

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

423

8158

HOUSE STATE AFFAIRS

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Table 1 / Life Insurance—Insurance in Force and Benefit Payments by State: 1986
 Policies to policyholders and payments in the U.S.)

Division	Insurance in Force			Benefit payments ¹ (mil. dol.)
	Policies (1,000)	Value (bil. dol.)	Average per household (dol.)	
All	394,883	7,452	42,800	71,432
Alaska	83,229	1,686	89,800	19,665
Alaska	97,407	1,854	83,700	18,907
Alaska	154,709	2,496	90,800	20,562
Alaska	59,538	1,416	77,800	12,298
Alaska	20,893	443	92,500	4,567
Alaska	1,935	31	68,800	291
Alaska	1,667	33	85,000	305
Alaska	852	15	73,600	160
Alaska	8,755	200	91,300	2,108
Alaska	1,823	31	85,300	304
Alaska	5,861	133	111,700	1,390
Alaska	62,336	1,243	88,900	15,098
Alaska	27,958	590	87,800	7,498
Alaska	12,042	286	102,000	3,365
Alaska	22,336	367	82,500	4,235
Alaska	69,832	1,304	94,200	13,690
Alaska	18,451	371	82,900	3,483
Alaska	9,099	161	78,500	1,641
Alaska	19,907	388	90,800	4,160
Alaska	14,510	283	84,400	2,981
Alaska	7,865	139	77,100	1,425
Alaska	27,575	550	82,500	5,217
Alaska	6,221	139	87,500	1,252
Alaska	4,578	86	80,200	998
Alaska	8,324	153	79,100	1,402
Alaska	901	21	84,300	154
Alaska	905	19	73,000	178
Alaska	2,427	52	84,600	525
Alaska	4,129	80	94,700	708
Alaska	79,754	1,261	81,800	10,898
Alaska	1,313	26	109,000	238
Alaska	5,192	154	92,700	1,534
Alaska	2,053	46	185,600	337
Alaska	13,284	203	93,500	1,471
Alaska	3,090	40	56,900	435
Alaska	13,498	186	77,900	1,517
Alaska	7,757	96	79,800	664
Alaska	12,646	208	92,200	1,427
Alaska	17,921	322	67,300	3,275
Alaska	32,949	412	73,800	3,325
Alaska	6,069	86	62,800	710
Alaska	9,988	143	78,600	1,348
Alaska	12,704	123	83,200	849
Alaska	4,188	60	65,600	418
Alaska	42,006	903	83,100	6,339
Alaska	2,766	47	53,000	401
Alaska	9,065	129	82,600	1,031
Alaska	4,445	87	96,700	916
Alaska	25,730	540	90,500	3,991
Alaska	19,007	370	77,500	3,214
Alaska	1,109	21	67,800	197
Alaska	1,308	23	65,000	215
Alaska	630	13	74,900	125
Alaska	5,303	113	90,000	942
Alaska	1,858	36	68,400	308
Alaska	5,057	94	75,400	865
Alaska	2,437	45	87,600	364
Alaska	1,305	25	62,800	198
Alaska	40,531	1,046	77,900	9,084
Alaska	5,025	125	71,100	1,135
Alaska	3,310	68	63,300	674
Alaska	29,674	800	79,400	6,832
Alaska	656	15	84,800	123
Alaska	1,866	38	112,000	320

¹Includes death payments, matured endowments, disability and annuity payments, surrender values, and policy dividends.
 Source: American Council of Life Insurance, Washington, DC, Life Insurance Facts

LIMIT The definite price fixed by a customer in an order placed with a broker to buy or sell securities or commodities. A limit order is to be executed at the limit or better; e.g., a buy order for a round lot of X (U.S. Steel) at 70 shall be executed at a price of \$70 per share or less; or a sell order of a round lot of Y (Standard Oil of New Jersey) at 42 shall be executed at price of \$42 per share or higher.
 See **ORDERS**.

LIMITATIONS See **ACCEPTANCE CREDIT, NATIONAL BANKING SYSTEM, STATUTE OF LIMITATIONS**.

LIMITED COMPANY The term "Company," "Co.," "& Co.," or "& Company" in a firm title, without further wording indicating that the firm is corporate in nature, may indicate either a general or a limited partnership. In the latter form of business organization, which shall consist of one or more limited partners and one or more general partners, the limited partner(s) is not liable personally for firm debts, being limited in his liability to his investment in the firm.

The term "limited" in English terminology refers to the corporation whose stockholders, provided they hold fully paid and nonassessable shares, are not liable personally for firm debts. In American practice, the corporate form of organization is indicated by reference to "Corporation," "Corp.," "Incorporated," or "Inc." in the firm title.

Limited partnership associations are provided for statutorily in four states in the U.S. This type of organization is corporate in nature, with limited liability, division of ownership into shares of stock, and voting for a board of directors or managers. The shares may be transferred, but the transferee must be elected to membership by majority of the members and of the total shares of stock in order to be entitled to the voting privilege. A quirk of this form is that such transferee not elected to membership is entitled to the firm's purchase of his shares at fair value.

The business trust, also called the Massachusetts trust, may also enjoy limited liability for its beneficiaries (holders of transferable certificates of beneficial interest in the trust), but if such beneficiaries have the power of voting for the trustees, limited liability fails because of violation of the basic principle of the trust (power of beneficiaries to vote for or fail to reelect trustees implies control over legal title to the corpus [assets] and hence a merger of the legal and equitable interest), and so a mere partnership may be deemed to result, with personal liability for firm debts.

See **CORPORATION, LIMITED LIABILITY**.

LIMITED LEGAL TENDER See **LEGAL TENDER, TOKEN MONEY, UNITED STATES MONEY**.

LIMITED LIABILITY The liability of stockholders of the ordinary business corporation extends no further than to payment of the full par value of the issued and outstanding capital stock, such limited liability being one of the principal advantages of the corporate form of business organization. However, even for limited liability corporations, state statutes provide that every holder of shares of stock not fully paid shall be personally liable to the creditors of the corporation to an amount equal to the amount unpaid on the shares held by him for debts of the corporation contracted while such shares were held by the stockholder. Also, state statutes, e.g., New York's, provide that the stockholders of every stock corporation shall jointly and severally be liable personally for all debts due and owing to any of the corporation's laborers, servants, or employees other than contractors for services performed by them for such corporation under specified conditions.

National banks and state banks and trust companies once carried **DOUBLE LIABILITY** on their stock, stockholders being subject to assessment up to the par value of their shares in addition to losing their original investment. In accordance with the Banking Acts of 1933 and 1935, double liability for national bank stock has been ended, and most states have provided similar legislation for state banks and trust companies.

See **LIMITED COMPANY**.

LIMITED ORDER Limit order; a buy or sell order placed with a broker for execution at a specified price. Execution is to be effected at the limit or better.
 See **ORDER**.

LIMIT OF TOLERANCE See **LIGHT GOLD, TOLERANCE**.

Alaska also incorporates competitors that carry the designation "LTD"

HB

430

(7)

Date Referred: February 2, 1994

FURTHER REFERRALS:

Finance

Date of Committee Action: 3-31-94

The STATE AFFAIRS Committee considered:

HB 430

HOUSE BILL NO. 430

LICENSING REQUIREMENTS FOR DRIVERS

"An Act requiring certain applicants for a driver's license to take a driver training course."

RECOMMENDATIONS:

be replaced with CS HB 430 (STA) the same title a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact _____

fiscal note(s) _____

zero fiscal note Public Safety

zero fiscal note(s) _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
		<i>John East</i>			<input checked="" type="checkbox"/>
		<i>W. Vezen</i>		<input checked="" type="checkbox"/>	
		<i>James S. Anderson</i>		<input checked="" type="checkbox"/>	
		<i>Harry L. ...</i>		<input checked="" type="checkbox"/>	

W. Vezen
CHAIRMAN'S SIGNATURE

8-LS1608NE
Ford
3/16/94

CS FOR HOUSE BILL NO. 430()
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES GREEN, Foster

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to driver's licensing; and providing for an effective date."

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

3 * Section 1. AS 28.15.031(a) is amended to read:

4 (a) The department may not issue a driver's license to a person
5 (1) who is under the age of 16 years, except that the department may
6 issue a permit under AS 28.15.051 or a restricted license under AS 28.15.121; or
7 (2) who is at least 16 years of age but not vet 21 years of age unless
8 the person meets the requirements of AS 28.15.057.

9 * Sec. 2. AS 28.15.051(a) is amended to read:

10 (a) Except as proviued in (b) of this section, a person who is at least 14 years
11 of age may apply to the department for an instruction permit. The department may,
12 after the applicant has successfully passed all parts of the examination under
13 AS 28.15.081 other than the driving test, issue to the applicant an instruction permit.
14 The permit allows a person, while having the permit in the person's immediate

1 possession, to drive a specified type or class of motor vehicle on a highway or
2 vehicular way or area for a period not to exceed two years. The permittee must be
3 accompanied by a person at least 25 [19] years of age who has been licensed at least
4 one year to drive the type or class of vehicle being used, who is capable of exercising
5 control over the vehicle and who occupies a seat beside the driver, or who
6 accompanies and immediately supervises the driver when the permittee drives a
7 motorcycle. An instruction permit may be renewed.

8 * Sec. 3. AS 28.15 is amended by adding new sections to read:

9 Sec. 28.15.055. PROVISIONAL DRIVER'S LICENSE. Upon application, the
10 department may issue a provisional driver's license to a person who is at least

11 (1) 16 years of age but not yet 18 years of age if the person has been
12 licensed under an instruction permit issued under AS 28.15.051 or under the law of
13 another state with substantially similar requirements, for at least six months; or

14 (2) 18 years of age but not yet 21 years of age.

15 Sec. 28.15.057. RESTRICTIONS ON DRIVER'S LICENSE ISSUED TO A
16 PERSON UNDER 21. (a) Except as provided under AS 28.15.051 or 28.15.055, a
17 person who is at least 16 years of age but not yet 18 years of age may not be issued
18 a driver's license unless the person has been licensed under an instruction permit
19 issued under AS 28.15.051 for at least six months and has held a valid provisional
20 driver's license issued under AS 28.15.055 for at least one year.

21 (b) Except as provided under AS 28.15.055, a person who is at least 18 years
22 of age but not yet 21 years of age may not be issued a driver's license unless the
23 person has held a valid provisional license issued under AS 28.15.055 for a period of
24 at least one year.

25 (c) A person authorized to drive a motor vehicle under an instruction permit
26 issued under AS 28.15.051 or a provisional driver's license issued under AS 28.15.055
27 may not drive a motor vehicle on a highway or vehicular way or area between the
28 hours of 1:00 a.m. and 5:00 a.m. each day.

29 * Sec. 4. AS 28.15.221(b) is amended to read:

30 (b) The regulations adopted under (a) of this section must [SHALL] include
31 a designated level of point accumulation that [WHICH] identifies drivers who are

1 habitually reckless or negligent or who are habitual or frequent violators of traffic
2 laws, so as to show a disrespect for traffic laws and a disregard for the safety of other
3 persons. In formulating the point system authorized by this section, the commissioner
4 shall, in the interest of interstate uniformity, provide for suspension, revocation or
5 denial of a driver's license, privilege to drive, or privilege to obtain a license for an
6 accumulation of 12 or more points as a result of offenses committed during any
7 consecutive 12-month period or 18 or more points as a result of offenses committed
8 during any 24-month period: except for a person licensed under an instruction
9 permit or provisional license. A person licensed under an instruction permit or
10 provisional license shall have the person's license suspended, revoked, or denied
11 for an accumulation of six or more points as a result of offenses committed during
12 any consecutive 12-month period.

13 * Sec. 5. AS 28.40.100(a)(8) is amended to read:

14 (8) "driver's license" or "license," when used in relation to driver
15 licensing, means a license, provisional license, or permit to drive a motor vehicle, or
16 the privilege to drive or to obtain a license to drive a motor vehicle, under the laws
17 of this state [,] whether or not a person holds a valid license issued in this or another
18 jurisdiction;

19 * Sec. 6. This Act takes effect January 1, 1995.

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO: CSHB 430(STA)

Revision Date: _____ Dept. Affected: Public Safety
 Title: An Act relating to provisional driver's BRU: Motor Vehicles
licensing Component: Driver's Services
 Sponsor: Representative Green
 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						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE FUND SOURCE:	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

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

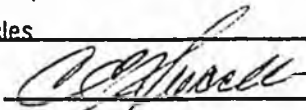
Estimate of current year (FY 94) impact: \$ _____

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.)

Federal grants will be applied for implementation of this program.

Prepared By: Juanita Hensley Phone: 465-2650
 Division: Motor Vehicles Date: 03/31/94
 Approved by Commissioner:  Date: 03/31/94
 Agency: Richard L. Burton, Dept. of Public Safety

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COMMITTEE
ECONOMIC TASK FORCE

Representative Joe Green

Sponsor Statement

Proposed CS for HB 430 "Licensing Requirements for Drivers"

The proposed CS for HB 430 establishes new rules for young drivers. Due to the high incidence of accidents, injury and death among teenage drivers, many states, and other political jurisdictions, are changing the rules which grant teenagers the "license" to drive.

One strategy to reduce young driver accidents is the provisional licensing system. The proposed CS for HB 430 establishes a graduated system whereby a new, young driver must begin his/her progression to "driver-hood" with a learners permit, graduate to a restricted, provisional license, and then, if driving performance has been satisfactory during the provisional period, an unrestricted license is awarded.

The proposed CS for HB 430 establishes certain conditions during the provisional stage which include restrictions on nighttime driving, so that driving takes place in less dangerous circumstances. Currently, 12 states have laws which limit teenagers from operating motor vehicles during late evening or early morning hours. Studies in these states have shown that nighttime restrictions have significantly reduced accidents.

Finally, the proposed CS for HB 430 is designed to allow the Department of Public Safety to take advantage of new federal legislation expected to become law this spring. The "High Risk Drivers Act of 1993" establishes monetary incentives for states that implement programs for young drivers. I believe that passage of CS HB 430, along with federal support, will help stop the teenage carnage on our highways.

Young Driver Laws

Virtually all states impose special restrictions on teenagers' driving privileges and/or require driver education to get a license before age 18. For example, 9 states — Idaho, Illinois, Louisiana, Maryland, Massachusetts, New York, Pennsylvania, South Carolina, and South Dakota — prohibit teenagers younger than specified ages from driving during the high-risk nighttime and early morning hours. In Idaho, drivers younger than 16 years are restricted to daytime driving only. In Illinois, a driving curfew applies 11 pm-6 am Sun.-Thurs. and midnight-6 am Sat.-Sun.; in Louisiana, 11 pm-5 am (midnight-5 am Fri.-Sun.); in Maryland, midnight-5 am; in Massachusetts, 1-4 am; in New York, 9 pm-5 am; in Pennsylvania, midnight-5 am; in South Carolina, 6 pm-6 am (8 pm-6 am during daylight saving time); and in South Dakota, 8 pm-6 am for drivers younger than 16.

License suspension or another penalty may result from violations of blood alcohol concentration (BAC) thresholds that apply only to young drivers in 21 jurisdictions — Arizona, Arkansas, California, the District of Columbia, Georgia, Maine, Maryland, Minnesota, Nebraska, New Hampshire, New Jersey, New Mexico, North Carolina, Ohio, Oregon, Rhode Island, Tennessee, Texas, Utah, Vermont, and Wisconsin. However, only 13 of these special BAC laws apply to all drivers younger than 21 years. Plus, the BACs applicable to young drivers vary from state to state.

