

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

7970 HOUSE LABOR & COMMERCE

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# HOUSE COMMITTEE REPORT

(7)

Date Referred: January 10, 1994

FURTHER REFERRALS:

State Affairs

Date of Committee Action: 2/08/94

The LABOR AND COMMERCE Committee considered:

HB 325

HOUSE BILL NO. 325

MOTORCYCLE SAFETY

"An Act relating to motorcycle safety and to use of helmets by operators of motorcycles."

**RECOMMENDATIONS:**

be replaced with CS HB 325 (L+C)  the same title  
 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 Public SAFETY

zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	✓	<i>Bill Hudson</i>		✓	
<i>Grand Porter</i>	✓	<i>W. S. Williams</i>		✓	
<i>John Satter</i>	✓				
<i>Alan Child</i>	✓				
<i>[Signature]</i>	✓				

*Bill Hudson*  
 CHAIRMAN'S SIGNATURE



**Representative Tom Brice**  
**ALASKA STATE LEGISLATURE**

119 N. Cushman, Ste. 205  
Fairbanks, AK 99701  
907-456-7423  
*While in Juneau*  
State Capitol  
Juneau, AK 99801-1182  
907-465-3466

MEMORANDUM

TO: Representative Bill Hudson, Chairman  
House Labor & Commerce Committee

FROM: Representative Tom Brice *TB*

DATE: January 11, 1994

SUBJECT: Hearing for HB 325

I would appreciate your scheduling a hearing for HB 325, which deals with motorcycle safety, at your earliest convenience.

During the interim, DOT&PF attempted to find a way through existing statute in AS 28.35.245 to mandate motorcycle operators to wear a helmet. That interpretation would violate the legislative intent of the statute.

HB 325 will clarify legislative intent with regards to helmet laws, and closes any potential loopholes found by the department. Additionally, HB 325 will improve motorcycle safety by enhancing efforts in this area within the state highway safety program.

Thank you.





# Representative Tom Brice

## ALASKA STATE LEGISLATURE

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Fairbanks, AK 99701  
907-456-7423  
While in Juneau  
State Capitol  
Juneau, AK 99801-1182  
907-465-3466

### Sponsor Statement for HB 325

The new federal highway act, ISTEA, requires each state to adopt a mandatory helmet law. The penalty for noncompliance in the first year (FY95) is 1.5% of federal transportation funding which must be transferred from DOT&PF to the 402 fund for safety, training, and enforcement. Each year thereafter for the remaining four years of the act 3% will be moved. Depending on whether the act is fully funded by the US Congress, in FY95 \$2.6 million would go to the 402 fund, and \$5.2 million in each of the following years. Over the life of ISTEA the total would be about \$23.5 million.

During the interim, the state's Attorney General's office, in an attempt to bring Alaska into compliance with ISTEA mandates, issued an opinion supporting the state's ability to mandate the use of a helmet for motorcycle operators. The opinion's argument revolved around the use of "singularly licensed to drive a motorcycle". Although the opinion has been withdrawn, this is a new interpretation of a statute that has been on the books since 1976, and is contrary to legislative intent and current enforcement policy.

To address this, HB 325 simply eliminates the word "singularly". To ensure that some of these funds would be used for improving motorcycle safety, a motorcycle safety program would be established under DOT&PF.



## MEMORANDUM

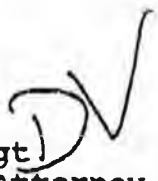
State of Alaska  
Department of LawTO: The Honorable Bruce Campbell  
Commissioner  
Department of Transportation  
and Public Facilities

DATE: September 28, 1993

FILE NO:

TEL. NO: 465-3603

SUBJECT: Motorcycle Helmet Law

FROM:  Deborah Vogt  
Assistant Attorney General  
Transportation Section-Juneau

You have asked for an interpretation of the statutory and regulatory requirements for motorcycle helmets in Alaska.

AS 28.35.250 provides:

(b) A person who has reached the age of majority as defined by AS 25.20.010 may not be required to wear a helmet while operating a motorcycle if the person is the holder of a license that, under regulations adopted under AS 28.15.041, is classified singly as a license to operate a motorcycle.

The classes of licenses are set out in 13 AAC 08.150, which is "adopted under AS 28.15.041." While many classes license the driver for any motor vehicle, class M1 licenses the driver only for "motorcycles, motor-driven cycles, and motorized bicycles, singly or in combination with trailers or sidecars designed to be used with these vehicles." 13 AAC 08.150(b)(2)(B). Thus, it is my opinion that only a Class M1 license is "classified singly as a license to operate a motorcycle."

The requirement for a helmet is set out in 13 AAC 04.350. That regulation provides:

(a) Except as otherwise provided by statute, a person operating or riding upon a motorcycle or motor-driven cycle upon a public roadway must wear protective headgear . . . .

Thus, this regulation makes helmets mandatory unless "otherwise provided by statute . . . ." The only statute that qualifies the helmet requirement is AS 28.35.250(b), set out above, prohibiting the requirement of a helmet when an adult holds a license classified singly for motorcycles.

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§ 28.35.235

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§ 28.35.240

MOTOR VEHICLES

§ 28.35.251

(2) the motor vehicle displays a special license plate issued to disabled or handicapped persons under AS 28.10.181(d); or

(3) the motor vehicle displays a special license plate or permit issued to disabled or handicapped persons by another state, province, territory, or country.

(b) A person who violates this section is guilty of an infraction. Upon conviction the court shall impose a fine of not less than \$100. (§ 2 ch 11 SLA 1987)

*Sec. 28.35.240. Duty to obey school patrol. [Repealed, § 3 ch 68 SLA 1964.]*

**Sec. 28.35.245. Motorcycle helmet.** (a) After January 1, 1978, motorcycle helmets may not be manufactured or sold in Alaska that do not conform to standards established by regulation by the commissioner of public safety. The regulations must provide for helmets that allow normal peripheral vision and hearing and minimize neck injuries to the wearer potentially caused by the helmet. The adoption of these regulations shall be under the provisions of the Administrative Procedure Act (AS 44.62).

(b) A person who has reached the age of majority as defined by AS 25.20.010 may not be required to wear a helmet while operating a motorcycle if the person is the holder of a license that, under regulations adopted under AS 28.15.041, is classified singly as a license to operate a motorcycle. (§ 1 ch 230 SLA 1976)

**Collateral references.** — 7A Am. Jur. 2d, Automobiles and Highway Traffic, § 210.

*Sec. 28.35.250. Application of law. [Repealed, § 20 ch 241 SLA 1976.]*

**Sec. 28.35.251. Contained or confined loads.** (a) A person may not drive a motor vehicle loaded with sand, gravel, rock, or similar materials on a highway unless

(1) the load is contained or confined to prevent the load from dropping, shifting, leaking, or escaping, except that sand or other substances may be dropped, sprinkled, or sprayed for the purpose of cleaning or maintaining the highway or providing traction; and

(2) the load is subjected to treatment by methods, approved by the commissioner by regulation, designed to settle the load or remove loose material before the vehicle is driven on the highway.

(b) If a cover is used to contain or confine a load being driven on a highway, the cover shall be securely fastened to prevent the cover from becoming loose or detached, or from being a hazard to other users of the highway. (§ 1 ch 62 SLA 1986)

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§ 1205.1

task. This information should be provided for each subelement training task on the form contained in Attachment II, "Training Activities Information."

c. Evaluation of proposed training activities by the States, and NHTSA and FHWA Regional Offices should be based on the jurisdiction's needs, the objectives of the training, and the likelihood that the training will accomplish the intended objectives. Unique proposals and those generating questions of eligibility may be referred to the Washington office for evaluation.

d. Only those costs directly associated with a highway traffic safety program of instruction should be reported as training costs on HS Form 193 and HS Form 194. While other costs such as salary of the trainees are fundable under Section 402 as non-training expenses, they should not be included as training expense items on these forms.

e. At the completion of all training tasks, the form contained in Attachment III, "Section 402 Record of Completed Training" will be completed by the Governor's Representative and submitted to the FHWA and NHTSA as appropriate for use in assessing manpower development and training progress. Three copies of each form relating to all standards will be submitted to the NHTSA Regional Administrator who will review each form for completeness and transmit two copies to the Chief, Manpower Development Division, N42-22, Office of State and Community Comprehensive Programs, TSP. In addition, three copies of each form relating to the FHWA administered standards will be submitted to the FHWA Division Engineer, who will forward one copy to the FHWA Regional Administrator and one copy to the Director, OHS, FHWA.

f. On depletion of initial stock, copies of HS Form 193, "Training Activities Information," and of HS Form 194, "Section 402 Record of Completed Training," may be obtained from NHTSA, General Services Division, N45-51, Room 5111, NASSIF Building, 400 7th Street SW., Washington, DC 20590.

[33 FR 16337, Nov. 7, 1968. Redesignated at 38 FR 10811, May 2, 1973]

EDITORIAL NOTE FOR FEDERAL REGISTER citations affecting § 1204.4, see the List of CFR Sections Affected in the Finding Aids section of this volume.

PART 1205—HIGHWAY SAFETY PROGRAMS; DETERMINATIONS OF EFFECTIVENESS

Sec.

1205.1 Scope.

1205.2 Purpose.

23 CFR Ch. II (4-1-93 Edition)

Sec.

1205.3 Identification of National Priority Program Areas.

1205.4 Funding procedures for National Priority Program Areas.

1205.5 Funding procedures for other program areas.

AUTHORITY: 23 U.S.C. 402; delegations of authority at 49 CFR 1.48 and 1.50.

SOURCE: 47 FR 15120, Apr. 8, 1982, unless otherwise noted.

§ 1205.1 Scope.

This part identifies those highway safety programs that are eligible for Federal funding under the State and Community Highway Safety Grant Program (23 U.S.C. 402) and specifies the Federal funding requirements for those programs.

§ 1205.2 Purpose.

The purpose of this part is to establish national highway safety priorities and establish program areas within which highway safety programs developed by the states would be eligible to receive Federal funding.

§ 1205.3 Identification of National Priority Program Areas.

(a) Under statutory provisions administered by NHTSA, the following NHTSA-administered highway safety program areas have been identified as encompassing a major highway safety problem which is of national concern, and for which effective countermeasures have been identified. Programs developed in such areas are eligible for Federal funding, pursuant to guidelines issued by the National Highway Traffic Safety Administration and the review procedure set forth in § 1205.4:

- (1) Alcohol and Other Drug Countermeasures
- (2) Police Traffic Services
- (3) Occupant Protection
- (4) Traffic Records
- (5) Emergency Medical Services
- (6) Motorcycle Safety

(b) Under statutory provisions administered by FHWA, the following FHWA-administered highway safety program area has been identified as encompassing a major highway safety problem which is of national concern, and for which effective countermeasures have been identified. The pro-

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**NHTSA and FHWA, DOT**

§ 1205.5

gram developed in this area is eligible for Federal funding, pursuant to provisions of 23 U.S.C. 402(g), guidelines issued by the Federal Highway Administration and the review procedures set forth in § 1205.4: *Roadway Safety*.

(c) Under statutory provisions jointly administered by NHTSA and FHWA, the following highway safety program area, jointly administered by NHTSA and FHWA, has been identified as encompassing a major highway safety problem which is of national concern, and for which effective countermeasures have been identified. The program developed in this area is eligible for Federal funding, pursuant to provisions of 23 U.S.C. 402(g), guidelines issued by NHTSA and FHWA and the review procedures set forth in § 1205.4: *Pedestrian and Bicycle Safety*.

[47 FR 15120, Apr. 8, 1982, as amended at 53 FR 11270, Apr. 6, 1988; 56 FR 50255, Oct. 4, 1991]

**§ 1205.4 Funding procedures for National Priority Program Areas.**

If a State intends to use funds under 23 U.S.C. 402 to support a program that is within a National Highway Safety Priority Program Area, it shall submit as part of its annual Highway Safety Plan a three to five page overview of all highway safety problems identified in the State. The following procedure shall then apply:

(a) The State shall describe each highway safety problem within such Priority Areas, any countermeasure proposed to decrease or stabilize the problem, and the kinds of data relied upon in the making of such problem and countermeasure identifications.

(b) The State shall list the specific projects proposed to implement such countermeasures and the criteria for project selection.

(c) The State shall conduct an evaluation of its programs of the prior year, and shall describe the evaluation in the annual Highway Safety Plan.

(d) NHTSA and/or FHWA, as applicable, shall review the State's Highway Safety Plan, to determine whether each proposed program addresses the identified problems.

(e) If the State meets the criteria of paragraphs (a) through (d), of this

section, NHTSA or FHWA, as applicable, shall approve the program as part of the Highway Safety Plan.

**§ 1205.5 Funding procedures for other program areas.**

If a State intends to use funds under 23 U.S.C. 402 to support a project that is not within a National Highway Safety Priority Program Area, the State shall describe the project in its annual Highway Safety Plan, and shall, at its option, select one or both of the following procedures:

(a) *Formal decisionmaking.* Under this procedure, the State shall first develop and submit as part of its annual Highway Safety Plan or by a separate submission a formal administrative decisionmaking process for identifying highway safety problems and corresponding countermeasures. Upon approval of the Plan and adoption by the State of the process involved, a State may thereafter certify in subsequent Plan submissions that it has developed each proposed project in accordance with the described process. NHTSA or FHWA shall on such subsequent submissions consider the findings and determinations made by the State pursuant to such process to be determinative and shall review proposed projects only pursuant to the limited review criteria applicable to the projects subject to § 1205.4. NHTSA and/or FHWA, as applicable, shall review and approve proposed State administrative processes pursuant to the following general criteria:

(1) Use of State data on traffic accidents to determine the magnitude and severity of the highway safety problems by geographic area and target group.

(2) Determination of related system deficiencies and driver behavior deficiencies that can be stabilized or remedied by countermeasure approaches.

(3) Development of countermeasures to remedy the problems. Priorities should be assigned based on the following considerations:

(i) Estimates of the impact on accidents and injuries;

(ii) Cost effectiveness;

(iii) Past program and project results;

§ 1206.1

23 CFR Ch. II (4-1-93 Edition)

- (iv) Innovative approaches;
  - (v) Comprehensiveness of programs;
  - (vi) Catalytic and leverage effects;
- and

(vii) Prospects for activities to be self-supporting or continued with State/local resources after Federal funds are discontinued.

(4) Development of projects from the countermeasure approaches that ensure consultation with affected groups and participation by the public. This shall be accomplished by conducting public meetings to identify traffic safety problems and to recommend alternate countermeasure solutions.

(5) Development of administrative and impact evaluations for the projects, as appropriate.

(b) *Problem identification.* Under this procedure, the State shall submit information on individual proposed projects. NHTSA or FHWA, as applicable, shall approve each project if it addresses the identified problem in a manner reasonably calculated to decrease or stabilize the problems. The State shall submit, at a minimum, the following information:

(1) The State and local data on traffic accidents used to determine the magnitude and severity of the particular highway safety problem by geographic area and target group.

(2) The impact each project is estimated to have on traffic accidents and injuries.

(3) Estimates of the resources necessary to carry out planned activities and projects.

(4) The relation of each project to a comprehensive, balanced program.

(5) The improvements in program operational efficiency and/or cost effectiveness which are expected as a result of the implementation of each project.

(6) The commitment of State and/or local resources to each project.

(7) The prospects for activities to be self-supporting or continued with State/local resources after Federal funds are discontinued.

(8) The criteria to be used to conduct administrative and impact evaluations of projects, as appropriate.

PART 1206—RULES OF PROCEDURE FOR INVOKING SANCTIONS UNDER THE HIGHWAY SAFETY ACT OF 1966

Sec.

