

**ALASKA LEGISLATURE COMMITTEE FILES**

**1993-1994**

**8672**

918

**8153**

**HOUSE STATE AFFAIRS**

**HB**

**402**

# HOUSE COMMITTEE REPORT

(7)

Date Referred: January 26, 1994

FURTHER REFERRALS:

Date of Committee Action: 3-8-94

The STATE AFFAIRS Committee considered:

HB 402

HOUSE BILL NO. 402

PROOF OF MOTOR VEHICLE INSURANCE

"An Act requiring that an owner's motor vehicle liability insurance policy used as proof of financial responsibility designate by description or appropriate reference the motor vehicles it covers; and providing for an effective date."

- RECOMMENDATIONS:  the same title  
 be replaced with \_\_\_\_\_  a new title
- have attached amendments(s)
- do pass
- do not pass
- no recommendations
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dept)

APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

fiscal impact \_\_\_\_\_

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

zero fiscal notes Pub Safety - COMMERCE

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

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Al Terry</i>	X	<i>Bill Frost</i>		✓	
<i>Benjamin Davis</i>	X	<i>John Sanders</i>		✓	
		<i>Larry Davis</i>		✓	
		<i>Harley Ellberg</i>		✓	

*Al Terry*  
 \_\_\_\_\_  
 CHAIRMAN'S SIGNATURE

# FISCAL NOTE

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

BILL NO: HB 402

Revision Date: \_\_\_\_\_ Dept. Affected: Public Safety  
 Title: "An Act requiring that an owner's motor vehicle liability insurance policy..." BRU: Motor Vehicles  
 Component: Driver Services  
 Sponsor: H. Labor & Commerce  
 Requestor: H. STA COMPONENT SERIAL NO. 500

**EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)**

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL EXPENDITURES</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHANGE IN REVENUES ( )</b>	-0-	-0-	-0-	-0-	-0-	-0-
<small>Revenue Code</small>						

**FUNDING: (Thousands of Dollars)**

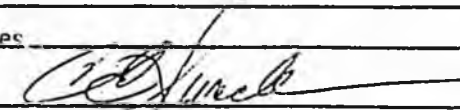
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-

Estimate of current year (FY 94) impact: \$ \_\_\_\_\_

**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.)

Prepared By: Nita Hensley Phone: 465-4361  
 Division: Motor Vehicles Date: 02/28/94  
 Approved by Commissioner:  Date: 02/28/94  
 Agency: Richard L. Burton, Dept. of Public Safety

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*Public Safety F.N.*

# FISCAL NOTE

STATE OF ALASKA

BILL NO. HB402

1994 LEGISLATIVE SESSION

Revision Date: Original Dept Affected: Natural Resources  
 Title: "An Act requiring that an owner's motor vehicle liability insurance policy used as proof of financial responsibility..." BRU: Management & Administration  
 Component: Commissioner's Office  
 Sponsor: Labor & Commerce  
 Requestor: Labor & Commerce Component Serial No. 423

(Thousands of Dollars)

Expenditures/Revenues	FY95	FY96	FY97	FY98	FY99	FY00
<b>OPERATING EXPENDITURES</b>						
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
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CHANGE IN REVENUES ( )</b>	0.0	0.0	0.0	0.0	0.0	0.0

(Thousands of Dollars)

FUND SOURCE	FY95	FY96	FY97	FY98	FY99	FY00
100? 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

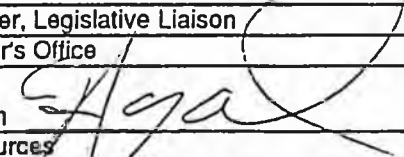
Estimate of any current year (FY94) cost: \$ None

**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 Department of Natural Resources will not be impacted, fiscally or otherwise, by this bill.

Prepared by: Jerry Gallagher, Legislative Liaison Phone: 465-2400  
 Division: Commissioner's Office Date: 1-Feb-94  
 Approved by Commissioner:  Date: 1-Feb-94  
 Agency: Natural Resources

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D.N.R. F.N.



## Alaska Independent Insurance Agents & Brokers, Inc.

February 21, 1994

The Honorable Al Vesey  
Alaska House of Representatives  
State Capitol, Room 102  
Juneau, AJ 99801-1182

RE: House P'll 402

Dear Representative Vesey,

House Bill 402 is a result of the request of the Alaska Independent Insurance Agents & Brokers. The AIIAB is an Association that represents 49 individual insurance businesses with over 350 employees. The proposed bill would correct an inequity that exists in current SR-22 (Financial Responsibility) filings required to be made after an individual has been involved in a motor vehicle accident and does not carry the mandatory liability insurance.

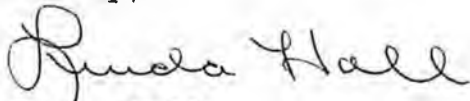
The current financial responsibility filings require an insurance company to provide coverage for ALL vehicles owned by the individual whether or not these vehicles are actually covered on the insurance policy. This, in effect, gives an advantage to a driver who has already been in violation of Alaska statute over a good driver who has carried insurance as required. We feel this is an unfair situation and proposed to change this in the language proposed in House Bill 402.

HOUSE BILL 402  
PAGE 2

The insurance industry seeks continually to expand the number of insurance companies doing business in Alaska as we feel this will encourage a competitive marketplace which benefits all consumers. The current requirements of the SR22 filing have made insurance companies reluctant to write coverage in Alaska due to this unreasonable requirement. Director David Walsh of the Division of Insurance supports the change proposed in House Bill 402.

We would appreciate your support for this change and would be pleased to discuss the issue with you further at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "Linda S. Hall". The signature is written in dark ink and is positioned above the typed name and title.

Linda S. Hall  
President

HB 403

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF COMMERCE AND  
ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

P.O. BOX 110805  
JUNEAU, ALASKA 99811-0805  
PHONE (907) 465-2515

January 18, 1994

The Honorable Bill Hudson  
Alaska House of Representatives  
State Capitol, Room 108  
Juneau, Alaska 99801-1182

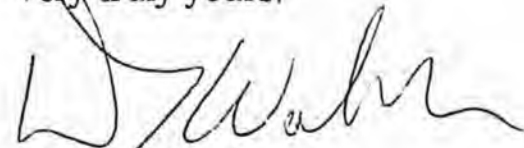
Dear Representative Hudson:

Re: SR-22

The current rules for SR-22 filings is that the certification made by the insurer issuing the filing certifies coverage for any vehicle driven by the person named whether owned or non-owned. This has caused some difficulties with insurers not willing to be exposed to those vehicles identified in the filing. In particular, insurers are concerned with those vehicles owned by the insured but not declared thus exposing the insurer to vehicles for which a premium is not received. This is to some extent within the control of the insurer through its underwriting of the business it is writing. This in fact is the kind of situation that underlies the current rule.

There have been cases where a person on whose behalf an SR-22 has been filed, has driven an uninsured vehicle owner by that person, injured someone, and no coverage was provided. Most states do not allow this kind of situation to occur, which is the state of the current rule. Alaska has a further extension of coverage which causes a problem. That is the extension of the coverage under the SR-22 to a commercial vehicle, particularly larger vehicles. The Division of Insurance supports a revision to the SR-22 requirements that would make a distinction for such vehicles. We agree that extension of coverage to an uninsured commercial tractor trailer unit is inappropriate and would be pleased to work with you to revise the law to reflect that situation.

Very truly yours,



David Walsh  
Director

RE: "Proof of Financial Responsibility" filings for Alaska Drivers (SR-22)

HISTORY: 1989 Alaska State Legislature amended the definition of "proof of Financial Responsibility" in regards to the "SR-22" filing. (HB 44)

Prior to the 6/14/89 effective date, the SR-22 filing read:

"Owners Policy: Applicable to all Owned vehicles Insured by the signatory (insurance) company named on this certificate". NOTE: (insurance) added for clarification.

Current law reads:

"Owners Policy: Applicable to all motor vehicles owned by the named insured that are subject to registration."

PROBLEM: The current law is interpreted to mean that coverage is to apply to ALL OWNED vehicles, whether they are added to the policy OR NOT. This means the insurance carrier is to provide insurance coverage on vehicles the insured may own or acquire, and not advise the carrier and not pay a premium on. The Department of Public Safety further advises that under the current law it is their interpretation that this coverage would apply to All Owned Vehicles, which would include Private Passenger Autos, Motorcycles, Dump Trucks, Etc..

Keep in mind that the SR-22 filing in many cases is needed for the driver that has been convicted of DWI, Reckless Driving, and the like. This law places a responsibility on the insurance company, that exceeds what they must provide for drivers with clean records that don't have a need for the SR-22 Filing. Example: Most Private Passenger Auto Policies provide up to 30 days coverage on newly acquired vehicles. IF the insured does not notify the insurance company of the newly acquired vehicle within that 30 day period, then coverage DOES NOT apply to it to that newly acquired vehicle.

SOLUTION:

Correct the definition of "Proof of Financial Responsibility" to read:

"Written certificate issued by an insurance carrier authorized to do business in this state. This written certificate verifies that there is in effect a motor vehicle liability policy for the benefit of the person required to furnish proof of financial responsibility and shall designate, by explicit description, or by appropriate reference, all vehicles covered by that policy. If that person does not own a vehicle, proof will be required under AS 28.20.390."

01/20/94

RE: SR-22

# HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

STATE CAPITOL, JUNEAU, AK 99801-1182  
(907) 465-4954



## MEMORANDUM

March 4, 1994

TO: Representative Al Vezey, Chair  
House State Affairs Committee

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

SUBJECT: House Bill 402, motor vehicle liability insurance

Thank you for scheduling HB 402 for a hearing before your committee. The House Labor and Commerce Committee introduced HB 402, which deals with proof of financial responsibility filings for SR 22 drivers, at the request of the Alaska Independent Insurance Agents and Brokers, Inc.

In 1989, the Alaska State Legislature amended the definition of "proof of financial responsibility" regarding the SR-22 filing. (SR-22 filing in many cases is needed for drivers who have been convicted of DWI's, reckless driving, and the like.) Under current law, an SR-22 or "at risk" driver can drive more vehicles and has more coverage than a driver holding a personal auto insurance policy. All they are required to show is that they have insurance; they are not required to report any vehicles added to this policy. This, in effect, gives an advantage to an "at risk" driver over a good driver who has personal auto insurance. The current requirements of SR-22 filing have also made insurance companies reluctant to write coverage in Alaska due to this unreasonable requirement.

House Bill 402 seeks to correct the definition of "proof of financial responsibility" so that all drivers receive equal treatment. Current law places responsibility on the insurance company that exceeds what they must provide for drivers with clean records who do not need the SR-22 filing. House Bill 402 provides that insurance companies will be informed as to what vehicles they are insuring so that they are more able to evaluate the risks.

SPONSOR STATEMENT

**HB**

**403**

# HOUSE COMMITTEE REPORT

(7)  
Date Referred: February 23, 1994

FURTHER REFERRALS:

Date of Committee Action: 3-8-94

The STATE AFFAIRS Committee considered:

HB 403

HOUSE BILL NO. 403

AUTOMOTIVE LIABILITY INSURANCE COVERAGE

"An Act requiring that automobile liability insurance include coverage for uninsured or underinsured motor vehicles and an offer of policy limits for that coverage equal to coverage voluntarily purchased for bodily injury or death; and providing for an effective date."

RECOMMENDATIONS: \_\_\_\_\_ | | the same title  
be replaced with \_\_\_\_\_ | | a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(s): \_\_\_\_\_ (Dept)

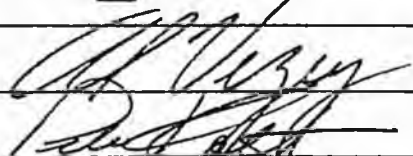
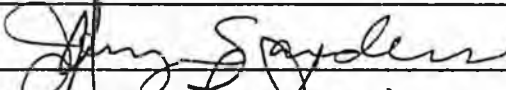

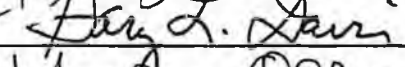
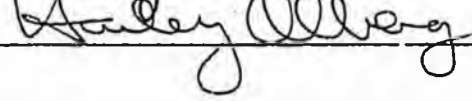
APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

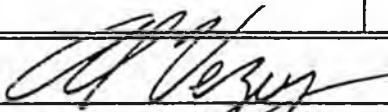
fiscal impact \_\_\_\_\_

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

zero fiscal note C&ED

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

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
	X			✓	
	-			✓	
Betty Davis	X			✓	

  
\_\_\_\_\_  
CHAIRMAN'S SIGNATURE



FISCAL NOTE

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

BILL NO. HB 403

Revision Date: \_\_\_\_\_  
Title: Automotive Liability Insurance Coverage  
Sponsor: House Labor & Commerce Committee  
Requestor: \_\_\_\_\_

Department Affected: Commerce and Economic Development  
BRU: Insurance  
Component: Operations  
COMPONENT SERIAL NO. 354

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
TOTAL OPERATING	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
TOTAL	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.)

