

ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

8835 SENATE COMMUNITY & REGIONAL AFFAIRS ()

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**STATE OF ALASKA, DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
100 Cushman Street, Suite 400
Fairbanks, Alaska 99701
(907) 451-2811 (office) (907) 451-2985 (fax)**

DATE: February 6, 1996 **TIME:** 1:30 pm **REF. NO:** _____

TO: Honorable John Torgerson
Chairman, Senate Committee on
Community & Regional Affairs
Alaska State Legislature
State Capitol, Room 427
Juneau, AK 99801
465-4779

FROM: Marie Sansone, AAG
Juneau /AGO

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DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

February 6, 1996

The Honorable John Torgerson
Chairman, Senate Committee on
Community & Regional Affairs
Alaska State Legislature
State Capitol, Room 427
Juneau, AK 99801-1182

Re: SB 207
Alaska Clean Water Fund

Dear Senator Torgerson:

During the February 5, 1996 hearing on SB 207, the bill to authorize leveraging of the Alaska Clean Water Fund, you asked whether the Alaska Municipal Bond Bank Act, AS 44.85, contains provisions relating to "state aid intercept," the "pledge of the state," and "enforcement by bond owner" comparable to those found in SB 207, page 5, lines 6-31.

The bond bank's state aid intercept provision is found at AS 44.85.170(b). The state pledge is found at AS 44.85.130(b). The bond bank's provisions relating to enforcement by the bondowners are found at AS 45.85.310 and 45.85.320. The bond bank's enforcement provisions are more detailed than those found in SB 207. Copies of the bond bank statutes are attached.

If you require further assistance, please do not hesitate to contact our office.

Yours Truly,

BRUCE M. BOTELHO
ATTORNEY GENERAL

By: *Marie Sansone*
Marie Sansone
Assistant Attorney General

MS/jas

cc: Fat Pourchot, Legislative Liaison
Keith Keltor, DEC
Ross Kenney, DOR
Deborah Behr, AGO

By Fax: 465-4779

TONY KNOWLES, GOVERNOR

PLEASE REPLY TO:

1031 WEST 4TH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 269-5100
FAX: (907) 276-3697

KEY BANK BUILDING
100 CUSHMAN ST., SUITE 400
FAIRBANKS, ALASKA 99701-4679
PHONE: (907) 451-2811
FAX: (907) 451-2846

P.O. BOX 110800-DIMOND COURT HOUSE
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 465-8735

§ 44.85.170

ALASKA STATUTES

§ 44.85.180

Sec. 44.85.170. Loans to political subdivisions and joint insurance arrangements. (a) The bond bank authority, to carry out the purposes and policies of this chapter, may lend money to municipalities through the purchase by the bond bank authority of municipal bonds of municipalities and if the purpose of the loan is to provide financing for a municipal self-insurance program and the loan meets the credit standards of the bond bank authority, may lend money to municipalities, or municipal joint insurance arrangements organized under AS 21.76. Notwithstanding a home rule charter provision requiring public sale by a municipality of its municipal bonds, a municipality may sell its municipal bonds to the bond bank authority at a negotiated, private sale. The bond bank authority, for this purpose, may issue its bonds and notes payable solely from the revenues or funds available to the bond bank authority for such payment and may otherwise assist municipalities as provided in this chapter.

(b) Notwithstanding any other provision of law, to the extent that any department or agency of the state is the custodian of money payable to a municipality, at any time after written notice to the department or agency head from the bond bank authority that the municipality is in default on the payment of principal or interest on municipal bonds then held or owned by the bond bank authority, or amounts due under an agreement between the bond bank authority and a municipality or a municipal joint insurance arrangement organized under AS 21.76, the department or agency shall withhold the payment of that money from that municipality and pay over the money to the bond bank authority for the purpose of paying principal of and interest on the bonds or debt. The notice shall be given in each instance of default. (§ 1 ch 79 SLA 1975; am § 2 ch 56 SLA 1976; am § 1 ch 48 SLA 1978; am § 3 ch 118 SLA 1988; am § 8 ch 85 SLA 1989)

State Aid
intercept

Revisor's notes. — Formerly AS 44.85.170. Renumbered in 1980.

Cross references. — For legislative findings and purposes in connection with the 1989 amendments to this section, see § 1, ch. 85, SLA 1989 in the Temporary and Special Acts.

Effect of amendments. — The 1989 amendment, effective June 2, 1989, added the language beginning "and if the pur-

pose of the loan" to the end of the first sentence of subsection (a), and in subsection (b), inserted "other" near the beginning and the language beginning "or amounts due under an agreement" and ending "organized under AS 21.76" near the middle of the first sentence, added "or debt" to the end of the first sentence, and added the second sentence.