Most states also impose licensing penalties for violations of alcohol purchasing age laws (now 21 years old in all 50 states) and/or fraudulent use of a license to buy alcohol illegally. In 9 states — Arkansas, Florida, Kentucky, Louisiana, Ohio, Tennessee, Texas, Virginia, and West Virginia — people younger than 18 years must have completed or be enrolled in high school to get licenses. Differences among state laws covering young drivers are summarized below.

	Usual Licensing Age Learners/Regular	% BAC Limit for Young Drivers (Applicable Age) and Penalty for Violation	Licensing Penalty for DWI (Applies to 17 Yrs. & Younger Unless Noted)	Licensing Penalty for Purchasing Age or Other Alcohol Violations
Alabama	15/16	—	same as adult	—
Alaska	14/16	—	same as adult	3 mo. (younger than 17) 2 mo. (younger than 21)
Arizona	15 & 7 mo./16	0.00 (younger than 21) penalty: 3 mo. suspension	2 yrs.	2 yrs. (younger than 18) 6 mo. (younger than 21)
Arkansas	14/16	0.02 (younger than 21) penalty: 4 mo. suspension	1 yr. or until age 18 ¹	—
California	15/16	0.05 (younger than 18) penalty: alcohol program	1 yr. or until age 18 ¹	1 yr. (younger than 21)
Colorado	15 & 3 mo./16	—	1 yr. (younger than 21)	3 mo. (younger than 21)
Connecticut	none/16	—	1 yr. or until age 18 ¹	2 mo. (younger than 21)
Delaware	15 & 10 mo./16	—	2 yrs. or until age 18 ¹ (younger than 21)	1 mo. (younger than 21)

State Law Facts 1993

Published by the Insurance Institute for Highway Safety

	<u>Usual Licensing Age Learners Regular</u>	<u>% BAC Limit for Young Drivers (Applicable Age) and Penalty for Violation</u>	<u>Licensing Penalty for DWT (Applies to 17 Yrs. & Younger Unless Noted)</u>	<u>Licensing Penalty for Purchasing Age or Other Alcohol Violations</u>
Dist. of Columbia	16/16	0.00 (younger than 21) penalty: 6 mo. suspension	same as adult	3 mo. (younger than 21)
Florida	15/16	—	same as adult	1 yr. (younger than 18)
Georgia	15/16	0.06 (younger than 18) penalty: 1 yr. suspension	same as adult	4 mo. (younger than 21)
Hawaii	15/15	—	3 mo. or until age 18 ¹	—
Idaho	15/15	—	adult+1 yr. or until age 18 ¹	1 yr. (younger than 18)
Illinois	15/16	—	1 yr. (younger than 21)	—
Indiana	15/16 & 1 mo.	—	same as adult	1 yr. (younger than 21)
Iowa	14/16	—	6 mo. or until age 18 ¹	6 mo. (younger than 21)
Kansas	14/16	—	same as adult	1 yr. (younger than 18)
Kentucky	16/16	—	3 mo. or until age 18 ¹	6 mo. (younger than 21)
Louisiana	16/16	—	1 yr. or until age 17 ¹ (younger than 19)	1 yr. or until age 17 ¹ (younger than 19) 3 mo. (younger than 21)
Maine	15/16	0.02 (younger than 21) penalty: 1 yr. suspension	1 yr. (younger than 21)	1 mo. (younger than 21) ²
Maryland	15 & 9 mo./16	0.02 (younger than 21) penalty: 1 yr. suspension	same as adult	6 mo. (younger than 18)
Massachusetts	16/16 & 6 mo.	—	6 mo. (younger than 21)	mo. (younger than 21)
Michigan	15/16	—	same as adult	3 mo. (younger than 21)
Minnesota	15/16	0.00 (younger than 21) penalty: 1 mo. suspension	6 mo. (younger than 21)	3 mo. (younger than 21)
Mississippi	15/15	—	same as adult	—
Missouri	15 & 6 mo./16	—	3 mo. (younger than 21)	3 mo. (younger than 21)
Montana	14 & 6 mo./15	—	same as adult	3 mo. (younger than 21)
Nebraska	15/16	0.02 (younger than 21) penalty: 1 mo. suspension effective Jan. 1994	same as adult	—
Nevada	15 & 6 mo./16	—	same as adult	6 mo. (younger than 18)
New Hampshire	15 & 6 mo./16	0.04 (younger than 21) penalty: 6 mo. suspension	same as adult	1 yr. (younger than 18)
New Jersey	17/17	0.01 (younger than 21) penalty: 3 mo. suspension	same as adult	6 mo. (younger than 21)
New Mexico	15/15	0.05 (younger than 18) ¹ penalty: 6 mo. suspension	same as adult	3 mo. (younger than 21)

	Usual Licensing Age Learners Regular	% BAC Limit for Young Drivers (Applicable Age) and Penalty for Violation	Licensing Penalty for DWT (Applies to 17 Yrs. & Younger Unless Noted)	Licensing Penalty for Purchasing Age or Other Alcohol Violations
New York	16/16	—	1 yr. (younger than 21)	3 mo. (younger than 21)
North Carolina	15/16	0.00 (younger than 18) penalty: 1-1 2 mo. sus- pension or until age 18 ¹	same as adult	1 yr. (younger than 21)
North Dakota	14/16	—	same as adult	—
Ohio	16/16	0.02 (younger than 18) penalty: 2 mo. suspension or until age 18 ¹	until age 18	1 yr. (younger than 21)
Oklahoma	15 & 6 mo./16	—	6 mo. or until age 18	6 mo. or until age 18 (younger than 18)
Oregon	15/16	0.00 (younger than 21) penalty: 1 yr. suspension	same as adult	1 yr. or until age 17 ¹ (younger than 18) 1 yr. (younger than 21)
Pennsylvania	16/16	—	0 mo.	3 mo. (younger than 21)
Rhode Island	16/16	0.04 (younger than 21) penalty: 12 mo. suspension (younger than 18) or 3 mo. suspension (age 18-21)	18 mo.	3 mo. (younger than 21)
South Carolina	15/15	—	same as adult	3 mo. (younger than 21)
South Dakota	14/14	—	same as adult	1 mo. (younger than 21) 3 mo. (driver younger than 21)
Tennessee	15/16	0.02 (younger than 21) penalty: 1 yr. suspension	same as adult	1 yr. (younger than 21)
Texas	15/16	0.07 (younger than 21) penalty: 1 yr. suspension	1 yr. (younger than 21)	1 yr. (younger than 21)
Utah	16/16	0.00 (younger than 21) penalty: 3 mo. suspension	3 mo. (younger than 21)	0 mo. or until age 17 ¹ (younger than 18)
Vermont	15/16	0.02 (younger than 18) penalty: until DWI pro- gram is completed	same as adult	—
Virginia	15 & 8 mo./16	—	1 yr. or until age 17 ¹	1 yr. or until age 17 ¹ (younger than 18)
Washington	15 & 6 mo./16	—	3 mo. or until age 19 ¹ (younger than 19)	1 yr. or until age 17 ¹ (younger than 18)
West Virginia	15/16	—	6 mo. or until age 21 ¹ (younger than 21)	—
Wisconsin	15 & 6 mo./16	0.00 (younger than 19) penalty: 3 mo. suspension	same as adult	3 mo. (younger than 21)

¹License suspensions last for the length of time specified or until the specified age, whichever is longer, except in Idaho and Ohio. In Idaho, the suspension period is the length of an adult suspension for DWI (6 months) plus one year or until age 18, whichever is longer. In Ohio, the suspension period is for 2 months or until age 18, whichever is shorter.

²Licensing penalty in Maine becomes effective in Oct. 1993.

³BAC limit for young drivers in New Mexico will change to 0.02 for drivers younger than 21 years on Jan. 1, 1994.

Teenagers

As both drivers and passengers, teenagers are disproportionately involved in motor vehicle crashes, compared with people of other ages. Even though they drive less than older people (except those 70 and older), teenagers have very high numbers of motor vehicle crashes and crash deaths. This edition of Fatality Facts addresses the problem.

- 5,213 teenagers (13-19 year olds) died from motor vehicle crash injuries in 1992. This represents a 9 percent decline since 1991, with male teenagers accounting for more of the decline than females.
- Forty-two percent of the teenage motor vehicle crash deaths in 1992 (2,199) were drivers of passenger vehicles (cars, pickups, cargo and large passenger vans, and utility vehicles). The death rate for male teenage drivers (13 per 100,000 people) exceeded the rate for females (5).
- Passenger vehicle occupants comprise most (82 percent) teenage motor vehicle deaths. An additional 7 percent are pedestrians, 5 percent are motorcyclists, 2 percent are bicyclists, and 3 percent are occupants of other vehicles.
- Teenagers comprised 9 percent of the U.S. population in 1992 and 13 percent of all motor vehicle deaths.
- Teenage motor vehicle deaths involve mostly people of driving age (16-19), but 19 percent involve 13-15 year olds.
- Thirty percent of the deaths of 16-19 year olds from all causes in 1990 occurred from motor vehicle crash injuries. These injuries comprised 39 percent of the deaths of females 16-19 years old.
- More than twice as many male teenagers as female teenagers are killed in motor vehicle crashes.
- From teenagers in the 13-15-year-old age group to those in the 16-19 group, the increase in motor vehicle deaths per 100,000 people is more than twofold for both males and females.

Teenage Motor Vehicle Deaths

	<u>Male</u>	<u>Female</u>	<u>Total*</u>
1982	5,354	1,969	7,323
1983	4,850	1,955	6,805
1984	4,947	2,005	6,952
1985	4,715	2,022	6,737
1986	5,280	2,182	7,466
1987	5,107	2,186	7,293
1988	5,036	2,204	7,242
1989	4,528	2,158	6,688
1990	4,420	1,944	6,364
1991	5,891	1,867	5,760
1992	5,493	1,713	5,213

*Total includes sex unknowns.

Teenage Motor Vehicle Deaths, 1992

<u>Age</u>	<u>Deaths</u>
13	210
14	286
15	496
16	901
17	1,004
18	1,167
19	1,149
Total	5,213

More than twice as many male teenagers as female teenagers are killed in motor vehicle crashes.

Teenage Motor Vehicle Deaths by Type, 1992

Age	Passenger Vehicles*	Motor-cyclists	Pedestrians	Bicyclists	Other/Unk*
13	113	2	48	30	17
14	200	8	29	29	20
15	381	17	49	23	26
16	778	23	66	16	18
17	873	48	53	10	20
18	998	75	73	7	14
19	956	102	58	11	22
Total	4,299	275	376	126	157

*Column includes sex and seating positions unknown.

Passenger Vehicle Deaths by Age, Sex, and Seating Position, 1992

Age	Drivers			Passengers		
	Male	Female	Total*	Male	Female	Total*
13	2	2	4	64	39	103
14	25	4	29	78	84	164
15	51	18	69	153	149	302
16	268	131	399	205	158	364
17	336	165	501	194	169	363
18	447	174	621	208	151	362
19	442	138	580	232	134	366
Total	1,571	632	2,203	1,134	883	2,021

*Totals include sex unknowns.

Percent of Fatally Injured Drivers with BACs ≥ 0.10 Percent, 1992

Age	Male	Female
13-15	10	11
16-17	21	1
18-19	32	20
20-24	49	29
25-34	56	37
35-54	47	25
55+	17	7

Percent of Fatally Injured Passenger Vehicle Drivers with BACs ≥ 0.10 Percent

	Driver Age		
	16-20	21-30	≥30
1982	48	62	44
1983	45	60	42
1984	40	56	39
1985	35	54	38
1986	35	53	35
1987	29	54	37
1988	31	55	36
1989	31	52	35
1990	31	52	35
1991	32	52	35
1992	27	49	35

Distribution of Teenage Motor Vehicle Deaths by Time of Day, 1992

	Percent
Midnight - 3 am	17
3 am - 6 am	8
6 am - 9 am	8
9 am - Noon	6
Noon - 3 pm	10
3 pm - 6 pm	14
6 pm - 9 pm	17
9 pm - Midnight	21

Distribution of Teenage Motor Vehicle Deaths by Day of Week, 1992

	Percent
Sunday	19
Monday	10
Tuesday	10
Wednesday	11
Thursday	12
Friday	17
Saturday	22

About half of all teenage motor vehicle deaths occur between 9 pm and 6 am.

Driver Deaths per 100,000 People, 1992

Age	Male	Female
0-12	<1	<1
13	<1	<1
14	1	<1
15	3	1
16	16	8
17	19	10
18	26	11
19	24	8
20-24	23	8
25-29	17	6
30-64	12	5
65-74	14	5
75+	23	6

Passenger Deaths per 100,000 People, 1992

Age	Male	Female
0-12	3	2
13	4	2
14	5	5
15	9	9
16	12	10
17	11	10
18	13	9
19	13	8
20-24	10	5
25-29	5	3
30-64	2	2
65-74	3	4
75+	5	7

- Male 18-year-old drivers of passenger vehicles have higher death rates than any other group — 26 per 100,000 people, or more than twice the rate for males 30-64 years old.
- In 1992, 2,073 teenagers died as passengers in cars, pickups, cargo and large passenger vans, and utility vehicles. The death rate for male teenage passengers (9 per 100,000 people) exceeded the rate for females (8).
- The passenger death rate for females peaks at age 16-17 (10 per 100,000). For males, the death rate peaks at age 18-19 (13 per 100,000). After the teenage years, passenger deaths begin decreasing dramatically.
- Nineteen percent of all passengers who die in motor vehicle crashes do so when a teenager is driving. Most teenage passenger deaths (63 percent) occur in crashes in which another teenager is driving.
- More than half (58 percent) of all teenage motor vehicle deaths occur on weekends (Friday, Saturday, and Sunday).
- About half of all teenage motor vehicle deaths occur between 9 pm and 6 am.
- Male drivers 16-19 years old were involved in 30 nighttime fatal crashes per 100 million miles traveled in 1990 — about 4 times the rate for men 30-54 years old.¹
- Female drivers 16-19 years old were involved in 13 nighttime fatal crashes per 100 million miles traveled in 1990 — about 3 times the rate for female drivers 30-54 years old.¹
- Teenage drivers with blood alcohol concentrations of 0.05-0.10 percent are far more likely than sober teenage drivers to be killed in single-vehicle crashes — 18 times more likely for males, 54 times more likely for females. Drivers who are at least 25 years old and have similar blood alcohol concentrations are 9 (males) to 25 (females) times more likely to be killed in single-vehicle crashes, compared with sober drivers.²
- Teenage bicyclists comprised 18 percent of all the bicyclist deaths that occurred in 1992.
- Motorcyclist deaths begin rising during the teenage years. Teenagers comprise 12 percent of all motorcyclist deaths.

Motorcyclist deaths
begin rising during
the teenage years.

**Motor Vehicle Deaths
as a Percent of All
Deaths, 1990**

Age	Male	Female
0-4	2	2
5-9	22	20
10-12	24	20
13-15	25	27
16-17	50	45
18-19	26	35
20-24	25	27
25-34	14	13
35-54	5	4
55+	1	<1

**Distribution of Teenage
Motor Vehicle Deaths
by Month, 1992**

	Percent
January	7
February	6
March	7
April	7
May	9
June	10
July	10
August	10
September	9
October	9
November	9
December	8

**Percent of Teenage
Deaths Occurring at
Night (9 pm - 6 am), 1992**

Age	Male	Female
13-15	31	30
16-17	47	39
18-19	55	40

THE INFORMATION IN THIS FACT SHEET IS BASED LARGELY ON ANALYSIS OF DATA FROM THE U.S. DEPARTMENT OF TRANSPORTATION'S FATAL ACCIDENT REPORTING SYSTEM. FOR FURTHER INFORMATION, SEE THE FOLLOWING REPORTS:

Massie, D.L. and Campbell K.L. 1995. Analysis of accident rates by age, gender, and time of day based on the 1990 Nationwide Personal Transportation Survey (UMTRI-93-7). Ann Arbor: University of Michigan Transportation Research Institute.

