchase such insurance due to the cost.

The question remains, can the CBJ cover its volunteer firemen under its self-insurance certificate? This issue has never been addressed by the AWCB. We have reviewed the AWCA and 8 AAC 46, the Self-Insurance regulations. We find nothing which prohibits the CBJ from electing to cover its volunteer firemen under its self-insurance certificate. We find nothing which leads us to believe that AS 23.30.092 was intended to require a municipality to purchase insurance as the exclusive method of insuring its volunteers for workers' compensation liability. Absent any specific language precluding it, we find it is permissible for the CBJ to self-insure workers' compensation liability for its volunteer firemen.

Concerning the specific terms of the coverage which the CBJ wishes to provide, and which we are asked to authorize, we find

In Re: CBJ Self-Insurance Certificate

nothing which prohibits the CBJ and volunteer firemen from entering into an agreement under which the CBJ agrees to provide workers' compensation coverage in accord 8 AAC 46 and the guidelines set out in the petition.⁴ After doing so, the CBJ should notify the Self-Insurance Administrator. 8 AAC 46.100. It must, of course, also notify its excess insurance carrier as the change will effect the CBJ's exposure to liability for workers' compensation benefits. We find that the parameters of coverage the CBJ wishes to provide its volunteer fireman, including coverage during training, is a matter within it's discretion, subject only to its ability to meet its obligation to injured employees and volunteers under the AWCA. The CBJ's ability to pay is an issue which is reviewed annually, and more often if necessary, by the Self-Insurance Administrator and the AWCB.

Finally we turn to the issue of our authority to enter an order binding the CBJ to provide workers' compensation coverage to volunteers during training. The CBJ argues that signing the proposed order will bind the AWCB and the CBJ to providing coverage to volunteer firemen during training. We do not agree. The discussion above is based on the assumption that the CBJ elects to provide the coverage under consideration, and elects to remain bound by that election. We must now consider how the AWCB can resolve a case where a volunteer fireman is injured during training, but due to a change in personnel or policy, or for whatever reason, the CBJ declines to voluntarily provide coverage to the injured volunteer.

Assuming such a "volunteer" is truly a volunteer, and not an employee⁵, we presume we would apply AS 23.30.243. Notably, that

⁴ We note that 8 AAC 46.120 requires that all records necessary to complete and verify the accuracy of all reports and documents submitted to the AWCB must be retained for three years.

⁵ AS 23.30.265(12) provides: "'employee' means an employee employed by an employer as defined in (13) of this section."

statute does not mention firemen who are injured during training. Based on the plain language of the statute, it appears likely coverage under the AWCA would be denied. We do not issue advisory opinions. Furthermore, we find it would be improper to enter an order which appears to be contrary to the express language of AS 23.30.243. For those reasons we decline to execute the order proposed. We believe the most effective method of assuring volunteer firemen coverage under the Alaska Workers' Compensation Act is by means of an amendment of the AWCA, presumably AS 23.30.243.

At hearing, the CBJ informed us that legislation had been introduced in 1992 which would have amended AS 23.30.243 by adding "training" to the scope of its coverage. We recognize that volunteer firemen are an important and valuable community asset. It is obvious that in order to become and remain qualified to engage in fire fighting and related emergency activities, volunteers must engage in training, and that they should have insurance in the event they are injured while engaging in such authorized activities. This panel favors amending AS 23.30.243 in order to provide coverage under the AWCA to volunteer firemen while they engage in authorized training activities. A copy of this Decision and Order shall be forwarded to the Commissioner of Labor, who is also the Chairman of the AWCB, with the request that he consider an appropriate amendment to the AWCA.

AS 23.30.265(13) provides: "'employer' means the state or political subdivision or a person employing one or more persons in connection with a business or industry coming within the scope of this chapter and carried on in this state."

We determine if a person is an employee by applying the "relative-nature-of-the-work test." This multi-part test is set out in 8 AAC 45.890. Obviously we have insufficient information to determine if a hypothetical "volunteer" may qualify as an "employee" for the purposes of this decision.

In Re: CBJ Self-Insurance Certificate

ORDER

The proposed order is denied.

Dated at Juneau, Alaska this 7th day of FEBRUARY, 1993

ALASKA WORKERS' COMPENSATION BOARD

/s/ LAWSON N. LAIR
Lawson N. Lair, Designated Chairman

/s/ DON KOENIGS
Don Koenigs, Member

UNAVAILABLE FOR SIGNATURE
Nancy J. Ridgley, Member

APPEAL PROCEDURES

A compensation order may be appealed through proceedings in Superior Court brought by a party in interest against the Board and all other parties to the proceedings before the Board, as provided in the Rules of Appellate Procedure of the State of Alaska.

A compensation order becomes effective when filed in the office of the Board, and unless proceedings to appeal it are instituted, it becomes final on the 31st day after it is filed.

CERTIFICATION

I hereby certify that the foregoing is a full, true and correct copy of the Decision and Order in the matter of The Self-Insurance Certificate of THE CITY AND BOROUGH OF JUNEAU, ALASKA; dated and filed in the office of the Alaska Workers' Compensation Board in Juneau, Alaska, this 17th day of February, 1993.