Sec. 44.85.180. Issuance of bonds and notes. (a) Subject to AS 44.85.100(b), the bond bank authority may issue its bonds or notes in principal amounts that it considers necessary to provide funds for any purposes under this chapter, including

- (1) the purchase of municipal bonds;
- (2) the making of loans through the purchase of municipal bonds, notes, or certificates of participation secured by an agreement be-

§ 44.85.130

ALASKA STATUTES

§ 44.85.130

to the custody and safekeeping of its municipal bonds or investments, require security in the form of collateral bonds, surety agreements, or security agreements in such form and amount as, in the opinion of the bond bank authority, is necessary or desirable. (§ 1 ch 79 SLA 1975; am § 52 ch 106 SLA 1986)

Revisor's notes. — Formerly AS 44.58.120. Renumbered in 1980. Effect of amendments. — The 1986 amendment inserted "in accordance with AS 36.30 (State Procurement Code)" near the beginning of the first sentence.

Sec. 44.85.130. Effect of obligations. (a) Bonds and notes issued under this chapter are not a debt or liability of the state and do not create or constitute an indebtedness, liability, or obligation of the state, nor do they constitute a pledge of the faith and credit of the state. All bonds and notes issued under this chapter, unless funded or refunded by bonds or notes of the bond bank authority, are general obligations of the authority to which the full faith and credit of the authority are pledged to the payments of them, except to the extent provided by the resolution authorizing the issuance of them. Each bond and note must contain on its face a statement to the effect that the bond bank authority is obligated to pay the principal and interest on the instrument only from revenues or funds of the bond bank authority and that the state is not obligated to pay the principal or interest and that neither the faith and credit nor the taxing power of the state is pledged to the payment of the principal or the interest on the bond or note.

(b) The state pledges to and agrees with the holders of the bonds or notes issued under this chapter that the state will not limit or restrict the rights vested in the bond bank authority to purchase, acquire, hold, sell, or dispose of municipal bonds or other investments or to make loans to political subdivisions or to establish and collect fees or other charges convenient or necessary to produce sufficient revenues to meet the expenses of operation of the bond bank authority and to fulfill the terms of any agreement made with the holders of its bonds or notes or in any way impair the rights or remedies of the holders of the bonds or notes until the bonds or notes, together with the interest on the bonds or notes, and interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of the holders, are fully met, paid and discharged. (§ 1 ch 79 SLA 1975)

pledge of the state.

Revisor's notes. — Formerly AS 44.58.130. Renumbered in 1980.

§ 44.85.310

STATE GOVERNMENT

§ 44.85.320

Revisor's notes. -- Formerly AS 44.58.300. Renumbered in 1980.

Sec. 44.85.310. Default in payment. If the bond bank authority defaults in the payment of principal or interest on an issue of notes or bonds after they become due, whether at maturity or upon call for redemption, and the default continues for 30 days, or if the bond bank authority fails or refuses to comply with this chapter or defaults in an agreement made with the holders of an issue of notes or bonds, the holders of 25 percent in the aggregate principal amount of the outstanding notes or bonds of that issue, by instrument filed in the office of the clerk of the district court of the first judicial district and executed in the same manner as a deed to be recorded, may appoint a trustee to represent the holders of those notes or bonds for the purposes provided in this chapter. (§ 1 ch 79 SLA 1975)

Revisor's notes. -- Formerly AS 44.58.310. Renumbered in 1980.

Sec. 44.85.320. Powers and duties of trustee on default. (a) A trustee appointed under this section may, and shall in the trustee's name, upon written request of the holders of 25 per cent in principal amount of the outstanding notes or bonds,

(1) by civil action enforce all rights of the noteholders or bondholders, including the right to require the bond bank authority to collect rates, charges, and other fees and to collect interest and amortization payments on municipal bonds and notes held by it adequate to carry out an agreement as to, or pledge of, the rates, charges, and other fees and of the interest and amortization payments, and to require the bond bank authority to carry out any other agreements with the holders of the notes or bonds and to perform its duties under this chapter;

(2) bring a civil action upon the notes or bonds;

(3) by civil action require the bond bank authority to account as if it were the trustee of an express trust for the holders of the notes or bonds;

(4) by civil action enjoin anything that may be unlawful or in violation of the rights of the holders of the notes or bonds;

(5) declare all the notes or bonds due and payable, and if all defaults are made good, then with the consent of the holders of 25 per cent of the principal amount of the outstanding notes or bonds, annul the declaration and its consequences;

(6) the trustee, in addition to the foregoing, has all the powers necessary for the exercise of functions specifically set out or incident to the general representation of bondholders or noteholders in the enforcement and protection of their rights.

ENFORCEMENT BY BONDOWNERS

§ 44.85.330

ALASKA STATUTES

§ 44.85.350

(b) Before declaring the principal of notes or bonds due and payable, the trustee must first give 30 days' notice in writing to the governor, the bond bank authority, the commissioner of community and regional affairs, and the attorney general of the state. (§ 1 ch 79 SLA 1975)

Revisor's notes. — Formerly AS
44.59.320. Renumbered in 1980.