No fiscal impact.

Prepared by: Joan Brown, Administrative Officer  
Division: Insurance

Phone: 465-2597  
Date: 1/28/94

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

Date: 1-31-94

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Official Business

# Alaska State Legislature

State Capitol  
Juneau, AK 99801-1182

## HOUSE LABOR AND COMMERCE COMMITTEE

### SPONSOR STATEMENT HB 403 AUTOMOBILE LIABILITY

Uninsured/Underinsured (UI/UIM) motorist coverage protects the vehicle owner against being injured in an accident with an at-fault motorist who has no bodily injury liability insurance. UI motorist coverage applies only if the uninsured motorist is legally liable for the resulting injury. Uninsured motorist coverage puts the injured insured in the same position as if the motorist actually responsible for the accident had bodily injury liability insurance. This means that if the injured driver cannot be compensated for an injury by the negligent party who has no insurance, he can, in fact, turn to his own insurance company for compensation. The injured driver's insurance company must take the place of the motorist who, in violation of Alaska Statute, did not carry liability insurance coverage.

As a result of legislation passed two years ago, Alaskan insurers are required to offer uninsured or underinsured motorists coverage in excess of coverages voluntarily purchased by an insured. As a result, uninsured and underinsured motorist coverage in Alaska has increased in cost during a time when insurance rates are a controversial topic. While these increases are due to the high limits of coverage required here, the premium for UI/UIM coverage is only a small part of the total insurance premium for vehicles.

The best method of assuring the Alaska consumer of competitive auto insurance premiums is to have a marketplace which encourages competition. A greater number of insurance companies doing business in Alaska will ensure a more competitive premium in all areas of insurance coverages. We can encourage this competitive marketplace by not mandating unreasonable insurance coverages.

House Bill 403 was introduced to remove the mandatory offer of higher insurance limits. Currently, Alaska is the only state in the nation that requires insurance companies to offer uninsured/underinsured motorist coverage of up to two million dollars. HB 403 amends AS 21.89.020(c) to require coverage that includes policy limits equal to the limit voluntarily purchased to cover the insured's liability for bodily injury or death, but the policy limit written may not be less than the policy limit in AS 28.20.440. HB 403 has the support of the Division of Insurance and the Alaska Independent Insurance Agents and Brokers, Inc. and a zero fiscal note.

SPONSOR STATEMENT

## UNINSURED/UNDERINSURED MOTORIST COVERAGE

RESPONSE TO TESTIMONY DURING HEARING ON HOUSE BILL 403

BY: Linda Hall, President  
Alaska Independent Insurance Agents & Brokers, Inc.

1. House Bill 403 will continue to require insurance companies to offer both uninsured and underinsured motorist coverage. The change in statute does not seek to change the type of insurance coverage offered, but rather seeks to change the limits of coverage that are mandatory. The option to purchase the protection of uninsured and underinsured motorist coverage would still be available for the Alaskan consumer. The change would correspond to other mandatory coverages in requiring a minimum limit of coverage, not a maximum limit.

2. The change requested in House Bill 403 does not lessen the opportunity for consumers to become educated regarding insurance coverages. The bill seeks to change only the mandatory limits. Under either current statute or the proposed change in HB 403, the consumer still has the option NOT to purchase coverage at all. The limits of insurance mandated is a very different issue than whether the consumer chooses to purchase coverage. Insurance companies would still be required to offer this coverage.

In fact, very few Alaskan consumers have chosen to purchase the high limits of coverage now mandated to be offered. In the largest personal department in an independent agency in Alaska, out of an estimated 5,000 policyholders, only 1 has elected to purchase the maximum limits of \$1,000,000/2,000,000 now mandated to be offered. Other agents interviewed indicated they have never had a client purchase the high limits. The high limits now required to be offered do not appear to be limits that Alaskan policyholders desire.

3. Alaska has mandated insurance be purchased by all drivers to protect the public. Compliance is done by certification when obtaining a motor vehicle license. The issue of compliance with mandatory liability insurance laws has no relevance to the optional coverage offered by uninsured/underinsured motorist coverage. HB 403 would not remove the option to purchase protection. It would only change the limits required to be offered.

4. Both preferred and non-preferred drivers are impacted by the insurance marketplace. The insurance industry is constantly changing and insurance rates change. Personal auto insurance has become a crisis in many areas of the United States. We need to protect Alaskan consumers by continuing to create an atmosphere that encourages competition and encourages new insurance companies to enter Alaska. No one has claimed that a specific company will enter Alaska if HB 403 is enacted. The claim is that the reform will encourage new companies, who look very seriously at the legislative and judicial atmosphere of a state before deciding to commit their financial resources in that state.

LINDA HALL TESTIMONY RESPONSE

UNINSURED/UNDERINSURED MOTORIST  
PAGE 2

5. Another issue has become purchasing an umbrella policy to save premium costs. While an umbrella policy itself is quite inexpensive considering the protection it offers, a primary policy must be purchased first. The primary policy limits must be fairly high to qualify for an umbrella policy. Examples of these underlying limits are:

RLI	250,000 Per Person/500,000 Per Accident or 300,000 Combined Limit
Allstate	100,000 Per Person/300,000 Per Accident or 300,000 Combined Limit
Kemper	300,000 Combined Limit
CIGNA	500,000 Combined Limit

It is highly unlikely that a consumer could save "hundreds of dollars" by purchasing an umbrella policy and he would still be able to purchase fairly high limits of uninsured/underinsured motorist coverage.

If, in fact, the Alaska consumer seeks protection against medical and disability costs, he would be far better protected with major medical and disability policies to protect in many circumstances, not just in the very limited potential of being injured in a vehicle accident by an uninsured driver.

House Bill 403 is not a change in the types of insurance coverage offered to the Alaskan consumer. It is a reduction in the very high limits that are currently required to be offered. We would appreciate your continuing support for this legislation.



AUTO | FIRE | CASUALTY | LIFE

341 S. ALASKA ST.

PALMER, ALASKA 99645

FAX (907) 745-7275  
TOLL FREE 1-800-478-2144  
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February 19th, 1994

Alaska House of Representatives  
State of Alaska  
Chairman Hudson, House Labor & Commerce Committee

Re: HB 403

Dear Chairman Hudson,

I am submitting this letter as rebuttal to the testimony given to the committee, by Senator Dave Donley regarding this bill.

Uninsured motorists coverage has been available to the citizens of Alaska for several decades, and originally only applied to bodily injury. Industrial Indemnity Company began voluntarily offering uninsured motorists property damage coverage in the mid 1970's, and many of the competing insurance companies followed that lead.

Underinsured motorists coverage is a relatively new coverage that was introduced to Alaska in the early 1980's, and became available to all insureds with the passage of the mandatory automobile insurance statutes.

The concern that has been expressed by the insurance industry, is not the availability or requirements to offer uninsured/underinsured motorists coverage, as all insurance companies currently offer and promote the benefits of the coverage, but rather the requirement to offer this valuable coverage at higher limits than the insurance company would voluntarily provide.

A few insurance companies that provide automobile insurance coverage in Alaska only desire to provide limits of liability up to \$300,000.00. This is usually due to the type of drivers that they market their insurance too, such as higher risk drivers. The current statutes mandate that this insurance company offer to this driver limits of uninsured/underinsured motorists coverage up to \$1,000,000.00 per person for bodily injury and \$2,000,000.00 per accident for bodily injury. Very few of these drivers actually choose this limit of coverage, but the mandated requirement is present.

The general practice by insurance professionals and promoted by the insurance companies, is to offer the same corresponding limit of insurance for uninsured/underinsured motorists coverage as is provided for the drivers liability limit to the public.

COMBS INSURANCE AGENCY

2-19-94

An example would be to provide a \$300,000.00 limit of liability for the public protection, and \$300,000.00 limit of uninsured/underinsured motorists coverage for the insured. No other state in the union mandates that the insurance company offer limits of uninsured/underinsured motorists coverage higher than those provided for protection to the public. The thinking is that if the insured is willing to purchase protection to the public at a certain limit, then that insured should be able to ensure protection for their own family equal to that same limit.

The State of Alaska has many statutes and regulations that address the insurance requirements for protection to the public, including Construction Contractors, Truckers, Air Taxi Operators, etc. In all of these instances, the statutes and regulations only address the minimum requirements that must be maintained by the regulated business, they certainly do not stipulate a maximum that must be provided.

I would like to encourage the committee to promote the minimum standards, and let the insurance market competition dictate the higher levels of insurance limits offered to the insured.

In the testimony given to the committee by Senator Donley, I need to clarify a rather glaring misunderstanding that he has regarding an "Umbrella Policy". I am unaware of any "Umbrella Policy" that offers the limits to be excess over any uninsured/underinsured motorists coverage. An "Umbrella Policy" is an insurance contracts that offer limits of liability (liability to other people and other property) that are excess over the insured's other insurance policies. These policy limits do not apply to any uninsured/underinsured motorists coverages. HB 403 would have absolutely no affect on any "Umbrella Policy".

Sincerely,



Michael P. Combs, CIC  
President

MFC/MC



## Alaska Independent Insurance Agents & Brokers, Inc.

### UNINSURED/UNDERINSURED MOTORISTS

**HISTORY:** In 1990, the Alaska State Legislature passed HB 429 stating carriers in this state shall, initially and at each renewal, offer" UM and UIM coverage, and that coverage may not be less than the statutorily required coverage described in AS28.20.449. Additionally, and for the first time, the carrier shall offer its insured the following options:

1. UM/UIM policy limits equal to limits voluntarily purchased by the insured for liability coverage, and
2. UM/UIM policy limits greater than voluntarily purchased liability limits in specified optional amounts ranging from \$100/\$300,000 to \$1,000,000 / \$2,000,000.

**PROBLEM:** Many carriers currently writing automobile coverage in Alaska (prior to passage of HB 429) did not offer limits up to \$1,000,000/\$2,000,000. and prefer not to offer the higher limits. Carriers considering coming to Alaska, as well as carriers considering expanding their writings in our state are hesitant because of this new law. This has the effect of limiting automobile coverage availability in the State of Alaska, which is not in the best interest of the Alaskan consumer. One of this association's ongoing goals is to increase insurance availability to the consumer, and this law is hampering our efforts.

**SOLUTION:** Our recommendation, which is supported by many of the insurance companies involved, is wording as follows:

*"Sec. 1 AS 21.89.020(c) is repealed and reenacted to read:*

*(c) An insurance company offering automobile liability insurance in this state for bodily injury or death shall offer at the time of initial purchase, coverage prescribed in AS 28.20.440 and 28.20.445 or AS 28.22, with limits equal to the limit purchased voluntarily to cover the insured's liability for bodily injury or death, for protection of the persons insured under the policy who are legally entitled to recover damages for bodily injury or death from owners or operators of uninsured or underinsured motor vehicles. The limit written may not be less than the limit in AS 28.20.440. The term "underinsured motor vehicle" shall not be construed to include an uninsured motor vehicle."*

Simply put, we feel the requirement to offer UM/UIM should only be at limits equal to the Bodily Injury/Property Damage limits written under the policy.

Letters of Support



UNITED  
INSURANCE

P.O. Box 33519  
JUNEAU, ALASKA 99803  
(907) 789-5208  
FAX: (907) 789-1856

January 27, 1994

Representative Bill Hudson  
Alaska Legislature  
Capitol Building  
Juneau, Alaska 99801

Re: HB 403

Dear Bill:

I understand HB 403 has been scheduled for hearing by the House Labor and Commerce Committee on February 3, 1994. This bill concerns Uninsured/Underinsured motorist liability insurance, and I urge you to support this bill.