- 1206.1 Scope.
- 1206.2 Purpose.
- 1206.3 Definitions.
- 1206.4 Sanctions.
- 1206.5 Commencement of proceedings.
- 1206.6 Contents of notice of proposed recommended determination.
- 1206.7 Hearing officers.
- 1206.8 Prehearing conference.
- 1206.9 Consent determination.
- 1206.10 Hearing.
- 1206.11 Recommended determination.
- 1206.12 Final determination.

AUTHORITY: 23 U.S.C. 116, 315, 402.

SOURCE: 39 FR 19206, May 31, 1974, unless otherwise noted.

§ 1206.1 Scope.

This part establishes procedures governing determinations to invoke the sanctions applicable to any State that does not comply with the highway safety program requirements in the Highway Safety Act of 1966, as amended (23 U.S.C. 402), and highway safety program standards issued thereunder.

§ 1206.2 Purpose.

The purpose of this part is to prescribe procedures for determining whether and the extent to which the 23 U.S.C. 402 sanctions should be invoked, and to ensure a full airing of views on the issues relevant to such determinations by affording the affected State and all other interested persons an opportunity to participate in a public hearing.

§ 1206.3 Definitions.

As used in this part:

(a) *Administrators* means the Administrators of the Federal Highway Administration and the National Highway Traffic Safety Administration.

(b) *Affected State* means the State with respect to which a proposed recommended determination has been made pursuant to this part.

(c) *Highway safety program* means a State program consisting of both (1) a

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# Alaska State Legislature

Please enter into the record my testimony to the House Labor & Commerce  
 committee name  
 committee on HB 0325, dated 2/1/94  
 bill/subject

I WHOLEHEARTEDLY SUPPORT THE  
 AMENDMENT TO AS 44.42.020(A), PARAGRAPH 16  
 " ESTABLISH AND IMPLEMENT A MOTORCYCLE  
 SAFETY PROGRAM AS A PART OF THE STATE  
 HIGHWAY SAFETY PROGRAM."

PLEASE FEEL FREE TO CONTACT ME IF  
 ANY FURTHER INPUT OR ASSISTANCE IS  
 DESIRED.

Signed: Steve Caswell (STEVE CASWELL)  
 Testifier

Representing (Optional)  
POB 3238 SOLDOTNA, AK 99669  
 Address  
907 -262-9554  
 Phone No.

POSITION PAPER  
HB 325

Discussion

According to the Alaska Department of Transportation and Public Facilities, there were 54 motorcycle fatalities and 318 major injuries to the head, eye or face, from 1982 to 1991. Over 75% of these victims were not wearing helmets at the time of the crashes.

The difference between this bill and the present law is primarily that only persons under age 18 would continue to be required to wear a helmet provided that adult motorcycle riders who are licensed or have some type of endorsement may not be required to wear a helmet.

In 1966, the United States Department of Transportation (USDOT), began withholding highway safety development funds to states that did not have mandatory motorcycle helmet legislation. By mid-1970's, all but three states complied. Pressure from motorcycling organizations in 1975 resulted in Congress repealing the law with the theory that personal rights of bikers should allow the individual rider to decide whether or not to wear a helmet. Each state could then make it's own decision. Twenty six states modified their laws and the death rate from non-helmeted motorcycle riding rose steadily through the 1980's.

Alaska's present law is considered a "partial" protection law because it only requires persons under 18 to wear a helmet. Several states that have reverted from a "universal helmet" law to a "partial helmet" law have conducted research on the impact of the change. A report issued in March 1992 in the Journal of American Medical Association (JAMA, 1992;267:1649-1641) states that "The results show that regardless of the denominator used (resident population, motorcycle registrations, or motorcycle crashes), states with full helmet-use laws had consistently lower head injury--associated death rates than states without such laws even when stratified by region."

Even though the total motorcycle-mortality rates were similar between states with "universal" or "partial" helmet laws, on a registration or crash basis, motorcyclists who died in crashes had a fivefold to sixfold higher risk of head injury than those who died using any other type of motor vehicle.

Four states (Kansas, South Dakota, Colorado, and Utah) conducted studies to determine the impact of the repeal reviewing 25,000 motorcycle collision victims for fatality rate, helmet use rate, injury rate and collision rate (Journal of Trauma, 0022-522/90/3010-1189).

In these four states, without motorcycle helmet legislation, the user rate dropped from 99% to 50%. With reinstatement the user rate rose to >95%.

With reinstatement, these states have determined an average hospital stay for helmeted riders is 5.8 days, and for non-helmeted riders it is 11.8 days. The fatality rate per 1000 motorcycle registrations was 6.2 for non helmeted riders, and 1.6 for helmeted riders. The extent of injury resulting in long term disabilities cost more than \$210 million (1989 dollars) per year in additional medical and rehabilitation care. Between 60% and 80% of motorcycle riders in the survey did not have insurance coverage.

California has recently returned to a "universal" helmet law. California's law was revised in 1988 to require a written examination and driving test. Motorcycle training was not required prior to this. Even with this requirement, owners of motorcycles without valid licenses were more likely to have been involved in crashes. Overall, only 33% of those involved in crashes had licenses. The lowest licensure rate was among those under 18 years of age. Thirty nine percent were operating motorcycles they did not own at the time of the crash.

At the request of the United States Senate, the General Accounting Office (GAO) reviewed 49 studies on helmet use and concluded that "universal helmet" laws requiring motorcyclists to wear helmets save lives. The GAO found that helmeted riders experienced fatality rates 28 to 73 percent lower than of non-helmeted riders, and the "incidence of head injuries rated severe or worse was 46 to 85 percent lower than of non-helmeted riders" (IIHS Status Report, Vol. 26, No.2, August 3, 1992) GAO's review of helmet law studies found that universal laws results in use rates in the range of 92 to 100 percent, while states without laws or partial laws achieve use rates of 42 to 59 percent. This finding is consistent with the research referenced above for Kansas, South Dakota, Colorado, and Utah.

Data from the Alaska Trauma Registry, which includes trauma patients admitted to hospitals from March 1988, through December 1992, showed that out of 222 motorcycle crash injuries, non-helmeted motorcycle riders were over four and one-half times as likely to suffer head injuries as helmeted riders. During this same period there were 316 ATV crash injuries, and 262 snowmachine crash injuries. Head injuries among non-helmeted ATV riders were four and one half times greater than among helmeted riders and three and one-half times more likely among snowmobile crash victims.

Data from Alaska and throughout the United States clearly shows that helmets save lives and reduce injuries. By contrast, research in several states indicates that "partial" laws mandating helmet use under age 18, or requiring licensing of motorcycle riders (with or without a requirement for training of the operator) had no positive effect toward reduction of head and neck injuries of motorcycle crash victims.

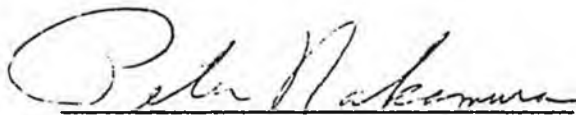
Position

The Department of Health and Social Services believes that passage of HB 325 is likely to have little or no effect on reduction of injuries or death in Alaska from motorcycle crashes.

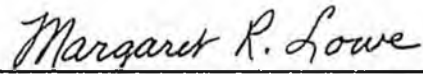
The department prefers legislation to require that all motorcycle riders wear helmets while riding on public streets and highways. Therefore, the Department of Health and Social Services opposes Section 28.35.245 of HB 325.

Recommended:

Approved:



Peter M. Nakamura, MD, MPH  
Director  
Division of Public Health



Margaret R. Lowe, M.Ed., Ed.S.  
Commissioner  
Health and Social Services

1/20/94

date

1-25-94

date

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ELECTIVE DISTRICT 14  
ELMENDORF A.F.B.  
EAST ANCHORAGE  
GOVERNMENT HILL

REP. TERRY MARTIN



Alaska House of Representatives

HOME  
355 DONNA DR., #11  
ANCHORAGE, AK 99504  
PHONE: 333-6990

DURING SESSION  
P.O. BOX V  
STATE CAPITOL BUILDING  
JUNEAU, AK 99811  
PHONE: 465-3783

MEMORANDUM

DATE: January 17, 1994

TO: Representative Bill Hudson, Chair  
House Labor & Commerce Committee

FROM: Representative Terry Martin *TMM*

RE: HB326 - Scheduling

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This is a formal request for the House Labor and Commerce Committee to schedule House Bill 326 at its earliest convenience.

HB326 provides that political use of charitable gaming proceeds will no longer be authorized, nor will the contribution of charitable gaming proceeds to candidates for state public office or a political subdivision of the state, their campaigns, or political groups.

The bill also defines "qualified organization" as described in the I.R.S. Code so that non-charitable entities would be taxed accordingly.

In consideration of campaign reform efforts and the misuse of so-called "charitable gains", HB326 attempts to eliminate the mixture of politics and charity. The two entities do not interact well and the result is often abuse of the system, as can be witnessed when reviewing gaming permittees' APOC reports.

A sponsor summary and information packet will be distributed this week for the committee. Please contact my aide Tom Anderson at 3783 if you have any questions regarding this important legislation.

# FISCAL NOTE

**STATE OF ALASKA**  
**1994 LEGISLATIVE SESSION**

**BILL NO. HB 326**

Revision Date: \_\_\_\_\_  
 Title: "An Act providing that political use is not authorized use of  
charitable gaming proceeds; prohibiting the contribution to candidates for public ...  
 Sponsor: Representative Martin  
 Requestor: House Labor & Commerce Committee

Dept. Affected: Revenue  
 BRU: Revenue Operations  
 Component: Charitable Gaming Division  
 COMPONENT SERIAL NO. 1883

**Expenditures/Revenues:**

(Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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**FUNDING:**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

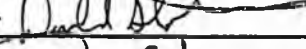
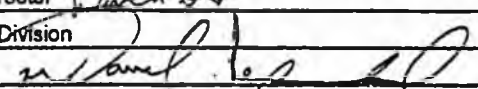
**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0.0

**ANALYSIS:** (Attach a separate page if necessary.)

Prepared by: Don Stolworthy, Director   
 Division: Charitable Gaming Division  
 Approved by Commissioner: Darrel J. Rexwinkel   
 Agency: Department of Revenue

Phone: 465-2279  
 Date: February 7, 1994  
 Date: February 7, 1994

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# Department of Revenue Position Paper

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HB-326 "An Act providing that a political use is not an authorized use of charitable gaming proceeds; prohibiting the contribution of charitable gaming proceeds to candidates for certain public offices, their campaign organizations, or to political groups; providing that a political group is not a qualified organization for purposes of charitable gaming; relating to what is a qualified organization for the purpose of charitable gaming permitting; and providing for an effective date."

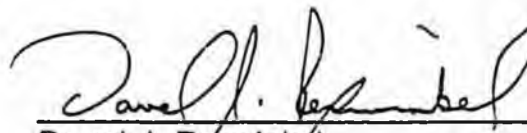
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This bill would prohibit the use of net proceeds from charitable gaming activities to be used for direct or in-direct contributions to political candidates, their campaigns and political organizations. Similar measures were contained last year in HB 168, but were removed prior to final passage of that comprehensive reform legislation.

This bill also redefines a qualified organization for the purposes of pull-tab sales. No longer would every non-profit organization be eligible to sell pull-tabs. Only municipalities and those organizations receiving an Internal Revenue Code 501(c)(3), 501(c)(8) or 501(c)(19) designation from the Internal Revenue Service would qualify to receive a pull-tab gaming permit.

The department believes this bill would assist in the administration of Alaska's charitable gaming laws.

2/8/94  
Date

  
\_\_\_\_\_  
Darrel J. Rexwinkel  
Commissioner

REP. TERRY MARTIN

ELECTIVE DISTRICT 13  
MOUNTAIN VIEW  
RUSSIAN JACK SPRINGS  
NUNAKA VALLEY  
ELMENDORF AFB  
CREEKSIDE  
EAST ANCHORAGE



HOME  
3960 REKA DRIVE B6  
ANCHORAGE, AK 99508  
PHONE 333-6990

DURING SESSION  
POUCH V  
STATE CAPITOL BUILDING  
JUNE AU, AK 99811  
PHONE 465-3783

Alaska House of Representatives

Recommended CSHB326 (L&C)

SUMMARY

CSHB 326 eliminates the donation of charitable gaming proceeds to political organizations, groups and candidates in Alaska. It provides that a political group can no longer be classified as a qualified organization for purposes of charitable gaming. The bill also qualifies that only municipal pull-tab permittees and those pull-tab permittees registered under I.R.S. Code 501(c) (3), (8), and (19) may claim exemption from taxation.

In consideration of the vast amount of political contributions distributed under the guise of charity, it is clear that legislation must be implemented which eliminates the misuse of revenues earned through charitable activity. Campaign reform is essential if candidates and political organizations are to legitimately participate in the democratic election process. At present, the amount of gaming, pull-tab and bingo monies which transfer from vendor to political organizations to candidates is far too excessive and must be curbed.

In 1992, charitable gaming as a source of campaign revenue totaled \$1,333,394. The total amount contributed to candidates by the 24 registered political groups was \$373,638. In 1990, \$1,466,091 was raised by 36 political groups who contributed \$456,418 to political candidates. The Division of Charitable Gaming reports that in 1992, only 8% of all charitable gaming money earned went to charities. Interestingly, as a charity confides in an operator to generate revenue for its cause, little does it realize that more time is spent by that operator earning revenue for labor organizations, business groups, and political group permittees (for the primary purpose of campaign contributions), than for the charity permittee. This is detected by the difference in pull-tab and gaming revenues in off-election years vs. election years (1988,1990,1992).



Similar to other states, specifically Minnesota, Kentucky, Wyoming, and Florida, voters in Alaska have expressed increased concern about the integrity of the charitable gaming industry and where the proceeds are distributed. While a lack of adequate financial control exists in a majority of the organizations sponsoring gaming, their expenditures are also very questionable. Over the last 4 years, legislatures in 32 states have considered changing charitable gaming laws. The limited level of auditing by our legislative branch results in a lack of incentive by permittees and operators to monitor their gambling operations, therefore the level of donations has exceeded expectation and the political nature of the gaming industry has erupted. Through the passage of CSHB326, political candidates will no longer be afforded the luxury of accepting "charitably gained" donations, political groups will be prevented from raising revenues through this type of mechanism, and the eligibility for all non-profit organizations to sell pull-tabs will be reduced and redefined.