Sec. 44.85.330. Personal liability. Neither a member of the bond bank authority nor a person executing bonds or notes issued under this chapter is liable personally on the bonds or notes. (§ 1 ch 79 SLA 1975)

Revisor's notes. — Formerly AS
44.58.330. Renumbered in 1980.

Sec. 44.85.340. Exemption from execution and sale. All property of the bond bank authority is exempt from levy and sale by virtue of an execution and no execution or other judicial process may issue against the property. A judgment against the bond bank authority may not be a charge or lien upon its property; however, nothing in this section applies to or limits the rights of the holder of bonds or notes to pursue a remedy for the enforcement of a pledge or lien given by the bond bank authority on its revenues or other money. (§ 1 ch 79 SLA 1975)

Revisor's notes. — Formerly AS
44.59.340. Renumbered in 1980.

Sec. 44.85.350. Lien of pledge. A pledge of revenues or other money made by the bond bank authority is binding from the time the pledge is made. Revenues or other money so pledged and thereafter received by the bond bank authority are immediately subject to the lien of the pledge without any further act, and the lien of a pledge is binding against all parties having claims of any kind in tort, contract, or otherwise against the bond bank authority, regardless of whether the parties have notice of the lien. Neither the resolution nor any other instrument by which a pledge is created needs to be filed or recorded except in the records of the bond bank authority. (§ 1 ch 79 SLA 1975)

Revisor's notes. — Formerly AS
44.58.350. Renumbered in 1980.

ing educational, civic, and research organizations, colleges, universities, institutes, and foundations;

(6) at reasonable times enter and inspect with the consent of the owner or occupier any property or premises to investigate either actual or suspected sources of pollution or contamination or to ascertain compliance or noncompliance with a regulation that may be adopted under AS 46.03.020 — 46.03.040; information relating to secret processes or methods of manufacture discovered during investigation is confidential;

(7) conduct investigations and hold hearings and compel the attendance of witnesses and the production of accounts, books, and documents by the issuance of a subpoena;

(8) advise and cooperate with municipal, regional, and other local agencies and officials in the state, to carry out the purposes of this chapter;

(9) act as the official agency of the state in all matters affecting the purposes of the department under federal laws now or hereafter enacted;

(10) adopt regulations necessary to effectuate the purposes of this chapter, including, by way of example and not limitation, regulations providing for

(A) control, prevention, and abatement of air, water, or land or subsurface land pollution;

(B) safeguard standards for petroleum and natural gas pipeline construction, operation, modification, or alteration;

(C) protection of public water supplies by establishing minimum drinking water standards, and standards for the construction, improvement, and maintenance of public water supply systems;

(D) collection and disposal of sewage and industrial waste;

(E) collection and disposal of garbage, refuse, and other discarded solid materials from industrial, commercial, agricultural, and community activities or operations;

(F) *[Repealed, § 12 ch 172 SLA 1978.]*

(G) control of pesticides;

(H) other purposes as may be required for the implementation of the policy declared in AS 46.03.010;

(I) handling, transportation, treatment, storage, and disposal of hazardous wastes;

(11) after consultation with other state agencies and local government officials, identify and propose for addition or deletion, by regulation, other licenses, permits, or authorizations for which the provisions of AS 46.35 are applicable;

(12) *[Repealed, § 92 ch 36 SLA 1990.]*

(13) inspect the premises of sellers and suppliers of paint, vessels, and marine and boating supplies, and take other actions necessary to enforce AS 46.03.715.

(b) Notwithstanding another provision of law to the contrary, when adopting a regulation relating to the control, prevention, and abatement of air, water, or land or subsurface land pollution, the department shall give special attention to public comments concerning the cost of compliance with the regulation and to alternate practical methods of complying with the statute being interpreted or implemented by the regulation. (§ 3 ch 120 SLA 1971; am § 1 ch 220 SLA 1976; am § 2 ch 60 SLA 1977; am § 12 ch 172 SLA 1978; am § 8 ch 95 SLA 1981; am § 86 ch 138 SLA 1986; am § 1 ch 67 SLA 1987; am § 92 ch 36 SLA 1990; am § 30 ch 126 SLA 1994; § 10 ch 64 SLA 1995)

Revisor's notes. — Enacted as AS 46.03.020(b). Renumbered in 1995.

Cross references. — For status of certain enforcement and inspection employees of the department as peace officers, see AS 46.03.890(b); for provisions relating to coordination of environmental permits and procedures, see AS 46.35; for fees for department services, see AS 44.46.025.

Effect of amendments. — The 1994 amendment, effective July 1, 1994, in

paragraph (11), deleted ", and report annually to the legislature the permits that have been included or deleted" at the end and made a minor stylistic change.

The 1995 amendment, effective September 3, 1995, added subsection (b).

Editor's notes. — Under § 11, ch. 64 SLA 1995, this section "does not apply to the adoption, amendment, or repeal of regulation unless the adoption, amendment, or repeal is first noticed under AS 44.62.200 on or after September 3, 1995."