Zador, P. 1991. Alcohol-related relative risk of fatal driver injuries in relation to driver age and sex. *Journal of Studies on Alcohol* 52:302-10.

**INSURANCE
INSTITUTE
FOR
HIGHWAY
SAFETY**

Law 1995, Editor Anne Fleming

Insurance Institute for Highway Safety
1335 North Clarendon Road, Arlington, VA 22201
(703) 247-1500

The Insurance Institute for Highway Safety is an independent, nonprofit public service organization that develops and evaluates ways to reduce motor vehicle losses. The Institute's work is widely supported by the nation's property and casualty insurers, individually and through their trade associations.

Bill may pull teens off road

By DON KIRKMAN

Scripps Howard News Service

WASHINGTON — Congress is considering a \$100 million program that would make it tougher for teenagers to get driver's licenses and encourage the elderly to restrict their driving or give up their licenses.

Already passed by the Senate, legislation that imposes restraints on high-risk drivers was scrutinized Thursday by the House surface transportation subcommittee.

The bill's No. 1 target is teenagers, particularly those who drink and drive.

"The statistics are chilling," said Rep. Frank Wolf, D-Va., the bill's sponsor in the House. "Although teenagers comprise only 7 percent of all licensed drivers, they account for nearly 15 percent of all traffic fatalities."

Please see Back Page, **DRIVING**

DRIVING: Tougher rules for teens

Continued from Page A-1

Approximately 8,000 people were killed by teen-age drivers last year, Wolf said, and one-quarter of those deaths were caused by teen-age drivers who were drunk or alcohol-impaired.

National Transportation Safety Board chairman Carl Vogt said one of the reasons teen-age drivers cause an unusually large number of highway deaths is that young people are easily impaired by small amounts of alcohol.

Drivers aged 16 to 20 who have small amounts of alcohol in their bloodstreams are six times more likely to cause fatal traffic accidents than adults, Vogt said.

Rep. Floyd Flake, D-N.Y., one of the bill's supporters, said researchers have determined that teen-age drivers whose blood alcohol level is 0.08 percent increase their chances of having a fatal accident 400-fold.

The legislation would provide \$100 million to state safety and licensing agen-

cies, beginning in 1995, if the states match the federal funds and carry out the program's initiatives.

To reduce high-risk teen-age driving, the legislation calls for states to implement a three-stage driver's license procedure.

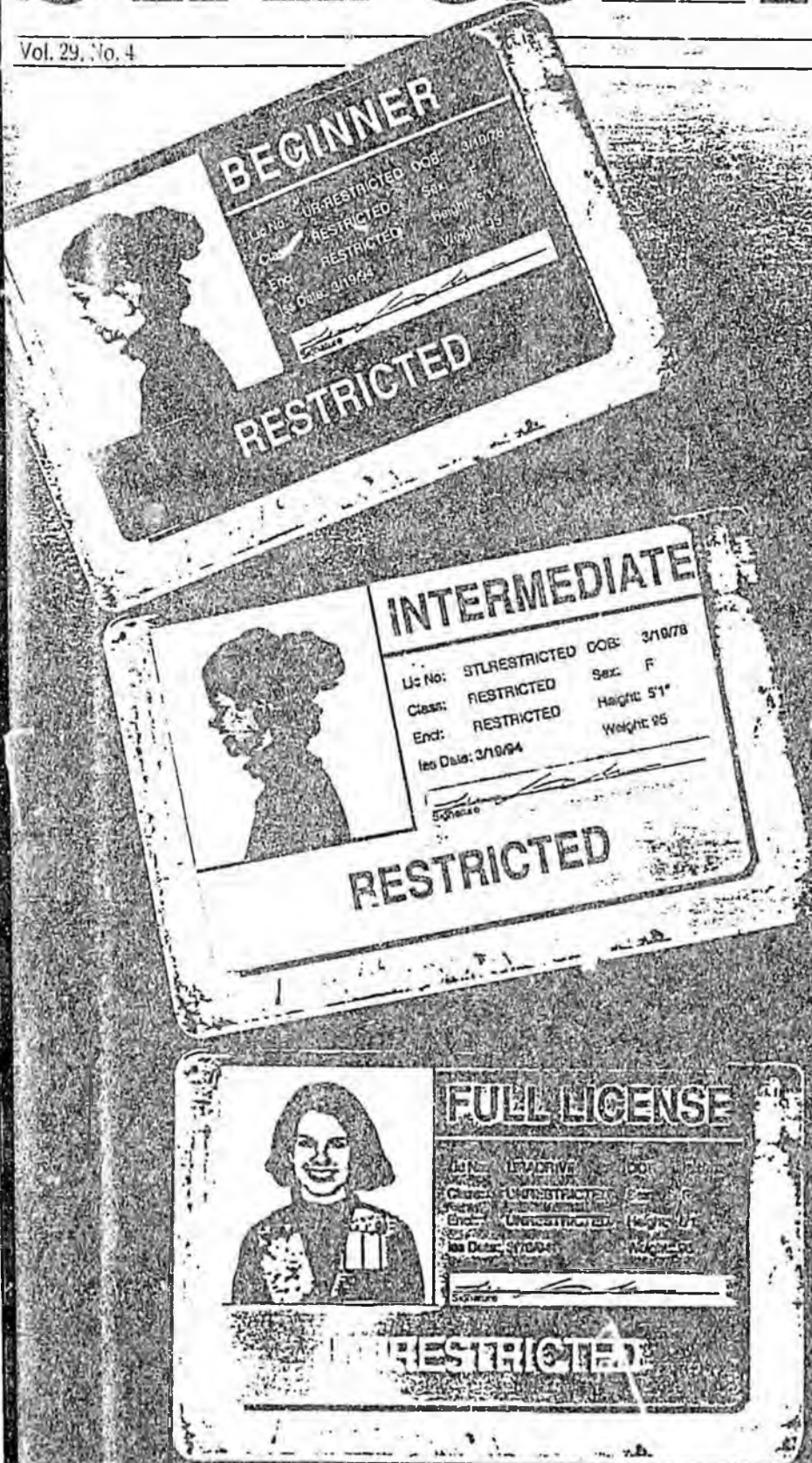
The first stage would provide an "instructional" license that requires teen-age drivers to be accompanied by someone with an unrestricted license. Next, teenagers would receive a "provisional" license after a written examination and road test. An unrestricted license would be granted a year later if the teen-ager has no traffic tickets or chargeable accidents.

States also would be required to make it illegal for people under age 21 to drive if their blood alcohol content is at 0.02 percent or higher, establish minimum fines of \$500 for people convicted of selling alcohol to minors, and mandate a six-month driver's license suspension for anyone under age 21 convicted of drunken driving.

STATUS INSURANCE INSTITUTE FOR HIGHWAY SAFETY REPORT

Vol. 29, No. 4

March 19, 1994



Slower Graduation to Full Licensing Means Fewer Teenage Deaths

It's easy to get a license to drive in the United States. It's inexpensive, and licensing exams aren't hard to pass. As long as you're at least 16 years old — 15 in some states — you can take to the road with essentially full privileges. In many states, the only other hurdle is passing approved driver training.

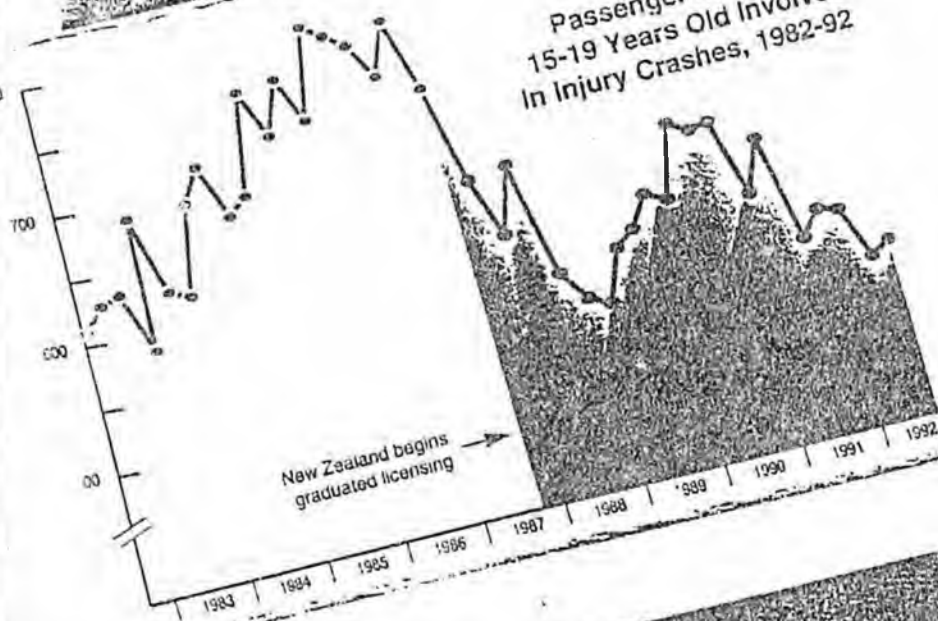
It's somewhat harder to get a license in most European countries, where teenagers have to be 17 or 18 before driving legally. But even where licensing ages are higher than in the United States and requirements are tougher, young drivers are still immature and lack on-the-road experience.

The result is that young drivers in every motorized country constitute a major highway safety problem. They're disproportionately involved in crashes compared with older people. In 1992, teenagers comprised 9 percent of the U.S. population and 13 percent of all motor vehicle deaths. Crash injuries are the leading health problem among 16-19 year olds. They account for about 40 percent of all deaths in this group.

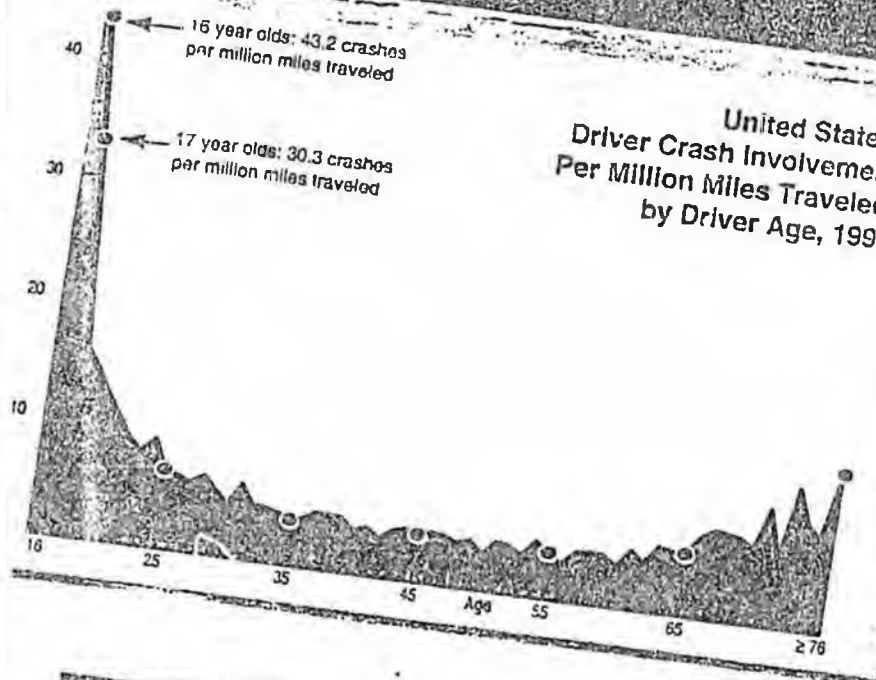
"If society is serious about reducing the young driver problem, it must bite the bullet and modify teenagers' driving through graduated licensing," says Institute Senior Vice President Allan F. Williams. "There's no substitute for on-the-road experience. But restricting the time and manner of driving in stages allows beginning drivers to acquire that experience in lower-risk settings before getting a regular, unrestricted license."

How Graduated Licensing Works: The idea is to help beginners learn to drive step by step by controlling their progression toward full driving privileges. Restrictions are lifted gradually and systematically until a

**New Zealand:
Passenger Car Drivers
15-19 Years Old Involved
In Injury Crashes, 1982-92**



**United States:
Driver Crash Involvement
Per Million Miles Traveled,
by Driver Age, 1990**



Crash involvement among 15-19 year olds went down when New Zealand began graduated licensing (top). In the United States (above), 16-19 year olds had the highest crash rate in 1990 — 20.1 per million miles traveled compared with 5.3 per million for all other ages. Sixteen and 17 year olds had by far the highest rates. Rates for drivers 76 and older were higher than average but much lower than those for teenagers.

driver "graduates" to an unrestricted license. This helps two ways. It ensures that new drivers accumulate behind-the-wheel experience in low-risk settings. It also means drivers are older and maybe more mature by the time they get their regular licenses.

Graduated licensing has already reduced crash deaths and injuries in New Zealand,

where it has been in effect since 1987. In Ontario, Canada, graduated licensing will take effect next month and is under active consideration in several other provinces.

In the United States, the National Highway Traffic Safety Administration has budgeted \$1.2 million over the next two years in incentive grants for states that implement

and evaluate graduated licensing programs. This isn't the first time the agency has endorsed the plan. During the mid-1970s, it developed a model system that was never fully implemented by any state. California and Maryland did adopt weakened versions, and both experienced modest reductions in crash involvement among young drivers.

Some Progress but Teens Still at Risk: The young driver problem has improved in recent years. For example, the greatest gains against alcohol-impaired driving during the 1980s were among 16-20 year olds. (See *Status Report*, Vol. 28, No. 13, Nov. 27, 1993.) Still, crash rates among this group remain a lot higher than those of other age groups including the elderly.

Immaturity and lack of driving experience are considered the main reasons for young drivers' high crash rates. The immaturity associated with youth is manifested in risky practices like speeding, following too closely, accelerating rapidly, and maneuvering in a variety of aggressive ways that heighten the likelihood of a crash.

So why not just raise the licensing age? In most of the United States, the minimum age for regular licensure is 16. In some states it's 15, and several states allow restricted licenses at 14 or 15. New Jersey prohibits regular licensure before age 17, and research shows this policy has substantially reduced the combined crash involvement of 16 and 17 year olds, compared with involvement in neighboring states that allow licenses at 16. (See *Status Report*, Vol. 19, No. 1, Jan. 10, 1984.)

Though it's safer to delay licensure until teenagers are older, Williams notes that "it can be difficult politically, to restrict young people's mobility in the interest of safety." He also points out that raising the licensing age alone doesn't address the need for new drivers to gain on-the-road experience.

"Drivers with some experience have a lower crash risk than drivers who are new to the road," says Herb M. Simpson, executive director of the Traffic Injury Research Foundation of Canada. "Graduated licensing recognizes that the way we license people now isn't the best way. What we do is give them a vision test, a knowledge test, and ask them to drive around the block. Then

we say, 'Here are the keys, go out and drive on a freeway in a snowstorm at night with a car full of people.' And the result is predictable. We've basically created the situation of high risk of a collision." A longtime proponent of graduated licensing, Simpson adds that it "represents an opportunity to try and control some of the risks faced by new drivers without necessarily impinging or infringing on their mobility needs."