## Organization Reference Chart

Section of 1955 Code	Description of organization	General nature of activities	Application Form No.	Annual return required to be filed	Contributions allowable
501(c)(1)	Corporations Organized Under Act of Congress (Including Federal Credit Unions)	Instrumentalities of the United States	No Form	None	Yes, if made for exclusively public purposes
501(c)(2)	Title Holding Corporation For Exempt Organization	Holding title to property of an exempt organization	1024	990 <sup>1</sup>	No <sup>2</sup>
501(c)(3)	Religious, Educational, Charitable, Scientific, Literary, Testing for Public Safety, to Foster National or International Amateur Sports Competition, or Prevention of Cruelty to Children or Animals Organizations	Activities of nature implied by description of class of organization	1023	990 or 990-PF <sup>1</sup>	Generally, Yes
501(c)(4)	Civic Leagues, Social Welfare Organizations, and Local Associations of Employees	Promotion of community welfare; charitable, educational or recreational	1024	990 <sup>1</sup>	Generally, No <sup>2,3</sup>
501(c)(5)	Labor, Agricultural, and Horticultural Organizations	Educational or instructive, the purpose being to improve conditions of work, and to improve products and efficiency	1024	990 <sup>1</sup>	No <sup>2</sup>
501(c)(6)	Business Leagues, Chambers of Commerce, Real Estate Boards, Etc.	Improvement of business conditions of one or more lines of business	1024	990 <sup>1</sup>	No <sup>2</sup>
501(c)(7)	Social and Recreation Clubs	Pleasure, recreation, social activities	1024	990 <sup>1</sup>	No <sup>2</sup>
501(c)(8)	Fraternal Beneficiary Societies and Associations	Lodge providing for payment of life, sickness, accident, or other benefits to members	1024	990 <sup>1</sup>	Yes, if for certain Sec. 501(c)(3) purposes
501(c)(9)	Voluntary Employees' Beneficiary Associations	Providing for payment of life, sickness, accident or other benefits to members	1024	990 <sup>1</sup>	No <sup>2</sup>
501(c)(10)	Domestic Fraternal Societies and Associations	Lodge devoting its net earnings to charitable, fraternal, and other specified purposes. No life, sickness, or accident benefits to members	1024	990 <sup>1</sup>	Yes, if for certain Sec. 501(c)(3) purposes
501(c)(11)	Teachers' Retirement Fund Associations	Teachers' association for payment of retirement benefits	No Form <sup>4</sup>	990 <sup>1</sup>	No <sup>2</sup>
501(c)(12)	Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, Etc.	Activities of a mutually beneficial nature similar to those implied by the description of class of organization	1024	990 <sup>1</sup>	No <sup>2</sup>
501(c)(13)	Cemetery Companies	Burials and incidental activities	1024	990 <sup>1</sup>	Generally, Yes
501(c)(14)	State Chartered Credit Unions, Mutual Reserve Funds	Loans to members	No Form <sup>4</sup>	990 <sup>1</sup>	No <sup>2</sup>
501(c)(15)	Mutual Insurance Companies or Associations	Providing insurance to members substantially at cost	1024	990 <sup>1</sup>	No <sup>2</sup>
501(c)(16)	Cooperative Organizations to Finance Crop Operations	Financing crop operations in conjunction with activities of a marketing or purchasing association	No Form <sup>4</sup>	990 <sup>1</sup>	No <sup>2</sup>
501(c)(17)	Supplemental Unemployment Benefit Trusts	Provides for payment of supplemental unemployment compensation benefits	1024	990 <sup>1</sup>	No <sup>2</sup>
501(c)(18)	Employee Funded Pension Trust (created before June 25, 1959)	Payment of benefits under a pension plan funded by employees	No Form <sup>4</sup>	990 <sup>1</sup>	No <sup>2</sup>
501(c)(19)	Post or Organization of Past or Present Members of the Armed Forces	Activities implied by nature of organization	1024	990 <sup>1</sup>	Generally, No <sup>2</sup>
501(c)(21)	Black Lung Benefit Trusts	Funded by coal mine operators to satisfy their liability for disability or death due to black lung diseases	No Form <sup>4</sup>	990-BL	No <sup>2</sup>
501(c)(22)	Withdrawal Liability Payment Fund	To provide funds to meet the liability of employers withdrawing from a multi-employer pension fund	No Form <sup>4</sup>	990	No <sup>2</sup>
501(c)(23)	Veterans Organization (created before 1880)	To provide insurance and other benefits to veterans	No Form <sup>4</sup>	990	Generally, No <sup>2</sup>
501(d)	Religious and Apostolic Associations	Regular business activities. Communal religious community	No Form	1065	No <sup>2</sup>
501(e)	Cooperative Hospital Service Organizations	Performs cooperative services for hospitals	1023	990 <sup>1</sup>	Yes
501(f)	Cooperative Service Organizations of Operating Educational Organizations	Performs collective investment services for educational organizations	1023	990 <sup>1</sup>	Yes
501(k)	Child Care Organization	Provides care for children	1023	990	Yes
521(a)	Farmers' Cooperative Associations	Cooperative marketing and purchasing for agricultural producers	1028	990-C	No

<sup>1</sup>For exceptions to the filing requirement, see Chapter 2 and the Form instructions.

<sup>2</sup>An organization exempt under a Subsection of Code Sec. 501 other than (c)(3), may establish a charitable fund, contributions to which are deductible. Such a fund must itself meet the requirements of section 501(c)(3) and the related notice requirements of section 508(a).

<sup>3</sup>Contributions to volunteer fire companies and similar organizations are deductible, but only if made for exclusively public purposes.

<sup>4</sup>Deductible as a business expense to the extent allowed by Code section 192.

<sup>5</sup>Deductible as a business expense to the extent allowed by Code section 184A.

<sup>6</sup>Application is by letter to the key District Director. A copy of the organizing document should be attached and the letter should be signed by an officer.

<sup>7</sup>Contributions to these organizations are deductible only if 90% or more of the organization's members are war veterans.

**Department of Commerce and Economic Development  
Division of Occupational Licensing  
Games of Chance and Skill Program**

**Statistics by Authorized Activity  
1992**

<u>Activity</u>	<u>Gross</u>	<u>Tax</u>	<u>Prize</u>	<u>Adj. Gross</u>	<u>Expenses</u>	<u>Net Proceeds*</u>
Pull-tabs	\$157,504,510	\$99,635	\$121,331,792	\$36,073,083	\$21,597,789	\$14,776,769
Bingo	48,112,014	86,113	41,079,874	6,346,027	7,948,862	239,985
Raffles	6,454,552	6,570	2,516,181	3,931,801	1,470,737	3,164,015
Fish Derbies	552,630	688	202,755	349,187	173,343	155,226
Contests of Skill	368,654	247	171,806	196,601	132,973	74,646
Dog Mushers	352,200		984,244	(632,044)	404,955	(986,676)
Ice Classics	349,039	4,761	167,000	177,278	177,397	(119)
Monte Carlo	315,417	300	133,020	182,097	95,326	91,149
Salmon Classic	60,980		36,742	24,238	20,557	3,681
Rain Classics	7,277		2,871	4,406	984	3,422
	<u>\$214,077,273</u>	<u>\$198,314</u>	<u>\$166,626,285</u>	<u>\$47,252,674</u>	<u>\$32,022,923</u>	<u>\$17,522,098</u>

\*Annual statements are unaudited, resulting in statistics based on reports as filed; therefore, gross receipts less prizes and taxes do not balance to total reported net proceeds.

## Gaming As A Source of Campaign Revenue 1992

GROUP NAME	TOTAL 1992 INCOME	FROM BINGO	FROM RAFFLE	FROM PULL TAB	TO CAND.S
ALIVE - REG & VOL	91832	0	60000	0	Labor 37760
AK BUILD PAC	39246	0	0	12000	Trade Assn 10800
AK ST. HOSPITAL & NURSING HOME ASSN PAC	5221	0	2670	0	Trade Assn 3000
AK TELEPHONE ASSN PAC	20539	0	14373	0	Trade Assn 12500
ALL 341 PEC (AK LABORERS LOCAL 341)	49828	37808	0	0	Labor 15400
ANCHORAGE FIREFIGHTERS' PAC	9221	5000	0	0	Labor 6200
ASSOC. GEN. CONTRACTORS AK CHAPTER PAC	66828	0	38300	0	Trade Assn 23500
BUILDING INDUSTRY ASSN OF ANCH BLDG PAC	27384	0	0	15600	Trade Assn 3500
CARPENTERS LOC. 1231 LEG. COMM	31832	16028	0	0	Labor 17850
DS-AK STATE DEMOCRATIC PTY	337468	28355	0	0	Dem. Subd. 0
DS-DOWNTOWN DEMOCRATS (DIST. 12)	22533	19537	0	0	Dem. Subd. 8221
DS-GREATER JUNEAU DEM. PCTS.	31752	0	5750	0	Dem. Subd. 10900
DS-DEMOCRATIC DIST. 15	16948	5670	0	0	Dem. Subd. 5000
DS-DEMOCRATIC DIST. 20	45628	15833	0	0	Dem. Subd. 28417
DS-HOUSE DEMOCRATIC CAMPAIGN COMM	181302	41234	0	0	Dem. Subd. 84260
DS-MAT-SU DEMOCRATS	40888	3400	0	8880	Dem. Subd. 8500
DS-VALDEZ DEMOCRATS	29106	26000	0	0	Dem. Subd. 17000
EDUCATION SUPPORT STAFF ASSN	4032	0	150	0	Labor 3200
NEA-ALASKA PACE	173530	0	12470	0	Labor 41400
PUBLIC EMPLOYEES LOCAL 71	82508	0	2200	0	Labor 29090
RS-REP. ASSN. PROF. & BUS. WOMEN	11486	0	4381	0	Rep. Subd. 6150
RS-REPUBLICAN DIST. 4	8067	0	4700	0	Rep. Subd. 2000
RS-REPUBLICAN DIST. 6	4025	0	2970	0	Rep. Subd. 0
RS-REPUBLICAN DIST. 29	2066	0	334	0	Rep. Subd. 1000
<b>TOTAL OF 24 GROUPS</b>	<b>\$1,333,384</b>	<b>\$231,893</b>	<b>\$148,178</b>	<b>\$36,580</b>	<b>\$373,638</b>
	<b>ALL INCOME</b>	<b>BINGO</b>	<b>RAFFLE</b>	<b>PULL TAB</b>	<b>TO CAND.S</b>

Groups must obtain a gaming permit from the Department of Commerce to hold raffles, bingo events, or to sell pull tabs. In 1992 24 groups raised \$388,851 through gaming activities. For these groups, gaming provided 29 % of their total revenues.

## Gaming As A Source of Campaign Revenue 1991

FROM RAFFLES BINGO RAFFLE PULL TABS TO CANDS

ALIVE.-VOL & REG.	115124	0	99778	0	Labor	26760
AK BUILD PAC	45745	0	0	18950	Trade Assn	5750
AK TELEPHONE ASSN PAC	20110	0	14960	0	Trade Assn	4850
ALL 341 PEC (AK LABORERS LOCAL 341)	50115	52046	0	0	Labor	21900
ANCHORAGE FIREFIGHTERS' PAC	8138	2460	0	0	Labor	8000
ASSOC. GEN. CONTRACTORS AK CHAPTER PAC	60318	0	41800	0	Trade Assn	4000
BUILDING INDUSTRY ASSN OF ANCH BUILD PAC	15818	0	0	15500	Trade Assn	2600
CARPENTERS LOC. 1281 LEG. COMM	21472	12684	0	0	Labor	14184
DS-AK STATE DEMOCRATIC PTY	144290	44183	0	0	Dem. Subd.	32440
DS-DEMOCRATIC DIST. 11	7095	1271	0	0	Dem. Subd.	0
DS-DEMOCRATIC DIST. 12	5203	2882	0	0	Dem. Subd.	1402
DS-DEMOCRATIC DIST. 15	11189	5030	300	2000	Dem. Subd.	5000
DS-DEMOCRATIC DIST. 20	48423	31293	0	0	Dem. Subd.	5000
DS-HOUSE DEMOCRATIC CAMPAIGN COMM	67151	51790	0	0	Dem. Subd.	0
DS-MAT-SU DEMOCRATS	14319	10456	0	0	Dem. Subd.	0
EDUCATION SUPPORT STAFF ASSN	8690	0	8543	0	Labor	0
FAIRBANKS CENTRAL LABOR COUNCIL AFL-CIO	17729	0	8430	0	Labor	6500
GB-GREEN PARTY OF ALASKA	6128	0	60	0	Green Subd	0
NEA-ALASKA PACE	97178	0	12500	0	Labor	5350
PLUMBERS & STEAMFITTERS LOCAL 367	18437	18269	0	0	Labor	7000
RS-ANCH. REP. WOMEN'S CLUB	28631	11185	0	0	Rep. Subd.	11900
RS-REP. ASSN. PROF. & BUS. WOMEN	5884	0	0	3073	Rep. Subd.	0
RS-REPUBLICAN DIST. 17	21912	0	5100	1884	Rep. Subd.	7945
RS-REPUBLICAN PARTY OF AK	95609	13848	1218	0	Rep. Subd.	632
<b>TOTAL OF 24 GROUPS</b>	<b>\$932,223</b>	<b>\$257,368</b>	<b>\$188,477</b>	<b>\$41,519</b>		<b>\$168,983</b>
	<b>ALL INCOME</b>	<b>BINGO</b>	<b>RAFFLE</b>	<b>PULL TABS</b>		<b>TO CANDS</b>

Groups must obtain a gaming permit from the Department of Commerce to hold raffles, bingo events, or to sell pull tabs. In 1991 24 groups raised \$487,364 through gaming activities. For these groups, gaming provided 52% of their total revenues.

## Gaming As A Source of Campaign Revenue 1990

GROUP NAME	TOTAL 1990 INCOME FROM FROM ALL SOURCES	BINGO	FROM RAFFLE	FROM PULL TAB	GROUP TYPE	GAVE TO CAND.S
A.L.I.V.E. -VOLUNTARY	75449	0	59400	0	Labor	0
AK BUILD PAC	22059			12000	Trade Assn	12700
AK BUSINESS PAC	34331		4100		Trade Assn	8600
AK TELEPHONE ASSN PAC	23340		10454		Trade Assn	14250
ALASKANS FOR ALASKA'S RAILROAD	61612		3515		Initiative	0
ALL 341 PEC (AK LABORERS LOCAL 341)	68008	31838			Labor	27500
ANCHORAGE EDUC. ASSN PACE	4178		1629		Labor	1650
ASSOC. GEN. CONTRACTORS AK CHAPTER PAC	72290		35800		Trade Assn	42500
BUILDING INDUSTRY ASSN OF ANCH BUILD PAC	23593			19239	Trade Assn	12450
CARPENTERS LOC. 1281 LEG. COMM	25165	16989			Labor	15000
DS-AK STATE DEMOCRATIC PTY	244900	34222			Democratic	53835
DS-DEMOCRATIC DIST. 11	27580	15801			Democratic	7000
DS-DEMOCRATIC DIST. 12	7312	6320			Democratic	4000
DS-DEMOCRATIC DIST. 13	23970	23825			Democratic	8341
DS-DEMOCRATIC DIST. 19	4292		1428		Democratic	3818
DS-DEMOCRATIC DIST. 20	34780	12762		2330	Democratic	11800
DS-DEMOCRATIC DIST. 23	50126	25000			Democratic	18000
DS-GREATER JUNEAU DEMOCRATIC PRECINCT	33897		2572		Democratic	14750
DS-INTERIOR DEMOCRATS	14158		2570		Democratic	600
DS-MAT-SU DEMOCRATS	18591	7667			Democratic	4010
DS-VALDEZ DEMOCRATIC PRECINCT COMM	54862		37358		Democratic	26699
EDUCATION SUPPORT STAFF ASSN	9850		8908		Labor	1800
FAIRBANKS EDUCATION ASSN PACE	6759		1880		Labor	3814
JUNEAU BLD. & CONSTR. TRADE PAC	6824			900	Trade Assn	8000
JUNEAU EDUCATION ASSOCIATION	3093		1371		Labor	1250
LS-LIBERTARIAN PARTY, AK	26474		4847	18872	Libertarian	0
NEA-ALASKA PACE	84807		5500		Labor	44875
PLUMBERS & STEAMFITTERS LOCAL 367	27908	26807			Labor	17650
R3-ANCH. REP. WOMEN'S CLUB	29289	15328	420		Republican I	17450
R6-MAT-SU REP. WOMEN'S CLUB	2716		118		Republican I	400
RS-REPUBLICAN 4TH LEGISLATIVE DISTRICT	93727	75477			Republican I	2000
RS-REPUBLICAN DIST. 5	7531		782		Republican I	3000
RS-REPUBLICAN DIST. 6	7785		5720		Republican I	4030
RS-REPUBLICAN DIST. 19	35575		35900		Republican I	14918
RS-REPUBLICAN DIST. 21	9468		4291		Republican I	5830
R8-REPUBLICAN PARTY OF AK	183094	9983			Republican I	40000
<b>TOTAL OF 32 GROUPS</b>	<b>1468091</b>	<b>300838</b>	<b>228438</b>	<b>51341</b>		<b>466418</b>
	<b>ALL INCOME</b>	<b>BINGO</b>	<b>RAFFLE</b>	<b>PULL TAB</b>		<b>TO CAND.S</b>

Groups must obtain a gaming permit from the Department of Commerce to hold raffles, bingo events, or to sell pull tabs. In 1990 36 groups raised \$ 578,817 through gaming activities. For these groups, gaming provided 39 % of their total revenues. Further, gaming revenues accounted for 14.4% of all the funds raised by groups in Alaska in 1990. This 14.4 % breaks down to raffle 4.9 %, bingo 8.2 %, and pull tabs 1.3%.