NOTES TO DECISIONS

Approval of subdivision plans. — Department of environmental conservation can validly require its approval of potential subdivision plans as a prerequisite to the recording and sale of any lots in the

subdivision. *State v. Anderson*, 749 P.2d 1342 (Alaska 1988).

Cited in *Colville Envtl. Servs., Inc. v. North Slope Borough*, 831 P.2d 34 (Alaska 1992).

Sec. 46.03.025. Accounting and disposition of fees. [Repealed, § 9 ch 36 SLA 1990. For current provisions, see AS 37.05.142 - 37.05.146.]

Sec. 46.03.030. Water quality enhancement, water supply, sewage, and solid waste facilities grants. (a) [Repealed, § 19 ch 220 SLA 1976.]

(b) The department may grant to a municipality, as funds are available, a grant for any of the following:

- (1) a water quality enhancement project;
- (2) a public water supply, treatment, or distribution system;
- (3) a wastewater collection, treatment, or discharge system;
- (4) a solid waste processing, disposal, or resource recovery system

(c) There is a water quality enhancement program and water supply, wastewater, and solid waste systems fund created in the department to carry out the purposes of this section.

(d) The department shall, by regulation, identify those costs that are eligible costs for the purposes of this section. Eligible costs do not

include interest and financing and right-of-way acquisition, or costs that are related to the operation, maintenance, or repair of a system.

(e) A grant under this section to a municipality for a project funded by an appropriation made by the legislature

(1) before July 1, 1994, may not exceed 50 percent of the eligible costs of the project;

(2) after July 1, 1994, may not exceed

(A) 85 percent of the eligible costs for a municipality with a population of 1,000 persons or less;

(B) 70 percent of the eligible costs for a municipality with a population of 1,001 to 5,000 persons; and

(C) 50 percent of the eligible costs for a municipality with a population greater than 5,000 persons; however, if a municipality with a population greater than 5,000 persons seeks a grant for a project that relates to a solid waste processing or disposal system that incorporates resource recovery, the department may provide a grant for up to 60 percent of the eligible costs of the project.

(f) *[Repealed, § 14 ch 106 SLA 1994.]*

(g) The match required for grants made under this section may include

(1) federal funds; or

(2) state funds, other than those funds received under this section or AS 37.06.

(h) Construction of a project for which a grant is made under this section may commence only after the department has approved in writing the plans and specifications for the project. (§ 3 ch 120 SLA 1971; am §§ 2, 19 ch 220 SLA 1976; am §§ 30, 31 ch 168 SLA 1978; am §§ 1 — 4 ch 163 SLA 1980; am §§ 1, 2 ch 90 SLA 1986; am §§ 1 — 3 ch 40 SLA 1987; am §§ 1 — 5, 14 ch 106 SLA 1994)

Cross references. — For transitional provisions related to regulations adopted under this section before July 1, 1994, see § 15, ch. 106, SLA 1994 in the Temporary and Special Acts.

Effect of amendments. — The 1994 amendment, effective July 1, 1994, re-

wrote subsections (b) and (e); substituted "wastewater" for "sewage" and "systems" for "facilities" in subsection (c); rewrote the second sentence in subsection (d); repealed subsection (f), relating to water enhancement program grants; and added subsections (g) and (h).

Sec. 46.03.032. Alaska clean water fund. (a) There is established as a separate fund the Alaska clean water fund, which is distinct from any other money or fund in the treasury, and which consists of money appropriated by the legislature to meet federal matching requirements, federal capitalization grants, loan repayments, interest received from loan repayments, and interest received from investment of money in the clean water fund.

(b) The department shall administer the Alaska clean water fund.

(c) The department may accept and make use of all capitalization grants provided by the federal government under the federal Clean Water Act, as amended by P.L. 100-4.

(d) Except as otherwise limited by federal law, the Alaska clean water fund may be used for

(1) buying or refinancing the debt obligations of a municipality a public wastewater treatment system or a solid waste management system;

(2) planning, designing, building, constructing, and rehabilitating a solid waste management system or a public wastewater collection, treatment, and discharge system;

(3) collateral security for or purchasing insurance for a public agency debt obligation related to the construction of a solid waste management system or a public wastewater treatment system;

(4) developing and implementing a management program for controlling water pollution from nonpoint sources under 33 U.S.C. 1327 and

(5) developing and implementing an estuary conservation and management program under 33 U.S.C. 1330.

(e) Repayment of loans shall be secured in a manner that the department determines is feasible to assure prompt repayment under the loan agreement entered into with the borrower.

(f) The department may spend money from the Alaska clean water fund to pay the costs of administering the fund.

(g) A municipality wishing to borrow money from the Alaska clean water fund shall demonstrate to the satisfaction of the department that the municipality

(1) has sufficient legal authority to incur the debt for which it is applying; and

(2) will establish and maintain a dedicated source of revenue or other acceptable revenue source for repayment of the loan.