How Programs Compare: In the United States, there aren't any full-fledged graduated licensing systems, but all states provide for learning periods prior to licensure during which driving must be supervised. Many states grant new drivers probationary or provisional licenses for set time periods.

Simpson describes these two approaches as different from graduated licensing. Probationary license holders are typically allowed full driving privileges except that, during probation, actions like suspension can be imposed more quickly and after fewer violations. Probationary systems use the threat of punishment to encourage people to drive with care, but they do nothing to help new drivers acquire on-the-road experience.

Provisional licensing, Simpson explains, imposes some restrictions on young drivers, usually coupled with the same kinds of penalties associated with probationary systems. Restrictions are lifted after a specified time, in full and all at once, at which point a regular, unrestricted license is granted.

Graduated licensing is different in that drivers progress through a multistage licensing process that's equivalent to receiving a learner's permit, then a provisional or restricted license, and finally a regular license. Although specific driving restrictions may vary among graduated systems, a ban on nighttime driving is an essential feature. Keeping young beginners off the road during the high-risk late-night hours forces them to gain more of their early driving experience during daylight, when increased visibility makes driving less demanding.

Other restrictions apply with graduated licensing. One is a zero or near-zero blood alcohol concentration (BAC) requirement. Beginners must practice driving for a specified time under the supervision of a parent

or adult licensed driver and may be barred from major roads. Sometimes limits are imposed on the number of passengers a beginner may transport because of research showing the majority of teenage passenger deaths occurs in cars driven by other teenagers.

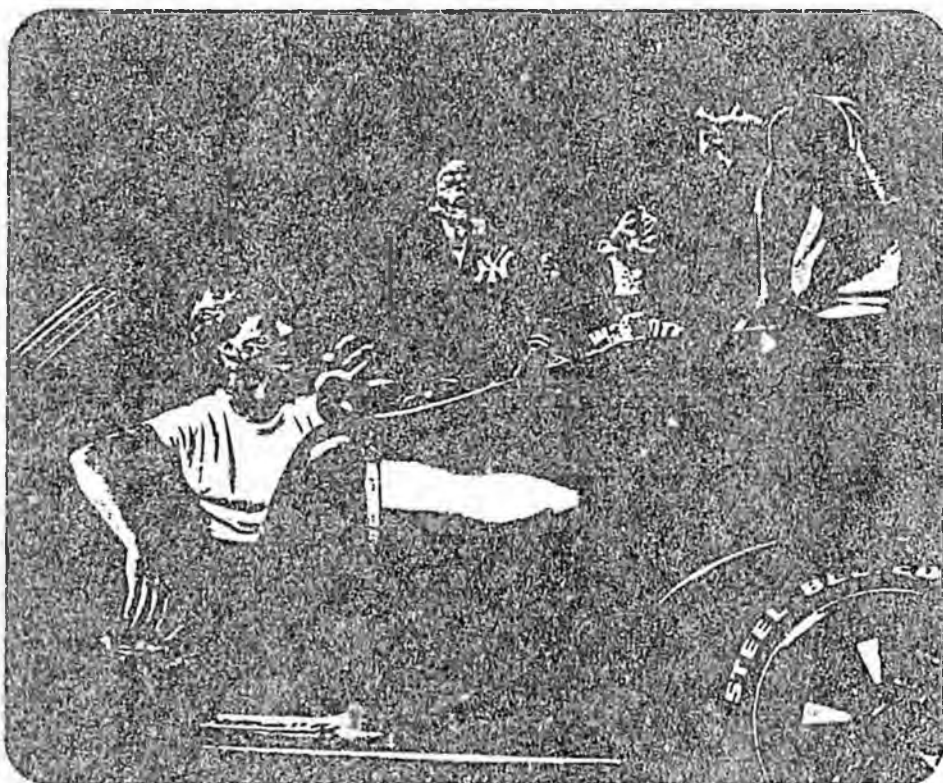
During restricted periods, penalties are usually more severe than those imposed on regular license holders and may trigger special driver improvement actions. Restrictions are lengthened for traffic violations and may sometimes be shortened by completing driver training. In any case, restrictions are lifted gradually as drivers gain experience and pass advanced driving tests.

New Zealand's Experience: Graduated licensing has been in effect in New Zealand since 1987 and has reduced crash rates among affected ages. The reduction is particularly noticeable among 15-19 year olds.

BAC of 0.03 percent, compared with 0.08 percent for unrestricted drivers. There's a ban on passengers in vehicles operated by restricted drivers unless they're accompanied by a front-seat passenger who's older than 20 and has had an unrestricted license for more than two years.

Startup in Canada: Beginning next month, it will take all new drivers in Ontario a minimum of 20 months to get an unrestricted license, regardless of age. Applicants who are at least 16 years old can practice driving when accompanied by someone with a full license and four years of experience. New drivers must adhere to a zero BAC rule, and they're barred from driving between midnight and 5 a.m. and on multilane, controlled access freeways.

After 12 months (8 with approved driver training) and successful completion of a



The New Zealand plan applies to all new drivers younger than 25. A learner's permit may be obtained at age 15 and then, after at least six months of supervised practice, drivers who pass a road test get an 18-month restricted license (9-month with approved training). Restrictions include a driving curfew from 10 p.m. to 5 a.m. and a maximum

road test, new drivers may progress to the second level — another 12 months when they may drive unsupervised but the zero BAC rule remains in effect. At the end of this second stage, drivers who pass an advanced road test qualify for an unrestricted license.

"It's time to try a similar program in the United States," Williams concludes.

1992 ALASKA DRIVERS IN TRAFFIC CRASHES

Age Group	1992 Licensed Drivers	% of Licensed Drivers	1992 Crash Drivers	% Represented in Total Crashes
under 16	1	0.0%	61	0.2%
16-20	24,492	6.2%	3,545	12.9%
21-25	43,527	11.1%	3,466	12.7%
26-30	51,350	13.0%	3,236	11.8%
31-35	59,275	15.1%	3,453	12.6%
36-40	59,061	15.0%	3,155	11.5%
41-45	49,583	12.6%	2,491	9.1%
46-50	35,736	9.1%	1,700	6.2%
51-55	24,324	6.2%	1,084	4.0%
56-60	16,508	4.2%	707	2.6%
61-65	12,136	3.1%	499	1.8%
66-70	8,612	2.2%	373	1.4%
71 +	9,212	2.3%	455	1.7%
Unknown	5	0.0%	3,165	11.6%
TOTALS	393,821	100.0%	27,390	100.0%

ALASKA YOUTH CRASH STATISTICS - 1979 THRU 1992

Year	FATAL CRASHES			ALCOHOL RELATED			
	Total Crashes	Youth Crashes	Youth % Total Crashes	Total Alcohol Crashes	Youth Alcohol Crashes	Youth % of Total Alcohol Crashes	Alcohol % of Youth Crashes
1979	81	28	34.6%	45	19	42.2%	67.9%
1980	79	15	19.0%	43	7	16.3%	46.7%
1981	90	19	21.1%	50	17	34.0%	89.5%
1982	98	9	9.2%	54	9	16.7%	100%
1983	135	40	29.6%	53	13	24.5%	32.5%
1984	123	37	30.1%	61	14	23.0%	37.8%
1985	107	27	25.2%	58	12	20.7%	44.4%
1986	89	14	15.7%	49	5	10.2%	35.7%
1987	70	15	21.4%	40	6	15.0%	40.0%
1988	86	20	23.3%	49	6	12.2%	30.0%
1989	79	11	13.9%	44	7	15.9%	63.6%
1990	92	8	8.7%	47	3	6.4%	37.5%
1991	90	13	14.4%	45	7	15.6%	53.8%
1992	59	21	23.6%	50	9	18.0%	42.9%
TOTAL	1,308	277	21.2%	688	134	19.5%	48.4%

ALASKA YOUTH CRASH DEATH STATISTICS - 1979 THRU 1992

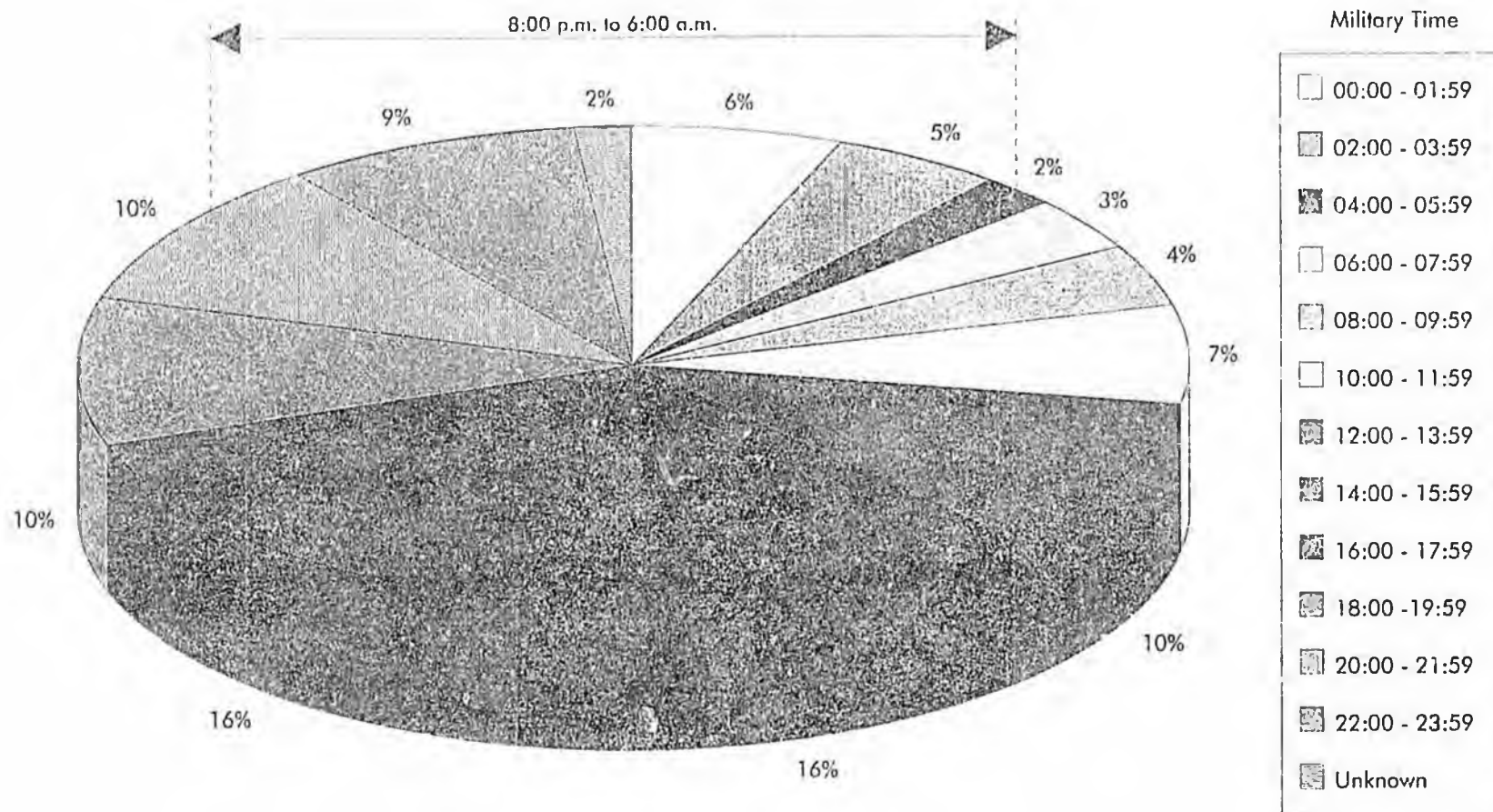
YOUTH DEATHS				ALCOHOL DEATHS			
Year	Total Deaths	Youth Deaths	% of Total Deaths	Total Alcohol Deaths	Youth Alcohol Deaths	Youth % of Total Alcohol Deaths	Alcohol % of Youth Deaths
1979	91	32	35.2%	69	23	33.3%	71.9%
1980	88	18	20.5%	64	8	12.5%	44.4%
1981	100	25	25.5%	76	23	30.3%	92.0%
1982	107	9	8.4%	54	9	16.7%	100.0%
1983	150	45	30.0%	64	15	23.4%	33.3%
1984	137	37	27.0%	70	14	20.0%	37.8%
1985	127	30	23.6%	69	14	20.3%	46.7%
1986	101	14	13.9%	52	6	11.5%	42.9%
1987	76	17	22.4%	44	8	15.9%	41.2%
1988	97	22	22.7%	55	6	10.9%	27.3%
1989	84	12	14.3%	46	8	17.4%	66.7%
1990	98	8	8.2%	48	3	6.3%	37.5%
1991	101	16	15.8%	50	9	18.0%	56.3%
1992	108	25	23.1%	61	10	16.4%	40.0%
TOTALS	1186	310		822	155	18.9%	50%

Revised 7/20/93

1992 INJURY AND FATAL CRASH DRIVERS

CATEGORY: Drivers Age 16 - 20

TIME OF DAY: 2 Hr. Increments



32% of youth crash drivers were involved in crashes which resulted in injuries and/or fatalities between the hours of 8:00 p.m. and 6:00 a.m.

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

DIVISION OF PUBLIC HEALTH
EMERGENCY MEDICAL SERVICES SECTION

WALTER J. HICKEL, GOVERNOR

P.O. BOX 110516
JUNEAU, ALASKA 99811-0816
PHONE: (907) 465-3027
FAX: (907) 586-1877

March 18, 1994

Juanita Hensley
Chief, Driver Services
Department of Public Safety
Division of Motor Vehicles

Dear Juanita,

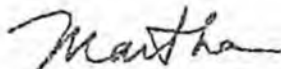
I have searched the Trauma Registry database for young adults, age 14-20, drivers of a passenger highway vehicle (not motorcycle, snowmachine, or ATV), hospitalized in Alaska for motor vehicle crash injuries.

There were 184 patients in this category. Based on the information I have, the average cost of hospitalization was \$ 25,984 per patient. Not included is physician fees and rehabilitation costs. Twenty-one (21) patients (11.4%) were discharged with a disability and 11 patients (6%) were discharged to a rehabilitation facility or nursing care facility.

This information covers a period from March, 1988 through December, 1993, but is not a statewide total for this period.

Please let me know if you have any questions or if there is additional information that you need.

Sincerely,



Martha A. Moore
Trauma Registry Coordinator

HB

436

(7)

Date Referred: February 4, 1994

FURTHER REFERRALS:

Resources

Date of Committee Action: 2-24-94

The STATE AFFAIRS Committee considered:

HB 436

HOUSE BILL NO. 436

STRICTNESS OF AIR QUALITY REGS

"An Act prohibiting the Department of Environmental Conservation from adopting or enforcing a regulation that establishes an ambient air quality standard or emission standard that is more stringent than a corresponding federal standard; 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) _____

fiscal note DEC

no fiscal note(s) _____

SIGNING DO PASS	DP	RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	X	<i>[Signature]</i>		<input checked="" type="checkbox"/>	
<i>[Signature]</i>	✓	<i>[Signature]</i>		<input checked="" type="checkbox"/>	
		<i>[Signature]</i>		<input checked="" type="checkbox"/>	

[Signature]
CHAIRMAN'S SIGNATURE

FISCAL NOTE

FEB 23 1994

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. HB 436

Revision Date: 22-Feb-94
 Title: An Act Prohibiting ADEC from adopting or enforcing standards more stringent than federal air standards
 Sponsor: Representative Vezey
 Requestor: Representative Vezey

Department Affected: Environmental Conservation
 BRU: Environmental Quality
 Component: Air Quality Management

COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

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

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

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

Estimate of any current year (FY94) cost: \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)
 Should this become law, the department's preliminary analysis indicated there to be no fiscal impact to ADEC. Setting standards which are more stringent than federal standards is a relatively unique event driven frequently by very localized conditions. It is very difficult to estimate the fiscal consequences of these unique events.