Bruce Dalrymple
Bruce Dalrymple

ALASKA STATE FIREFIGHTERS ASSOCIATION

P.O. Box 2092, Cordova, Alaska 99574



POSITION PAPER

THE ALASKA STATE FIREFIGHTERS ASSOCIATION HAS DETERMINED THAT THE ISSUE OF WORKERS COMPENSATION INSURANCE FOR VOLUNTEER FIREFIGHTERS IS OF THE HIGHEST PRIORITY TO THE MEMBERS OF THE ASSOCIATION. WE FULLY SUPPORT HOUSE BILL 221 AND THE NEED FOR CLARIFICATION OF CURRENT LAW.

THE ASFA BELIEVES THAT THE METHOD OF DETERMINING WAGES FOR BENEFIT CALCULATIONS PRESENTED IN HB 221 IS FAIR AND EQUITABLE TO ALL PARTIES. IT PUTS VOLUNTEER FIREFIGHTERS ON THE SAME BENEFIT DETERMINATION BASIS AS ANY OTHER EMPLOYEE AND TRULY REFLECTS THE INTENT OF THE WORKERS COMPENSATION ACT. TO REPLACE LOST WAGES.

HB 221 ALSO CLARIFIES THAT VOLUNTEERS WHO ARE LEGITIMATE MEMBERS OF FIRE DEPARTMENTS, REGISTERED WITH THE STATE FIRE MARSHALL, ARE TO BE TREATED AS ANY OTHER EMPLOYEE FOR DETERMINATION OF ELIGIBILITY FOR WORKERS COMPENSATION BENEFITS. ALTHOUGH WE BELIEVE THIS HAS ALWAYS BEEN THE CASE, RECENT DEVELOPMENTS HAVE DEMONSTRATED THAT SEVERAL DIFFERENT INTERPRETATIONS OF THE LAW ARE CURRENTLY BEING PUT FOURTH. HB 221 CLARIFIES THE LAW AND RESTATES THE ORIGINAL LEGISLATIVE INTENT.

VOLUNTEER FIREFIGHTERS RISK THEIR LIVES AND EXPEND NUMEROUS HOURS OF THEIR OWN TIME TO PROVIDE A VALUABLE PUBLIC SAFETY SERVICE. WE BELIEVE THAT THE RISK OF INJURY AND DEATH SHOULD NOT BE COMPOUNDED BY THE RISK OF FINANCIAL UNCERTAINTY IN THE EVENT OF AN ACCIDENT DURING PARTICIPATION IN FIRE DEPARTMENT ACTIVITIES.

THE MEMBERS OF THE ALASKA STATE FIREFIGHTERS ASSOCIATION URGE YOUR FULL SUPPORT FOR HB 221.

ALASKA STATE FIREFIGHTERS ASSOCIATION



THREE SISTERS CHAPTER
209 Lake St
Sitka AK 99835

5/15/93

Lynda Giguere, Legislative Aide
House Labor and Commerce Committee
Representative Bill Hudson Chair
Room 108
State Capital
Juneau AK 99801-1182

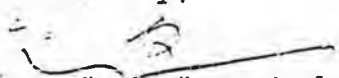
Dear Lynda Giguere,

Thank you very much for the work you have done on HB221. In light of the confusion the existing workers compensation statutes have caused, the clarifications this bill provides are of extreme importance.

Those of us in emergency services like myself believe very strongly in this bill. We want to see it pass.

Please let me know what I can do to help you pass this bill.

Sincerely,


Ken "YOGI" Barbalace
Chapter President

P.S. I have asked members of my department to send you copies of this letter to show thier support. We really do appreciate what you have done for us.

ALASKA STATE FIREFIGHTERS ASSOCIATION



THREE SISTERS CHAPTER
209 Lake St
Sitka AK 99835

Lynda Giguere, Legislative Aide
House Labor and Commerce Committee
Representative Bill Hudson Chair
Room 108
State Capital
Juneau AK 99801-1182

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Please let me know what I can do to help you pass this bill.

Sincerely,

Eric Augustin
Volunteer Firefighter/EMT

ALASKA STATE FIREFIGHTERS ASSOCIATION



THREE SISTERS CHAPTER
209 Lake St
Sitka AK 99835

Lynda Giguere, Legislative Aide
House Labor and Commerce Committee
Representative Bill Hudson Chair
Room 108
State Capital
Juneau AK 99801-1182

Dear Lynda Giguere,

Thank you very much for the work you have done on HB221. In light of the confusion the existing workers compensation statutes have caused, the clarifications this bill provides are of extreme importance.

Those of us in emergency services like myself believe very strongly in this bill. We want to see it pass.

Please let me know what I can do to help you pass this bill.