(h) Allocation of Alaska clean water fund loans shall be made in accordance with the priority list developed by the department, using the criteria specified in regulations adopted by the department.

(i) Before making a loan from the Alaska clean water fund, the department shall, by regulation, specify

(1) standards for the eligibility of borrowers and the type of projects to be financed with loans;

(2) loan term and interest rate policies for loans made from the fund;

(3) standards regarding the technical and economic viability and revenue self-sufficiency of eligible projects;

(4) collateral or other security required for loans;

(5) terms of loans; and

(6) other relevant criteria, standards, or procedures.

(j) A loan made by the department shall be made according to the standards, criteria, and procedures established by regulations under this section. In making a loan from the Alaska clean water fund for a solid waste management facility, the department shall give priority to a project that will alleviate severe health or environmental concerns in the community or region proposing the facility. In addition, the department may consider

(1) the extent of local or regional support for the proposed facility; and

(2) the extent to which the applicant can demonstrate that the full range of solid waste management options has been reasonably considered and that the proposed facility is consistent with the promotion of the solid and hazardous waste management practices in the following order of priority:

- (A) waste source reduction;
- (B) recycling of waste;
- (C) waste treatment; and
- (D) waste disposal.

(k) The department shall prepare reports required by the federal government in conjunction with federal capitalization grant award conditions. The department shall also prepare a biennial report on the Alaska clean water fund and notify the legislature that it is available on or before the first day of each first regular session of the legislature.

(l) Loan repayments and interest earned by loans from the Alaska clean water fund shall be deposited in the Alaska clean water fund.

(m) Annual principal payments shall commence within one year after project completion.

(n) [Repealed, § 14 ch 106 SLA 1994.]

(o) In this section, "solid waste management facility" includes capital improvements and equipment used for the purpose of solid and hazardous waste source reduction, recycling, treatment, or disposal. (§ 4 ch 40 SLA 1987; am §§ 1 — 3 ch 174 SLA 1990; am § 23 ch 90 SLA 1991; am §§ 6 — 10, 14 ch 106 SLA 1994; am § 31 ch 126 SLA 1994; am § 103 ch 21 SLA 1995)

Cross references. — For transitional provisions related to regulations adopted under this section before July 1, 1994, see § 15, ch. 106, SLA 1994 in the Temporary and Special Acts; for transitional provisions relating to the first report made under this section after July 1, 1994, see § 36, ch. 126, SLA 1994 in the Temporary and Special Acts.

Effect of amendments. — The 1991 amendment, effective July 3, 1991, in former subsection (n), deleted the former last sentence.

The first 1994 amendment, effective July 1, 1994, in subsection (d), rewrote paragraphs (1)-(4) and added paragraph (5); inserted "Alaska clean water" in subsections (d), (g), and (l); in subsection (g), added "that the municipality" to the end of the introductory language and made related stylistic changes throughout; substituted "loan" for "Except as provided in (n) of this section, loan" in subsection (l); deleted ", or within two years after the date the loan is made, whichever is earlier" from the end of subsection (m); and

repealed subsection (n), relating to state appropriations in excess of the amount required by the federal Clean Water Act.

The second 1994 amendment, effective July 1, 1994, in subsection (k), in the second sentence, substituted "a biennial report" for "an annual report" and "each first regular session of the legislature" for "each legislative session."

The 1995 amendment, effective August 8, 1995, in the second sentence in subsection (k), substituted "prepare" for "provide" the Alaska legislature with" and inserted "and notify the legislature that it is available."

Sec. 46.03.034. Alaska clean water account. (a) The Alaska clean water account is established as a separate account which is distinct from other money or funds in the treasury.

(b) The Alaska clean water account consists of state appropriation to the Alaska clean water fund in excess of that amount required as match for a federal capitalization grant under 33 U.S.C. 1381 — 138 (Clean Water Act).

(c) The department shall administer the Alaska clean water account.

(d) The Alaska clean water account may be used for purposes described in AS 46.03.032(d).

(e) Principal repayments received on loans from the Alaska clean water account shall be deposited in the Alaska clean water fund. Interest payments and earnings shall be deposited in the clean water account. (§ 11 ch 106 SLA 1994)

Sec. 46.03.036. Alaska drinking water fund. [See effective date note.] (a) The Alaska drinking water fund is established as separate fund which is distinct from other money or funds in the treasury. The Alaska drinking water fund consists of

- (1) federal capitalization grants;
- (2) money appropriated by the legislature to meet federal match requirements;
- (3) loan repayments; and
- (4) if required by federal law or by appropriation, interest received from loan repayments and interest received from investment of money in the Alaska drinking water fund.