The current high limits required of the insurance companies, is just another reason many companies refuse to enter the Alaska market. With too few companies doing business in Alaska, there is limited competition that causes all of us to pay more. More companies would mean even more competitive rates.

Please support this legislation.

Sincerely,

Dave Moe

## UNINSURED/UNDERINSURED MOTORIST LIMITS INFORMATION

The AIIAB made contact with the National organization, the Independent Insurance Agents of America, requesting information on the limits of UM/UIM that are required in other states. The response from Matt Middaugh indicates that almost every state has UM/UIM limits that parallel those required for bodily injury and property damage. Following is the listing of various states with the requirements for bodily injury/property damage limits and the indication that these states also require these same limits be offered for uninsured/underinsured motorist coverage.

STATE	LIABILITY	STATE	LIABILITY
Alabama	20/40/10	Missouri	25/50/10
Arizona	15/30/10	Montana	25/50/10
Arkansas	25/50/15	Nebraska	25/50/25
California	15/30/5	Nevada	15/30/10
Colorado	25/15/10	New Hampshire	25/50/25
Connecticut	20/40/10	New Jersey	15/30/5
Delaware	15/30/10	New Mexico	25/50/10
Dist. Of Columbia	25/50/10	New York	25/50/5
Florida	10/20/10	N. Carolina	25/50/10
Georgia	15/30/10	N. Dakota	25/50/25
Hawaii	15/35/10	Ohio	12.5/25/7.5
Idaho	25/50/15	Oklahoma	10/20/10
Illinois	20/40/15	Oregon	25/50/10
Indiana	25/50/10	Pennsylvania	15/30/5
Iowa	20/40/15	Rhode Island	25/50/25
Kansas	25/50/10	S. Carolina	15/30/5
Kentucky	25/50/10	S. Dakota	25/50/25
Louisiana	10/20/10	Tennessee	20/50/10
Maine	20/40/10	Texas	20/40/15
Maryland	20/40/10	Utah	25/50/15
Massachusetts	10/15/30	Vermont	20/40/10
Michigan	20/40/10	Virginia	25/50/20
Minnesota	30/60/10	Washington	25/50/10
Mississippi	10/20/5	W. Virginia	20/40/10
		Wisconsin	25/50/10
		Wyoming	25/50/20

The first two figures refer to bodily injury liability limits and the third figure to property damage liability. For example, 10/20/5 means coverages up to \$20,000 for all persons injured in an accident, subject to a limit of \$10,000 for one individual, and \$5,000 for property damage coverage.

NOTE: In comparison, Alaska's liability rate is 50/100/25, the highest in the nation.

**progressive**

11010 WHITE ROCK ROAD  
P.O. BOX 2350  
RANCHO CORDOVA, CALIFORNIA 95741-2350

December 13, 1993

Ms. Gina McBride  
Alaska Independent Insurance Agents & Brokers, Inc.  
P.O. Box 203088  
Anchorage, AK 99520-3088

RE: Letter of Support  
Changes to Alaska UM/UIM Statute (AS 21.89.020 (c) )

Dear Ms. McBride:

This letter is to confirm Progressive's support for the changes to the Alaska statute concerning Uninsured/Underinsured Motorists coverage being proposed by the Alaska Independent Agents & Brokers.

Your changes would replace the requirement for companies to offer \$1,000,000/\$2,000,000 UM/UIM limits with a requirement to offer UM/UIM limits equal to the Bodily Injury/Property Damage limits on the policy.

We believe that these limits will provide sufficient protection for Alaskans, while eliminating a potential source of litigation and/or un-reinsured catastrophic loss for companies.

Progressive provides both preferred and non-standard automobile insurance to over 10,000 drivers in Alaska.

Sincerely,

*Mark D. Niehaus / D.M.*

Mark D. Niehaus  
Vice President



**Alaska National**  
INSURANCE COMPANY

December 2, 1993

Ms. Gina McBride  
AIIAB, Inc.  
P.O. Box 203088  
Anchorage, AK 99520-3088

Re: Proposed Legislation - U.M./U.I.M.

Dear Gina:

Alaska National does support a change in AS 21.89.020(c).

The current wording causes us to send over 600 letters per year offering the various combinations of limits required by law. Our customers, almost without exception, choose to buy U.M./U.I.M. limits equal to the B.I. limit.

The change made two years ago does nothing for the consumer other than require them to deal with a letter from their insurance carrier offering again and again options which they are not interested in.

For the insurance company, it has added unnecessary expense and probably discouraged some companies from writing auto insurance in Alaska due to the unusually high limits they would have to offer.

Your tentative wording would seem to correct the problem.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Ray J. McMahon'.

Ray J. McMahon, CPCU  
Executive Vice President, Underwriting

RJM/cg

HOUSE LABOR AND COMMERCE  
STANDING COMMITTEE  
FEBRUARY 3, 1994  
3:00 P.M.

MEMBERS PRESENT

Rep. Bill Hudson, Chairman  
Rep. Joe Green, Vice Chair  
Rep. Brian Porter  
Rep. Eldon Mulder  
Rep. Joe Sitton  
Rep. Bill Williams  
Rep. Jerry Mackie

MEMBERS ABSENT

None

COMMITTEE CALENDAR

\*HB 403  
HEARD AND HELD IN COMMITTEE

\*HB 394  
PASSED OUT OF COMMITTEE

HB 292  
PASSED OUT OF COMMITTEE

WITNESS REGISTER

Howard Jaegar  
Shattuck and Grummett Insurance Agents  
301 Seward St.  
Juneau, Alaska 99801  
789-2446  
Position Statement: Supported HB 403

Sen. Dave Donley  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182  
465-3892  
Position Statement: Opposed HB 403

Tim Benintendi, Staff  
Rep. Carl Moses  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182  
465-4451

*Minutes*

Position Statement: Represented sponsor of HB 394

PREVIOUS ACTION

ACTION NARRATIVE

TAPE 94-8  
SIDE A

Number 001

CHAIRMAN HUDSON convened the House Labor and Commerce Committee at 3:10.

Number 010

HOWARD JAEGER, Shattuck and Grummet Insurance Agency and as spokesman for the legislative committee of the Alaska Insurance Agents and Brokers. Mr. Jaegar explained that the insurance industry supports HB 403 as it will benefit the young and impaired drivers in the state get insurance by opening new market and encouraging additional insurance companies to come into the state.

Number 200

SEN. DAVE DONLEY, stated he is opposed to HB 403 and outlined the history of uninsured liability insurance to the committee.

SEN. DONLEY stated that he assisted former Speaker Joe Hayes in producing mandatory auto insurance law in the state. He added that this legislation was the first time that underinsured motorist coverage was ever put into statute in Alaska. Up until then the state had uninsured motorist coverage.

SEN. DONLEY explained that it was not mandated in law that an insurance company had to offer this underinsured coverage. Consequently, no insurance company wanted to be the first to offer this type of insurance because to be the first in the market meant you get all the excess exposure. After seeing this problem, the legislature passed a bill to require all insurance companies to offer this insurance. Because of this, every insurance company offered it and no one had a greater amount of excess exposure and all could write their rates appropriately and provide this option to the people of Alaska.

SEN. DONLEY asserted that much of what occurs in the insurance industry depends on public education. Current law gives consumers the option of learning about this type of insurance and availing themselves of this. Sen. Donley contends that many people don't spend the time necessary to research and learn about various options out there for insurance.

SEN. DONLEY asserted that when a person has not chosen to this option of purchasing underinsured protection and gets injured in

an accident with an underinsured driver then they maybe faced with medical bills they can't pay. In this scenario everyone pays as we as a state subsidize the hospitals for those that can't pay.

SEN. DONLEY stated that Hawaii and North Carolina require drivers to show proof of insurance before they can get license or registration. The problem with this system is that it involves alot of paperwork and bureaucracy. In acknowledgement of that, Alaska has not gone to that system. Even though we haven't, Alaska has had great success and has cut in at least half the number of uninsured drivers.

SEN. DONLEY reminded the committee that this is a voluntary compliance system until someone is caught doing something wrong. He believes this is all the more reason to give consumers the option of buying this additional uninsured and underinsured insurance to protect from themselves from the persons driving around without auto insurance at all.

SEN. DONLEY noted that the subsequent reminders required by law to be given to consumers by the insurance companies was written into the law as an education factor, to force people into making a conscious choice in the matter.

SEN. DONLEY stated that preferred drivers are not significantly impacted by HB 403 other than the fact that they will not have the option they did before. The people in the minority that this will benefit are a small percentage on non preferred drivers. This benefit is speculative at best, that there may be some companies that may come into this market to offer this non preferred insurance to this smaller group of consumers that may cause more competition.

SEN. DONLEY said he would like to hear from any insurance companies that would be willing to state that if HB 403 is passed that they will come to Alaska and offer this insurance. Until this happens all the talk is just speculation.

SEN. DONLEY explained that one-way to protect yourself is to purchase an umbrella policy. If the consumer has a good agent and utilizes this system they could save hundreds of dollars a year. Under HB 403 if you utilize an umbrella policy you would no longer have the option of increasing your underinsured and uninsured coverage.

Number 347

CHAIRMAN HUDSON stated he would postpone hearing HB 403 until a future date when the committee had more time.

Number 373

TIM BENINTENDI, Staff, Rep. Moses, presented HB 394. Mr. Benintendi stated HB 394 is a reintroduction of HB 112 and will

**HB**

**404**

(7) Date Referred: January 26, 1994 FURTHER REFERRALS: Resources

Date of Committee Action: 3-1-94 The STATE AFFAIRS Committee considered: HB 404

HOUSE BILL NO. 404 NATIVE ALLOTMENTS IN STATE PARKS "An Act relating to the authority of the commissioner of natural resources to reconvey, or relinquish an interest in, land to the United States if that land or interest being reconveyed or relinquished is identified in an amended application for a land allotment under federal law and the original claim for an allotment described land that is now within, or managed as a unit of, the state park system."

- RECOMMENDATIONS: [ ] the same title [ ] a new title [ ] have attached amendments(s) [x] 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) [x] zero fiscal note DNR [ ] zero fiscal note(s)

Table with columns: SIGNING DO PASS, DP, OTHER RECOMMENDATIONS, DNP, NR, AM. Includes handwritten signatures and marks.

CHAIRMAN'S SIGNATURE

# FISCAL NOTE

STATE OF ALASKA

BILL NO. HB404

1994 LEGISLATIVE SESSION

Revision Date: Original Dept Affected: Natural Resources  
 Title: "An Act relating to the authority of the BRU: Parks and Recreation Management  
commissioner of natural resources to reconvey, or relinquish an..." Component: Parks Management  
 Sponsor: Representative Hoffman  
 Requestor: Representative Hoffman Component Serial No. 452

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	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
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CHANGE IN REVENUES ( )</b>	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GFMHTIA						
Other						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

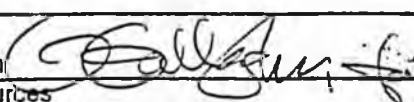
Estimate of any current year (FY94) cost: \$ None

**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)

Existing staff assigned to the Division of Parks and Outdoor Recreation are performing the duties and public contact necessary to begin, administer, and complete the allotment application amendment process as part of their duties in managing Wood-Tikchik State Park. Allowing applicants to amend their applications for land outside of a state park will reduce public impact and speed finalization of these applications, some of which have been pending for over 30 years.