Sincerely,

Susan Coffland
EMS Captain
Sitka Fire Dept.

satisfactory proof that an employer is no longer entitled to it. After revocation the board may grant a new certificate to an employer, upon the employer's petition and satisfactory proof of the employer's financial ability as provided in this chapter. An employer authorized as a self-insurer shall provide claims facilities through its own staffed adjusting facilities located within the state, or independent, licensed, resident adjusters with power to effect settlement within the state. (§ 39 ch 193 SLA 1959; am § 1 ch 1 SLA 1962)

Collateral references. — 92 Am. Jur. Homeowners' or personal liability insurance as providing coverage for liability under workmen's compensation laws. 41 ALR3d 1306.
 2d. Workers' Compensation. § 663.
 100 C.J.S., Workmen's Compensation. §§ 354-356.

Sec. 23.30.092. Volunteer ambulance attendants', police officers', and fire fighters' insurance. A political subdivision may elect to provide benefits and compensation to its volunteer ambulance attendants, police officers, or fire fighters by obtaining insurance that would provide its volunteer ambulance attendants, police officers, or fire fighters with benefits and compensation at least equivalent to those conferred upon volunteer ambulance attendants, police officers, or fire fighters by this chapter, and the election shall be considered compliance with the coverage and insurance provisions of this chapter. The election shall be made by filing copies of the insurance policy or policies with the commissioner. (§ 3 ch 41 SLA 1968; am § 1 ch 77 SLA 1979)

Revisor's notes. — In 1989, the terms "police officers" and "fire fighters" were substituted for "policemen," and "firemen" in this section under §§ 59 and 60, ch. 50, SLA 1989.

Sec. 23.30.095. Medical treatments, services, and examinations. (a) The employer shall furnish medical, surgical, and other attendance or treatment, nurse and hospital service, medicine, crutches, and apparatus for the period which the nature of the injury or the process of recovery requires, not exceeding two years from and after the date of injury to the employee. However, if the condition requiring the treatment, apparatus, or medicine is a latent one, the two-year period runs from the time the employee has knowledge of the nature of the employee's disability and its relationship to the employment and after disablement. It shall be additionally provided that, if continued treatment or care or both beyond the two-year period is indicated, the injured employee has the right of review by the board. The board may authorize continued treatment or care or both as the process of recovery may require. When medical care is required, the injured employee may designate a licensed physician to provide all medical and related benefits. The employee may not make more than one change in the employee's choice of attending physician without

HOUSE COMMITTEE REPORT

(7)

Date Referred: March 31, 1993

FURTHER REFERRALS:

Finance

Date of Committee Action: 4/01/93

The LABOR AND COMMERCE Committee considered:

HB 221

HOUSE BILL NO. 221

WORKERS COMP: VOLUNTEER FIRE FIGHTERS, ETC

"An Act relating to workers' compensation for volunteer ambulance attendants, police officers, and fire fighters; and providing for an effective date."

RECOMMENDATIONS:

the same title

be replaced with _____ a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) Labor, Adm.

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Brian R. Porter</i>	✓				
<i>Joe Sinton</i>	✓				
<i>[Signature]</i>	✓				
<i>Alan Mulder</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				

Bill Hudson
CHAIRMAN'S SIGNATURE

ALASKA STATE FIREFIGHTERS ASSOCIATION

P.O. Box 2092, Cordova, Alaska 99574



March 31, 1993

Dear Sirs:

As President of the Alaska State Firefighters Association I am asking for your support to aid the passage of H.B. 221.

When I joined the Cordova Volunteer Fire Department I was told I was covered by the Alaska Worker's Compensation Act (AWCA). It was my understanding that this was whenever I participated in department training drills, I performed maintenance duties, responded to emergencies or took part in sanctioned Fire Department activities.

There is now some question as to the level of coverage volunteers have. After a training accident at the William Hagavig Regional Training Center last year there was a delay in assuring coverage for two injured firefighters. This is not acceptable! The level of coverage needs to be clarified in the AWCA to ensure adequate coverage for all volunteer fire fighters state wide. H.B. 221 will do this.

To give a little background to this issue consider that the Alaska Worker's Compensation Board (AWCB) stated in a ruling handed down Feb 17, 1993, that "Assuming such a 'volunteer', is truly a volunteer, and not an employee, we presume we would apply AS 23.30.243. Notably, that statute does not mention firemen who are injured during training. Based on the plain language of the statute, it appears likely coverage under the AWCA would be denied." The AWCB goes on to say. "We believe the most effective method of assuring volunteer firemen coverage under the Alaska Workers' Compensation Act is by means of an amendment to the AWCA, presumably AS 23.30.243."

Last fall I wrote a letter of support for what became H.B 150. I now feel the addition of the wording "participating in training" is not going to cover volunteers adequately. Volunteers perform many functions in addition to training. These include pre fire planning, fire investigation, building and equipment maintenance, administrative duties, fire investigation and teaching fire prevention to citizens. These are only a portion of the activities volunteers may participate in to maintain a fire department.

On March 12, 1993 Representative Bill Hudson and Representative Ben Grussendorf introduced H.B. 221. This bill assures that Volunteer Ambulance Attendants, Police Officers and Fire Fighters are considered employees of the municipality in which they provide thier services. As employees they would receive the same coverage as a paid person which is only right since they are all taking the same risks while performing the same tasks.

H.B. 221 is appropriate and needs your full support.

Sincerely,

Robert J. Plumb, president