1989

## GAMING-AS A SOURCE OF CAMPAIGN REVENUE

## GROUPS WHICH RAISED FUNDS THROUGH GAMING ACTIVITIES:

GROUP NAME	TOTAL 1989 INCOME FROM ALL SOURCES	FROM BINGO	FROM RAFFLE	FROM PULLTAB	TYPE GROUP
ALLIVE-VOLUNTARY	82,542	0	79,785	0	union
AK BUILD PAC	4,233	0	0	500	trade
AK TELEPHONE ASSN PAC	16,538	0	10,598	0	trade
ALL 341 PEC (AK LABORERS UNION)	61,841	40,730	15,000	0	union
ANCHORAGE EDUC. ASSN PACE	4,835	0	4,035	0	union
ASSOC. GEN. CONTRACTORS PAC	55,454	0	28,000	0	trade
BUILDING INDUSTRY ASSN OF ANCH PAC	11,090	0	0	11,000	trade
DS-AK STATE DEMOCRATIC PTY	127,262	3,816	60,972	0	ds
DS-DEMOCRATIC DIST. 11	33,955	33,108	0	0	ds
DS-DEMOCRATIC DIST. 15	8,295	5,036	0	0	ds
DS-DEMOCRATIC DIST. 19	4,140	0	2,968	0	ds
DS-DEMOCRATIC DIST. 20	31,020	0	0	30,336	ds
DS-DEMOCRATIC DIST. 21	867	0	705	0	ds
DS-DEMOCRATIC DIST. 23	17,982	17,803	0	0	ds
DS-INTERIOR DEMOCRATS	10,448	0	3,900	0	ds
DS-VALDEZ DEMOCRATIC PCT COMM	24,803	0	24,100	0	ds
EDUCATION SUPPORT STAFF ASST. (ESSA)	9,002	0	6,175	0	union
FAIRBANKS CENTRAL LABOR COUNCIL	28,634	0	19,151	0	union
FAIRBANKS EDUCATION ASSN	7,209	0	2,470	0	union
IAMA LOCAL 601 (INT. ASSOC MACHINISTS)	13,538	13,538	0	0	union
JUNEAU BLD. & CONSTR. TRADE ASSN	7,997	0	0	7,500	trade
JUNEAU EDUCATION ASSOCIATION	4,770	0	3,125	0	union
LOCAL 1140 FAC (PAINTERS) PAC	35,030	13,189	0	0	union
LS-LIBERTARIAN PARTY OF AK	22,462	20,003	0	0	h
PLUMBERS & STEAMFITTERS LOCAL 367	15,257	15,032	0	0	union
R-MAT-SU REP. WOMEN'S CLUB	1,894	0	75	0	ra
RS-REPUBLICAN PARTY OF AK	233,862	21,669	0	0	ra
Totals	874,958	188,924	260,759	49,336	

Groups must obtain a gaming permit from the Dept. of Commerce to hold raffles, bingo events, or to sell pull tabs. In 1988, 28 groups raised \$ 499,019 through gaming activities. For these groups, gaming provided 57% of their total revenues. Further, gaming revenues accounted for 20% of all the funds raised by groups in Alaska in 1988. This 20% breaks out into bingo 7.57%, raffles 10.45%, and pull tabs 1.98%

# OPINION



Snake Eyes

## Pull-tab operators told to give charities \$450,000 tax refund

The Associated Press

**KETCHIKAN** — The state has ordered a pull-tab operator here to refund more than \$450,000 to nonprofit groups in the area. The money was a sales tax refund from the Ketchikan Gateway Borough and the city of Ketchikan.

Dwight McBride, who does business as Alaska Indoor Sports and Winners, paid taxes to the borough and city on the sale of pull-tabs for the years 1989 through 1993.

But he and other local pull-tab operators paid the

tax under protest.

One operator, Ed Dilley of the now defunct Pop Shoppe, sued, contending the borough and the city didn't have the legal power to collect the tax. The case went to the Alaska Supreme Court.

The court ruled against the borough in July, after which Dilley and McBride requested and received tax refunds from the borough and city.

The borough assembly on Oct. 20 approved McBride's total refund of \$456,448.54.

But now the state says

that money belongs to the nonprofits.

The pull-tab operators were conducting their operations on behalf of local charities, said Don Stolworthy, head of the state Department of Revenue's Division of Charitable Gaming.

Any increase in proceeds that are a result of the sales tax refund are a net profit and therefore belong to the permittees, Stolworthy said in a letter dated Sept. 26. He ordered the money returned.

Attempts by the Ketchikan Daily News to contact McBride were unsuccessful.

## Scientists update quake monitors

The Associated Press

**FAIRBANKS** — Seismologists headed for Unalaska last weekend to upgrade the state's monitor system after series of earthquakes and in the shake- and Alaska

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*• We can't simply drive out there and study it like they do with the San Andreas Fault. •*

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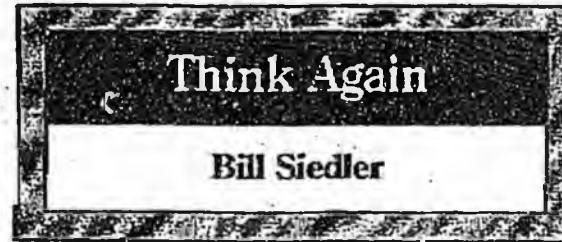
# You can bet on it: apologies may be in order

Last month, the Frontiersman ran a story on "Rippie King" Jim Harman, who filed a lawsuit against local pull-tab operator ("ripping vassal"?) Roger Cunningham. Jim's already trying to get \$50,000 and an apology from Elsie O'Bryan, project director for Mid Valley Seniors Inc. Now he's been "slandered" by Cunningham, who has "cost him business and blemished his reputation." He wants another apology. Didn't know gaming operators were such a sensitive lot, did you?

I once witnessed this sensitivity at a Wasilla Area Seniors, Inc. lunch. Jim and big-shot lobbyist Mitch Gravo came to speak against a reform bill in the legislature that would increase a charity's take in pull-tabs to 35 percent of adjusted gross from the 15 percent they were getting.

So here's Harman and Gravo, sporting deep tropical tans, surrounded by 50 or 60 pasty-faced, winter weary Alaskan seniors, who were there for the free lunch as much as the show.

After lunch, the deeply tanned Harman and Gravo "explained" how disastrous it would be for the seniors and other charities, if all in attendance didn't immediately contact their legisla-



tors and tell them that 15 percent of something was a lot better than 35 percent of zilch. And zilch is what the seniors could expect if these generous provisions were allowed to become law, because all the operators would go belly-up.

As Mitch and Jim told it, their explanation tour was something that the gaming industry was doing as much out of a sense of altruism, as their profit margin. After all, weren't they "charitable" gaming operators? Like I said, sensitive.

The lunchtime spiel didn't matter much, as it turned out. The bill, after passing both houses of the Alaska Legislature, somehow found its

way into Senate President Dick Eliason's "Limbo File," never to be seen or heard from again.

That must have really twisted the knickers of Gov. Hickel, at whose request another gaming reform bill, HB168 was introduced, then passed by the legislature last session, and is supposed to go into effect on March 1. Now the charities are to get 30 percent, or double what they take in now. For his part, Jim Harman claims: "The Hickel administration has a history of discriminating against operators and trying to remove the commercial interests from gaming."

See, that's the whole problem. The gaming operators think the idea of charitable gaming in Alaska was devised for the benefit of the "commercial interests" (the operators), not the charities. As if there weren't enough ways to separate Alaskans from their cash already. Silly me, I thought that the gaming operators were allowed to operate only so the seniors and the March of Dimes and the VFW and Muscular Dystrophy and the Lions clubs and everybody else who's trying to do some good in the world, would have money to do some good with.

The very fact that it's called the charitable

gaming "industry" bothers me. Next thing you know, the operators will be calling themselves "industrialists," and maybe "philanthropists" a la Carnegie. Like it was their idea to share a little of the pull-tab wealth.

Not that I'm against gambling. I supported Rep. Ron Larson's Parimutuel Horse Racing Bill even before I knew the Rev. Prevo was against it. I'd like to see a state lottery.

Heck, I was married in Reno, Nev., and paid for our bridal suite with winnings from the Gold Dust Casino's dollar slots. I even buy an occasional pull tab, and I'll feel better about it when I know that more of each dollar is going to the charity which holds the gaming permit, and not to the operators. And I won't weep for the gaming operators, they'll still be in business.

So if somebody owes someone an apology, maybe it's the gaming operators who owe the charities—for taking advantage of them for so long, and for not sharing fairly with those to whom they owe their considerable prosperity.

*Bill Siedler is a Valley resident and former legislative aide.*

## LETTERS TO THE EDITOR

Continued from Page 4

India when the Hindus and the Moslems decide to have a go at it. Axes, spears and fire are a common choice in South Africa where firearms are too expensive. Guns are used for butchering each other.

The problem isn't guns, axes, spears or fire but people. Our nation has a large number of people who feel that any and all conflicts can be resolved with physical force. We need to ask why these individuals make these choices. We also need to ask why individuals with long histories of violent acts are allowed to remain on the streets.

walk the streets until they kill and sometimes even after they kill again. We worry about guns but not the individuals that use them. Even without guns, these individuals will continue to kill until they are permanently put away.

We need to condemn predatory behavior at every turn. It doesn't matter whether they are 12-year-old gang members or 50-year-old serial murders. We must protect society from them until we can find the money and methods to rehabilitate them. Quit worrying about the weapons and start doing something about the people that use them.

*Richard F. Wisner*

the problem lies in the behavior of the courts. If the problem lies in the costs of medical research, then Congress ought to address the issue of government grants to offset or subsidize those costs in favor of ALL users of the health care system regardless of the onset of their need for a doctor's care or for hospitalization.

Why re-invent ALL wheels when only A FEW wheels are out-of-round?

*Donald S. Mulder  
Chugiak*

### Many give to The Salvation Army

appeared in the Frontiersman. Instead, a picture of an unknown out-of-state child was printed. I feel I must once again say that all the donations (whether they are food, toys or money) given to The Salvation Army Church and Food Bank stay in the Valley for Valley families.

I am grateful to Safeway for the wonderful Turkey Bowl and Coke Auction that was not only fun, but also a fundraiser for our Christmas efforts as well.

There are many fine volunteers who rang bells, helped at the Christmas center and donated to our efforts.

H B

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**HOUSE COMMITTEE REPORT**

(7)

Date Referred: January 10, 1994

FURTHER REFERRALS:

State Affairs  
Finance

Date of Committee Action: 1/20/94

The LABOR AND COMMERCE Committee considered:

HB 34

HOUSE BILL NO. 342

EXTEND TOURISM MARKETING COUNCIL

"An Act extending the termination date of the Alaska Tourism Marketing Council."

**RECOMMENDATIONS:**

be replaced with \_\_\_\_\_ [ ] the same title

[ ] have attached amendments(s) [ ] a new title

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 Commerce

[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	X				
<i>Bill Hudson</i>	X				
<i>W.K. Williams</i>	X				
<i>Joe Sutton</i>	X				
<i>Brian Porter</i>	X				
<i>[Signature]</i>	X				

*Bill Hudson*  
CHAIRMAN'S SIGNATURE

**DIVISION OF LEGAL SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA**

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

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

**MEMORANDUM**

January 7, 1994

**SUBJECT:** Sectional Summary of HB 342 (8-LS1426(E))  
**TO:** Representative Pete Kott  
**FROM:** Terri Lauterbach  
Legislative Counsel

You have requested a sectional summary of the above bill.

**Section 1.** Extends the termination date of the Alaska Tourism Marketing Council to December 30, 1998.

TML:pl  
94-015.plm

# Alaska State Legislature

## House of Representatives

COMMITTEES:  
HEALTH, EDUCATION  
& SOCIAL SERVICES  
JUDICIARY  
STATE AFFAIRS

SPECIAL COMMITTEES:  
MILITARY & VETERANS AFFAIRS  
OIL & GAS



INTERIM:  
EAGLE CENTER, SUITE 141  
EAGLE RIVER, AK 99577  
PHONE (907) 694-8944  
FAX 694-8945

SESSION:  
STATE CAPITOL  
JUNEAU, AK 99811  
PHONE (907) 465-3777

## Representative Pete Kott

### SPONSOR STATEMENT

It is in the best interest of the State of Alaska to accept HB 342, and extend the life of the Alaska Tourism Marketing Council (ATMC) to December 30, 1998. This legislation conforms to the recommendations of the 1993 Budget and Audit Report.

ATMC falls under the Department of Commerce and Economic Development, Division of Tourism. Ten of ATMC's members are appointed by the Governor, while ten others are appointed by the Alaska Visitor Association. The Director of the Division of Tourism is automatically a member. ATMC works to "promote the state as a destination and promote all forms of travel to the state, including travel by air, highway, and water" (AK Statute 44.33.720 a) 1.)

An example of ATMC activities is the publication of "The Alaska Vacation Planner's Guide," which lists 1,300 Alaskan businesses and is mailed all over the United States and the world. This is a vital vehicle for Alaska in promoting the tourism industry. The Planner has also provided needed advertisement to businesses located in the outer regions of the state, and to those that do not have a large promotional budget. Other ATMC activities include TV and print advertising, research, and providing advice to the Division of Tourism.

ATMC plays a substantial part in bringing over \$52 million each year to the State of Alaska (McDowell Group, 1992.) If we want to continue to compete successfully in the national and international tourism market, we need to support extending the Alaska Tourism Marketing Council's term.



**FISCAL NOTE**

**STATE OF ALASKA**  
**1994 LEGISLATIVE SESSION**

**BILL NO. HB 342**

Revision Date: \_\_\_\_\_  
Title: Extending the Alaska Tourism Marketing Council

Department Affected: Commerce and Economic Development  
BRU: Tourism  
Component: \_\_\_\_\_

Sponsor: Rep. Kott  
Requestor: House Labor and Commerce

COMPONENT SERIAL NO. \_\_\_\_\_

Expenditures/Revenues:

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
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
<b>TOTAL OPERATING</b>	0	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES ( )	0	0	0	0	0	0
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FUND SOURCE

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
<b>TOTAL</b>	0	0	0	0	0	0

Estimate of current year (FY 94) cost: \$ 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

ANALYSIS: (Attach a separate page if necessary.)

The expenditures are contained in the proposed operating budget and the revenues are reflected in revenue projections.

Prepared by: Tina Lindgren  
Division: Alaska Tourism Marketing Council

Phone: 465-2500  
Date: January 18, 1994

Approved by Commissioner: Paul Fuhs  
Agency: Commerce and Economic Development

Date: 1/12/94

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FISCAL NOTE

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

BILL NO. HB 342

ANALYSIS: (continued)

The passage of Senate Bill 478 (SLA 1988, Chapter 78) created the Alaska Tourism Marketing Council which became law, effective July 1, 1988. Legislative findings regarding SB 478 stated:

"The Legislature finds that a cooperative effort between the state and private industry to support and expand the visitor industry of the state and to foster expansion of the market for Alaska as a destination throughout the nation and the world is in the public interest and is a valid public purpose. The Legislature further finds that this cooperative effort would inure to the benefit of the visitor industry in the state and that some of the costs of maintaining the effort be borne by the industry. The Legislature further finds that expansion of the economic benefit of tourism is in the public interest and the state should take an active interest in the ensurance of a quality experience for visitors to the state, cooperate with the private sector in improving the amenities available to visitors to the state, and seek to ensure authentic accessible experience for visitors throughout the state."