Prepared by: Neil Johannsen, Director Phone: 762-2603  
 Division: Parks Date: 25-Feb-94  
 Approved by Commissioner: Harry A. Noah  Date: 25-Feb-94  
 Agency: Natural Resources

**PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE**



# Representative Lyman F. Hoffman

Alaska State House  
State Capitol • Juneau, Alaska 99801-1182 • (907) 465-4453

DISTRICT 39

- AKIACHAK
- AKIAK
- ALEKNAGIK
- ATMAUTLUAK
- BETHEL
- CHUFORNAK
- CLARKS POINT
- DILLINGHAM
- E EK
- EKUK
- GOODNEWS BAY
- KASIGLUK
- KIPNUK
- KONGIGANAK
- KWETHLUK
- KWIGILLINGOK
- MANOKOTAK
- NAPAKIAK
- NAPASKIAK
- NUNAPITCHUK
- OSCARVILLE
- PLATINUM
- PORTAGE CREEK
- QUINHAGAK
- TOGIAK
- TUNTUTULIAK
- TWIN HILLS

TO: Representative Al Vezey, Chairman  
House State Affairs Committee

FROM: Representative Lyman Hoffman  
Prime Sponsor

RE: HB 404 - An Act relating to the authority of the commissioner of natural resources to reconvey, or relinquish an interest in, land to the United States if that land or interest being reconveyed or relinquished is identified in an amended application for a land allotment under federal law and the original claim for an allotment described land that is now within, or managed as a unit of, the state park system.

DATE: March 1, 1994

\*\*\*\*\*

Mr. Chairman, thank you for taking up HB 404.

Recently there has been considerable focus by the state Department of Natural Resources regarding the changes to Title 38 of the Alaska Statutes. One component of this exercise is a technical change allowing the State of Alaska to reconvey land to the Bureau of Land Management. This change should expedite relocation of allotments in state parks.

It has come to my attention, through the Bristol Bay Native Corporation and the Bristol Bay Native Association, that efforts to rectify this transfer situation have ground to a standstill. More than 100 applications have recently celebrated their 20th anniversary on BLM's shelves and it would seem, without HB 404, there is no end to the wait in sight. The time is long past for correcting this situation.

Thank you for your consideration.

authorized to modify any such contract, with the consent of the purchaser, by substituting, to the extent practicable, timber on other national forest lands approximately equal in volume, species, grade, and accessibility for timber standing on any land affected by such conveyances, and, on request of the appropriate Village Corporation the Secretary of Agriculture is directed to make such substitution to the extent it is permitted by the timber sale contract without the consent of the purchaser.

(b) No land conveyed to a Native Corporation pursuant to this Act or by operation of the Alaska National Interest Lands Conservation Act which is within a contingency area designated in a timber sale contract let by the United States shall thereafter be subject to such contract or to entry or timbering by the contractor. Until a Native Corporation has received conveyances to all of the land to which it is entitled to receive under the appropriate section or subsection of this Act, for which the land was withdrawn or selected, no land in such a contingency area that has been withdrawn and selected, or selected, by such Corporation under this Act shall be entered by the timber contractor and no timber shall be cut thereon, except by agreement with such Corporation. For purposes of this subsection, the term "contingency area" means any area specified in a timber sale contract as an area from which the timber contractor may harvest timber if the volume of timber specified in the contract cannot be obtained from one or more areas definitely designated for timbering in the contract.

(As amended Dec. 2, 1980, P. L. 96-487, Title IX, § 908, 94 Stat. 2447.)

#### HISTORY; ANCILLARY LAWS AND DIRECTIVES

##### Amendments:

1980. Act Dec. 2, 1980 designated the existing provisions as subsec. (a), and added subsec.

(b).

#### § 1616. Joint Federal-State Land Use Planning Commission for Alaska

#### INTERPRETIVE NOTES AND DECISIONS

##### 1. Public easements [43 USCS § 1616(b)]

Recreational users of land subject to conveyances to Native village under Alaska Native Claims Settlement Act (43 USCS §§ 1601 et seq.) have standing to challenge Department of Interior action in certifying area as Native village entitled to conveyance of public lands under Act, since recreational use is within zone of interest protected by provision of § 1616(b) requiring retention of public access easements in lands removed from public domain under Act. *Stratman v Watt* (1981, CA9 Alaska) 656 F2d 1321.

Existence of highway right-of-way in favor of state neither precludes conveyance by Bureau of Land Management under Alaska Native Claims Settlement Act (43 USCS §§ 1601 et seq.) of subject land in fee nor reservation of overlapping public easement, as reservation and conveyance are subject to previously existing right-of-way interest, but decision of BLM to convey and conveyance document must identify right-of-way and declare that conveyance and reserved public easement are subject to state's right-of-way, if valid. *State of Alaska, Dept. of Transp. & Public Facilities* (1981) 88 ID 629.

#### § 1617. Indian allotment authority in Alaska; revocation; charging allotments on pending application against statutory acreage grant

(a)-(b) [Unchanged]

(c)(1)(A) Notwithstanding any other provision of law, an allotment applicant, who had a valid application pending before the Department of the Interior on December 18, 1971, and whose application remains pending as of the date of enactment of this subsection [enacted Oct. 14, 1992], may amend the land description in the application of the applicant (with the advice and approval of the responsible officer of the Bureau of Indian Affairs) to describe land other than the land that the applicant originally intended to claim if—

(i) the application pending before the Department, either describes land selected by, tentatively approved to, or patented to the State of Alaska or otherwise conflicts with an interest in land granted to the State of Alaska by the United States prior to the filing of the allotment application;

(ii) the amended land description describes land selected by, tentatively approved to,

Standing to appeal decision of Bureau of Land Management as to public easement decision made pursuant to 43 USCS § 1616(b)(1) requires that appellant claim property interest within meaning of 43 CFR 4.902, and said property interest is satisfactory when consisting of valid existing right to which conveyance of lands under Alaska Native Claims Settlement Act is subject pursuant to 43 USCS § 1613(g), and additionally, appellant must further assert that appealed decision affects that property interest by failing to provide access to public lands. *Ray DeVilbiss (Wolverine Grazers Assn.)* (1982) 89 ID 9.

Since purpose of 43 USCS § 1616(b)(1) public easement is to provide access across Native lands to lands not selected, such easement necessarily affects lands other than those to be conveyed; therefore, member of public who claims private interest in land other than land to be conveyed, in asserting standing to appeal § 1616(b)(1) easement decision, can rely on this private holding as his or her "property interest" affected within meaning of 43 CFR 4.902. *Ervin K. Terry* (1982) 89 ID 242.

or patented the land (iii) the Alaska. to the applicat

(B) If an subparagraph to, the State in order for (2)(A) The Secretary of the land where the boundaries Conservati certificate to the Unit (B) The Settlement to receive entitled "A approved J note prec § (43 U.S.C. charged with (As amended Oct

References in "The Alaska Dec. 2, 1980 Tables volum Amendments 1992. Act O

Native Alaskans occupied lands local refuges do not have such lands, where occupancy commenced, unappropriated v United States, D Alaska) 747 F2d 131 Alaska Natives a national forest under ment Act must estab pancy of land prior Shields v United St. Supp 1216.

Alaskan native's l

§ 1618. Reservati face estates in res

Other provisio Supplemental Part B, 94 Stat Group Corpor Settlement Ac not more than Funds author. purposes for [43 USCS § 9

the purchaser, by substituting, to approximately equal in volume, and affected by such conveyances, the Secretary of Agriculture is directed to cancel the timber sale contract without the

under this Act or by operation of the Act is within a contingency area and shall thereafter be subject to such conveyance if the Native Corporation has received approval under the appropriate section or selected, no land in such area shall be cut thereon, except as provided in section 1618(b)(1). In this section, the term "contingency area" means an area from which the timber to be sold in the contract cannot be cut. (16 U.S.C. 2447.)

#### ACTIVES

Sec. (a), and added subsec.

for Alaska

#### IONS

Final decision of Bureau of Land Management to public easement decision made under 43 USCS § 1616(b)(1) requires that the property interest within meaning of § 1616(b)(1) is satisfying of valid existing right to which the applicant is entitled under Alaska Native Claims Allotment Act subject pursuant to 43 USCS § 1616(b)(1). Additionally, appellant must further show that decision affects that property to provide access to public lands. (Alaska Grazers Assn. v. BLM, 89 ID 242.)

Under 43 USCS § 1616(b)(1) public easement to provide access across Native lands to such easement necessarily affects those to be conveyed; therefore, the applicant who claims private interest in land to be conveyed, in asserting that § 1616(b)(1) easement decision, is not a private holding as his or her interest is affected within meaning of 43 USCS § 1616(b)(1). (K. Terry, 89 ID 242.)

Regarding allotments on pending

an applicant, who had a valid application on December 18, 1971, and the intent of this subsection [enacted by the applicant (with the Bureau of Indian Affairs) to fully intended to claim if—

the applicant describes land selected by the State or otherwise conflicts with the land in the United States prior to the

land, if by, tentatively approved to,

or patented to the State of Alaska of approximately equal acreage in substitution for the land described in the original application; and

(iii) the Commissioner of the Department of Natural Resources for the State of Alaska, acting under the authority of State law, has agreed to reconvey or relinquish to the United States the land, or interest in land, described in the amended application.

(B) If an application pending before the Department of the Interior as described in subparagraph (A) describes land selected by, but not tentatively approved to or patented to, the State of Alaska, the concurrence of the Secretary of the Interior shall be required in order for an application to proceed under this section.

(2)(A) The Secretary shall accept reconveyance or relinquishment from the State of Alaska of the land described in an amended application pursuant to paragraph (1)(A), except where the land described in the amended application is State-owned land within the boundaries of a conservation system unit as defined in the Alaska National Interest Lands Conservation Act. Upon acceptance, the Secretary shall issue a Native Allotment certificate to the applicant for the land reconveyed or relinquished by the State of Alaska to the United States.

(B) The Secretary shall adjust the computation of the acreage charged against the land entitlement of the State of Alaska to ensure that this subsection will not cause the State to receive either more or less than its full land entitlement under section 6 of the Act entitled "An Act to provide for the admission of the State of Alaska into the Union", approved July 7, 1958 (commonly referred to as the "Alaska Statehood Act") [48 USCS note prec § 21], and section 906 of the Alaska National Interest Lands Conservation Act, (43 U.S.C. 1635). If the State retains any part of the fee estate, the State shall remain charged with the acreage.

(As amended Oct. 14, 1992, P. L. 102-415, § 3, 106 Stat. 2112.)

#### HISTORY; ANCILLARY LAWS AND DIRECTIVES

##### References in text:

"The Alaska National Interest Lands Conservation Act", referred to in subsec. (c), is Act Dec. 2, 1980, P. L. 96-487, 94 Stat. 2371. For full classification of such Act, consult USCS Tables volumes.

##### Amendments:

1992, Act Oct. 14, 1992, added subsec. (c).

#### INTERPRETIVE NOTES AND DECISIONS

Native Alaskans whose families have used and occupied lands located inside 3 national wildlife refuges do not have right to apply for allotments of such lands, where each applicant's personal use and occupancy commenced after land ceased to be vacant, unappropriated, and unreserved. *Akootchook v. United States*, Dept. of Interior (1984, CA9 Alaska) 747 F2d 1316.

Alaska Natives applying for allotment within national forest under 1906 Alaskan Native Allotment Act must establish personal use and occupancy of land prior to establishment of forest. *Shields v. United States* (1981, DC Alaska) 504 F Supp 1216.

Alaskan native's allotment is land held in trust

for an Indian under 30 USCS § 185, and therefore excluded from United States land subject to grant of right of way under Trans-Alaska Pipeline Act (43 USCS § 1652); native allotment application filed in 1971 has priority over pipeline application filed in 1969 because vested native preference relates back to initiation of occupancy; apparent United States approval of right-of-way agreement was by unauthorized official, and government is not estopped to deny approval, pipeline company and state will be awarded title to improvements, but holders of native allotment claim may be entitled to damages. *Alaska v. 13.90 Acres of Land* (1985, DC Alaska) 625 F Supp 1315.