Prepared by: Bob Poe, Director
 Division: Information and Administrative Services

Phone: 465-5010
 Date: 2/22/94

Approved by Commissioner: [Signature]
 Agency: Department of Environmental Conservation

2
 Date: 2/22/94

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Alaska State Legislature



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Suite 211
Fairbanks, Alaska 99701
907-456-5081

Representative Al Vezey

SPONSOR STATEMENT HB 436

"An act prohibiting the Department of Environmental Conservation from adopting or enforcing a regulation that establishes an ambient air quality standard or emission standard that is more stringent than a corresponding federal standard; and providing for an effective date."

This bill will preclude the DEC from adopting by regulation any ambient air quality or emission standard that is more stringent than the federal standard. This bill will limit that authority to the legislature which can adopt by statute any standard deemed in the state's best interest.



*Department of Environmental
Conservation*

POSITION PAPER

BILL NO: HB436

APPROVED:

Jan A. Tulev

DATE:

2/22/94

TITLE: An Act prohibiting the Department of Environmental Conservation from adopting or enforcing a regulation that establishes an ambient air quality standard or emission standard that is more stringent than a corresponding federal standard; and providing for an effective date.

During the 1993 legislative session the Alaska Department of Environmental Conservation (ADEC) was one of several partners involved with the Alaska Legislature in deliberating HB 167, the Air Bill, sponsored by Representative Mark Hanley. Obtaining new state legislation to meet the federal requirements has been a demanding multi-year effort not only for this agency, but for numerous industry and public interest groups in Alaska. HB 167 was successful in striking a very workable compromise among a wide range of Alaska's divergent interest groups. ADEC finds that it must now oppose HB 436 for several reasons; foremost because it breaks the balance of the compromises achieved last year with HB 167.

The Department's air quality mission of protecting health also comes with the responsibility to foster an environment that enables economic expansion for our businesses and industries, while safeguarding our health. Although, the intentions of HB 436 may be to better position state law for economic expansion through less environmental oversight, the effects of this proposed legislation could be quite different. For example, in a locale where existing air pollution levels are just slightly within accepted health standards, it may be possible to allow a new industrial activity, but only if ADEC has the ability to set out-of-stack emission standards that are more stringent than federal emission standards. To not have this tool of more stringent standards would close the opportunity to employ technology that would otherwise enable the enterprise to occur while also protecting the health of nearby Alaskans. This is not an uncommon example. Recently, this tool has become essential in enabling the agency to approve construction of the new Healy Clean Coal Project. This project expands interior power generating capacity by using new technology to offset air pollutant emission increases that minimize impacts to nearby Denali National Park.

In the Port of Valdez, Alaska has the nation's largest single source of organic vapor emissions due to tanker operations at Alyeska's Valdez Marine Terminal. EPA is in the final stages of setting emissions standards for this activity. Adopting state standards in conjunction with the federal action, could potentially provide greater flexibility for Alaska and our industry, but also meet the federal goal of reduced emissions.

Furthermore, the Environmental Protection Agency (EPA) does not always have a full grasp of what may or may not be safe health criteria in arctic and subarctic climates of Alaska. As we have learned recently from the people of Fairbanks, through the events of last winter's use of oxygenated automobile fuel, climatic conditions in our northern regions can result in unique public health concerns. Retaining authority to responsibly address pollution issues of local concern is, at its center, a state's rights issue. The inability to set more restrictive ground level ambient standards not only fails to respond to our citizen's needs, but could generate a localized public resentment to the business community that could stymie economic expansion.

In 1991, the department adopted a public health ambient standard for exposure to ammonia gas. Trees near the industry plants were dying and public concern was high. Federal standards for ammonia discharges have not been set, and are not under immediate consideration. Our action was supported by the regulated industry because it was done only after conclusion of both agency and industry review of the scientific information about the health and welfare impacts of this pollutant. Because citizens of north Kenai were very much a part of this process, there is now a stronger business-neighbor climate in that locale which will better serve the economy of that area.

For further information contact Leonard Verrelli or Tom Chapple at 465-5100.

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. HB 436

Revision Date: 22-Feb-94
 Title: An Act Prohibiting ADEC from adopting or enforcing standards more stringent than federal air standards
 Sponsor: Representative Vezey
 Requestor: Representative Vezey

Department Affected: Environmental Conservation
 BRU: Environmental Quality
 Component: Air Quality Management

COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

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

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE

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

Estimate of any current year (FY94) cost: \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)
 Should this become law, the department's preliminary analysis indicated there to be no fiscal impact to ADEC. Seuing standards which are more stringent than federal standards is a relatively unique event driven frequently by very localized conditions. It is very difficult to estimate the fiscal consequences of these unique events.

Prepared by: Bob Poe, Director
 Division: Information and Administrative Services

Phone: 465-5010
 Date: 2/22/94

Approved by Commissioner: [Signature]
 Agency: Department of Environmental Conservation

2
 Date: 2/22/94

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Alaska State Legislature

Please enter into the record my testimony to the House State Affairs
 committee name
 committee on HB 436, dated 2/4/94
 bill/subject

I really get a kick ~~at~~ out of resource industries in Alaska. Always claiming that Alaska is different, always claiming that they need different rules up here because of this or that, because EPA is too strict, because the federal regulations don't recognize the uniqueness of Alaska, because Alaska conditions are different. And, of course, in making these claims, they stand to make more money, they stand to get away with even more environmental destruction. Now the claim is that Alaska rules might be too strict, that somehow if the law doesn't specifically say so, Alaska might require industry to be cleaner than the rest of the nation, that somehow Alaska might recognize the unique quality of its air (and water and wildlife and so on) and try to maintain that quality. Now the resource industries say the law down there is plenty fine. Let's give up our right to make our own rules.

Please vote against HB 436. It is unnecessary, it goes against common sense, it is yet another attempt by industry to ignore its responsibilities to the people and environment of Alaska.

Signed: Don Muller (DON MULLER)

Testifier

S.K.

Representing (Optional)

Box 1042, Sitka AK 99835

Address

747-8808 (W)

Phone No.

I object strongly to Rep. Vezy cutting off the teleconference to Sitka.

HB

438

Alaska State Legislature

COMMITTEES
RESOURCES
COMMUNITY AND REGIONAL AFFAIRS
LEGISLATIVE BUDGET AND AUDIT
FINANCE SUBCOMMITTEES
UNIVERSITY OF ALASKA
DEPARTMENT OF NATURAL RESOURCES



While in Fairbanks
119 N. Cushman Street, Suite 207
Fairbanks, Alaska 99701
(907) 456-8172
FAX (907) 456-1910
While in Session
State Capitol
Juneau, Alaska 99801-1182
(907) 465-4457
FAX (907) 465-3787

Representative John Davies District 29

2/25/94

HB 438: Dog Mushing License Plates Sponsor Statement

HB 438 would allow Alaskans to "boast" about our state sport by purchasing dog mushing license plates. Through the variety of short- and long-distance races, dog mushing helps the state economy by promoting tourism during our winter months.

Individuals wishing to obtain a special request dog mushing plate would be required to pay an additional \$50 over the regular fee. Any excess revenue, over the cost of the plates, could be appropriated to support programs benefiting dog mushing.



SPONSOR STATEMENT

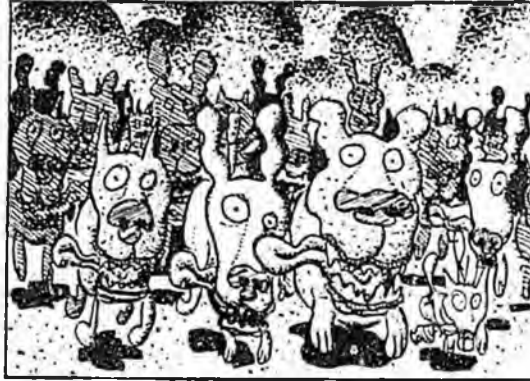
Mush on

Top 10 reasons to pass HB 438

OK, OK, so it's not exactly the most crucial issue before the legislature. But Rep. John Davies of Fairbanks has introduced a bill that would allow the state to issue license plates with a dog-mushing design. We like the idea.

Here's why:

10. It's not a grizzly bear. (OK, we liked the grizzly bear too, but we remember all the complaints that it looked like an oil derrick or a blob of dirt.)



9. It's optional. You'd only have it if you ponied up an extra \$50. (Actually, we'd like it if it weren't optional.)

8. The new plate would pay for itself — if it were popular enough. A minimum order is 900 plates, so if the plate doesn't sell, the state would have to pay for what sits in a warehouse. But surely at least 900 Alaskans want a dog-mushing plate.

7. Public safety officials who fear that too many different license plate designs would make it hard to spot a plate as Alaskan can rest easy. Who else would have a dog-sled plate — Oklahoma?

6. Rep. Davies has a fall-back position if the public safety types think dog-mushing license plates are dangerous: Plates with the letters DOG, followed by a random three numbers. (Cute, but we like the actual dogs better.)

5. The fee would go to a good cause: dog mushing. Money raised over and above the cost of the plate could be used to promote the state sport, start new races or help fund the Iditarod or the Yukon Quest.

4. Putting dog mushing on more stable financial footing frees Alaskans to — if need be — tell national sponsors to go jump in a lake (something Alaskans love to be able to tell Outsiders).

3. Most importantly, money raised could help keep dog mushing alive and Alaskan, maybe by encouraging Bush and Native mushers who find it increasingly expensive to compete in the big races.

2. Alaskans LOVE dogs.

1. Animal-rights types would HATE this plate.

ANCA DAILY NEWS



Alaska State Legislature

Please enter into the record my testimony to the House State Affairs
committee name

committee on HB 438 , dated 1 MAR 1994
bill/subject

Dog mushing is our state sport. I see these plates as a way to show support for this sport. Dog mushing is a million dollar plus industry in Alaska and growing. These plates will generate funds for this sport from those people who wish to support dog mushing. Dog mushing will continue to play a growing role in winter tourism. There is much interest outside Alaska in dog mushing and Alaska is viewed as the dog mushing capital of the world. This ^{bill} supports both distance and speed/sprint mushers. I have discussed this bill with many people here in Fairbanks and it has received wide support from business interests, related fields such as travel, accommodations - others, winter gear, food & supply store and other business such as screen printers who get lots of work screening sled bags, jumpsuits and other gear. There are many fans of dog mushing.

Signed: *[Signature]* DIANE L. MARSHALL
Testifier

Representing (Optional)
972 Bollinger Road Fairbanks AK 99709
Address
477-5819
Phone No.

MAR-01-94 TUE 11:35

FBX INFO OFFICE

FAX NO. 456 3346

P. 02



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FROM: FBXO WIO PHONE: _____

INSTRUCTIONS: _____

Written Comments per 40401
H STA IC. 1/1/94

RECEIVED: Date _____ Time _____

SENT: Date 3/1/94 Time 10:35

DISPOSAL OF ORIGINAL: Discard _____ Hold for Pickup P

NUMBER OF PAGES: 1 (Not counting cover sheet)

SENT BY: CMG



LEGISLATIVE AFFAIRS AGENCY

DIVISION OF PUBLIC SERVICES

Post-It™ brand fax transmittal memo 7671 # of pages > 1	
To <u>Rep Vezey</u>	From <u>Charles Miller</u>
Co.	Co.
Dept.	Phone # <u>883-5781</u>
Fax # <u>465-3258</u>	Fax # <u>883-1114</u>

DATE: 3/1/94

Please accept the enclosed original(s) of written testimony for the House State Affairs teleconference hearing that was scheduled on 3-1-94.

A copy of this testimony was transmitted to your committee via fax on _____.

Thank you,

Charles Miller

My main concern is the effect this bill will have on Native Allotments within state parks or Federal Parks. When these people applied for these lands they had to show proof of previous usage. If that individual applied for that land it was because his family had used that parcel of land for years. If this bill is passed it would allow the state to move these Native Allotments to some place that is not a traditional use area defeating the purpose of having Native Allotments.

Thank you



STATE OF ALASKA

LEGISLATIVE AFFAIRS AGENCY

DIVISION OF PUBLIC SERVICES

DATE: March 1, 1994

Please accept the enclosed original(s) of written testimony for the House State Affairs Cmte teleconference hearing that was scheduled on March 1, 1994.

A copy of this testimony was transmitted to your committee via fax on March 1, 1994.

Thank you,

Christi Shields
Libx 410 - Info Assistant



Alaska State Legislature

Please enter into the record my testimony to the House State Affairs
committee name

committee on HB 438, dated 1 MAR 1994
bill/subject

Dog mushing is our state sport. I see these plates as a way to showing support for this sport. Dog mushing is a million dollar plus industry in Alaska and growing. These plates will generate funds for this sport from those people who wish to support dog mushing. Dog mushing will continue to play a growing role in winter tourism. There is much interest outside ALASKA in dog mushing and ALASKA is viewed as the dog mushing capital of the world. This ^{Bill} supports both distance and speed/sprint mushers. I have discussed this bill with many people here in Fairbanks and it has received wide support from business in tourism, related fields such as auto, accommodations & others, winter gear, food & supply stores, and other business such as outdoor outfitters who get lots of work supplying sled bags, jumpsuits and other gear. There are many fans of dog mushing.

Signed: *Quinn* Dianne E. Marshall
Testifier

Representing (Optional)
972 Ballou Road Fairbanks AK 99709
Address

479-5819
Phone No.

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO: HB 438

Revision Date: _____ Dept. Affected: Public Safety
 Title: An Act establishing special request licenses BRU: Motor Vehicles
depicting the sport of dog mushing. Component: Field Services
 Sponsor: Rep. Davies
 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	5.4	5.4	0	0	0	0
TRAVEL						
CONTRACTUAL	5.0	5.0	.5	.5	.5	.5
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	10.4	10.4	.5	.5	.5	.5
CAPITAL						
REVENUE FUND SOURCE:	25.0	25.0	2.5	2.5	2.5	2.5

FUNDING: (Thousands of Dollars)

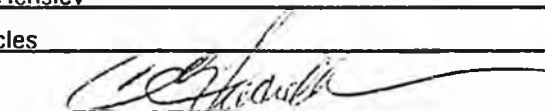
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	10.4	10.4	.5	.5	.5	.5
1006 GF/MHTIA						
Other						
TOTAL	10.4	10.4	.5	.5	.5	.5

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. Hensley Phone: 465-2650
 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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This bill will establish approximately 1,000 special plates for a group of vehicle owners. The Division of Motor Vehicles has no accurate numbers to establish the number of vehicle that would qualify for this special registration. For purposes of this analysis we will estimate that 1,000 vehicles will be registered under this special provision.

The Personal Services costs are for 200 hours of overtime for a Motor Vehicle Representative III. This will provide overtime for existing positions to do the administrative work associated with design, ordering, and issuing these registrations the first and second year. This will avoid having other essential services impacted by the additional duties. The contractual costs are for ordering 1000 sets of special request plates; 500 the first year and 500 the second year. This is based on the cost of ordering, and mailing the plates. 1,000 sets of plates at an average costs of \$10.00 per set for a total of \$10.0 spread over a two year period.