**HB 342: "An Act extending the termination date of the  
Alaska Tourism Marketing Council"**

The Alaska Tourism Marketing Council (ATMC) is a public-private partnership that combines the resources and expertise of the state and private industry. It is jointly managed by the Department of Commerce and Economic Development and Alaska Visitors Association. The council consists of ten members appointed by the Governor, ten members appointed by the visitor industry, and the Director of the Division of Tourism.

The goal of the ATMC is to stimulate statewide economic growth, diversification, and employment through the promotion of Alaska as a visitor destination. To achieve this goal, the ATMC designs and executes a marketing campaign directed at domestic and Canadian markets with the greatest potential for producing new and repeat visitors. Primary elements of the program include media advertising, public relations, and distribution of the State Vacation Planner. These elements are designed to interest people in Alaska and influence their decision to visit. The program also provides the final link between local businesses and consumers on a scale that is possible only through a cooperative effort.

If the ATMC program did not exist, the economic impact of the visitor industry would be significantly reduced and the larger tour companies would gain an even greater share of the remaining market. By conducting a cooperative marketing program, everyone in the state benefits, including other state agencies who receive revenues from visitor spending.



January 19, 1994

To: Representative *Bill* Hudson

*via fax to 465-6790*

Fr: Kari Westlund, JCVB President/CEO

Re: HB342

I want to offer my strong support for HB342, extending the life of the Alaska Tourism Marketing Council to 1998. I have worked in Alaska's Visitor Industry for over ten years, in the communities of Fairbanks, Kodiak, Kotzebue, and now Juneau. Throughout that time, Alaska has been well-served by cooperative marketing efforts between the State of Alaska and the Visitor Industry. The marketing of Alaska has resulted in strong growth and a healthy visitor industry.

Without large scale image advertising and the Vacation Planner and label programs, Alaska will not be effective in competing with other destinations. With all we have to offer in terms of natural beauty and wildlife, it still won't be enough if we don't have the mechanism, and the dollars, to spread the word to potential visitors.

The Alaska Tourism Marketing Council provides that mechanism, and the ATMC must be extended if individual visitor industry businesses are to survive and support our local, regional, and state economies.

Please keep me apprised of progress with HB342, and don't hesitate to contact me if I can be of any assistance with its successful passage.

369 South Franklin  
Suite 201  
Juneau, Alaska  
99801  
(907) 586-1737  
(907) 586-1449 FAX

**NOME VISITORS ASSOCIATION****P.O. BOX 514****NOME, ALASKA 99762****JANUARY 18, 1994**

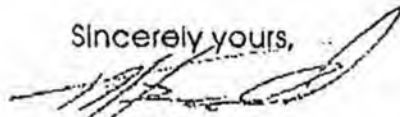
Representative Bill Hudson  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear Representative Hudson:

I am writing to urge you and the Labor and Commerce Committee to pass House Bill 342 which would reauthorize through 1998 the ATMC. Funding for the ATMC should be passed at the current level or higher. Good economics states that if an entity is short on funds that it should advertise and promote itself even more. Now is not the time to cut the ATMC or the funding for the Division of Tourism. Alaska needs, as it has not needed in a long time, the NEW dollars that tourism brings to our economy.

Thank you for your time and your consideration.

Sincerely yours,



Mary Knodel  
Chairman

cc: Alaska Visitors Association  
Senator Al Adams  
Representative Richard Foster  
Representative Al Vezey

**ARCTIC TRADING POST, INC.  
BOX 262  
NOME, ALASKA 99762**

**January 18, 1994**

**Representative Bill Hudson  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182**

**Dear Representative Hudson:**

**The reauthorization of the ATMC is dependant upon you and the action of the Labor and Commerce Committee. House Bill 342 must be passed to ensure the continued growth of Alaska Tourism and the the growth of the dollars spent in Alaska by the visitor each year. Maintenance of the Budget of the ATMC and the Division of Tourism at their current levels or higher will guarantee the continuance of \$1.1 billion in total economic impact to the State.**

**At a time when the State is facing such high shortfalls, the funding and authoriation of the ATMC should be considered a positive move to add more dollars to the economy.**

**Your attention and consideration for passage of House Bill 342 are a huge step forward to balancing the budget for 1994 and for years to come.**

**Sincerely yours,**

*Howard Knodel*

**Howard Knodel  
President**

**cc: Representative Richard Foster  
Representative Al Uezey  
Senator Al Adams  
Alaska Visitors Association**

***TOURISM WORKS FOR ALL OF US***

CONTACT: ALASKA VISITORS ASSN. AT 561-5733

RELEASE #93-23

DECEMBER 21, 1993

*By Dennis Brandon*

*President*

*Alaska Visitors Association*

Rumor has it there's an investment opportunity that would set Wall Street on fire. It's an investment that would yield a massive dividend *each year* -- with a payback of over \$100 on each state dollar invested.

Only it's not a rumor. That's what Alaska's citizens get in return for a tourism marketing budget that promotes the state as a world-class visitor destination. Given that, would you cut the marketing budget -- and thus the ultimate return -- for this bright star that is the tourism industry? Or would you put just a little more money into the promotion of Alaska's visitor product? The obvious answer -- yes, to the latter.

It doesn't take a business whiz to gather that if you cut promotion of a product, less folks will know about it; less folks will buy it. Yet that is exactly what the state government is calling for - - to cut by nearly one-half the budget for the Alaska Tourism Marketing Council -- the entity that markets Alaska to the United States and Canada, where 93% of Alaska's visitors come from. Even more perplexing is the *lack* of proposed similar cuts to the budget of the Alaska State Division of Tourism, the state government agency responsible for marketing Alaska abroad, where less than 7% of Alaska's visitors come from. Both missions are important to the future of the Alaska tourism industry. Neither budget should be cut. If anything, in these wildly uncertain economic times, the stable revenue flow from the visitor industry demands an increase in the tourism marketing budget.

*-more-*

Simply put, the visitor industry is Alaska's bright star. Certainly, oil revenues are declining and by all indications, they will continue to decline. The seafood, timber and mining industries are experiencing some very unstable, even devastating, times. Of all the major private sector industries in the state, tourism is, and has been, growing steadily for years -- decades, really. *Tourism is clean and renewable.* Tourism is also the second largest private sector employer, and ranks third in total private sector economic impact to the state of Alaska.

So, we strangle the visitor industry by cutting the domestic cooperative marketing budget in half? It just doesn't make sense.

Let's look at the facts for a minute.

Does the visitor industry impact the state government budget? Absolutely, to the tune of more than *\$52 million* last year alone in the form of taxes, docking fees, fishing licenses and other revenue enhancers, not to mention the whopping *\$1.1 billion* in total economic impact. These numbers are a direct result of smart marketing. Even given a cooperative marketing budget of less than \$8 million last year, the marketing investment we made in promoting Alaska as a travel destination yielded a staggering rate of return.

Are all visitor industry jobs temporary or going to "Outside" college students? Absolutely not! Some 13,500 full-time, year-round jobs and some 52,000 indirect jobs are created for Alaska's homegrown talent by tourism activity in the state.

The visitor industry provides great opportunities for young Alaskans to find employment. Let's be honest. Every one of us got our beginning somewhere; chances are we did not start out as the CEO. But through hard work, perseverance and dedication, we can succeed and grow in our professions, eventually to hold down responsible positions and respectable salaries. The senior management in virtually every visitor business (and most every professional) I know has one thing in common -- they got their start just like the rest of us -- at entry level. They worked and they succeeded. That's the American way and should be the Alaskan goal.

-more-

Beyond employment, the commerce of tourism is extremely entrepreneurial in nature. No other major industry -- not oil, not timber, not mining, not fisheries -- can offer Alaskans the most basic of opportunities to start and operate their own business. The Alaska visitor industry is 84 percent Alaskan-owned and operated, with more than 80 percent having less than four employees and generating under \$400,000 each year. Hardly mega-corporations at all, but rather the result of people with vision and energy to stand on their own feet. In fact, if you look around Alaska, you'll notice a lot of these small businesses that lie at the heart of this state's, as well as this nation's, economy -- bed and breakfasts, gift shops, charters, guide services, equipment and vehicle rentals. just to name a few.

I guess some folks figure that if you can't dig it, pump it, cut it or catch it, the economic worth of a product just isn't as vital. No, you can't hold Alaska's visitor product in your hand, it's too big. But you can sell it, and sell it we have -- very successfully.

Alaska destination marketing costs, considered as a percentage of the state budget, is a small price to pay for Alaskans. Local convention & visitors bureaus, and regional tourism marketing organizations have done an outstanding job in promoting their areas, and the fact is that they draw heavily on the groundwork accomplished by the state's cooperative marketing program. As a result, communities statewide see one million visitors each year -- visitors who leave behind over 416 million dollars in Alaska's economy. And, because there are visitors, visitor industry businesses invest \$ 448 million in property and equipment and spend an additional \$285 million in Alaska each year. Moreover, the visitor industry affects employment of over 70,000 Alaskans, and directly supports an annual payroll of \$244 million.

Alaska's position as a world-class destination doesn't just attract tourists. It also commands the attention of competition from other destinations -- competition that is outspending us 10 to one in some instances in an effort to capture the same one million visitors we hope to bring to Alaska next year. For example, one of Alaska's prime competitors, Hawaii, spends over \$23 million a year to promote its destination.

So, what happens if we cut the tourism budget?

-more-

Our marketing reach will decrease proportionately. The opportunity for small businesses to affordably reach a national marketplace of travelers will be significantly reduced. Some small businesses will suffer, others may fold. Industry growth will stagnate. With the loss of this commerce comes the loss of jobs and a heavier drain on already overburdened social services. It also means the loss of taxes and fees that these businesses would otherwise pay -- revenue that would have gone toward improving the plight of our communities' infrastructure. Visitors bring those *new* dollars so desperately needed to stimulate our Alaskan economy.

Our industry, like all others in Alaska, is interdependent with other basic industries. Remove tourism, or fisheries, or oil from the equation, and the cost of providing basic transportation, supplies and services becomes more expensive. It's simple economies of scale. To assume that our industry doesn't play ball with other basic industries based on our different playing fields is an error.

For instance, the visitor industry and the Alaska oil and gas industry, far from being mutually exclusive, are in fact working very much together on both the philosophical and operational planes. Many may not realize that cooperation and funding by Exxon and the oil industry following the Valdez spill played a large role in bolstering tourism numbers affected by publicity from the accident.

And, contrary to some opinions, the visitor industry provides one of the best venues to present all of Alaska's commerce. According to the visitor industry Statistics Program, the Alyeska Pipeline ranks as one of the top 20 visitor attractions. Salmon hatcheries around the state are encouraging more and more visitor programs that showcase fishery industry enhancement at its very best. Most recently, a tourism operation in Fairbanks expanded to highlight placer mining and present an educational synopsis of mineral resources in the state.

Make no mistake about it folks; as Alaskans, we are in this thing together. And as we have emphasized with the legislature, with the Resource Development Council and recently during the state Wetlands policy summit, we are solidly behind the mainstream sentiment where growth is concerned.

-more-

Finding a solution to Alaska's economic woes won't be easy. But at least part of the answer lies in the kind of economic diversification that tourism offers. Tightening the noose on the visitor industry hurts the people who can least afford it -- the small mom-and-pop businesses that are so important to our collective well-being and so much a part of what Alaska is all about.

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413018

January 20, 1994

Representative Eldon Mulder  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801

Re: House Bill 342

Dear Representative Mulder:

I wanted to contact you personally to voice my concerns and opinions regarding the Alaska Tourism Marketing Council (ATMC), about which the Labor and Commerce Committee is meeting today.

In a time of declining oil revenues and tightening state budget, it becomes even more important to support growth industries. One of this state's biggest success stories --tourism-- has experienced skyrocketing growth. Growth which is due in large part to the efforts of the ATMC.

Working with all segments of the tourism industry, ATMC has endeavored to develop, coordinate and implement programs enabling enterprises large and small to "get out" their Alaska message to potential travelers. And those travelers have come in droves --hundreds of thousands each year-- summer, fall, winter and spring. I believe the numbers, as reflected in the most recent Alaska Visitor Statistics Program (AVSP), show the industry growing significantly year after year. Additionally, each and every traveler spends hundreds of dollars on services such as sightseeing tours, hotel rooms, meals, rental cars, hospital services and health care, and transportation, to name only a few. Perhaps most importantly, cultural events that preserve native heritage have flourished as a result of tourist's growing awareness of Alaska's unique and varied history.

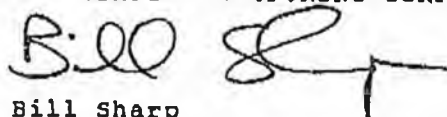
I have forwarded to you a brief statement by Dennis Brandon, president of the Alaska Visitors Association, summarizing the benefit to all of Alaska as a result of ATMC's work.

I hope I can count on you to support the ATMC, and the state's growing tourism industry. through your endorsement of HB342. I also hope to see ATMC funding levels at least as high as those of FY'94.

Thank you for your time and continued support of this industry so vital to the Alaskan economy.

Respectfully,

SOUTHEAST STEVEDORING CORP.

A handwritten signature in black ink, appearing to read "Bill Sharp", is written over the typed name.

Bill Sharp  
Vice President, Operations

enclosure

# Point of view

# State's tourism works for all of us

By DENNIS BRANDON

Rumor has it there's an investment opportunity that would set Wall Street on fire. It's an investment that would yield a massive dividend each year — with a payback of more than \$100 on each state dollar invested.

Only it's not a rumor. That's what Alaska's citizens get in return for dollars spent to promote the state as a world-class visitor destination.

Yet state government proposes a nearly 50-percent cut in budget for the Alaska Tourism Marketing Council, the entity marketing Alaska to the United States and Canada, where 93 percent of Alaska's visitors come from. Even more perplexing is the lack of proposed similar cuts to the budget of the Alaska State Division of Tourism, the state government agency responsible for marketing Alaska abroad, where less than 7 percent of Alaska's visitors come from. Both missions are important to the future of the Alaska visitor industry. Neither budget should be cut.

Bright economic star

It is clear the visitor industry is Alaska's bright economic star, as oil revenues continue to decline, and the seafood, timber and mining industries experience unstable, even devastating, times. Of all major private sector industries in the state, tourism has been growing steadily for decades. Tourism is clean and renewable. Tourism is also Alaska's second largest private sector

employer, and ranks third in total private sector economic impact to the state.

It just doesn't make sense to strangle the visitor industry by cutting the domestic cooperative marketing budget in half.

Let's look at the facts.

The visitor industry impacts the state government budget to the tune of more than \$52 million each year in the form of taxes, fees, licenses and other assessments, not to mention the whopping \$1.1 billion in total annual economic impact.

Jobs

Some 13,500 full-time, year-round jobs and some 52,000 indirect jobs are created for Alaska's homegrown talent by tourism activity in the state. The visitor industry provides great opportunities for young Alaskans to find employment. Through hard work, perseverance and dedication, they can succeed and grow in their professions, eventually to hold down responsible positions and respectable salaries. That's the American way and should be the Alaskan goal.

Moreover, tourism is extremely entrepreneurial in nature. No other major industry can offer Alaskans the most basic of opportunities to start and operate their own business. In fact, if you look around Southeast communities, you'll notice a lot of these small businesses that lie at the heart of this state's, as well as the nation's, economy — bed and

breakfasts, gift shops, charters, guide services, equipment and vehicle rentals, just to name a few.