§ 1618. Reservations; revocation; excepted reserve; acquisition of title to surface and subsurface estates in reserve; election of Village Corporations

#### HISTORY; ANCILLARY LAWS AND DIRECTIVES

##### Other provisions:

Supplemental appropriation for Native Groups, Act Dec. 2, 1980, P. L. 96-487, Title XIV, Part B, 94 Stat. 2498, provided: "The Secretary shall pay by grant to each of the Native Group Corporations established pursuant to section 14(h)(2) of the Alaska Native Claims Settlement Act [43 USCS § 1613(h)(2)] and finally certified as a Native Group, an amount not more than \$100,000 or less than \$50,000 adjusted according to population of each Group. Funds authorized under this section may be used only for planning, development, and other purposes for which the Native Group Corporations are organized under the Settlement Act [43 USCS §§ 1601 et seq.]."

available, granted, or subject to being transferred to the state for any purpose;

(13) *[Repealed, § 15 ch 181 SLA 1978; § 20 ch 182 SLA 1978.]*

(14) *[Repealed, § 88 ch 152 SLA 1984.]*

(b) The director may

(1) delegate the administrative duties, functions or powers imposed upon the director to a responsible employee in the division;

(2) grant preference rights for the lease or purchase of state land without competitive bid in order to correct errors or omissions of a state or federal administrative agency when inequitable detriment would otherwise result to a diligent claimant or applicant due to situations over which the claimant or applicant had no control; the exercise of this discretionary power operates only to divest the state of its title to or interests in land and may be exercised only

(A) with the express approval of the commissioner; and

(B) if the application for the preference right is filed with the director within three years from

— (i) the occurrence of the error or omission;

(ii) the date of acquisition by the state of the land; or

(iii) the date of a court decision or settlement nullifying a disposal of state land;

(3) grant a preference right to a claimant who shows bona fide improvement of state land or of federal land subsequently acquired by the state and who has in good faith sought to obtain title to the land but who, through error or omission of others occurring within the three years before (A) the application for the preference right, (B) the date of acquisition by the state of the land, or (C) the date of a court decision or settlement nullifying a disposal of state land, has been denied title to it; upon a showing satisfactory to the commissioner, the claimant may lease or purchase the land at the price set on the date of original entry on the land or, if a price was not set at that time at a price determined by the director to fairly represent the value of unimproved land at the time the claim was established, but in no event less than the cost of administration including survey; the error or omission of a predecessor in interest or an agent, administrator, or executor which has clearly prejudiced the claimant may be the basis for granting a preference right;

(4) sell land by lottery for less than the appraised value when, in the judgment of the director, past scarcity of land suitable for private ownership in any particular area has resulted in unrealistic land values;

(5) when the director determines it is in the best interest of the state and will avoid injustice to a person or the heirs or devisees of a person, dispose of land, by direct negotiation to that person who presently uses and who used and made improvements to that land before January 3, 1959 or to the heirs or devisees of the person; the amount

# MEMORANDUM State of Alaska

DIVISION OF PARKS AND OUTDOOR RECREATION  
DEPARTMENT OF NATURAL RESOURCES

TO: Ron Swanson  
Director  
Division of Land

DATE: 9 December 1993

TELEPHONE: 762-2600  
762-2535 FAX

FROM: Peter J. Panarese      SUBJECT: Native Allotments in  
Chief, Field Operations      Alaska State Parks

Below listed are the approximate numbers of Native Allotment Applications in units of the state park system. The numbers reported are for pending applications still to be adjudicated. Records on file in the Division of Land may be more accurate in units such as the Alaska Chilkat Bald Eagle Preserve and Denali State Park.

Alaska Chilkat Bald Eagle Preserve	35
Wood-Tikchik State Park	104
Kachemak Bay State Park	2
Captain Cook State Rec. Area	2
Denali State Park	12
Shuyak Island State Park	4

Total      160

Numerous allotment applications in state park units have been adjudicated and patent awarded. Developing detailed information on the number of pending or patented Native allotment claims will take more time. Please give me a call if I can be of further assistance.

Post-It™ brand fax transmittal memo 7671		# of pages ▶	1
To	Roger	From	T. Hawkins
Co.	H. Finance	Co.	
Dept.	Rep. Hoffman	Phone #	278.3602
Fax #	465.2278	Fax #	276.3924

Approx. # of Allotments in State Parks

**HB**

**405**

FISCAL NOTE

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

BILL NO. HB 405

Revision Date: \_\_\_\_\_  
Title: "An Act establishing and relating to the Alaska Information Network Corporation. . ."  
Sponsor: Kott  
Requestor: House State Affairs

Department Affected: Administration  
BRU: Alaska Information Network Corporation  
Component: Alaska Information Network Corporation  
COMPONENT SERIAL NO. \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	0	238.5	238.5	238.5	238.5	238.5
TRAVEL	21.0	43.6	43.6	43.6	43.6	43.6
CONTRACTUAL	260.0	1,175.0	2,085.0	2,829.0	3,669.0	3,669.0
SUPPLIES	0	53.0	26.5	26.5	26.5	26.5
EQUIPMENT	0	2,928.5	851.5	3,028.5	173.0	173.0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	281.0	4,438.6	3,245.1	6,166.1	4,150.6	4,150.6

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES ( )	0	0	0	0	0	0
------------------------	---	---	---	---	---	---

FUNDING SOURCE: (Thousands of Dollars)

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	281.0	4,438.6	3,245.1	6,166.1	4,150.6	4,150.6
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	281.0	4,438.6	3,245.1	6,166.1	4,150.6	4,150.6

Estimate of any current year (FY 94) cost: \$ 0

POSITIONS:

FULL-TIME	4	4	4	4	4	4
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

Information Services contacted other states to gather information for the attached costs. Hawaii passed similar legislation in 1988 and the costs here are based in part on discussion with state of Hawaii and Hawaii's similar corporation personnel. Figures are based on Hawaii's implementation costs to serve an area much smaller than the state of Alaska. Costs assume using to a large extent the infrastructure currently in place in the state of Alaska. See attached detail for additional information.

Prepared by: John Valensi, Director *Karen R. Morgan for J. Valensi* Phone: 465-2220  
Division: Information Services Date: \_\_\_\_\_

Approved by Commissioner: Nancy Bear Userra  
Agency: Department of Administration Date: 3/4/94

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EXPENDITURE DETAIL for the ALASKA INFORMATION NETWORK CORPORATION						
PREPARED TO SUPPORT FISCAL NOTE FOR HB 405						
	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
<b>PERSONAL SERVICES</b>						
Executive Director - Range 26		67.8	67.8	67.8	67.8	67.8
Benefits		23.5	23.5	23.5	23.5	23.5
Total		91.3	91.3	91.3	91.3	91.3
Telecomm. Planner - Range 21		49.8	49.8	49.8	49.8	49.8
Benefits		19.1	19.1	19.1	19.1	19.1
Total		68.9	68.9	68.9	68.9	68.9
Admin. Assistant - Range 14		31.4	31.4	31.4	31.4	31.4
Benefits		13.9	13.9	13.9	13.9	13.9
Total		45.3	45.3	45.3	45.3	45.3
Clerk Typist - 8		21.8	21.8	21.8	21.8	21.8
Benefits		11.2	11.2	11.2	11.2	11.2
Total		33.0	33.0	33.0	33.0	33.0
Grand Total		238.5	238.5	238.5	238.5	238.5
<b>TRAVEL</b>						
Board Members	15.1	15.1	15.1	15.1	15.1	15.1
State Employee Travel	5.9	5.9	5.9	5.9	5.9	5.9
Staff Travel		22.6	22.6	22.6	22.6	22.6
Total	21.0	43.6	43.6	43.6	43.6	43.6
<b>CONTRACTUAL</b>						
Legal Services		24.0	24.0	24.0	24.0	24.0
Technical Consultants	100.0	200.0	300.0	300.0	200.0	200.0
Technical Training		40.0	100.0	100.0	40.0	40.0
Other Professional Svcs.	150.0	300.0	300.0	300.0	300.0	300.0
Communications		506.0	1256.0	2000.0	3000.0	3000.0
Other	10.0	65.0	65.0	65.0	65.0	65.0
Rentals/Leases		40.0	40.0	40.0	40.0	40.0
Total	260.0	1175.0	2085.0	2829.0	3669.0	3669.0
<b>MATERIALS &amp; SUPPLIES</b>						
Office - General		48.0	24.0	24.0	24.0	24.0
Paper		5.0	2.5	2.5	2.5	2.5
Total		53.0	26.5	26.5	26.5	26.5

EQUIPMENT						
Computer Hardware		967.0	20.0	1020.0	13.5	13.5
Computer Software		1000.0	1.0	1000.0	1.0	1.0
Installation		103.5		100.0		
Maintenance		78.0	78.0	156.0	156.0	156.0
Network Enhancements		750.0	750.0	750.0		
Office Equipment		30.0	2.5	2.5	2.5	2.5
Total		2928.5	851.5	3028.5	173.0	173.0
<b>GRAND TOTAL</b>	281.0	4438.6	3245.1	6166.1	4150.6	4150.6
Year 1 - Planning Phase	Year 5 and Year 6 - Stabilization Phase					
Year 2 - Implementation Phase						
Year 4 - Enhancement Phase						
Attached are the assumptions used to prepare these expenditure details						

FISCAL NOTE FOR DEPARTMENT OF ADMINISTRATION**Analysis:**

This financial information has been constructed as though it would be a budgeting request for the Alaska Information Network Corporation. A number of assumptions have been made to develop this budget and are noted throughout this analysis.

**Assumptions:**

It is assumed that during the first year of operation (FY 95) the Corporation would be formed with the appointment of a board of directors. At least one meeting of the board will be held in Anchorage by August 15th. Staff from the Department of Administration and/or other state agencies will provide staff support for the first meeting and subsequent meetings as needed during this fiscal year. This staff time will be funded from Corporation funds. At the first meeting and prior to the employment of the executive director or any corporation staff, the board will appoint a Chair and direct state staff to draft a Request for Proposals (RFP) for project management support to the board. This process is expected to be completed by October 30th and require at least one more meeting of the Board to review and evaluate proposals, and make a selection.

The contracted project manager will work closely with the Board Chair, the Board, and state staff (from the Department of Administration, the state library, and the University; agencies which currently provide statewide networking) to develop a second RFP. This RFP will be for the development of a detailed plan and report to design, develop, implement, operate and maintain a state information network. It is assumed that this process will not be completed before March 15, 1995. Once the plan is completed, the board would recruit and appoint an executive director who would hire the remaining corporation staff to effectively implement the plan beginning in FY 96.

It is assumed that FY 96 would be the first full year of operation for the corporation. Costs for opening an office for the corporation staff and to begin implementation of the state information network plan are included.

The majority of costs identified in fiscal years 1996 through 2000 were obtained from a review of costs to establish similar networks in other states. More specifically, the state of Hawaii has passed similar legislation and established a similar infrastructure. When Hawaii initially embarked on their project, the state's communication infrastructure was not as extensive as the State of Alaska's communication infrastructure. A significant amount of money was spent in establishing that infrastructure, including the purchase and installation of earth stations and satellite communications. Due to the communications infrastructure already invested by the state it is therefore assumed that the current state systems which are provided through a combination of state owned and leased facilities will be used. However, discussions with network staff at the University of Alaska and the Division of Information Services indicate that the existing infrastructure would require significant modifications in certain areas to allow access by the public. It is therefore assumed that the existing state-owned network facilities would be modified where cost effective and feasible to allow citizen access but that the corporation would depend primarily on public carriers, particularly in rural areas where state facilities do not provide long distance communications. Since most state communication services are available on a cost reimbursement basis, it is assumed that the corporation would be

FISCAL NOTE FOR DEPARTMENT OF ADMINISTRATION

providing funding to the state facility providers for the use and enhancements of those facilities when needed to support the state information network.

It is further assumed that the network will result in the placement of personal computers or other devices in communities throughout this state to allow citizen access to the information network. Since the existing RATNet currently serves 240 rural communities, it is assumed that the information network will also eventually serve a similar number of communities.

In addition, there could be some form of subscriber fee for local citizen, community, corporate and private participation in this project. Federal participation funds may also be available in future fiscal years once the initial investment has been made and the network has proved its commercial value. For example, the University of Alaska Southeast currently has an access fee of between \$10.00 and \$20.00/month for connection to the national Internet. The University began offering this service in December 1993 and projected revenues at \$72,000. They currently receive only \$30,000.

If the Corporation had a similar fee and anyone accessing the network were to be required to pay the fee, significant revenues could be generated to offset operating costs. For example, if we assume that every time someone were to use the network were to be charged \$10.00, 200,000 inquiries per month could generate \$24,000,000 in revenues annually. However, it appears that the intent of the legislation is to provide a network with minimal costs to citizens. A \$10.00 charge/month/inquiry does not appear to be reasonable or consistent with the intent of the legislation. It is assumed at that rate, there would be minimal use. The state of Hawaii does not charge an access or inquiry fee. For the purpose of this fiscal note, no revenues have been included. However, it is assumed that once the network is running as envisioned, a fee could be assessed which would somewhat offset operations.