The revenue is based on the sale of 500 sets of plates per year for first two years at \$50.00 per set and 50 sets of plates per year for each year thereafter.

HB

450

Alaska Permanent Capital Management Company

900 West Fifth Avenue, Suite 701
Anchorage, Alaska, 99501

Phone: (907) 272-7575

Fax: (907) 272-7574

January 4, 1995

Representative Ronald L. Larson
House of Representatives
Committee on Finance
State Capitol
Juneau, Alaska 99801-1182

Dear Ron:

Many thanks for sending me work draft 8-LS1413\A which makes amendments to AS 37.23. These changes will enhance the financial performance of the AML Investment Pool.

I have carefully reviewed the draft and find that it conforms, in every respect, to the needs of the Pool and to the suggestions offered by the Administration. The bill is technically correct and there are, to my knowledge, no conflicts of any kind.

We would appreciate sponsorship by the House Finance Committee and I will make myself available by telephone or teleconference if you have any questions or require oral testimony. Kent Swisher, Executive Director of the Alaska Municipal League is also available to assist.

I have not requested a member of the other body to introduce similar legislation. Kent Swisher can make such a request if you think it will be helpful or expeditious. Please advise him accordingly.

Fran and I send you and Emily warm wishes for a full year of happiness and accomplishment.

Sincerely,



David A. Rose, Financial Adviser
Alaska Municipal League Investment Pool, Inc.

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

P.O. BOX 110400
JUNEAU, ALASKA 99811-0400
TELEPHONE: (907) 465-2300
FACSIMILE: (907) 465-2389

October 7, 1993

David A. Rose
Alaska Permanent Capital Management Company
900 West 5th Avenue, Suite 791
Anchorage, AK 99502

Dear Dave:

I applaud your efforts to seek legislative approval for the participants of the Alaska Municipal League Investment Pool to participate in securities lending. The Department of Revenue has a securities lending program. This fully collateralized vehicle has been very successful and added a considerable amount of income to the funds.

After reading your proposed language authorizing securities lending in the statutes, I have two observations. The language would allow for "adequate collateralization or indemnification, or both." While indemnification is important, being fully collateralized at all times is a critical component to a successful securities lending program; the proposed language makes collateralization optional. Also, you may find being indemnified may reduce your split of the lending proceeds and eliminate potential lending candidates that are prohibited from indemnification.

My other observation is a small one. Part of the last sentence in the proposed language states "and shall serve to increase investment pool net yield." I realize insuring that the participants in the pool receive the proceeds from a lending program is important, but adding to the yield may be inconsistent with AIMR standards for computing performance measurement.

With those observations in mind, the following language may be worth your consideration:

37.23.035.5 SECURITIES LENDING. Securities held by an investment pool may be loaned provided such securities are fully collateralized and collateral is safekept by a party independent of the borrowers. Collateral must meet institutional and prudent investor standards. All pool proceeds from securities lending shall inure to the benefit of investment pool participants.

I concur with the other proposed language changes to the statutes. Those changes should give the pool participants greater flexibility within very prudent standards.

David A. Rose
October 6, 1993

Page 2

Please accept these observations as they are given, as a positive attempt to assist you in achieving your goal. I would encourage you to call on me or Bob Storer, Chief Investment Officer, should you require assistance.

Sincerely,



Darrel J. Rexwinkel
Commissioner

DJR:pml

11 11 11 11 11 11

Alaska Permanent Capital Management Company

900 West Fifth Avenue, Suite 701
Anchorage, Alaska, 99501

Phone: (907) 272-7575

Fax: (907) 272-7574

November 10, 1993

TO: AMLIP Board

FROM: David A. Rose,  Financial Advisor

SUBJECT: Investment Policy

We have reviewed the Pool's Investment Policy as set forth by Pool Resolution and Alaska Statutes 37.23.

Our review of the above, in light of current market practices and conventions, indicates that Pool performance could be enhanced by several technical changes. These changes would put the Pool on a level playing field with competing money market funds.

The attached, marked up copy of the statute, sets forth the recommended changes. The proposed changes have been coordinated with the Commissioner of Revenue and language recommended by the Commissioner has been utilized. Thus, there is full agreement as to verbiage. A copy of the Commissioner's letter is attached to this memorandum.

Technical changes are as follows:

- 37.23.020 is clarified to permit the purchase of floating rate securities, provided there is an annual rate reset.
- 37.23.020 (3)(A) is clarified to explicitly permit the purchase of Yankee securities when the parent of a US branch bank is rated "A" or higher. The Pool currently invests in these securities.
- A new section 37.23.035 is added to explicitly authorize securities lending provided collateral is provided and income from securities lending benefits Pool participants.
- 37.23.040 (2) is deleted to permit the holding of larger quantities of bank issued securities.

The above four changes do not subject the Pool to extraordinary risk and they comport with concepts embodied in prudent investor rules adhered to by similar funds and

Registered with the U.S. Securities and Exchange Commission

AMLIP Board

institutions.

I urge the AMLIP Board to (1) authorize these changes (2) pursue their adoption by the state legislature and (3) amend Pool investment policy upon amendment of statute.



February 23, 1994

TO: Representative Al Vezey, Chair
and Members
House State Affairs Committee

FROM: Kent E. Swisher, Executive Director

RE: **HB 450 - Relating to Investment Pools for Public Entities**

The Alaska Municipal League strongly supports **HB 450**, which would allow public entity investment pools such as the AML Investment Pool a broader range of investment options to enhance their financial performance. The concepts embodied in **HB 450** were suggested by Dave Rose, Investment Adviser to the AML Investment Pool, and approved by the Pool's Board of Directors in November 1993.

As you may know, AML was instrumental in gaining passage, in 1992, of AS 37.23, the Public Entity Investment Pool Act. AML's Pool was organized under the Act and opened for business in early 1993. It is directed by a Board of Directors chaired by Jerome Selby, AML Past President and Mayor of the Kodiak Island Borough. Dave Rose of Alaska Permanent Capital Management Company serves as Investment Adviser.

The AML Investment Pool was organized to offer Alaska's local governments and school districts a secure investment opportunity with a high rate of return and same-day access. Its investment objectives are, in priority order, preservation of capital, liquidity, and a high rate of return. As of December 1993, 27 municipalities and school districts were members of the Pool, and total investments were nearly \$30 million. Pool yields have been competitive with alternate short-term investment options, but can be improved, according to advisers, if the amendments proposed in **HB 450** are adopted.

The proposed amendments to AS 37.23 have been coordinated with the Department of Revenue. They clarify the ability of the Pool to invest in certain types of securities and authorize the Pool to participate in securities lending, provided certain conditions are met.

AML urges your support of **HB 450**.

94legis:hb450.223

HB

453

HOUSE COMMITTEE REP

(7)

Date Referred: March 16, 1994

FURTHER REFERRALS:

Finance

Date of Committee Action: 3-17-94

The STATE AFFAIRS Committee considered:

HB 453

HOUSE BILL NO. 453

TAX ON RESIDUAL MARINE FUEL OIL

"An Act amending the motor fuel tax to establish a different tax levy on residual fuel oil used in and on watercraft; and providing for an effective date."

- RECOMMENDATIONS:
- be replaced with CS HB 453 (H+C) the same title a new title
- have attached amendments(s)
- do pass
- do not pass
- no recommendations
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) REVENUE

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

[Signature]
CHAIRMAN'S SIGNATURE

HOUSE COMMITTEE REPORT

(7)
Date Referred: February 9, 1994

FURTHER REFERRALS:

State Affairs
Finance

Date of Committee Action: 3/15/94

The LABOR AND COMMERCE Committee considered:

HB 453

HOUSE BILL NO. 453

TAX ON RESIDUAL MARINE FUEL OIL

"An Act amending the motor fuel tax to establish a different tax levy on residual fuel oil used in and on watercraft; and providing for an effective date."

RECOMMENDATIONS:
be replaced with CS HB 453 (L+C) the same title
 a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact _____

fiscal note(s) _____

zero fiscal note Revenue

zero fiscal note(s) _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Bruce Porter</i>	<input checked="" type="checkbox"/>	<i>Joseph [Signature]</i>			<input checked="" type="checkbox"/>
<i>Bill Hudson</i>	<input checked="" type="checkbox"/>				
<i>W. J. Williams</i>	<input checked="" type="checkbox"/>				
<i>Joe Sutton</i>	<input checked="" type="checkbox"/>				

Bill Hudson
CHAIRMAN'S SIGNATURE

DIVISION OF LEGAL SERVICES

**LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

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

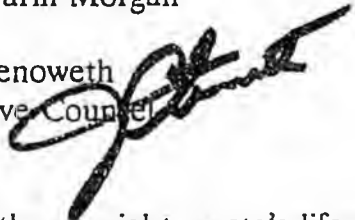
130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 10, 1994

SUBJECT: Draft CSHB 453(), special rate for residual fuel oil under the state motor fuel tax. (Work Order No. 8-LS13570)

TO: Representative Gary Davis
Attn: Darin Morgan

FROM: Jack Chenoweth
Legislative Counsel 

In this draft, I have reduced the special tax rate's life to five years. That led me to reformat the bill as uncodified law. There really is no way to "sunset" a tax levy clearly without depending upon effective date provisions, and I have gotten very fearful (based on experience) about making too much depend on effective date clauses that subsequently fail to get a two-thirds vote. That is particularly true with respect to a tax provision that already contains a fair number of separate categories imposing different rates of levy. I suggest to you that this is a better way to handle the matter.

I took your reference to "passenger watercraft--cruise ships" and gave it a definition. The "are principally used for that purpose" language is intended to separate the cruise ships from the passenger-carrying freighters. To the best of my knowledge, the "interstate or international commerce" language fairly targets "cruise ships."

JBC:gc
94-197.glc

Enclosure

CSHB 453, VERSION 0 DRAFT

8-LS13570

Chenoweth

3/9/94

CS FOR HOUSE BILL NO. 453()
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

Sponsor(s): REPRESENTATIVE G. DAVIS

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing, for purposes of the levy and collection of the motor fuel
2 tax and for a limited period, a different tax levy on residual fuel oil used in
3 and on certain watercraft; and providing for an effective date."

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

5 * Section 1. (a) For purposes of calculating the tax due under AS 43.40,

6 (1) notwithstanding AS 43.40.010(a)(2), on and after the effective date of this
7 Act and until January 1, 2000, the rate of the tax that is levied and collected on residual fuel
8 oil sold or transferred in the state and used in and on passenger watercraft is 1.5 cents a
9 gallon;

10 (2) notwithstanding AS 43.40.010(b)(2), on and after the effective date of this
11 Act and until January 1, 2000, the rate of the tax that is levied and collected on residual fuel
12 oil consumed by a user and used in and on passenger watercraft is 1.5 cents a gallon.

13 (b) In (a) of this section,

14 (1) "passenger watercraft" means watercraft that are capable of carrying

1 passengers for hire and that are principally used for that purpose in interstate or international
2 commerce;

3 (2) "residual fuel oil" means the heavy refined hydrocarbon that is the residue
4 from crude oil after refined petroleum products have been extracted by the refining process
5 and that may be consumed or used only when sufficient heat is provided to the oil to reduce
6 its viscosity and to give it fluid properties sufficient for pumping and combustion.

7 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

WORK DRAFT 8-LS1357\O

Adopted

PROPOSED LANGUAGE TO TIGHTEN DEFINITION OF "RESIDUAL FUEL OIL":

Page 2, line 3 after "oil" insert:

"otherwise known as No. 6 fuel oil"

Page 2, line 6 after "viscosity" insert

"rated by kinematic units"

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. HB 453

Revision Date:

Dept. Affected: Revenue

Title:

Tax on Marine Residual Fuel Oil

BRU:

Revenue Operations

Component:

Income and Excise Audit

Sponsor:

Rep. G. Davis

Requestor:

(H) L&C

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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

REVENUE FUND SOURCE: General	***	***	***	***	***	***
------------------------------	-----	-----	-----	-----	-----	-----

FUNDING:

(Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

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

ANALYSIS: (Attach a separate page if necessary.)

*** Department of Revenue is unable to estimate revenue impacts from this bill because information on residual fuel data is not compiled separately. Under current statutes, marine fuel is taxed at 5 cents per gallon. New market sales would need to occur at the 1 cent per gallon rate under this bill to offset taxes which would have been collected at the 5 cents per gallon tax rate.

Prepared by:

Larry E. Mevers

Phone: 465-2320

Division:

Income and Excise Audit Division

Date: March 14, 1994

Approved by Commissioner:

Darrel J. Rexwinkel

Date: March 14, 1994

Agency:

Department of Revenue

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Representative Gary L. Davis

SPONSOR STATEMENT

CS for HOUSE BILL 453(L&C)

"An Act amending the motor fuel tax to establish a different tax levy on residual fuel oil used in and on watercraft; and providing for an effective date."

House Bill 453 is simple, straight forward legislation. HB 453 will attempt to create an equal playing field between Alaska's residual fuel oil industry and their counterparts in the Lower 48 and Canada.

Residual fuel oil is the residue from crude oil after the light oils, gasoline, naphtha, kerosine, and mid-distillates are extracted in the refining process. The only applications for residual fuel oil in Alaska are asphalt, cruise ship fuel and reinjection into the pipeline.

This product is subject to the State's motor fuel tax. The tax rate for residual fuel oil is five cents per gallon.

As a result of the current rate of taxation on this product, Alaska's residual fuel oil is automatically non-competitive with the same product available elsewhere. The cruise ship industry is the prime potential market for this fuel oil. However, even though many ships cruise Alaska waters during the summer, minimal quantities of this extremely tax sensitive fuel oil are purchased in Alaska. Consequently the state receives minimal revenue from the tax.

House Bill 453 will reduce the tax rate levied on the sale of residual fuel oil, which will stimulate sales of residual fuel oil and benefit Alaska's economy. This legislation will increase job opportunities in the trucking and fuel industries. Simultaneously, state revenues will likely remain consistent and possibly increase.

Representing House District 8 - Soldotna to Seward

SPONSOR STATEMENT

ALASKA TRUCKING ASSOCIATION, INC.

3443 Minnesota Drive • Anchorage, Alaska 98503 • PHONE (907) 275-1149 • FAX (907) 274-1946

March 9, 1994

ALASKA TRUCKING ASSOCIATION POSITION PAPER

TO: Representative Gary Davis
and
Members of the Legislature

FROM: Frank J. Dillon, Executive Director Alaska Trucking
Association, Inc.

RE: SUPPORT OF H.B. 453 AND S.B. 327

On behalf of the 300-member companies of Alaska Trucking Association, Inc. I ask your support for the passage of House Bill 453 and corresponding Senate Bill 327.

H.B. 453 entitled "An Act Amending Motor Fuel Tax To Establish A Different Levee on the Residual Fuel Oil Used In and On Water Craft and Providing For An Effective Date." What this bill basically does is reduce the tax on heavy bunker fuel from 5-cents a gallon to 1-cent a gallon.

The reason this legislation is needed is to bring the bunker fuel price down so that we can compete in selling fuel to cruise ships which visit Alaska ports. Currently, virtually all the fuel burned in Alaska's waters is purchased in British Columbia. Refiners, who as part of the refining process are left with the heavy bunker fuel currently have little or no market in Alaska for that fuel.