Local convention and visitors bureaus and the Southeast Alaska Tourism Marketing Council have done a outstanding job in promoting your area, and the fact is that they draw heavily on the groundwork accomplished by the state's cooperative marketing program. As a result, Southeast communities see more than 371,000 visitors each year — visitors who leave behind over \$76 million in the local economy. And, because there are visitors, visitor industry businesses invest \$118 million in property and equipment and spend an additional \$56 million locally each year. Moreover, the visitor industry affects employment of more than 7,000 Alaskans in Southeast, and directly supports an annual payroll of \$46 million.

New dollars

Visitors bring those new dollars so desperately needed to stimulate our Alaskan economy. If we cut the tourism budget, our marketing reach will decrease proportionately and Alaska's competition is ready to pick up the slack. Many of our primary competitors are already outspending Alaska 10-to-one in some instances in an effort to draw the same one million visitors we hope to bring to the state this year.

Finally, to assume that our industry doesn't play ball with other basic industries based on our different playing fields

is an error. In fact, contrary to some opinions, the visitor industry provides one of the best venues to present all of Alaska's commerce.

Visitor attractions

According to the visitor industry Statistical Program, the Alyeska Pipeline ranks as one of the top 20 visitor attractions. Salmon hatcheries around the state are encouraging more and more visitor programs that showcase fishery industry enhancement at its very best. Most recently, a tourism operation in Fairbanks expanded to highlight placer mining and present an educational synopsis of Alaska's mineral resources.

Make no mistake about it folks; as Alaskans, we are in this together. And, as we have emphasized with the legislature with the Resource Development Council and recently during the state wetlands policy summit, we are solidly behind the mainstream sentiment where growth is concerned.

Finding a solution to Alaska's economic woes won't be easy. But at least part of the answer lies in the kind of economic diversification that tourism offers. Tightening the noose on the visitor industry hurts the people how can least afford it — the small mom-and-pop businesses that are so important to our collective well-being and so much a part of what Alaska is all about.

— (Dennis Brandon is president of the Alaska Visitors Association, based in Anchorage.)

## Letters to the editor

KETCHIKAN DAILY NEWS 1/20/94

### Kids' activities

EDITOR, Daily News:  
I entered this story in the Ketchikan

Maybe they'll be good stories in year to come. The good book says, "hide not your talents under a bushel, but let it so shine before men."

This is a \$100 lecture for free. Try to express new views in life. Let's help the

point is not obvious. He suggested that there are "truly threatened and endangered wildlife species" which need the BSA, but his examples (kangaroo rat, spotted owl, and Northwest salmon) were all misuses by his standards. Like the thought of listing any other

was not funny!  
It was just another low to which the anti-gun people have stooped.

The cartoon also depicted a little bird saying "guns don't kill people, Serbs kill people". Another bird says "with guns". I would suggest you look at all car-

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Sincerely,  
EL SALLEE  
Ketchikan

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had passed  
ald Reagan.  
ites observed  
honor of slain  
Luther King

December 23, 1993

Tina Lindgren  
Alaska Tourism Marketing Council  
3601 C Street, Suite 700.  
Anchorage, Alaska 99503

STATE OF ALASKA  
DEPARTMENT OF COMMERCE  
& ECONOMIC DEVELOPMENT

DEC 23 1993

ALASKA TOURISM  
MARKETING COUNCIL

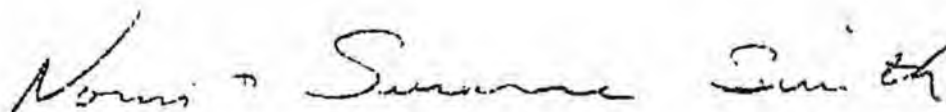
Dear Tina,

Just a quick note to say "thank you" for conducting the recent survey, and by providing us with some informative words on who/what ATMC actually is & does.

My husband and I have run a small business here in Haines for 15 years, and greatly appreciate and depend upon the state's/private sector's co-operative marketing program. Without you we could not exist! Thanks again for all your efforts, and if you're ever in our neighborhood, we'd be happy to put you up!

BEST WISHES FOR THE HOLIDAYS!

Sincerely,



Norm & Suzanne Smith  
Owners/Operators, Fort Seward B & B

# Downtown Deli And Cafe

P.O. Box 2653, Anchorage, Alaska 99510

Phone (907) 274-0027

January 7, 1994

Brad Phillips  
Phillips Cruises and Tours  
509 W. 4th Ave.  
Anchorage, Alaska 99501

Dear Brad,


I am writing to you in your capacity as the Chair of the Alaska Tourism Marketing Council. I want to express to you my total support of the Council's public/private marketing efforts. My business is the Downtown Deli and Cafe, which has been operating for 18 years in the same location. During this time I have seen the visitor business grow from a negligible portion of my sales to in excess of two thirds of my total receipts. There is no question that the aggressive marketing of Alaska has played an essential part in this growth.

I am deeply disturbed that a severe reduction in the state's part of the program is being proposed by the Governor. It is well known that tourism, currently one of Alaska's top employers, has the greatest potential growth for both employment and Alaskan small business opportunities. It is also well known that this potential is at risk, as there is intense global competition for the tourism and visitor dollar.

At a time when there is an immediate need to develop private sector jobs to compensate for fewer public revenue based jobs, it is not sensible to turn away from the most logical source of future employment - an expanding visitor industry. Indeed, at a time when Alaska is being attacked through the media, a reduction in our marketing efforts may cause long term damage to Alaska tourism. The bottom line is that we should consider a strategic reassessment of our marketing approach and, in light of the current situation, significantly increase both the public and private marketing efforts for this proven Alaskan job development industry.

Thank you, Brad, for all of your efforts to keep the visitor industry strong.

Sincerely yours,

  
Tony Knowles, President



3812 KATMAI CIRCLE  
ANCHORAGE, ALASKA 99517-1024  
(907) 243-1238

cc: Kameron Jones

\* KENAI FJORDS NATIONAL PARK \*  
WILDLIFE AND GLACIER TOUR  
\* EXCLUSIVE & OVERNIGHT \*  
CHARTERS  
\* DROP OFF/ PICK-UP \*  
\* FISHING \*

1/12/94

Rick Halford  
Alaska State Legislature  
Room 111  
Juneau, AK 99801-1182

Dear Mr. Halford,

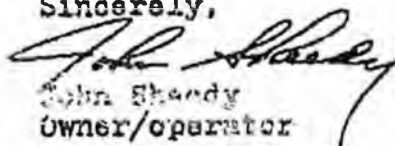
I would like to voice my concern regarding the proposed \$3 million cut to the Cooperative Marketing Budget. As a small businessman directly dependent on tourism dollars during a short summer season, being able to participate in a highly visible cooperative marketing program as has been put together by ATMC has been very productive for us. The Vacation Planner is the single most productive vehicle we have to market ourselves nationally and internationally at a price we can afford. However, even the cost of a small narrative ad has doubled for the 1995 Planner. This is in response to past and proposed cuts to the Cooperative Marketing Budget.

We all realize times are getting leaner and subsidies are being cut because of decreased oil revenues and other factors. One bright, consistent light in the gloom however, has been the inflow of tourism dollars to the state. A definite renewable resource that shows positive growth every year and benefits virtually everyone in the state at one level or another! As strong as tourism is becoming, it definitely needs nurturing and attention and not taken for granted. Cutting the ATMC budget will be felt right down to my level and this is a most important level to me and many other companies, and our employees, and their families! It gets right down to the basics.

Please consider increasing funding for the Cooperative Marketing Budget, not decreasing. We are trying to pull our weight on this small business level, but we do need some assistance before the load gets prohibitive.

Thank you for your consideration.

Sincerely,

  
John Shady  
owner/operator

# KLEF FM 98

*Your Radio Concert Hall*

January 9, 1994

Hon. Cynthia Toohy  
Alaska State House of Representatives  
State Capitol Building MS 3100  
Juneau, Alaska 99802

Dear Cynthia,

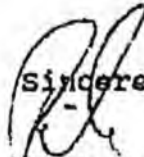
I understand there's some question as to whether the state should continue helping fund the marketing of Alaska as a tourist destination.

My answer is a resounding, "Yes!"

The growth of the visitor industry is one of the best things that's ever happened to Alaska, and the state's financial participation is critical to this continued success.

The millions of dollars which tourists leave in Alaska make a difference to us all. Even in a business such as mine, which is hardly at the center of the visitor industry, their importance is very real. In my opinion, if Anchorage had no visitor industry, KLEF could not continue as a viable enterprise.

Sincerely,



Rick Goodfellow  
President and General Manager

/jrg

NOME CUSTOM ADVENTURES  
P.O. BOX 480  
NOME, ALASKA 99762

January 18, 1994

Representative Bill Hudson  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

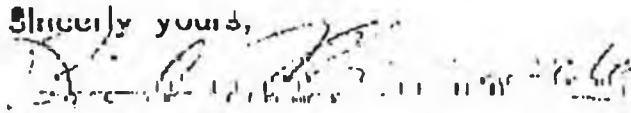
Dear Representative Hudson:

Tourism in Alaska affects most people in Alaska. Nome is a small community and we estimate that any new dollars in our community will turn at least 5 times. The major source for our new dollars is tourism. Those turning dollars affect most people in Nome. For this reason, I would urge you to support the reauthorization of the ATMC through the passage of House Bill 342.

The ATMC promotes Alaska on a much larger scale than Nome would ever be able to do on its own. The ATMC brings the visitor to Alaska it is then our job to bring the visitor to Nome.

Your support will be greatly appreciated

Sincerely yours,



Richard Beneville

cc: Richard Foster  
Nome Visitor Association  
Al Adams  
Al Vozoy

H B

3 5 3

(7)

Date Referred: January 10, 1994

FURTHER REFERRALS:

State Affairs

Date of Committee Action: 3/10/94

The LABOR AND COMMERCE Committee considered:

HB 353

HOUSE BILL NO. 353

HORIZONTAL PROPERTY MANAGEMENT

"An Act repealing the requirement of an annual audit of the receipts and expenditures applicable to certain property managed under the Horizontal Property Regimes Act."

RECOMMENDATIONS: [ ] the same title  
be replaced with [ ] a new title

[ ] have attached amendments(s)

[ ] do pass

[ ] do not pass

[ ] no recommendations

[X] 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) \_\_\_\_\_

[X] zero fiscal note Commerce

[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	A
Brian S. Porter	✓	John Hulse		✓	
Al Sutton	✓	W. R. Williams		✓	
Jimmy [unclear]	✓	[unclear]		✓	
Bill Hulse	✓				

Bill Hulse  
CHAIRMAN'S SIGNATURE

# DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

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


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

## MEMORANDUM

March 9, 1994

**SUBJECT:** Draft CSHB 353 (L&C) (Work Order No. 8-LS1474J)

**TO:** Representative Bill Hudson, Chair  
House Labor & Commerce Committee  
ATTN: Lynda Giguere

**FROM:** Jack Chenoweth  
Legislative Counsel 

A brief word of explanation about the enclosed draft.

You asked me to prepare language, in the form of a draft committee substitute, to "level the playing field" with respect to the financial statement reporting requirements applicable to condominium associations. Condominium association activities are principally controlled by two Acts, the Horizontal Property Regimes Act (AS 34.07) and the Uniform Common Interest Ownership Act (AS 34.08).

### Requirements under Uniform Common Interest Ownership Act (AS 34.08):

The Uniform Common Interest Ownership Act is the later of the two acts in time. It applies to condo associations operating on and after January 1, 1986. Certain provisions of the Uniform Common Interest Ownership Act may apply to condo associations that were established before that date.<sup>1/</sup> For associations now covered

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<sup>1/</sup> See AS 34.08.040:

APPLICABILITY TO PREEXISTING COMMON INTEREST COMMUNITIES. Except as provided in AS 34.08.050, the provisions of AS 34.08.110, 34.08.120, 34.08.290, 34.08.320(a)(1) - (6) and (11) - (16), 34.08.420, 34.08.470, 34.08.490, 34.08.510, 34.08.590, 34.08.670, 34.08.720, 34.08.730, 34.08.740, and 34.08.990, to the extent necessary in construing any of those sections, apply to all common interest communities created in the state before January 1, 1986, except that the sections apply only with respect to events and circumstances occurring after January 1, 1986, and do not

(continued...)

by the Uniform Common Interest Ownership Act, AS 34.08.490(a) imposes this requirement on the keeping of financial records:

(a) The association shall keep financial records sufficiently detailed to enable the association to comply with AS 34.08.590. <sup>2/</sup>

---

<sup>1/</sup>(...continued)

invalidate existing provisions of the declaration, bylaws, or plats or plans of the common interest communities.

<sup>2/</sup> The cross-reference to "AS 34.08.590" is a reference to the so-called "resale certificate" requirement, the requirement of AS 34.08.590(a) that the association prepare and provide a resale certificate to a unit seller, when requested. The statute sets out the following as the necessary components of the resale certificate:

(a) . . . [A] unit owner shall furnish to a purchaser before execution of a contract for sale of a unit or before conveyance a copy of the declaration, as amended, the bylaws, the rules or regulations of the association, and a certificate containing a statement disclosing

(1) the effect on the proposed disposition of a right of first refusal or other restraint on the free alienability of the unit;

(2) the amount of the monthly common expense assessment and any unpaid common expense or special assessment currently due and payable from the selling unit owner;

(3) any other fee payable by unit owners;

(4) any capital expenditures in excess of \$3,000 approved by the executive board for the current and two next succeeding fiscal years;

(5) the amount of reserves for capital expenditures and of any portions of the reserves designated by the association for a specified project;

(6) the most recent regularly prepared balance sheet and income and expense statement, if any, of the association;

(7) the current operating budget of the association;

(8) any unsatisfied judgment against the association and the status of any pending suit in which the association is a defendant or plaintiff;

(9) any insurance coverage provided for the benefit of unit owners;

(10) whether the executive board has knowledge that any alterations or improvements to the unit or to the limited common elements assigned to the unit violate any provision of the declaration;

(11) whether the executive board has knowledge of any violation of a health or safety, fire, or building code or other law, ordinance, or regulation with respect to the unit, the limited common elements assigned to the unit, or any other portion of the common interest community;

(12) a statement of the remaining term of a leasehold estate affecting the common interest community and the provisions governing an extension or renewal of the lease;

(continued...)

Financial and other records must be made reasonably available for examination by a unit owner and an authorized agent of a unit owner.

There is no separate requirement of an annual or periodic audit of the financial transactions of the associations that are covered by the Uniform Common Interest Ownership Act.

Requirements under Horizontal Property Regimes Act (AS 34.07):

Though it uses the terms "apartment" (in reference to an individual unit) and "association of apartment owners" (in reference to the condo association), the Horizontal Property Regimes Act applies to **condominiums and condominium associations**. Under AS 34.07.280(b)<sup>3/</sup>, an annual audit is required of the condominium association, and the duty to make arrangements for one is imposed on the association's manager or its board of directors.

\*

The draft committee substitute makes changes only to AS 34.07.280(b). It (1) eliminates the requirement of an annual audit, (2) substitutes a directive that for the purpose of keeping financial records, if the "association of apartment owners" (using the words of AS 34.07) is subject to AS 34.08, the performance standard be exactly

---

<sup>2/</sup>(...continued)

(13) a statement of any restrictions in the declaration affecting the amount that may be received by a unit owner upon sale, condemnation, casualty loss to the unit or the common interest community, or termination of the common interest community; and

(14) in a cooperative, an accountant's statement, if any was prepared, as to the deductibility for federal income tax purposes by the unit owner of real estate taxes and interest paid by the association.