Specific detail on costs included in each fiscal year are shown below.

**FY 1995****FY95 TRAVEL**

All travel based on average trip - 2 days with airfare, per diem, and/or rental car

Travel for "Board Members" - University of Alaska, President (Fairbanks to Anchorage - 4 trips at \$674/trip); DOA Commissioner (Juneau to Anchorage - 4 trips at \$730/trip); State Librarian (Juneau to Anchorage - 4 trips at \$730/trip)

Other (Appointed) Board Members - 4 trips (roundtrip to Anchorage) at \$730/trip for two members; per diem at \$95/meeting for two members (assumes these members reside close to meeting place)

State Employee Travel - two persons - 4 trips (Juneau to Anchorage)at \$730/trip

FISCAL NOTE FOR DEPARTMENT OF ADMINISTRATION**FT95 CONTRACTUAL**

Professional Services - Technical consulting - Based on DOA Telecommunications Engineer and Computer Services Technicians FY94 rate of \$70/hour (1,428 hours of consultation); provide consultation to board on RFP related planning and issues (Interagency transfer to DOA/DIS, the University or other state entity providing support and/or payments to obtain technical services from private sector if the board chooses.)

Professional Services - Includes issuance of 2 RFP's in start-up year

- (1) Project Management - RFP to obtain contractor to serve as project manager for the first year and solicit a Request For Proposal which will result in the Plan for all phases of implementation of the Network - \$50,000  
(Includes all contractor travel and miscellaneous expenses)
- (2) Statewide Plan - RFP which will result in the Plan for all phases of implementation of the network - \$100,000 (includes travel, all contractor travel and miscellaneous expenses)

Other Contractual Services - Secretarial services (10.0)- transcription service, word processing, copying, advertising and other board support

**FY96 PERSONAL SERVICES**

Expenses associated with employing four full time staff for the corporation: Executive Director, Telecommunications Planner, Administrative Assistant, and Clerk Typist. The State of Hawaii currently employs a staff of six in the Corporation and has an additional three staff members from the equivalent Division of Information Services who are assigned full time to support of the network.

**FY96 TRAVEL**

Staff Travel has been added in FY 96 thru FY 2000 to account for corporation staff travel to include- 9 trips (Anchorage to Juneau) at \$730/trip; 20 trips/year (Bush communities to Anchorage) at \$730/trip; 2 trips/year (Anchorage to Lower 48 - convention or conference travel) at \$715/trip.

**FY96 CONTRACTUAL SERVICES**

Legal Services - Average cost/year based on two years of legal representation to DIS at \$235/hour for FCC licensing, telecommunication service, and other communication related consultation with attorneys.

Technical Consultants - Rate of \$70/hour - increased hours due to planned Implementation Phase. The state of Hawaii currently has three full time staff people from the equivalent Division of Information Services assigned full time to the corporation.

FISCAL NOTE FOR DEPARTMENT OF ADMINISTRATION

Technical Training - Training related to hardware, software, and communications for corporation staff and others involved with implementation as required. Also, training to librarians or others in communities who will be using the network and showing others in the community how to use it.

Other Professional Services - Contractual assistance obtained for implementation of various portions of the network, including marketing of the system to private companies, local communities, and state agencies and providing programming assistance to access databases to be used on the system.

Communications - Office telephone system for FY 96 through 2000- includes basic line charges, long distance charges, and leased equipment and voice mail charges - Cost projected using FY 94 state rates (6.0).

Long distance and local charges - Rough analysis based on the following. (1) The Division of Information Services currently spends approximately \$2.5 million per year to local and long distance carriers on behalf of state agencies to acquire long distance communication services. These costs are currently funded through interagency transfers from the agencies who subscribe to the service. (2) The Division pays an additional \$870.0 thousand for satellite transmission costs for RATNet service. (3) In addition to these costs, each agency pays additional costs directly to long distance carriers for various types of long distance service. (4) The state of Hawaii currently experiences approximately 2 million minutes of use per month on their network. If the state of Alaska experienced similar utilization based on current long distance rates for 800 service (disregarding any use of existing state systems) the bill for service would be over \$900.0 thousand per month. (Assumes 200,000 calls per month where each call would average 10 minutes @ \$.69 for the first minute and \$.48 for the remaining 9 minutes.) These costs assume the network will not be fully functional and in use before January 1, 1996 and that utilization in the beginning will be low: approximately \$500.0 thousand in FY 96 and eventually increasing to less than \$3.0 million in FY99 and FY 2000.

Other - Advertising/publications costs increased during Implementation phase for solicitations, public meetings or hearings, miscellaneous report production (40.0); office costs (15.0)

Rental/Leases - Office space lease based on current GS&S averages and standards

**FY96 MATERIALS AND SUPPLIES**

Initial furnishing of office, including desks, chairs, file cabinets, bookcases and other office furnishings.

**FY96 EQUIPMENT**

Computer Hardware - Based on FY94 costs to network this size office via a Local Area Network - includes PC's and printer and local area network server (32.0) and networking of office (20.0) via Wide Area Network;

**FISCAL NOTE FOR DEPARTMENT OF ADMINISTRATION**

Gateway installation and networking costs for state information network - Based loosely on Hawaii FYI costs (915.0) which includes a Unisys mainframe computer and a Videotech gateway. It is assumed that any hardware, software, or network equipment or services would be procured through a competitive solicitation.

Computer Software - Word Perfect, Excel, etc. for small office (5.0);

Software to support Implementation Phase of state information network - based loosely of Hawaii FYI costs (1000.0)

Installation - Charges associated with establishing Local Area network (3.5); Installation of software to support Implementation Phase - based loosely of Hawaii FYI costs (100.0)

Maintenance - Based on Hawaii FYI costs

Network Enhancements - Enhancement of existing state network facilities to support Implementation Phase of Project - one half of enhancement project completion. Existing state network facilities are comprised of hardware, software, leased and private communication circuits. To include the purchase of routers, bridges, personal computers or terminals to be installed in approximately 240 communities throughout the state to allow public access. The state of Hawaii spent over \$3.0 million to enhance and establish a network infrastructure and spent an additional \$3.0 in ensuing fiscal years to establish backup capabilities for and enhancements to that network.

Office Equipment - Office set-up costs

**FY97 CONTRACTUAL**

Technical Consultants - Rate of \$70/hour - increased hours due to full implementation of project

Communications - Increased costs due to full project implementation and greater use of network.

**FY97 EQUIPMENT**

Computer Hardware - Office network costs

Computer Software - Office software costs

Office Equipment - Routine office equipment costs

FISCAL NOTE FOR DEPARTMENT OF ADMINISTRATION

**FY98 EQUIPMENT**

Computer Hardware - Upgrade and/or back-up system to Gateway - Based loosely on Hawaii FYI costs

Installation - Upgrade and/or back-up system to Gateway - Based loosely on Hawaii FYI costs

Maintenance - Increased maintenance costs due to upgrade and/or back-up system

**FY99 CONTRACTUAL**

Communications - Increased costs due to enhancement of network

Technical Consultants - Based on DIS Telecommunications Engineer and Computer Services Technicians FY94 rate of \$70/hour

(1,428 hours of consultation); assumes agencies will charge for providing programming and consulting resources necessary to format and transfer public information

**FY 2000 Stabilization period**

Alaska State Legislature  
House of Representatives

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HEALTH, EDUCATION  
& SOCIAL SERVICES  
JUDICIARY  
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INTERIM:  
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EAGLE RIVER, AK 99577  
PHONE (907) 694-8944  
FAX 694-8945

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

Representative Pete Kott

MEMORANDUM

DATE: February 21, 1994

TO: Representative Al Vezev  
Chairman of State Affairs

FEB 22 1994

FROM: Representative Pete Kott

FEB 22 1994

RE: Request for hearing  
HB 405, Alaska Information Network

Please schedule HB 405 for a hearing before the State Affairs Committee as soon as possible.

House Bill 405 proposes to set up a computerized state information network. This network would provide access for the public as well as government entities, including schools and libraries, to the electronic public records of state agencies. In addition, local and federal government, and the private sector, could supply information to the network. A fee would be assessed for use of the network by private companies.

Enclosed is a copy of HB 405.

To complete the bill packet, the following items will be provided:

Sponsor Statement  
Sectional Analysis  
Fiscal Statement  
Letters of Support

If you have any questions about this bill, please call me or my Legislative Aide, Jayne Butler, at 465-3777.



TUES. Mar, 8th

02-28-1994 03:39PM

MOTZNIK COMPUTER SERVICES

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P.01

10/7

## Motznik Computer Services, Inc.

8301 Briarwood Street, Suite 100  
Anchorage, Alaska 99518-3332  
(907) 344-6254 FAX (907) 344-1759

FEB 28 1994

TO: REP. AL VEAZY  
FAX: 465-3258

FEBRUARY 28, 1994

RE: HOUSE BILL 405

This letter is to register my opposition to House Bill 405. This bill calls for the creation of a State Corporation to create and operate a State Information Network for individuals and businesses to access State, Federal and Local government computer files. We started providing that same service 9 years ago. I do not mind having another competitor but I would prefer one that is not supported with tax money.

This bill is fashioned after the 1988 Hawaii legislation that created the Hawaii Information Network Corporation known as 'Hawaii INC'. Hawaii INC operates a computer gateway/communications network known as 'Hawaii FYI'. UNISYS Corporation (home office in Delaware) sold them the software for the gateway computer. To use the Hawaii FYI system an individual or business calls a local phone number which connects to the gateway computer which then connects via another phone line to the computer that contains the file to be accessed. The file provider (the agency that maintains the file) may charge the customer for access to its data. The customer pays nothing for the Hawaii INC service or the phone call.

All of Hawaii INC costs including office expense, salaries, gateway computer/software, advertising, traveling around the world to computer shows, etc. is paid for by the Hawaii taxpayer.

The files on Motznik computers Services Public Information Access system reside on our computer. We purchase the files from the State, Federal, and local governments. We load the files to our computer and create online access programs that are similiar between the files. No taxpayer money went into creating or operating our system. In fact, we saved taxpayer money because in June 1986 we created a centralized online indexing system for the Recorders Offices and the UCC Office at no cost to the State. We have performed their processing for free on our computer since then. If you create a state funded corporation to compete with us, you will need to add several hundred thousand dollars back into the Recorders Office and UCC office budgets to replace our free processing.

FEB 28 1994

HOUSE BILL 405 SHOULD BE REJECTED FOR THE FOLLOWING REASONS:

1. ALASKA INC IS NOT NEEDED.

Before spending taxpayer money to create a new state service there should be a demonstrated need for that service. A vendor such as UNYSIS that wants to sell its service to the State does not constitute a need.

We already have a communications network called the phone system. Anyone with a PC and a modem can call directly to any computer offering online access such as the Loussac Library, the University Library, CompuServe, Lexus. An expensive go-between computer adds nothing but cost and delay.

The State of Alaska and the University of Alaska already have data communication networks. Alascom offers Alaskanet/Timenet to the public. There is no need to create another data network.

2. THE APPROACH IS TOO COSTLY.

It would be operated by a state agency rather than private enterprise which immediately makes it more costly. Motznik Computer Services rates are a fraction of the State Division Of Data Processing charge-back rates.

3. THE COSTS WOULD MUSHROOM.

The tax dollars spent on the gateway computer, UNISYS software, and the communications lines only allows the customer to get to the computer where the file resides. Now each agency that wants its files available over the network needs to request a larger budget to upgrade its computer system to allow for security (virus prevention), to block confidential data from the public, and to handle increased activity. In addition, communications equipment and software would have to be purchased for attaching the agency computer to the Alaska INC network. The gateway is just the beginning of the expense.

In our system, we pay the agency to periodically make a copy of their file. Some agencies prefer a trade-out where they get free access to all our files. As I mentioned before, we perform the Recorders Office/UCC Office processing for free and our customers have instant access to new information. This arrangement could be made with other agencies such as court cases, DNR data or APOC.