(b) The department may adopt regulations necessary to ensure that the department administers and uses the Alaska drinking water fund in a manner consistent with federal law. (§ 12 ch 106 SLA 1994)

Effective dates. — Section 17, ch. 106, SLA 1994 makes this section effective upon the effective date of a federal law authorizing changes to the federal Safe Drinking Water Act to allow the state to participate in federal capitalization grants to finance projects related to drinking water.

Sec. 46.03.038. Alaska drinking water account. [See effective date note.] (a) The Alaska drinking water account is established as a separate account which is distinct from other money or funds in the state treasury.

(b) The Alaska drinking water account consists of state appropriations to the Alaska drinking water fund in excess of that amount required as a match for a federal capitalization grant.

(c) The department shall administer the Alaska drinking water account.

(d) The Alaska drinking water account may be used for any purpose for which the Alaska drinking water fund may be used.

(e) Principal repayments received on loans from the Alaska drinking water account shall be deposited in the Alaska drinking water fund. Interest payments on loans from the Alaska drinking water account and earnings on the Alaska drinking water account shall be deposited in the Alaska drinking water account. (§ 13 ch 106 SLA 1994)

Effective dates. — Section 17, ch. 106, SLA 1994 makes this section effective upon the effective date of a federal law authorizing changes to the federal Safe Drinking Water Act to allow the state to participate in federal capitalization grants to finance projects related to drinking water.

Sec. 46.03.040. Alaska environmental plan. (a) The department shall formulate and annually review and revise a statewide environmental plan for the management and protection of the quality of the environment and the natural resources of the state, in furtherance of the legislative policy and purposes expressed in this chapter.

(b) The department shall submit the first plan to the governor on or before January 1, 1972, and thereafter submit periodic revisions of the plan to the governor. The plan is effective upon approval by the governor and shall serve thereafter as a guide to the public, the state government and the political subdivisions of the state in the development of the environment and natural resources of the state.

(c) In formulating the plan and any revisions, the department may consult with persons, organizations, and groups, public or private, interested in or concerned with the environment of the state, and with a department, division, board, commission, or other agency of the state, with a political subdivision, or with any public authority as may be necessary to enable the department to carry out its responsibilities under this section. (§ 3 ch 120 SLA 1971)

Sec. 46.03.045. Public recognition of pollution prevention efforts. In addition to the school awards program under AS 46.11.070, the department may identify, document, and publicly acknowledge exemplary pollution prevention achievements by individuals, businesses, or government agencies in the state. (§ 2 ch 86 SLA 1991)

Cross references. — For legislative findings in connection with the enactment of this section, see § 1, ch. 86, SLA in the Temporary and Special Acts.

Article 3. Water Pollution Control and Waste Disposal.

Section	Section
50. Authority	100. Waste disposal permit
60. Water pollution control plan	110. Waste disposal permit procedure
70. Pollution standards	120. Termination or modification of disposal permit
80. Quality and purity standards	
90. Plans for pollution disposal	

Collateral references. — 61A Am. Jur. 2d, Pollution Control, §§ 134, 135, 211.

39A C.J.S., Health and Environment, §§ 125-128, 131; 93 C.J.S. Waters, §§ 43-57.

Pollution of stream by mining operations. 39 ALR 891.

Injunction against pollution of stream by private persons or corporations. 46 ALR 8.

Wrongful pollution of stream by municipality as creating single cause of action or successive causes of action. 75 ALR 529.

When statute of limitations commences to run as to action against municipality for damages to riparian premises by pollution of stream by discharge of sewage. 122 ALR 1509.

Tenant's remedy against stranger for wrongful pollution of waters. 12 ALR2d 1192.

Liability for pollution of stream by oil, water, or the like flowing from well. 19 ALR2d 1025.

Validity, construction, and effect of

statute, ordinance, or other measure involving chemical treatment of water supply. 43 ALR2d 453.

Measure and elements of damage pollution of stream. 49 ALR2d 253

Validity of prohibition of regulation bathing, swimming, boating, fishing the like, to protect public water supply. ALR2d 790.

Validity and construction of anti-pollution statutes and ordinance. ALR3d 215.

Landowner's right to relief against pollution of his water supply by industrial commercial waste. 39 ALR3d 910.

Validity and construction of state ordinances, or regulations controlling charge of industrial wastes into sewer. 47 ALR3d 1224.

Private landowner's disposal of waste on own property. 37 ALR4d

Construction and application of non exclusion clause in liability insurance policy. 39 ALR4th 1047.

Measure and elements of damage pollution of well or spring. 76 ALR 629.