ATA feels that this is exactly the sort of business risk and economic endeavor the state of Alaska should be involved in. We recognize there are risks involved in the worse case scenario the state could lose revenue if fuel sales do not increase to offset the reduction in the tax rate. We believe this is a legitimate and reasonable business risk for the state of Alaska to take in order to expand Alaska's job base and economic activity.

In the trucking area alone we believe that the increased sales activity will result in 15-25 new and good paying jobs in Alaska's trucking industry.

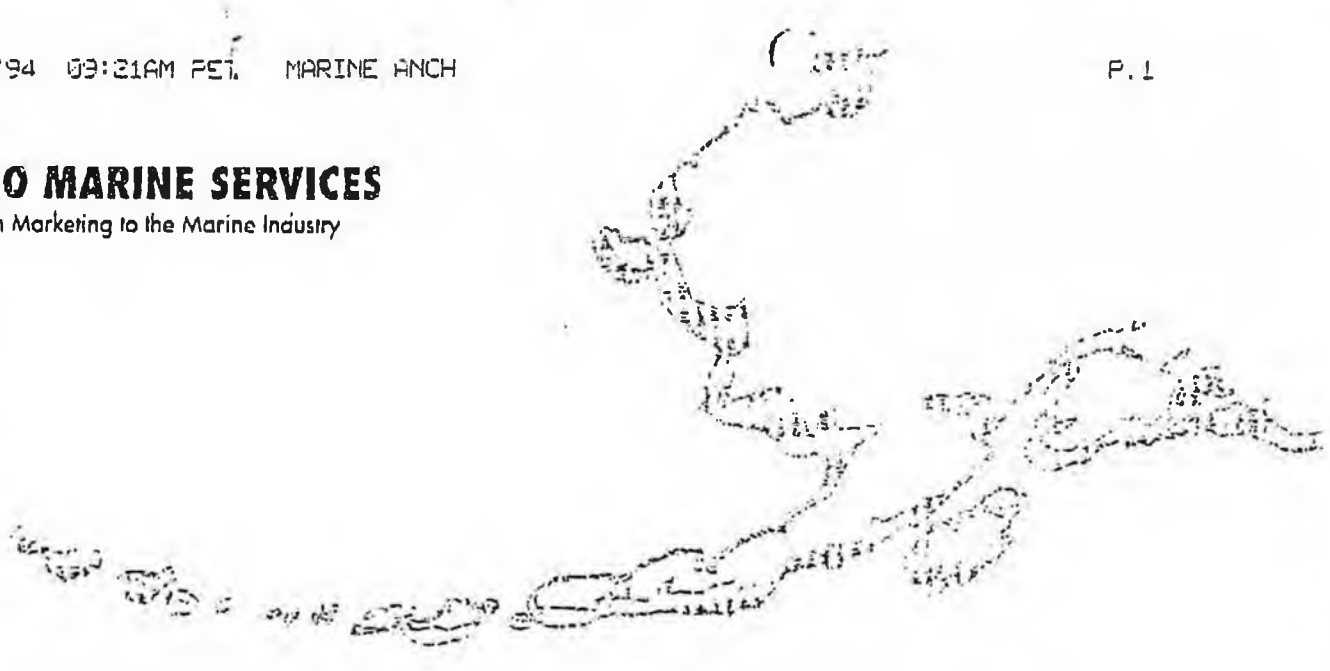
Please move this bill. Please support this bill. It's a good piece of legislation.

LETTERS OF SUPPORT



PETRO MARINE SERVICES

Petroleum Marketing to the Marine Industry



THIS PACKET IS INFORMATION THAT SUPPORTS
HOUSE BILL 453
AND
SENATE BILL 327

THE NEW LEVY WILL REDUCE THE TAX RATE
ON BUNKER FUEL AND HELP MAKE THE PRICE OF
BUNKER FUEL IN SEWARD COMPETITIVE WITH CANADA

PORT OF SEWARD MARKET

THE SEWARD PROGRAM: IN THE SPRING OF 1993 PETRO MARINE INVESTED \$509,500 IN A PUMPING/INLINE BLEND SYSTEM TO SELL SHIPS BUNKERS IN SEWARD. PETRO MARINE ESTABLISHED THIS FIRST OF ITS KIND FACILITY IN ALASKA AFTER PRINCESS CRUISE SIGNED A THREE YEAR CONTRACT TO BUY A SPECIFIED MINIMUM VOLUME. PRINCESS NEEDED BUNKERS FOR VESSEL STABILITY AND PETRO MARINE NEEDED A MINIMUM QUANTITY FOR ITS RETURN ON INVESTMENT. DURING THE 1993 SUMMER SEASON PETRO MARINE SOLD 4,106,876 GALLONS OF BUNKERS AND PAID \$205,343.80 MARINE TAX.

THE 1994 SEASON: THE FOUR MAJOR CRUISE LINES HAVE THE FOLLOWING REQUIREMNET EACH SUMMER SEASON. (ABOUT ONE HALF OF THE PRINCESS AND HOLLAND FLEET GO TO GLACIER BAY AND THEN RETURN SOUTH)

CRUISE LINE	SUMMER BUNKER CONSUMPTION	
	TONS	GALLONS
PRINCESS CRUISE	55,855	15,680,000 (PER LETTER)
HOLLAND AMERICA	55,000	15,070,000 (PER MEETING)
CROWN	6,030	1,680,000 (PER MEETING)
REGENCY	9,720	2,680,000 (PER LETTER)
	-----	-----
	126,605	35,110,000
	=====	=====

SEWARD POTENTIAL VOLUME: OF THE 94 SAILINGS INTO SEWARD, 64 ARE BY THE ABOVE FOUR LINES. IF THE MOTOR FUEL TAX WAS REDUCED FROM 5 CENT PER GALLON TO 1.5 CENT PER GALLON, PETRO MARINE REALISTICALLY EXPECTS TO SELL IN EXCESS OF 12,000,000 GALLONS OF SHIPS BUNKER IN SEWARD DURING A SUMMER CRUISE SEASON. (NOTE: THE REDUCED TAX WOULD ONLY BE ON THE RESIDUAL PORTION (92%) OF THE BUNKER FUEL AND THE FULL 5 CENTS PER GALLON ON THE DIESEL. COMBINED TAX RATE WOULD BE 1.78 CENTS PER GALLON)

CRUISE LINE	IFO 380	GALLONS
	TONS	
PRINCESS CRUISE	37,800	10,357,200 (CONTRACT MAXIMUM)
HOLLAND AMERICA	4,095	1,122,000 (ONE SHIP IN SEWARD)
CROWN	2,700	740,000 (ONE SHIP)
REGENCY	4,050	1,110,000 (TWO SHIPS)
	-----	-----
	48,645	13,329,200
	=====	=====

PETRO MARINE WOULD PAY APPROXIMATELY \$ 237,000.00 MARINE TAX TO THE STATE OF ALASKA IN 1994. (\$31,657.20 OVER 1993)

PETRO MARINE SERVICES

SEWARD TOTAL VOLUME: WHEN THE SEWARD BUNKER PRICE IS ESTABLISHED AS A COMPETITIVE PRICE, YOU CAN BUILD A CASE THAT PETRO MARINE MAY BE ABLE TO ATTRACT ADDITIONAL VOLUME FROM THE FOUR MAJOR LINES AND OTHERS (IN OTHER WORDS BUNKER FOR THE ROUND TRIP). ONCE THE CRUISE INDUSTRY SEES SEWARD AS THEIR BUNKER PORT, THEN PETRO MARINE ALSO HAS AN OPPORTUNITY TO SELL STRAIGHT MARINE DIESEL AT THE FULL 5 CENT PER GALLON TAX (CURRENTLY PURCHASED IN CANADA). THE FULL POTENTIAL OF THE SEWARD SAILINGS (94) IS IN THE TABLE BELOW:

CRUISE LINE	IFO 380 TONS	MARINE DIESEL	GALLONS
PRINCESS CRUISE	37,800	NONE	10,357,200 (CONTRACT MAXIMUM)
HOLLAND AMERICA	16,380	1,260	4,875,000 (TWO SHIPS)
CROWN	5,400	630	1,673,000 (ONE SHIP)
REGENCY	8,100	1,620	2,717,000 (TWO SHIPS)
OTHER	7,000	3,520	3,000,000 (THREE SHIPS)
	-----	-----	-----
	74,600	7,030	22,622,200
	=====	=====	=====

PETRO MARINE WOULD PAY APPROXIMATELY \$472,600 MARINE TAX TO THE STATE OF ALASKA. (\$257,252.20 OVER 1993)

UPDATE TO MAY 1993 "PROPOSAL TO DEVELOP AN ALASKAN MARKET FOR BUNKER FUEL":

- TESORO INVESTED \$75,000 IN A TRUCK RACK LOADING SYSTEM FOR NO6 FUEL OIL
- PETRO MARINE INVESTED \$509,500 ON A NEW PUMPING/INLINE BLENDING SYSTEM TO THE ALASKA RAILROAD DOCK.
- PETRO MARINE EMPLOYED 2 DOCK WATCH OPERATORS.
- WEAVER BROTHERS TRUCKING PURCHASED TWO TRUCKS AND EMPLOYED 4 DRIVERS
- TOTAL SALES FOR 1993 WAS 4,106,876 GALLONS, 356 TRUCK LOADS
- THE AVERAGE PRICE DIFFERENCE BETWEEN SEWARD AND VANCOUVER FOR SHIP BUNKERS IN 1993 WAS 6.08 CENTS PER GALLON

IF PETRO MARINE SETS A 1994 SALES OBJECTIVE OF 13,000,000 GALLONS:

- PETRO MARINE WILL HIRE 4 DOCK WATCH OPERATORS AND A OPERATIONS SUPERVISOR
- TESORO WILL UPGRADE THE TRUCK LOADING RATE AT THE REFINERY RACK
- WEAVER WILL BUY 5 ADDITIONAL TRUCKS AND EMPLOYEE 10 ADDITIONAL DRIVERS

PETRO MARINE SERVICES

WHAT IS SHIPS BUNKERS?

BUNKER OIL: FUEL FOR TANKER, CARGO OR CRUISE SHIPS DERIVED FROM THE BLEND OF RESIDUAL FUEL OIL AND DISTILLATE OILS. THE RESULTING BLEND IS DESCRIBED BY ITS VISCOSITY. ON BOARD A SHIP, THE BLEND MUST BE PRE-HEATED AT THE BURNER TO REDUCE THE VISCOSITY FURTHER FOR PROPER ATOMIZATION.

RESIDUAL FUEL OIL: GENERALLY A BLACK, THICK, VISCOUS, SEMIFLUID MATERIAL. IT IS THE RESIDUE FROM CRUDE OIL AFTER THE LIGHT OILS, GASOLINE, NAPHTHA, KEROSENE, AND MID-DISTILLATES ARE EXTRACTED IN THE REFINING PROCESS. IT IS ALSO CALLED REDUCED CRUDE AND NO6 FUEL OIL. RESIDUAL FUEL OIL IS LIMITED TO HEAVY COMMERCIAL AND INDUSTRIAL USE WHERE SUFFICIENT HEAT IS AVAILABLE TO FLUIDIZE FOR PUMPING AND COMBUSTION.

VISCOSITY: THE VISCOUS CONDITION OF RESIDUAL FUEL OIL IS BROKEN DOWN BY USING MID-DISTILLATES (NO2 DIESEL) OR OTHER VISCOSITY BREAKERS. THE BLEND IS MEASURED BY A SPECIFIC STANDARD THAT THE REFINING AND SHIPPING INDUSTRY HAS FOUND TO BE THE OPTIMUM FOR EFFICIENT COMBUSTION AND OPERATION. THE COMMON MARINE BLENDS ARE INTERMEDIATE FUEL OIL (IFO) 180 AND IFO 380. THE NUMBERS REFER TO THE SECONDS IT TAKES THE BLEND TO PASS THROUGH A MEASURING DEVICE.

ALASKA: TESORO IS THE ONLY ALASKA REFINER THAT MUST MARKET RESIDUAL FUEL OIL SINCE ALL OTHERS RE-INJECT RESIDUE BACK INTO THE ALYESKA PIPELINE. THE ONLY APPLICATIONS FOR RESIDUAL FUEL OIL IN ALASKA ARE ASPHALT AND SHIPS BUNKERS. OUTSIDE ALASKA IT CAN BE USED FOR REFINERY FEED STOCK (COKING) BOILER FEED FOR ELECTRIC GENERATION AND INDUSTRIAL HEATING.

TAX ON BUNKER FUEL: THE SALE OF THIS TYPE OF MARINE FUEL CAN EASILY BE EFFECTED BY TAXATION. THE STATE OF CALIFORNIA WAS A MAJOR SUPPLIER OF SHIPS BUNKERS UNTIL THE STATE IMPOSED A 8.25% TAX. THE STATE HAS GONE FROM 3rd IN THE WORLD TO 22nd. BECAUSE OF THE CURRENT ALASKA TAX OF 5 CENTS PER GALLON, THIS FUEL IS ONLY SOLD IN ALASKA UNDER UNIQUE SITUATIONS. SEE THE ATTACHED ARTICLES

REASONS FOR BUYING BUNKERS IN ALASKA:

- VESSEL CHARTERED BY AN ALASKA COMPANY
- VESSEL REQUIRES BUNKER FOR RETURN VOYAGE (STABILITY)
- AN EMERGENCY
- ERROR AT DEPARTURE PORT

EXAMPLE OF TAX POLICY ON SHIPS BUNKER SALES

WESTCOAST: RESIDUAL FUEL OIL AND ANY BLENDED VARIETY SOLD AS SHIPS BUNKERS IS NOT SUBJECT TO ANY EXCISE TAX OUTSIDE OF ALASKA. CALIFORNIA IMPOSED A SALES TAX ON SHIPS BUNKERS AND THE MARKET "DRIED UP". THE STORY IS AN OUTSTANDING EXAMPLE OF HOW TAXING POLICY CAN IMPACT A MARKET.

SOURCE: OIL PRICE INFORMATION SERVICE (OPIS)

4 92-07-23 14:45:07 EDT

***MARINE FUEL BUSINESS 'DRYING UP' IN CALIFORNIA: JOC REPORTS

Today's Journal of Commerce, in a lead article, says that the marine fuel business in California is drying up.

In less than a year, sales of marine fuel in California have sunk from 4 million bbls monthly to 1 million bbls. The reason for the decline: the state sales tax on [bunker]-fuel purchases.

The 8.25 pct tax went into effect last July as a mechanism to help the state raise money to close a budget deficit. Instead, the tax has driven business away from California and is costing the state more than \$3 million in lost payroll taxes and other fees, according to a study commissioned by the Pacific Merchant Shipping Association.

Los Angeles once ranked with Rotterdam and Singapore as one of the world's biggest marine fuel ports, reports the JOC. It wouldn't make the top 20 today.

5 92-09-28 14:43:57 EDT

***CALIFORNIA REPEALS [BUNKER] FUEL TAX

California Gov. Pete Wilson approved the repeal of a marine fuel sales tax that nearly devastated Southern California's [bunker] market by driving away business, the Journal of Commerce reports in today's issue.

The tax "placed California businesses at a competitive disadvantage with businesses in other states," the governor said in a statement announcing the repeal.

The repeal will take effect January 1, 1993. The 8.25tax on [bunker] fuel was imposed a little more than a year ago as part of an effort to raise money to close a huge state budget deficit.

This particular tax ended up costing California [bunker] fuel business, as ships bunkered in areas with no taxes. Los Angeles sunk from being one of the top three [bunker] markets in the country to not even being in the top 30, the Journal of Commerce reports.