FEB 28 1994

4. HB405 IS MODELED AFTER HAWAII INC WHICH HAS FAILED ITS MISSION.


Hawaii INC was sold to the 1988 Hawaii legislature as a way to make Hawaii a player in the international telecommunications field. It was to encourage creation of a private information industry. Attached are some Hawaii newspaper articles describing its lack of success. One article states that currently 90% of the activity on Hawaii FYI comes from teenagers sending free messages to one another. Hawaii INC was formed to encourage a new industry much like Alaska encouraged Barley and Dairy farming.

5 ALASKA INC WOULD NOT BE SELF-SUFFICIENT.

House bill 405 calls for the Alaska INC to be self-sufficient. Motznik Computer Services created its system with existing equipment and personnel. We have only seven employees (no managers or advisory boards) and to stay in business, we sell mailing lists, process payrolls/accounts receivables, print jobs on laser printers, etc. in addition to our public information system. An information system with huge startup costs and no other income producing services will not be self-sufficient unless it has no competitors and therefore can charge more than private enterprise.

I urge you to give this bill a quick burial. Please call me with your questions and comments. Thank you for your time.

Sincerely,

  
Robert L. Motznik

Monday, November 8, 1993



Robert M. Rees

### A Comment on Cronyism, Part II

NOV 08 1993

Demonstrating that there's ample precedent for the way the Hawaii Visitor's Bureau recently selected its new president — by rejecting highly qualified applicants in favor of a cooperative, even if less qualified, local entity — we last week discussed how Hawaii INC got its well-connected but, many feel, unqualified executive director, Arthur Koga.

After taking the job as head of the state-chartered corporation designed to build private investment in telecommunications, Koga was unable, through expertise or reputation, to fulfill Hawaii INC's mission of attracting private investment. So he began to emphasize instead the development of a state-operated computer information network, Hawaii FYI. Koga believed Hawaii FYI would attract individual computer users and that private investors, eager to reach those users, would follow.

With a start-up investment of \$1.2 million and an annual operating budget of \$550,000 (\$254,000 of which goes to salaries), Koga felt the need to justify his chicken-and-egg strategy. So he and his staff established a nearly fail-safe benchmark criterion.

The new criterion would be the measurement of millions of minutes of Hawaii FYI usage per month. To make sure this usage figure would appear high, Hawaii FYI began to offer chat lines to attract the teenage market.

In no time at all, in publications like "Government Technology," Koga was giving interviews that touted Hawaii FYI's usage of 2 million minutes per month. But what Koga wasn't talking about was that almost 90 percent of this usage was coming from teens using "Rap" lines. Teenagers loved it and were sending anonymous obscenities to each other all across the state. The Hawaii FYI statistics looked great.

But to potential users other than teens, the Hawaii FYI services looked less than great. The best the expensive two-page newspaper ads can do even today is tell us the system will allow us to "monitor gas prices, get energy tips, check coastal water quality." Even the access to the legislative process and to Hawaii's Data Book is presented in lackluster ways.

There are today, after nearly four years of operation, only about 7,000 people in the whole state who use the Hawaii FYI service. Sophisticated information providers thinking of investing in a state network will not be persuaded by the millions of minutes racked up by a few thousand teenagers.

Hawaii INC's most recent business plan for 1993, labeled confidential, calls for 158 providers of information by the end of 1993. As of today, only four private information providers have signed on. It's a dismal showing.

It's almost too late. There's a good chance Hawaii INC will be left behind as the baby bell companies get into videotex networks. (And Hawaii INC said it has no idea whether GTE Hawaiian Tel, a beneficiary of the state's largess when it comes to protection from competition, can help.)

We can be sure of one thing: If we continue in our current direction we'll wind up with the world's most expensive teenage chat line. What we have here is not a failure to communicate but a case history of how the state goes about the business of business. Unfortunately, it's a typical case and goes a long way toward explaining the difficulties our key state agencies and departments suffer: some of the people who run them simply lack the qualifications to do so.

## GOP legislators seek a probe of Hawaii INC

Questions are raised on the state funding of the plan

By Richard Borreca  
Star-Bulletin

JUN 20 1990

Two Republican state lawmakers are calling for an investigation into why the state is spending \$700,000 for a long-delayed telecommunications network designed to attract business investment in Hawaii.

"The vision funded by the legislature has proven to be little more than a pipe dream, which is quickly turning into a nightmare of inefficiency and unproductiveness," Rep. Mike Liu, GOP House leader, said.

"Politics has delayed actual empowerment of the corporation to conduct business in any manner, and most assuredly with any measure of effectiveness."

The state formed a Information Network Corporation to set up the the information services, but, as the Star-Bulletin reported yesterday, two members of the board resigned and two ex-officio members left after the state administration picked Arthur Koga, the campaign manager to Sen. Norman Mizuguchi, to run the corporation.

See INC, Page D-4

## INC: GOP calls for investigation

Continued from JUN 20 1990 relations and print advertising this fall, before the elections.

"If members of the board of director are no longer willing to deal with the politics of getting Hawaii down to business, how can we expect legitimate corporations who have the option of going to California and Japan to establish information systems with the Pacific Rim to do so?" Liu asked.

He called for an immediate investigation by a special committee of the House and Senate to "determine if the corporation has been so diluted by political chicanery that it can no longer be the bridge to business it was designed to be."

Also, Republican candidate for governor Rep. Fred Hemmings noted that the state plans to spend between \$250,000 and \$450,000 for advertising, speech writing, public

"The people on the "payroll" from Hawaii INC (the corporation overseeing the information service) claim this is only coincidental. It is an insult to the taxpayers.

"Hawaii INC is just another example of the Walhee administration using public funds politically and promoting itself during an election year," Hemmings said.

**HB**

**406**

# HOUSE COMMITTEE REPORT

(7)

Date Referred: January 27, 1994

FURTHER REFERRALS:

Finance

Date of Committee Action: 2-15-94

The STATE AFFAIRS Committee considered:

HB 406

HOUSE BILL NO. 406

NO MUNICIPAL SALES TAXES ON AIR CARRIERS

"An Act relating to municipal sales and use taxes involving air carriers; and providing for an effective date."

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

[ ] have attached amendments(s)

[X] do pass

[ ] do not pass

[ ] no recommendations

[ ] individual recommendations

[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dept)

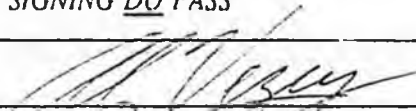
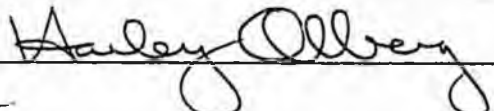


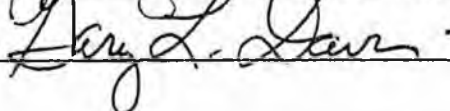
APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

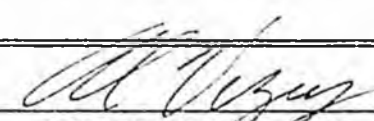
[ ] fiscal impact \_\_\_\_\_

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

[X] zero fiscal note REV CURA

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

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
	X			✓	
	✓				
	✓				
	✓				

  
 CHAIRMAN'S SIGNATURE

Revision Date: \_\_\_\_\_ Dept. Affected: Community & Regional Affairs  
 Title: "An Act relating to municipal sales and use BRU: \_\_\_\_\_  
taxes involving air carriers: . . ." Component: \_\_\_\_\_  
 Sponsor: Representative Foster  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. \_\_\_\_\_

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current (FY94) Impact \$ none

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Remond Henderson Director Phone: 465-4708  
 Division: Administrative Services Date: 1/31/94  
 Approved by Commissioner: [Signature] Deputy Commissioner Date: 1/31/94  
 Agency: Community & Regional Affairs

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# FISCAL NOTE

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

**BILL NO.** HB 406

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: No municipal sales taxes on air carriers BRU: Revenue Operations  
 Component: Income and Excise Audit  
 Sponsor: Representative Foster  
 Requestor: (H) STA COMPONENT SERIAL NO. 113

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>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

REVENUE FUND SOURCE:	0.0	0.0	0.0	0.0	0.0	0.0
----------------------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary.)

This bill will have no impact on state tax revenues or operations.

Prepared by: Larry E. Meyers Phone: 465-2320  
 Division: Income and Excise Audit Division Date: February 2, 1994  
 Approved by Commissioner: Darrel J. Rexwinkel Date: February 2, 1994  
 Agency: Department of Revenue

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# Alaska House of Representatives

Richard Foster  
P.O. Box 1630  
Nome, Alaska 99762-1630  
907-443-5036  
Fax 907-443-2162



During Session  
State Capitol  
Juneau, Alaska 99801-1182  
907-465-3789  
Fax 907-465-3242

To: Representative Al Vezey, Chair  
House State Affairs Committee

From: Rep. Richard Foster *RB*

Re: Scheduling HB 406

Date: January 28, 1994

I would appreciate it if HB 406 could be scheduled for a hearing before the House State Affairs Committee.

I have enclosed a sponsor's statement and have requested a fiscal note from DCRA.

As other supporting information becomes available I will forward it to your committee secretary.

If you have any questions, please give me a call.

## SPONSOR'S STATEMENT

HB 406 "An Act relating to municipal sales and use taxes involving air carriers; and providing for an effective date."

The bill amends AS 29.45.650 by adding a new subsection (i) which prohibits a borough and a home rule or general law municipality from levying or collecting a sales or use tax on an activity that directly involves the carriage of individuals or goods for hire by an air carrier.

This exclusion would be consistent with the Federal Aviation Act of 1958 (as amended) which establishes most of the ground rules for aviation. Section 105 (a) is referred to as the Federal Pre-emption Provision. In summary, it provides that the federal government reserves for itself the power to regulate and tax air carriers engaged in "air transportation or "air commerce". It goes further by stating that no state, or political subdivision thereof, may enact any laws that affect the "rates, routes or services" of an air carrier engaged in air transportation.

Over the last several year, there have been several attempts by various communities to attempt to exploit an 'apparent' inconsistency in the language of the Act by enacting local ordinances imposing sales taxes on air transportation. There is substantial body of case law demonstrating that this is an untenable position but periodically, someone decides to make another attempt to establish such a tax. Part of the rationale behind the pre-emption clause is that the overall benefit to the nation overwhelmingly supersedes the value to states and communities themselves. Some sort of sales or use tax has been proposed in Nome, Kotzebue, Cordova, Barrow, St. Mary's and several other communities.

The Act is quite specific in its application to the transportation of persons, property or mail, by federally certificated air carriers. Each community that has raised the issue has failed or withdrawn for one reason or another. The problem for carriers is that despite a substantial body of case law establishing the applicability of the pre-emption provision, community after community discovers what they think is a potential source of new revenue. This results in a virtually unending series of confrontations and litigation between the aviation industry and various cities and municipalities.

This bill would clarify in a final manner those areas where certificated air carriers are not subject to locally imposed taxes.

**HB**

**407**

# HOUSE COMMITTEE REPORT

(7) [REDACTED] [REDACTED]  
 Date Referred: January 27, 1994 FURTHER REFERRALS: Finance

Date of Committee Action: 3-10-94

The STATE AFFAIRS Committee considered: HB 407

HOUSE BILL NO. 407 COMMEMORATIVE GOLD RUSH LICENSE PLATES

"An Act relating to issuance of commemorative gold rush motor vehicle license plates."

RECOMMENDATIONS: [ ] the same title  
 be replaced with CS HB 407 (STA) [ ] 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 Public Safety [ ] fiscal note(s) \_\_\_\_\_  
 [ ] zero fiscal note \_\_\_\_\_ [ ] zero fisca. note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	X	<i>[Signature]</i>		✓	
<i>[Signature]</i>	X	<i>[Signature]</i>		✓	
<i>[Signature]</i>	✓	<i>[Signature]</i>		✓	

*[Signature]*  
 \_\_\_\_\_  
 CHAIRMAN'S SIGNATURE

8-LS1602J ✓  
Ford  
3/2/94

MAR 2 1994

CS FOR HOUSE BILL NO. 407( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES FOSTER, Toohey

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to issuance of commemorative gold rush motor vehicle license  
2 plates; and providing for an effective date."