Sec. 46.03.050. Authority. The department has jurisdiction to prevent and abate the pollution of the waters of the state. (§ 3 ch SLA 1971)

Sec. 46.03.060. Water pollution control plan. The department shall develop comprehensive plans for water pollution control in the state and conduct investigations it considers advisable and necessary for the discharge of its duties. (§ 3 ch 120 SLA 1971)

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 0 Tim Rogers Evans]

MUNICIPALITY OF ANCHORAGE

Anchorage Water and Wastewater Utility

MEMORANDUM

DATE: January 29, 1996

TO: Tim Rogers, Executive Assistant

THRU: *[Signature]* Mark Premo, P.E., General Manager, AWWU

FROM: *[Signature]* Diana Bennett, CPA, Finance Manager, AWWU

SUBJECT: Suggested Revisions to House ~~Bill 401~~ *SB 207*

Listed below are suggested changes to the bills having to do with the issuance of revenue bonds to fund water quality improvements. AWWU fully supports the concept of this bill, or a revision of the bill, and would like to provide testimony in support of whatever bill comes before the legislature this session.

Page 1: Change title to read

"An Act authorizing the issuance, sale, security and payment of revenue bonds to fund public water quality improvements; and amending Alaska Rule of Civil Procedure 3."

Page 1: Section 1. line 13, add:

"These water quality improvements include wastewater systems and nonpoint source water pollution control projects such as solid waste management systems."

Page 2. line 5, delete:

"and state agencies"

Page 5, line 6, delete:

entire Sec. 37.15.575. STATE AID INTERCEPT

Page 6, line 6:

Following "required in", insert "the current fiscal year and"

Page 8, line 12:

Following "letters", insert "and lines"

Tim Rogers
Revisions to HB401
January 29, 1996

925
375

1300

Page 9, line 8:
Following "constructing," insert "purchasing."

Page 9, line 12:
Following "constructing," insert "purchasing."

Page 9.
Delete lines 14 and 15

Page 9, line 18:
Delete "and state agencies"

Page 9, line 20:
Delete

Page 9, line 22:
Delete "or state agency"

Page 10, line 11:
Delete "or state agency"

Page 10, lines 17 and 18
Delete "and sufficient reserves for the loan as may be necessary."

Page 10, lines 23 and 24
Delete "A loan made from the Alaska clean water fund may be subject to the state aid Intercept provisions of AS 37.15.575."

Please let me know if you need additional information or assistance.

AMENDMENT

OFFERED IN THE SENATE

TO: SB 207

Page 6, line 6:

Following "required in":

Insert "the current fiscal year and"

Page 8, line 12:

Following "letters":

Insert "and lines"

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
P.O. BOX 110405
JUNEAU, AK 99811-0405

FACSIMILE TRANSMISSION COVER SHEET

DATE: January 8, 1996
FAX NUMBER: 6735 / 5177
TO: LAWY DEC
ATTENTION: Marie Sansone / Mike Burns
FROM: Forrest R. Browne

NUMBER OF PAGES FOLLOWING THIS TRANSMISSION: 2

If this transmission is incomplete, please call this office at the following number:

PHONE NUMBER: (907) 465-3750

FAX NUMBER: (907) 465-2394

COMMENTS: Chester & I have reviewed the January 4th, Clean Water legislation and have the following suggested changes: Page 6 still needs "the current fiscal year and" inserted. Interest (and perhaps principal) payments start six months after closing, which may be in the same fiscal year as the closing. On page 8, suggest adding "and lines" of credit. This is apparently a new and less costly method of credit enhancement which is sometimes being used to obtain a AAA rating on revenue bonds.

**SENATE BILL 207
HOUSE BILL 401**

DEPARTMENT OF ENVIRONMENTAL CONSERVATION BILL SUMMARY

This bill will authorize the State Bond Committee to issue and sell State revenue bonds to provide funds for the Department of Environmental Conservation (DEC) to offer low-interest loans to municipalities. The municipalities would use these funds to finance the construction of public wastewater treatment systems, solid waste management systems, nonpoint source water pollution control projects and estuary conservation and management projects. DEC already operates the Alaska clean water fund, a revolving loan program that is funded by federal grants and State appropriations. The demand for these subsidized loans has been growing with the increase in federal requirements placed upon the local communities and the concurrent reduction in State revenues in the last few years. It is estimated that the demand for loans will exhaust the available supply of funds by the summer of 1998.

One solution to this problem is to leverage the Alaska clean water fund, that is, to increase the amount of money available to finance water pollution control projects by using the fund as collateral to secure State-issued revenue bonds. Programs similar to this proposal are currently in place in 21 states. Communities collect user fees for their sewerage and solid waste projects to provide the money to make their annual loan payments to the Department. Under this leveraging concept, the annual loan repayments would be used to pay back the bond investors. Nationwide, in the six years of operation of the clean water loan funds, there has never been a loan default. With such an excellent repayment history, the program risk is very small. A sizable corpus of money in the fund would provide extra security for the bonds and would also result in lower program costs which could be passed onto the municipalities. If this bill could be enacted this session, an adequate amount would be available in the corpus to accomplish this. Delays in passage will reduce the amount available to leverage and minimize the effectiveness of the legislation.