<sup>3/</sup> In this draft committee substitute, I propose to replace the text of AS 34.07.-280(b). So that you may understand the context in which that change would appear, the entire section now reads:

RECEIPTS AND EXPENDITURES RECORDS TO BE KEPT.

(a) The manager or board of directors shall keep detailed and accurate records in chronological order of the receipts and expenditures affecting the common areas and facilities, specifying and itemizing the maintenance and repair expenses of the common areas and facilities and any other expenses incurred.

(b) All books and records shall be kept in accordance with good accounting procedures and shall be audited at least once a year by an auditor outside of the organization.

Representative Bill Hudson

March 9, 1994

Page 4

the same as set out in AS 34.08.490 and, if the "association of apartment owners" is exempt from AS 34.08, for purposes of "leveling the playing field," the standard of performance is that of being able to provide "an accurate balance sheet and accurate income and expense statement of the association," <sup>4/</sup> and (3) to avoid any question on the point, authorizes, as the condominium association manager or board of directors may decide, preparation of a formal audit.

JBC:mi

94-052.mai

Enclosure

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<sup>4/</sup> I derive this standard directly from the language of AS 34.08.590(a)(6), the text of which is set out in footnote 2.

8-LS1474J  
Chenoweth  
3/9/94

CS FOR HOUSE BILL NO. 353(L&C)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVE JAMES

A BILL

FOR AN ACT ENTITLED

1 "An Act amending the requirement of an annual audit of the receipts and  
2 expenditures applicable to certain property managed under the Horizontal Property  
3 Regimes Act to one that permits the making of an audit, and providing, in place  
4 of the audit requirement, that condominium associations subject to that Act  
5 maintain their financial records to the standards for financial statements required  
6 by the Uniform Common Interest Ownership Act."

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

8 \* Section 1. AS 34.07.280(b) is repealed and reenacted to read:

9 (b) The manager or board of directors of the association of apartment owners  
10 shall keep the books and financial records in sufficient detail that, if the association  
11 of apartment owners is subject to AS 34.08.490, the association can comply with the  
12 requirements of AS 34.08.590(a)(6) or, if the association of apartment owners is not  
13 subject to AS 34.08.490, the association manager or board of directors is able to

1 prepare and present an accurate balance sheet and an accurate income and expense  
2 statement of the association. The manager or board of directors may provide for an  
3 audit of the receipt and expenditure records of the association at intervals as the  
4 manager or board may determine.

H B

3 8 1

(7)

Date Referred: January 18, 1994

FURTHER REFERRALS:

Finance

Date of Committee Action: 3/10/94

The LABOR AND COMMERCE Committee considered:

HB 381

HOUSE BILL NO. 381

COMM'L FISH LOANS FOR CERTAIN OBLIGATIONS

"An Act relating to the commercial fishing revolving loan fund and the fisheries enhancement revolving loan fund; and providing for an effective date."

RECOMMENDATIONS: [ ] the same title  
be placed with [ ] a new title

[ ] have attached amendments(s)

[ ] do pass

[ ] do not pass

[ ] no recommendations

[X] 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) \_\_\_\_\_

[X] zero fiscal note Commerce

[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Bill Hudson</i>	<input checked="" type="checkbox"/>	<i>Brian Porter</i>		<input checked="" type="checkbox"/>	
<i>Bill Hudson</i>	<input checked="" type="checkbox"/>	<i>Edson Kadel</i>		<input checked="" type="checkbox"/>	
		<i>Jimmy [unclear]</i>		<input checked="" type="checkbox"/>	
		<i>[unclear]</i>		<input checked="" type="checkbox"/>	
		<i>[unclear]</i>		<input checked="" type="checkbox"/>	

*Bill Hudson*  
CHAIRMAN'S SIGNATURE

DRAFT

DRAFT

DRAFT

DRAFT

Proposed House Labor and Commerce Letter of Intent for CSHB 381(L&C)

It is the intent of the House Labor and Commerce Committee that the Division of Investments exercise particular care in forecasting loan demand in order to fully accomodate all new commercial fishing lending needs that arise from the [expansion] of the commercial fishing loan program by the Eighteenth Alaska State Legislature. It is further the intent of the House Labor and Commerce Committee that use of the Commercial Fisheries Revolving Loan Fund for loans for refinancing purposes succeed all other commercial fishing lending needs in priority. Finally, it is the House Labor and Commerce Committee's intent that transfers of excess funds from the Commercial Fisheries Revolving Loan Fund be permitted only after commercial fishing loan needs, including any anticipated loans for purchase of Individual Fishing Quotas, have been met.

Line 4

delete "expansion"  
insert "Modification"

## SPONSOR STATEMENT

### HOUSE BILL 381 COMMERCIAL FISHING REVOLVING LOAN FUND AND THE FISHERIES ENHANCEMENT REVOLVING LOAN FUND

House Bill 381 adds five new elements to AS 16.10.

- ✓ 1. Refinancing of private bank loans.
- ✓ 2. Loans to upgrade existing vessels and gear for quality improvement.
- ✓ 3. Loans to satisfy federal tax obligations.
4. Loans to satisfy past due child support obligations; and
- ✓ 5. Provides for the transfer of funds that are not needed for current loan demand between the Commercial Fishing Revolving Loan Fund and the Fisheries Enhancement Revolving Loan Fund.

The Commercial Fishing Loan Program is a primary source of loans to Alaska fishermen and one of only two lenders authorized by law to take Alaska limited entry permits as collateral. One of the basic tenets of the Commercial Fishing Revolving Loan Fund was to maintain a resident Alaskan fishery. If permits go up for auction because of seizure, there is no control over keeping them in state.

The IRS currently is not receptive to making pay arrangements with fishermen who are in arrears on their federal tax obligations. According to the IRS, 74% of the Alaska resident limited entry permit holders in arrears who have filed federal tax returns owe \$10,000 or less. These Alaskans are not tax evaders, but simply fishermen facing a crisis.

The fishermen's difficulty meeting federal tax obligations is carried to other obligations as well. These fishermen are having a difficult time paying any of their creditors -- including child support claimants. HB 381 would provide some relief by authorizing loans of already appropriated funds for secured loans. These would not be grants or give-aways; but, would provide the opportunity for fishermen to meet their debt obligations by keeping the permit in their hands.

The refinancing provision would allow fishermen to combine debt service on permit loans and boat loans or with loans from other private lending institutions. It would also provide for a better interest rate and more reasonable payment schedule. There have been instances where a fisherman owned a limited entry permit free of encumbrances and held a boat loan through a private banking institution. Through circumstances beyond the fisherman's control, the debt obligation on the boat could not be met and the boat was confiscated by the lender. In this situation, a fisherman has no means of participating in the fishery and no means of meeting the debt obligation.

HB 381 would allow the Department of Commerce and Economic Development to transfer funds that are not needed for current loan demand between the Commercial Fishing Revolving Loan Fund and the Fisheries Enhancement Revolving Loan Fund.

House Bill 381 addresses constituent needs of every legislator. The crisis in salmon fisheries has affected every area of the state. Much of what has happened in the salmon industry is well beyond the control of fishermen. HB 381 would provide some small measure of support and help through a secured loan process in these difficult times.

Alaska State Legislature  
Representative Carl E. Moses

CHAIRMAN  
HOUSE RULES COMMITTEE

CHAIRMAN  
HOUSE SPECIAL COMMITTEE FISHERIES

MEMBER FINANCE SUBCOMMITTEES ON:  
DEPT. OF FISH AND GAME  
DEPT. OF PUBLIC SAFETY



SESSION:  
CAPITAL BUILDING, ROOM 204  
JUNEAU, ALASKA 99801-1182  
PHONE: (907) 465-4451  
FAX: (907) 455-3445

INTERIM  
716 W. 4TH AVE. #530  
ANCHORAGE, AK 99501-2133  
PHONE: (907) 258-8167  
FAX: (907) 258-8468

MEMORANDUM

TO: Representative Bill Hudson, Chair  
House Labor & Commerce Committee

Representative William K. Williams  
Member, House Labor & Commerce Committee

FROM: Representative Carl E. Moses *CEM*  
Chairman, House Special Committee on Fisheries

DATE: February 28, 1994

RE: HB 381

---

As you know, the Senate version of HB 381 (SB 251) has had two hearings in Senate Labor and Commerce and is now in House Finance where it is scheduled for a hearing tomorrow.

Senate Labor and Commerce adopted a committee substitute which I have attached. At present, I concur with the revision on page 2, lines 9-12 which deletes the child support section. This section also adds a one time stipulation to loans secured to satisfy IRS debt service and caps the amount of each loan at \$30,000. I am in agreement with these changes.

I do not support the changes on page 4, Section 4 which would only allow one-half of the monies surplus to projected loan demand under the Commercial Fishing Revolving Loan Fund (CFRLF) to be transferred to the Fisheries Enhancement Revolving Loan Fund (FERLF). One of the major intents of this legislation was to make

Representative Bill Hudson  
Representative William K. Williams  
Page 2  
February 28, 1994

available to the commercial fishing industry any monies surplus to loan demand in the CFRLF through the FERLF. The Department of Commerce and Economic Development (DCED) has no intentions of changing their loan forecasting to "short" the CFRLF. If all the surplus monies are not made available for transfer, they will most likely be appropriated to the general fund by request of OMB.

I do not support the changes on page 4, Section 7 which would place an unnecessary burden on DCED. DCED follows the guidelines set by ADF&G of 50% as a viable contribution to the common property fishery for any hatchery program under consideration for receiving loan monies. The percentage of contribution is usually much higher. The Regional Planning Team process is slow and does not examine the same criteria DCED would in making decisions. DCED will be making financial determinations based on sufficient collateral with assurances for repayment. This section only serves to complicate the legislation.

I would appreciate your scheduling HB 381 for a hearing soon.

Attachments

Alaska State Legislature  
Representative Carl E. Moses

CHAIRMAN  
HOUSE RULES COMMITTEE

CHAIRMAN  
HOUSE SPECIAL COMMITTEE FISHERIES

MEMBER FINANCE SUBCOMMITTEES ON  
DEPT. OF FISH AND GAME  
DEPT. OF PUBLIC SAFETY



SESSION:  
CAPITAL BUILDING, ROOM 204  
JUNEAU, ALASKA 99801-1182  
PHONE: (907) 465-4451  
FAX: (907) 455-3445

INTERIM  
716 W. 4TH AVE. #630  
ANCHORAGE, AK 99501-2133  
PHONE: (907) 258-8167  
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MEMORANDUM

TO: Representative Bill Hudson  
Chairman, House Labor and Commerce

FROM: Representative Carl E. Moses *C.E.M.*  
Chairman, House Special Committee on Fisheries

DATE: January 31, 1994

RE: House Bill 381

---

I want to thank you for your willingness to schedule a subcommittee meeting on HB 381 to attempt to answer some of the questions concerning this bill prior to a formal hearing.

Following is a list of people who have expressed interest in this bill and Cheryl Sutton from my staff would be glad to contact these people once you schedule a time and place for the meeting.

Kate Troll, Executive Director, SEAS  
Gerry McCune, Executive Director, UFA  
Martin Richard, DCED  
Mary McDowell, House Resources Staff  
Frank Homan, CFEC  
Ray Gillespie, Aquaculture Associations  
Bryce Edgmon, Staff to Senator Jacko

There may be others who are interested in attending and I will alert you if that is the case.

Again, I appreciate your help in facilitating this meeting.

# STATE OF ALASKA

COMMERCIAL FISHERIES ENTRY COMMISSION

WALTER J. HICKEL, GOVERNOR

8800 GLACIER HWY, #109  
JUNEAU, AK 99801  
(907) 789-6150 Licensing Calls  
(907) 789-6160 Other Business  
(907) 789-6170 FAX

RECEIVED

January 25, 1994

JAN 25 1994

Ans'd.....

Dear Anchorage Daily News Editor:

On Friday, January 21, 1994, you issued a "Jeer" to Senator Jacko for introducing proposed legislation which would authorize existing revolving loan funds of the State's Commercial Fishing Loan Program to be made available to help Alaska fishermen meet federal tax and child support obligations. (The Commercial Fishing Loan Program is a primary source of loans to Alaska fisherman and one of only two lenders authorized by law to take Alaska limited entry permits as collateral.) In your apparent eagerness to attack the messenger, you harshly condemned the message despite the fact that, on the previous day, your paper carried two articles about the crisis in the Alaska salmon industry which cried out for more thoughtful consideration of the issue.

As your paper reported, Alaska salmon fishermen have been struck by forces beyond their control. Your article pointed out that many have lost nearly 75% of their prior earnings due to changed world market conditions. Their earnings may be cut in half again during the coming season with no assurance that prices have hit bottom. At the same time, fishermen's fixed costs remain the same or are rising. These fishermen are having a difficult time paying any of their creditors, including the IRS and child support claimants.

Your paper also correctly reported that 74% (or 827) of the Alaska resident limited entry permit holders, who have filed returns but who have not been able to pay their taxes, individually owe the IRS \$10,000 or less. Clearly, these Alaskans are not tax evaders but, simply, as your paper reported, fishermen facing a crisis.

As self-employed risk takers, Alaska fishermen are similar to self-employed people throughout the rest of the country who have troubles with the IRS in similar proportions. As small businessmen, they labor without the comfort and security of a salary and mandatory tax withholding. What makes Alaska fishermen different is that the IRS has the power to strip them of their limited entry permits and thereby destroy their means of earning a living for all time. This power over already suffering fishermen is a threat to the economic support of Alaskan children, families, villages, and the State as a whole.

The legislative proposal would provide some relief by authorizing loans of already appropriated funds from one of the few lending sources available. These would be secured loans--not grants or give-aways.

January 25, 1994

Every legislator has at least some constituents caught in this financial crisis. These Alaskans would prefer to work, meet their obligations, and contribute to the Alaska economy. They do not want to be forced to seek welfare. The legislative proposal would help to relieve some of the suffering and to protect Alaskans' necessary access to their traditional fisheries and their means of earning a living.

Your paper has won the print news war. From the security of your salaries and mandatory tax withholding, are you being fair, when you condemn a modest legislative proposal and say:

If paying off tax or child support debts costs [Alaska fishermen] their limited entry permits, that's the price they pay for their own irresponsibility.

If you honestly believe this, you should travel beyond Anchorage more often (or, at least, read more closely your own paper).