THE CALIFORNIA 8.25% DROVE BUSINESS AWAY. WITH THE ALASKA RATE OF 13%, BUNKER SALES IN-STATE ARE SPECIAL CIRCUMSTANCES ONLY. (I.E WEATHER EMERGENCIES, BALLAST NEEDS, IN-HOUSE REQUIREMENT) THERE IS NO "MARKET" PRESENTLY BUT THERE COULD BE IF THE ALASKA MARINE TAX ON HEAVY SHIPS BUNKERS WERE REDUCE TO 1 CENT PER GALLON. IN FACT THERE IS A GOOD "CASE" FOR TAX REVENUE GOING UP IF THE TAX WERE REDUCED.

PETRO MARINE SERVICES

Petroleum Marketing to the Marine Industry

MAR 09 '94 09:23AM PETRO MARINE ANCH

A PROPOSAL
TO DEVELOP AN ALASKAN MARKET
FOR BUNKER FUEL

PREPARED MAY 1993

PETRO MARINE SERVICES

Petroleum Marketing to the Marine Industry

This is an economic development proposal which could result in the following benefits to the State of Alaska:

1. Creation of approximately eleven full-time jobs in Seward (eight seasonal drivers May through September, two dock watch operators, and one operations supervisor), plus three jobs in Kenai,
2. Increased commercial trucking activity at 60,000 metric tons or approximately 17,000,000 gallons equal 18 to 20 loads daily from May 15 until September 15,
3. Capital investment totalling \$1.2 million at Seward, \$50,000 at Kenai, plus \$800,000 Weaver Brothers tank truck and trailers,
4. Development of an in-state market for Tesoro residual bunker fuel from the Kenai refinery. This will improve the economics over Tesoro's current Japanese export sales, and will assist consumers by stabilizing Tesoro refined products' cost. (This results from Tesoro being able to market residual oil domestically in place of exporting to foreign customers at a price significantly less than crude cost),
5. Provide the incentive for the cruise industry to fuel in Alaska as opposed to foreign ports, primarily Vancouver, B.C.

I. BACKGROUND

Cruise ships visiting Alaska utilize a very low grade of fuel oil for propulsion. This fuel is referred to as "bunker fuel," which can be handled most efficiently in the Alaskan climate during the summer months.

Currently, the Kenai Tesoro refinery exports its residual bunker fuel overseas to markets in Japan. There is currently no in-state market or use for bunker fuels.

The cruise industry has historically met its demands for bunker fuel by purchasing in Vancouver, B.C., and Seattle. Their prices are established off Seattle postings regardless of where they take physical delivery.

With the increase in cruise traffic to Southeast and South Central Alaska, Petro marine Services has undertaken a determined effort to develop a market in Alaska with the cruise industry utilizing the Tesoro bunker fuel, which otherwise would be shipped overseas.

This effort has resulted in serious negotiations with Princess Cruise Lines and other carriers.

PETRO MARINE SERVICES

-2-

II. ECONOMIC BENEFITS

If Princess or other cruise lines agree to purchase the bunker fuel in Alaska, this would result in capital development and construction investment amounting to about \$2.1 million. (In Seward, it would mean \$1.2 million and three jobs. In Kenai, it would mean \$500,000 in capital improvements.

The product would be loaded on tanker trucks in Kenai and transported to Seward.

The volume for all vessels calling in Seward is in excess of 60,000 metric tons or approximately 17,000,000 gallons annually. This volume is expected to increase in future years and the trend is toward larger vessels carrying more people.

III. PROBLEM

The current Alaska state motor fuel tax of \$0.05/gallon is a significant impediment to gaining the full potential of residual fuel oil volume available at Seward.

We feel that the bulk of the tour boat fuel business calling in Seward could be served from an Alaskan source if we can get our pricing within a competitive range versus Vancouver, B.C.

Current history is shown in Exhibit 1. As you can see, on average, Seward is \$0.0897/gallon out of line with the Vancouver alternate. Five cents per gallon of that difference is the Alaska State tax. Discussions with potential buyers have indicated that if we can get close to the Vancouver pricing, we will get the fuel business. Exhibit 2 graphs the fluctuations in that price differential.

Relief of the tax could bring in more than five times the volume as the Seward price is made competitive with Vancouver.

The vastly increased volume will mean economics of scale in:

- o product cost
- o freight
- o amortization of investment

This means the supplier can look at sharing those economies with the customer and get very close to Vancouver economies. We can sell the remaining difference with superior service and product quality. (See attached Exhibits 1, 2 and 3.)

PETRO MARINE SERVICES

"BUNKER FUEL" IS DISTINCT IN CHARACTER AND USAGE FROM MOTOR FUEL.

-3-

Bunker fuels are known in the refining industry as residual fuel oil. They are, just as the name implies, the residue of the refining process. When all of the desirable and profitable fuels, i.e., gasolines, jet fuel, diesel, and heating oil have been removed, that is what is left.

Crude oils vary in chemical make-up and the yield and quality of residual fuel may differ greatly from one to another. We have an excellent example right here in Alaska;

Cock Inlet crude, of which there is very limited supply, will yield approximately 28.5% residual fuel oil with a sulphur content of 0.3%. It is a very desirable crude for this reason, but there is simply not enough available supply.

North Slope crude, which is still available in great abundance, will yield 48% residual fuel oil with a sulphur content of 2.5%. Unfortunately, to have almost half of every barrel you refine ends up as a low quality fuel for which there traditionally has been no local market, is a tremendous economic detriment for any company to bear. Certainly Tesoro's earnings have reflected these economic realities since the mid 1980's when it switched to Alaska North Slope crude as its primary feed stock.

The question might be asked: Why is there no local market for this product? It is because the fuel is normally used in large scale applications which can afford to invest in the equipment to handle this viscous and "difficult to burn" material. Pumping and handling of bunker fuel will require the maintenance of tank and pipeline temperatures of at least 120 degrees F. Atomization for proper combustion will require approximately 200 degrees F.

Typically, the fuel is used in utilities for the production of steam to turn turbines and produce electricity. Other large applications are paper mills, steel mills, and chemical plants. We have little manufacturing base in the state and most of those that do exist are well served by convenient natural gas supplies.

PETRO MARINE SERVICES

Petroleum Marketing to the Marine Industry

THE ECONOMIC OPPORTUNITY

We have before us now a rare opportunity to develop a market for a product which is, currently, an economic liability to one of two major in-state refiners. While the volume is no quantum leap solution, it is a beginning to a market that clearly has the potential to expand.

If we are able to achieve price competitiveness, there is no reason that we cannot fuel the coal ships calling in Seward or the LNG and crude vessels at Kenai. This potential new business opportunity need not be limited to cruise vessels.

To summarize, bunker or residual fuel oil is not a motor fuel by industry definition. ASTM designation and "The Manual of Oil and Gas Terms" both define this product as heavy, high viscosity oil used primarily in industry, in large commercial buildings, and for the generation of electricity.

PETRO MARINE SERVICES

Petroleum Marketing to the Marine Industry

House Bill No. 453
Statement of Legislative Intent
March 8, 1994

H.B. 453 lowers the tax rate on marine bunker fuel from \$0.05 to \$0.015 per gallon in an effort to establish a new Alaska market. Over 98.5% of bunker fuel produced in Alaska is exported to Japan or the West Coast from Tesoro's Kenai refinery. The \$0.05 per gallon tax prevents Alaska from servicing the cruise ship business, as bunker fuel is available at other locations at lower prices.

Total Bunker Sales: Impact on Bill's Financial Neutrality

A critical factor evaluated has been whether or not there will be sufficient sales volume increases to offset the lower tax rate. There were 12 million gallons of taxable bunker fuel sold during 1993 in Alaska. Tesoro accounted for 2/3's this amount, using the product as bunker fuel for its tankers, and for sales to other transport tankers. Alaska's 1993 sales generated approximately \$600,000 in marine bunker fuel taxes. A reduction to \$0.01 would have reduced the tax income by \$480,000 which translates into a need for 50 Million more gallons of product sales to retain revenue neutrality. (Note: The total in-state bunker fuel sales in 1993 represent only 1.47% of the total produced in-state. Source: Tesoro Alaska Petroleum Company).

Opportunity for New Market Development

Petro Marine Services has projected an expanded bunker fuel market from the cruise ship industry if the current tax is lowered to \$0.015. The expected volumes are sufficient to offset the lower tax rate provided by this bill making it revenue neutral as it relates to the tourist ship business.

Sale of Bunker to Tanker Ships

During the 5 years (189-1993) years, the average usage was 5.8 MM gallons ranging from as little as 1 MM gallons (1990) to 7.1 MM gallons (1991). Based on the five year average, the lower tax rate of \$0.015 would require an additional 15 Million or more gallons of bunker sales per year to remain revenue neutral. Tesoro does not expect to experience such an increase, even if the tax rate is reduced. This would be equivalent to approximately \$225,000 in lost taxes from bunkering tankers not in the cruise ship category. This does not take into account the economic benefit from the 12 new seasonal jobs created; sales and property taxes; a major investment in facilities at Seward; and increased freight transportation business in the region. It is unclear whether these benefits will offset the loss in revenue from a reduction in tax rates to the tanker bunkering market.

Legislative Intent

If HB 453 is enacted with a tax reduction applicable only to cruise ships, a bill sunset is expected. It is the intent of the legislature to reexamine this issue prior to the law's sunset to determine if the sales volumes have met those projected, and to evaluate the extension of the lower tax rate to the remaining bunker fuel customers, subject to identification of offsetting tax revenue, and or other tangible benefits, generated by the total bunker fuel sales to tour ships, tankers, and other users.

MAR 69 '94 01:44PM PETRO MARINE ANCH

P.1/1

RESIDUAL FUEL SPECIFICATIONS: THE DEFINITION IN HOUSE BILL 453 AND SENATE BILL 327 INTENDS TO REFER TO ANY SHIPS BUNKER THAT IS A BLEND USING RESIDUAL FUEL OIL. UNFORTUNATELY LIKE A CASTLE, ONE MANS BUNKER OIL IS NOT THE SAME AS ANOTHER. THERE ARE MORE THAN ONE SET OF STANDARDS FOR ENGINE OILS:

- INTERNATIONAL COUNCIL ON COMBUSTION ENGINES (CIMAC)
- BRITISH STANDARDS INSTITUTE (BSI)
- INTERNATIONAL STANDARDS ORGANIZATION (ISO)

ONE OF MANY STANDARDS GENERALLY USED TO GRADE FUELS IS ITS VISCOSITY. ONE OF THE INDUSTRY GRADING STANDARDS IS KINEMATIC VISCOSITY MEASURED IN WHAT IS CALLED CENTISTOKES (CST). THIS IS A MEASURE OF THE NUMBER OF SECONDS IT TAKES FOR A FUEL TO PASS THROUGH A STANDARD DEVISE UNDER CONTROLLED TEMPERATURES.

THE TYPE OF FUELS THAT WOULD BE COVERED BY THIS NEW LEVY ARE FUELS THAT ARE THE RESULT OF BLENDING RESIDUAL FUEL OIL WITH A DIESEL OR OTHER VISCOSITY BREAKER. THE RESULTING FUEL WILL ALWAYS HAVE A VISCOSITY GREATER THAN NO1 OR NO2 DIESEL. THE FOLLOWING ARE THE GENERALLY ACCEPTED INTERNATIONAL STANDARDS FOR THE FUELS WE ARE TALKING ABOUT.

PRODUCT	KINEMATIC VIS IN CST		
	MIN	MAX	
NO2 DIESEL (CALLED MARINE GAS OIL IN THE MARINE FIELD)	1.9	4.1	SOLD IN ALASKA AS HEATING FUEL, MARINE DIESEL
NO1 DIESEL	1.3	2.4	SOLD IN ALASKA AS HEATING FUEL
MARINE FUELS GRADE DMB	2.5	11	CALLED MARINE GASOIL IN MARINE FIELD
DMC	-	14	
RMA-10	6.0	10	
RML-55	-	55	
GAS TURBINE FUEL OILS 3-GT 4-GT			
FUEL OILS GRADE NO. 4	5.5	24	SOMETIMES CALLED HAGO
FUEL OILS GRADE NO. 5	58	168	
FUEL OILS GRADE NO. 6	92	-	CALLED NO6, RESIDUAL FUEL

THE SHIPS BUNKERS THAT PETRO MARINE SELLS IN SEWARD ARE SOLD ON VISCOSITY RATING. THE TABLE BELOW SHOWS THE AMOUNT OF NO2 DIESEL BLENDED WITH RESIDUAL FUEL OIL TO ACHIEVE REQUESTED VISCOSITY.

REQUESTED SHIP BUNKER	% OF DIESEL
100 CST	25
160 CST	19
380 CST	8
420 CST	7
900 CST	0

PETRO MARINE SERVICES



City and Borough of Sitka

304 LAKE STREET, SITKA, ALASKA, 99835

March 9, 1994

The Honorable Bert M. Sharp, Chair
Senate Transportation Committee
Juneau, AK 99801-1182
FAX No. 465-2070

Re: SENATE BILL NO. 327

Dear Senator Sharp,

Senate Bill No. 327 is a very important issue to the City and Borough of Sitka. If it passes we have a commitment from Pacific Northern Oil to refuel cruise ships in Sitka. This will create important jobs for our community and in the long term will give us significant opportunities as a change port.

We strongly urge your support of this legislation.

Sincerely,

Gary L. Paxton
Administrator
City and Borough of Sitka

cc. Senator Robin Taylor
Representative Ben Grusaendorf
Paul Fuhs - Alaska Dept. of Commerce
and Economic Development
Eric Lind - Pacific Northern Oil

GREATER SOLDOTNA CHAMBER OF COMMERCE
RESOLUTION NO. 94-3

A RESOLUTION SUPPORTING THE ADOPTION OF SENATE BILL NO. 327
"AN ACT AMENDING THE MOTOR FUEL TAX TO ESTABLISH A DIFFERENT TAX
LEVY ON RESIDUAL FUEL OIL USED IN AND ON WATERCRAFTS; AND
PROVIDING FOR AN EFFECTIVE DATE."

WHEREAS, in 1970-72 heavy bunker fuel was sold, to a small market, for use instate; and

WHEREAS, in 1972, the present tax was placed on this fuel and all sales then ceased, and have remained non-existent since that date; and

WHEREAS, due to the excessive tax on heavy fuels if used instate, heavy fuels have no instate sales/useage; and


WHEREAS, there is currently the potential for a market of these fuels in Alaska, if the price of the fuel can be competitive with prices in Canada; and

WHEREAS, Cruiselines have indicated a willingness to purchase Bunker fuel in Alaska if the marine fuel tax rate is lowered; and

WHEREAS, the purchase of Bunker fuel by Cruiselines would have a positive economic impact to the State of Alaska and the Kenai Peninsula Borough,

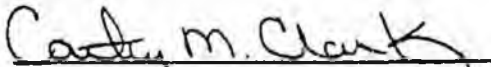
NOW THEREFORE BE IT RESOLVED THAT THE GREATER SOLDOTNA CHAMBER OF COMMERCE urges the Alaska Legislature to adopt Senate Bill No. 327.

ADOPTED this 8th day of March, 1994 at Soldotna, Alaska.



Kurt Eriksson, Vice President

ATTEST:



Cathy M. Clark, Executive Director

FINAL REPORT
OF THE
GOVERNOR'S TASK FORCE
ON
REGULATORY REFORM

MARCH 19, 1993

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