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

4 \* Section 1. AS 28.10.161(b) is amended to read:

5 (b) Every passenger vehicle registration plate, except as specifically provided  
6 in AS 28.10.181, shall have displayed upon it

7 (1) a design and color that commemorates the gold rush period in  
8 the state, as determined by the commissioner [THE ALASKA FLAG];

9 (2) [THE TRADITIONAL COLORS OF YELLOW-GOLD AND  
10 BLUE;

11 (3) THE SLOGAN "THE LAST FRONTIER";

12 (4)] the registration number assigned to the vehicle for which it is  
13 issued;

14 (3) [(5)] the name of this state, which may be abbreviated; and

1                    (4) ~~[(6)]~~ the registration year number or expiration date for which time  
2                    it is validated; the registration year number or expiration date may be part of the  
3                    license plate or contained on a suitable sticker or tab device issued by the department;  
4                    however, only one sticker or tab device may be issued for each pair of plates and the  
5                    sticker or tab device must be affixed to the rear plate.

6                    \* Sec. 2. This Act takes effect January 1, 1996.

# FISCAL NOTE

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

**BILL NO: CSHB 407(STA)**

Revision Date: \_\_\_\_\_ Dept. Affected: Public Safety  
 Title: An Act relating to issuance of commemorative BRU: Motor Vehicles  
gold rush...vehicle license plates... Component: Field Services  
 Sponsor: Representative Foster  
 Requestor: H.STA. COMPONENT SERIAL NO. 502

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES		6.0	12.1	6.0	6.0	6.0
TRAVEL						
CONTRACTUAL		39.0	78.0	39.0	39.0	39.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>		<b>45.0</b>	<b>90.1</b>	<b>45.0</b>	<b>45.0</b>	<b>45.0</b>
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (1005) <small>Revenue Code</small>		67.5	135.0	67.5	67.5	67.5

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts		45.0	90.1	45.0	45.0	45.0
1006 GF/MHTIA						
Other						
<b>TOTAL</b>		<b>45.0</b>	<b>90.1</b>	<b>45.0</b>	<b>45.0</b>	<b>45.0</b>

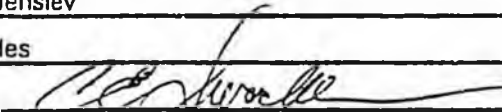
Estimate of current year (FY 94) impact: \$ \_\_\_\_\_

POSITIONS:

FULL-TIME					
PART-TIME					
TEMPORARY					

ANALYSIS: (Attach a separate page if necessary.)

See attached:

Prepared By: Juanita M. Henslev Phone: 465-2650  
 Division: Motor Vehicles Date: 3/7/94  
 Approved by Commissioner:  Date: \_\_\_\_\_  
 Agency: Richard L. Burton, Dept. of Public Safety

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This bill amends current law by allowing the Department of Public Safety design a new license plate depicting the commemoration of the gold rush era of Alaska's history. This new design of the license plate will replace the existing general issue plate of blue and gold.

Effective January 1, 1996, the department will start issuing this plate but only after current supply of the blue and gold plates have been depleted.

It is anticipated 25% of the present vehicle owners will want to replace their current plates. The resulting fiscal impact will be in purchasing 25% more license plates. Personal services costs are for over-time so the division would be able to handle those individual's who wish to replace their current plates.

This bill has an effective date of January 1, 1996.

Currently replacement plate costs run approximately, \$312.3 a year. 25% of that costs is \$78.0.

The first years cost is for a 6 month period from January 1, 1996. 12.5% or \$39.0 increase in replacement plates are anticipated the first year. The second year costs is for a full year and results in an increase of 25% or \$78.0 in replacement plate costs. Over-time costs is for 6 months for the first year for 225 hours @\$27.00 an hour and the second year 450 hours @\$27.00 an hour. It is anticipated after the first and second years of replacing individual's plates with the new design plate the request for replacement plates costs will taper off to 12.5% a year. Over-time costs will be the same as FY96.

# Alaska House of Representatives

*Richard Foster*  
P.O. Box 1630  
Nome, Alaska 99762-1630  
907-443-5036  
Fax 907-443-2162



*During Session*  
State Capitol  
Juneau, Alaska 99801-1182  
907-465-3789  
Fax 907-465-3242

## MEMORANDUM

TO: Rep. Al Vezey, Chair  
State Affairs Committee

FROM: Rep. Richard Foster *RF*

RE: Scheduling HB 407

DATE: February 22, 1994

I would appreciate it if the House State Affairs Committee could schedule HB 407 for a hearing.

This bill would provide for the issuance of a commemorative gold rush motor vehicle license plate for the Gold Rush Centennial celebration.

I have requested a fiscal note and am enclosing the sponsor's statement.

Thank you for considering this request.

# Alaska House of Representatives

*Richard Foster*  
P.O. Box 1630  
Nome, Alaska 99762-1630  
907-443-5036  
Fax 907-443-2162



*During Session*  
State Capitol  
Juneau, Alaska 99801-1182  
907-465-3789  
Fax 907-465-3242

## SPONSOR'S STATEMENT *RS*

HB 407 would provide for the issuance of special request gold rush commemorative motor vehicle plates. The Gold Rush Centennial celebration and commemoration committee in Nome is interested in having a special commemorative plate for the centennial. They contacted the Department of Motor Vehicles and were informed that special legislation was necessary before commemorative plates can be authorized. Copies of the correspondence are enclosed for committee members' information. Other persons have expressed interest after the legislation was introduced as HB 407.

I know that there is often opposition to special motor vehicle license plates. Centennial celebration license plates have proved to be quite popular in other states. The gold rush is a significant bench mark in Alaskan history. It marks the beginning of development in the interior of Alaska and brought the territory to the attention of the rest of the United States.



# CITY OF NOME

*Incorporated April 9, 1901*

Nome '98 Committee  
P.O. Box 281

Nome, Alaska 99762  
Telephone (907) 443-5242  
Fax (907) 443-5349

November 2, 1993

Representative Richard Foster  
Alaska State Legislature  
State Capitol Building  
Juneau, Alaska 99801-1182

Hi Richard:

As part of the Gold Rush Centennial celebration and commemoration I had written to Jay Dulaney, Director of Motor Vehicles Division regarding the issuance of a license plate for the years including 1998 which would be special in design as the enclosed letter indicates.

He called me mid-October to inform me license plates took legislative action and authority and advised I should contact you and/or Al to make our wishes known and to seek your assistance in accomplishing this task.

I personally like the gold seeker in gold, on a dark blue State of Alaska background with a white (or light blue) plate. The DMV could offer the "plain-Jane" plates as we now know them (blue and gold numbers and letters) and additionally could offer these commemorative license plates at a higher fee, thus raising additional monies to be either transferred to the Centennial Task Force or to be used by the DMV.

Let me know what you think, and thanks for your help.

Your friend,

  
Cussy



# CITY OF NOME

Incorporated April 9, 1901

September 10, 1993

P.O. Box 281

Nome, Alaska 99762

Telephone (907) 443-5242

Fax (907) 443-5349

State of Alaska  
Department of Motor Vehicles  
5700 E. Tudor Road  
Anchorage, Alaska 99507

Attn: Mr. Jay Dulany  
Director of Motor Vehicles

Dear Sir:

Perhaps you have heard of the Gold Rush Centennial Task Force which has been organizing in various communities and on a state wide level in an effort to celebrate and commemorate the discovery of gold in Alaska.

The Nome contingent of the Centennial Task Force would like to suggest the DMV design a license plate for Alaskans for these coming years of either the gold seeker, perhaps a gold pan crossed with a pick and shovel, perhaps the seal of the City of Nome as you see on our letterhead, or even the Pioneers of Alaska great insignia of the crossed snowshoes!

Some communities' gold rush activities are planned earlier than 1998 to coincide with their gold discoveries, so the sooner you hand our suggestions to your plate designer or artist the better!

I can be reached during the day at 443-5242 to offer help or suggestions.

Remember.... NOME!,... the place to be in '98!

Sincerely,

  
Cussy Reardon

enc Seeker design  
Pioneers of Alaska design



**HB**

**408**

**FISCAL NOTE**

*ce*

**STATE OF ALASKA  
1994 LEGISLATIVE SESSION**

**BILL NO. HF 408**

Revision Date: \_\_\_\_\_  
 Title: Maximum rate of interest charged on AIDEA loan guarantees  
 \_\_\_\_\_  
 Sponsor: \_\_\_\_\_  
 Requestor: House L & C

Department Affected: Commerce and Economic Development  
 BRU: Alaska Industrial Development and Export Authority  
 Component: \_\_\_\_\_  
 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>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES ( )	0	0	0	0	0	0
------------------------	---	---	---	---	---	---

**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>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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.)

Prepared by: William R. (Riley) Snell, Executive Director  
 Division: Alaska Industrial Development and Export Authority

Phone: 561-8050  
 Date: \_\_\_\_\_

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

Date: 2-7-94

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**HB 408:** "An Act setting a maximum rate of interest that may be charged on a loan guarantee by the Alaska Industrial Development and Export Authority under its export assistance program; and annulling a portion of a current regulation of the Alaska Industrial Development and Export Authority that establishes the maximum allowable interest on a guaranteed loan to be computed at a different rate."

AIDEA's export assistance program provides a guarantee on a pre- or post-shipment bank originated loan for products or services exported from Alaska which meet specific qualifications. Currently, if the loan were to go into default, AIDEA would pay the financial institution originating the loan the guaranteed portion of the loan plus interest. The financial institutions may set the interest rate; however, the interest paid by AIDEA in the case of a default may not exceed the lesser of the rate charged under the promissory note or one percent over the United States Treasury note rate of comparable term at the time of disbursement. HB 408 would increase the amount of interest paid to an amount not to exceed two and three quarters percentage points above the prime rate at the time of disbursement of the loan guarantee payment.

AIDEA does not expect a large increase in usage of this program with the passage of HB 408 and, therefore, feels it will have little effect on the Authority.

AIDEA would support HB 408 in its current form.

*for* *Paul Fuhs*  
Paul Fuhs, Commissioner

Date: 2-7-94

PF/WM/dgl281.wm  
020494a

# Alaska State Legislature

WHILE IN SESSION  
CAPITOL BUILDING  
JUNEAU, ALASKA 99801-1102  
(907) 485-4511  
(907) 485-4316 FAX

INTERIM ADDRESS:  
710 WEST 4TH AVENUE  
ANCHORAGE, ALASKA 99501  
(907) 258-8100  
(907) 258-8174 FAX

CONTACT TO:



CHAIRMAN & GAS COMMITTEE  
VICE CHAIR LABOR & COMMERCE  
COMMITTEE  
JUDICIARY COMMITTEE  
RESOURCE COMMITTEE  
INTERNATIONAL TRADE & TOURISM  
COMMITTEE  
ECONOMIC TASK FORCE

Representative Joe Green

## Sponsor Statement

### HB 408

House State Affairs Committee  
March 3, 1994

Chapter 42 SLA 1987 provided for the Alaska Industrial Development Authority to add an export financing guarantee program to its portfolio and changed the name of the agency to the Alaska Industrial Development and Export Authority. Yet, six years later, AIDEA has yet to guarantee a single loan or assist a single exporter. HB 408 is an attempt to make the program work, and if the program cannot work, establish a threshold for repeal of the program.

**Problem:** Current AIDEA regulations impose a ceiling on the interest rate that may be charged by banks participating in the program. That rate is "...the lesser of the rate charged under the promissory note or one percent above the US Treasury note rate...". The six-month Treasury note rate is about 3.5 percent, which means that commercial banks could charge no more than about 4.5 percent interest on the loan. This restriction effectively kills the program.

**Solution:** The interest rate for AIDEA's Business Assistance Program is also established in statute. However, that rate is substantially higher in that it allows commercial lenders to charge 2.75 percent above the prime rate. At the current prime rate of 6 percent, a commercial bank could charge 8.75 percent interest. The federal Small Business Administration (SBA) program also allows interest to go 2.75 percent above the prime rate.

HB 408 simply establishes the same interest rate for the Export Program as exists for the Business Assistance Program. This will make the program more attractive to commercial lenders.