Yours Truly,

COMMERCIAL FISHERIES ENTRY COMMISSION

Bruce Twomley, Chairman  
Frank Homan, Commissioner  
Dale G. Anderson, Commissioner

by: 

cc: Members of the Alaska Legislature

State of Alaska/Department of Revenue  
Child Support Enforcement Division  
Top 100 Non-Payers of Child Support in the State of Alaska  
(Defined as obligators owing the most back child support)

CITY/STATE/ZIP	ARREARS	CITY/STATE/ZIP	ARREARS
HAINES AK99827	191,039.46	SCAMMON BAY AK99662	134,247.74
FAIRBANKS AK99701	167,868.61	MINTO AK99758	235,663.61
OUZINKI AK99644	137,250.57	ANCHORAGE AK99504	161,696.71
EMMONAK AK99581	151,157.31	ALAKANUK AK99554	171,549.40
ST. GEORGE IS. AK99660	207,324.82	COPPER CENTER AK99573	144,215.14
KETCHIKAN AK99901	191,304.92	FAIRBANKS AK99706	152,963.62
ANCHORAGE AK995109999	133,991.56	KING COVE AK99612	163,719.23
ELIM AK99739	144,438.29	METLAKATLA AK99926	131,647.31
FAIRBANKS AK99710	134,161.93	FAIRBANKS AK99708	146,504.09
JUNEAU AK99801	196,828.70	ANCHORAGE AK99503	172,321.13
ANCHORAGE AK99508	141,655.77	SAND POINT AK996610117	138,811.77
FAIRBANKS AK99707	142,937.81	ANCHORAGE AK99504	138,526.52
HYDABURG AK99922	131,727.31	KOYUK AK99753	147,038.60
ATMAUTLUAK AK99559	151,334.19	JUNEAU AK99801	168,468.37
DILLINGHAM AK99576	133,299.72	TOK AK99780	143,624.48
FAIRBANKS AK997011151	145,680.74	ANCHORAGE AK99509	165,142.78
ANCHORAGE AK99508	154,888.84	CHIGNIK LAKE AK99548	142,850.10
NOME, AK99742	140,821.91	TUNTUTULIAK AK99680	185,466.44
ALAKANUK AK99554	311,343.40	BETHEL AK99559	214,834.16
WILLOW AK99688	149,954.66	FAIRBANKS AK99701	142,102.69
ANCHORAGE AK99508	135,019.67	ANCHORAGE AK99501	180,779.65
COPPER CENTER AK99573	193,260.43	KOTZEBUE AK99752	136,755.83
NOME AK99762	245,450.31	WASILLA AK996876451	187,535.11
PALMER AK996450919	164,738.99	ANCHORAGE AK99507	144,975.06
ANCHORAGE AK99503	143,646.63	ANCHORAGE AK99508	153,680.33
EMMONAK AK99581	155,654.85	RED DEVIL AK99656	172,099.35
CHUGIAK AK99567	138,230.09	ANCHORAGE AK99517	153,501.12
ANCHORAGE AK99508	196,311.01	ANCHORAGE AK99514	151,898.97
FAIRBANKS AK99701	157,012.07	METLAKATLA AK99926	173,793.06
ANCHORAGE AK99503	157,695.67	BETHEL AK995592163	140,925.39
BETHEL AK99559	157,589.43	ANCHORAGE AK995085901	187,995.09
ANCHORAGE AK99508	158,119.41	BIG LAKE AK99652	135,387.69
GAMBELL AK99742	234,673.63	ANCHORAGE AK99501	149,110.46
HEALY AK99743	204,400.54	JUNEAU AK99801	181,726.38
EGEDIK AK99579	163,595.50	KENAI AK99611	134,597.17
SEWARD AK99664	145,913.44	SOLDOTNA AK996693018	191,415.92
ANCHORAGE AK99508	214,624.84	FAIRBANKS AK99701	189,727.61
BIG LAKE AK99652	147,101.80	EAGLE RIVER AK99577	162,202.62
ANCHORAGE AK995104675	139,084.97	DILLINGHAM AK99576	136,689.52
ANCHORAGE AK99508	132,134.91	FAIRBANKS AK99701	132,581.72
ANCHORAGE AK99503	144,787.34	NAPASKIAK AK99559	172,292.38
TELLER AK99778	179,123.32	BARROW AK997231205	146,124.64
MINTO AK99758	161,526.84	UNALAKLEET AK99684	143,514.11
ANCHORAGE AK995161212	180,228.93	ANCHORAGE AK995083183	135,953.80
UNALAKLEET AK99684	161,831.00	BETHEL AK99559	136,405.28
CHEVAK AK99563	142,805.52	FAIRBANKS AK99709	147,518.95
ANCHORAGE AK99507	140,026.42	SELDOVIA AK99663	172,993.07
KIANA AK99749	143,576.47	BETHEL AK99559	167,524.11
JUNEAU AK99801	143,386.80	MTH VILLAGE AK99632	204,211.00
		KETCHIKAN AK99901	144,435.53
		ST PAUL IS AK99660103	219,489.16

Total owed  
on Top 100 cases  
\$16,227,134

**DIVISION OF INVESTMENTS  
ALASKA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT**

**ADDITIONAL INFORMATION FOR SB 251**

The following information is intended to answer questions that have recently come up concerning the impact on the Commercial Fishing and Fisheries Enhancement loan funds if SB 251 were to pass in its present form (CSSB 251(L&C)).

Total Outstanding Balance CFRLF	\$65,580,000
Total Appropriations to CFRLF	\$60,201,000
Total Appropriations from CFRLF	\$44,234,300
Net of Appropriations	\$15,966,700
Last Appropriation to CFRLF	\$3,710,000 in 1985
Total Outstanding Balance FERLF	\$75,628,000
Total Appropriations to FERLF	\$74,725,400
Total Appropriations from FERLF	\$9,495,200
Net of Appropriations	\$71,230,200
Loan Repayments Since FY 89	\$12,666,300
General Fund Request as a Result of SB 251	-0-
Additional Personnel Required to Administer	-0-
Funds Available for IFQ, IRS, Refrigeration and Refinancing Requests as a Result of SB 251 and SB 132	\$5,000,000
Funds Available for Transfer from CFRLF to FERLF if SB 251 and SB 132 Pass	-0-

It is likely that loans for Individual Fishery Quota Shares (SB 132), IRS debts, refrigeration and refinancing will use up available funds for FY 95 eliminating the possibility of a transfer.

Criteria borrowers requesting onetime loans to pay IRS obligations will need to meet:

1. demonstrate that a limited entry permit is in danger of foreclosure by the IRS;
2. meet all eligibility requirements;
3. have adequate collateral to secure the loan;
4. demonstrate the ability to make loan repayments;
5. allow disbursement directly to IRS; and
6. not exceed a loan limit of \$30,000.

**DIVISION OF INVESTMENTS**  
**ALASKA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT**  
**FISHERIES ENHANCEMENT REVOLVING LOAN FUND**  
**HISTORICAL SUMMARY**  
(Dollars in Thousands)

AS 16.10.500; enacted in 1976  
3 AAC 91.010

**Purpose:** Loans are available for planning, construction, and operation of fish hatchery facilities, including preconstruction activities necessary to obtain a permit, construction activities to build the hatchery facility, and the costs to operate the facility.

**Eligibility:** Loans may be made to qualified regional associations or private, nonprofit corporations who have obtained a private, nonprofit hatchery permit from the Alaska Department of Fish and Game (ADF&G). Loans may also be made for planning and preconstruction purposes prior to receipt of a hatchery permit from ADF&G.

**Terms:**

Maximum loan amount: \$10,000.0  
Maximum loan term: 30 years  
Interest rate: fixed rate at Prime +1%

No repayment of the principal is required for an initial period of six to ten years; no interest on the principal shall accrue during that period.

Total appropriations to RLF -	\$74,725.4
Total appropriations from RLF	<u>( 3,495.2)</u>
Net of appropriations	\$71,230.2 ( through 12-31-93)

Total number of loans committed - 213 (through 12-31-93)

Total dollars committed - \$88,070.4 (through 12-31-93)

**Current statistics (as of December 31, 1993):**

Number of loans outstanding: 177  
Principal amount outstanding: \$75,797.2

Delinquency and Default	Based on Balance Outstanding	Based on No. of Loans Outstanding
% Delinquent	0.0%	0.0%
% in Default	0.0%	0.0%

Prepared by: Division of Investments  
Revised January 20, 1994

**DIVISION OF INVESTMENTS**  
**ALASKA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT**  
**COMMERCIAL FISHING REVOLVING LOAN FUND**  
**HISTORICAL SUMMARY**  
(Dollars in Thousands)

AS 16.10.300; enacted in 1972  
3 AAC 80.010 - .090, .900

The Commercial Fishing Revolving Loan Fund consists of two sections, Section A and Section B, each with its own particular requirements. The loan program allows for prequalifications for loans to purchase limited entry permits and for assumptions of existing loans. Existing loans may be refinanced at a fixed rate of Prime plus 2%.

Section A loans may only be made to finance the purchase of limited entry permits. Eligibility for Section A: Loans may be made to individual commercial fishermen who have been Alaska residents for the past two years and have been active in the applicable fishery during the past three out of five years.

Section B loans may be made for the repair, restoration or upgrading of existing vessels and gear, and for the purchase of limited entry permits, gear and vessels. Eligibility for Section B: Loans may be made to individuals who have been Alaska residents for the past two years and, due to a lack of training or lack of employment opportunities in the area of residence, do not have occupational opportunities available other than commercial fishing or are economically dependent on commercial fishing for a livelihood.

**Terms:** Maximum loan amount: Section A - \$300.0; Section B - \$100.0  
Maximum loan term - 15 years Interest rate - fixed rate at Prime + 2%

Total appropriations to RLF -	\$60,201.0	
Total appropriations from RLF -	<u>(44,234.3)</u>	
Net of appropriations	\$15,966.7	(through 12-31-93)

Last appropriation to RLF - \$3,710.0 in 1985

Total number of loans committed: 4,160 (through 12-31-93)  
Total dollars committed: \$262,325.6 (through 12-31-93)

**Current statistics (as of December 31, 1993):**  
Number of loans outstanding: 1,234  
Principal amount outstanding: \$65,269.3

<b>Delinquency &amp; default</b>	<b>Based on</b>	<b>Based on</b>
	balance outstanding	no. of loans outstanding
% Delinquent	27.7% <i>(usually much lower)</i>	21.2%
% in default	0.7%	0.9%

Prepared by: Division of Investments  
Revised January 20, 1994

DIVISION OF INVESTMENTS  
ALASKA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

PROPOSED ORDER OF PRIORITY  
FOR THE COMMERCIAL FISHING LOAN PROGRAM

- 1) Purchase Permit
- 2) IRS Loan to Protect Permit
- 3) Vessel Upgrade or Purchase (includes refrigeration)
- 4) Gear
- 5) IFQ's
- 6) Refinance Other Loans
- 7) Excess Fund Transfer

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fax: (907) 789-5117

March 9, 1994

Representative Bill Hudson, Chair  
Labor and Commerce Committee  
Alaska State Legislature  
Juneau, Alaska 99801-1182

Dear Representative Hudson:

Southeast Alaska Seiners, (SEAS) recently reviewed HB 381 at their semi-annual Board meeting. While generally in support of this bill SEAS does have a major concern regarding excess funds from the Commercial Fishing Revolving Loan Fund to be used for the Fisheries Enhancement Revolving Loan Fund. Our primary concern is that these funds might be used to artificially prop-up hatchery programs that are not likely to succeed for one reason or another and in the process exhaust the Commercial Fishing Revolving Loan Fund. This legislation currently offers no safeguards to address this concern.

Concern about hatcheries being financially feasible and beneficial to users of the common property fisheries is not new, nor is it a concern exclusive to SEAS. In 1992, the Special Committee on Domestic and International Commercial Fisheries, chaired by Senator Dick Eliason, released their final report which contained these relevant options for legislative and administrative consideration:

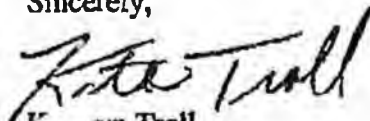
- 1) "Requiring a more extensive public benefit-cost analysis before providing enhancement loans. This means that a project or facility expansion would not only have to be financially feasible--capable of paying back loans--but also provide net benefits to the public." and
- 2) "In light of declining state revenues and lower fish prices, development of an auditing mechanism to ensure that annual PNP operating costs, paid by loans, enhancement tax receipts and cost recovery, are "reasonable."

In light of this overriding concern, I have an amendment to suggest. At the end of Section 6 (c), line 31, page 4 add:

only if the commissioner determines in consultation with the applicable Regional Planning Team that the hatchery seeking these funds is (1) providing a significant contribution to common property fisheries, (2) operating in a manner that is beneficial to Alaska's public interest, and (3) managing the facility in a financially viable manner with reasonable expectations of repayment.

The Committee Substitute for the companion bill, SB 251, does include this amendment. I strongly encourage the House Labor and Commerce committee to do likewise.

Sincerely,

  
Kayn Troll  
Executive Director

WALTER J. HICKEL, GOVERNOR

**DEPARTMENT OF COMMERCE AND  
ECONOMIC DEVELOPMENT**

DIVISION OF INVESTMENTS

P.O. BOX 34159  
3032 VINTAGE BLVD.  
JUNEAU, ALASKA 99803-4159  
PHONE: (907) 465-2510  
FAX: (907) 465-2103

March 9, 1994

Mr. Jerry McCune, President  
United Fishermen of Alaska  
211 4th Street, Suite 112  
Juneau, AK 99801

Dear Mr. McCune,

You have inquired about the Division's method of forecasting the cash flow for the Commercial Fishing Revolving Loan Fund. These forecasts consist of two major elements - repayments into the fund and loan disbursements out of the fund.

Repayment estimates begin with a forecasting system built-in to the computerized loan accounting and reporting system that the Division uses which calculates principal and interest repayments based on existing loans. We modify the forecast based on historic trends and current economics within the various fisheries. If, for example, a fishery has experienced a poor season, we adjust the forecast to allow for more requests of payment extensions, resulting in a decrease in annual payments.

In forecasting loan demand, we look for changes in the major fisheries statewide and review the Alaska Department of Fish and Game's forecast of the upcoming years in each fishery. Historical data has shown that after a poor season, there is generally a decline in the number of requests for new loans to purchase permits and vessels.

While over the past five years loan demand has fluctuated from a low of about \$8 million to a high of \$16 million, we have not been in any danger of running out of funds needed to accomplish the mission of this program.

As new lending areas are added and the Commercial Fishing program is expanded to potentially include lending for Individual Fishing Quotas, IRS liens, refrigeration and refinancing, we will continue to be conservative in our forecasts to assure that those needs will be met. Transfers of excess funds from the loan fund will only be done after these needs have been taken into consideration.

Post-It® brand fax transmittal memo 7871		# of pages	2
To	Jerry McCune	From	Martin Richard
Co.		Co.	
Dept.		Phone #	
Fax #	463-2545	Fax #	465-2103

# Legislative Research Agency

Alaska State Legislature



130 Seward Street, Suite 218  
Juneau, Alaska 99801-2196

Phone: (907) 465-3991  
Fax: (907) 463-3351

February 9, 1993

## MEMORANDUM

TO: Representative Bill Hudson

FROM: Deborah L. Davidson *DL*  
Legislative Analyst

RE: **Number of Commercial Fishermen in Child Support Arrears**  
Research Request 94.148

You asked how many commercial fishermen are currently in arrears on their child support payments. You also asked for information on the percentage of permits owned by residents versus nonresidents.

According to Carroll Schmidt with the Child Support Enforcement Division in the Department of Revenue, there are 1,537 open or deferred child support cases involving commercial fishermen. Deferred cases are those that are pending action awaiting further information. Of that number, 1,165 are in arrears. The total dollar amount of these cases that could be placed under order is \$26,707,683. The actual number of cases and dollar amount owed may be somewhat less because this number includes those cases that are currently being screened before deciding whether to issue a "withhold and deliver order" to the employer.<sup>1</sup>

The Alaska Commercial Fisheries Entry Commission published a report in June 1993 titled "Changes in the Distribution of Alaska's Commercial Fisheries Entry Permits, 1975 - 1992" (CFEC Report Number 93-7N). According to Table 4, "1992 Year-end Distribution of Permit Holders by Fishery and Resident Type\*" (attached), 10,478 residents (78 percent) and 2,941 nonresidents (22 percent) held commercial fishing permits.

I hope this information is useful to you. If you have any questions or would like additional information, please contact this agency.

Attachment

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<sup>1</sup>For your information, in April of 1993 there were 437 commercial fishermen delinquent in their child support with an aggregate of \$10.6 million in arrearages. At the end of 1993, a total of \$597,800 in child support payments had been collected from commercial fishermen.

CHANGES IN THE DISTRIBUTION  
OF ALASKA'S  
COMMERCIAL FISHERIES ENTRY PERMITS  
1975-1992

CFEC Report Number 93-7N

Alaska Commercial Fisheries Entry Commission  
Bruce Twomley, Chairman  
Richard F. Listowski, Commissioner  
Frank M. Homan, Commissioner  
8800 Glacier Highway #109  
Juneau, Alaska 99801

June 1993