This type of bond sales program has been previously authorized to the State bond committee. In fact, this legislation is patterned after the statute created for the International Airport bond sales done by the committee for the Department of Transportation. The State bond committee has the expertise to properly conduct a bond sales issue. DEC has the expertise to properly run the clean water fund program. This legislation provides a simple, efficient method to assist the incorporated communities of the State by ensuring that low-cost loans for essential projects will be available well into the future, while reducing the demand for general-funded capital projects.

LOAN SPECIFIC INFORMATION

Community Served	Project Name	Project Number	Loan Amount	Agreement Date	Interest Rate	Amortization Period
Loans made during FY 90						
Anchorage	Eagle River	127011	\$7,759,380	10/31/89	4.65%	20 years
Homer	STP	409011	\$4,750,000	9/5/89	4.80%	20 years
Kachemak City	STP	451011	\$450,000	7/25/89	4.54%	20 years
Loans made during FY 91						
Anchorage	Campbell Creek	12702	\$2,238,607	12/17/90	4.84%	20 years
Nome	STP	627011	\$788,421	4/19/91	4.56%	20 years
Loans made during FY 92						
Anchorage	Eagle River Inc.	127011	\$3,000,000	9/6/91	4.65%	20 years
Cordova	Sewer Rehab	261011	\$735,310	9/24/91	4.42%	20 years
Anchorage	Campbell Creek II	127031	\$453,141	6/30/92	4.31%	20 years
Nome	Icy View	627021	\$2,000,000	6/30/92	4.31%	20 years
Seward	Lowell Point	769011	\$924,000	6/30/92	4.31%	20 years
Loans made during FY 93						
Seward	Dairy Hill	769021	\$40,000	11/23/92	4.75%	20 years
Juneau	Belt Press	445011	\$255,501	10/9/92	4.64%	15 years
Juneau	Back Loop Sewer	445021	\$1,620,500	2/2/93	4.56%	10 years
Anchorage	Pt. Woronzof	127041	\$2,443,128	4/26/93	4.24%	20 years
Juneau	Channel Drive	445031	\$536,000	6/7/93	4.23%	10 years
Loans made during FY 94						
Sitka	I&I	783011	\$2,000,000	8/17/93	4.04%	20 years
Juneau	Goat Hill	445041	\$166,000	12/23/93	4.05%	10 years
Bristol Bay	Leader Creek	183011	\$2,235,321	3/1/94	4.11%	20 years
Loans made during FY 95						
Craig	Wastewater	265011	\$1,000,000	9/14/94	4.45%	20 years
Anchorage	Regional Landfill	127051	\$10,062,000	12/2/94	4.74%	20 years
Anchorage	Girdwood Wastewater	127061	\$2,500,000	4/24/95	4.17%	20 years
Loans made during FY 96						
Nome	Solid Waste	627031	\$2,000,000	7/19/95	3.99%	20 years
Anchorage	Eagle River TID	127071	\$2,500,000	10/30/95	3.86%	20 years
Anchorage	Miscellaneous Projects	127081	\$3,015,000	1/12/96	3.74%	20 years

**Alaska Clean Water Fund
Project List**

July 6, 1995

Municipality	Project Title	Score	Amount	Cumulative
Projects to be Funded from Existing EPA Capitalization Grant				
Statewide	Planning and Design		\$614,287	\$614,287
Anchorage	Merrill Field Leachate Collection System		\$4,875,000	\$5,489,287
Yakutat	Wastewater Treatment Plant	85	\$200,000	\$5,689,287
Bristol Bay	King Salmon, Phase II	67	\$4,769,413	\$10,458,700
Klawock	STP Upgrade and Int.	46	\$1,500,000	\$11,958,700

**Alaska Clean Water Fund
Project List**

July 6, 1995

Municipality	Project Title	Score	Amount	Cumulative
Projects Seeking Funding from FFY 96/97 Capitalization Grant				
DEC	Administrative Costs		\$578,240	\$578,240
Juneau	Goat Hill Sewer Phase II	73	\$770,000	\$1,348,240
Kodiak	Wastewater Treatment Plant Project	70	\$4,880,500	\$6,228,740
Bristol Bay Borough	Borough Landfill Expansion	69	\$285,000	\$6,513,740
Homer	East Trunk-STP to Lake Street	67	\$626,000	\$7,139,740
Bristol Bay Borough	King Salmon Sewer Phase III	67	\$1,576,265	\$8,716,005
Anchorage	Middle Fish Creek Trunk	65	\$3,000,000	\$11,716,005

**Alaska Clean Water Fund
Project Planning List
July 6, 1995**

Municipality	Project Title	Score	Amount	Cumulative
Craig	Wastewater Plant Reconstruction	66	\$4,000,000	\$4,000,000
Unalaska	Solid Waste Facility, Phase I	66	\$3,500,000	\$7,500,000
Anchorage	C-5-7 Trunk R&R	65	\$3,000,000	\$10,500,000
Nome Joint Utility	Wooden Utilidor Upgrade	63	\$2,000,000	\$12,500,000
Valdez	Robe River Subdivision Sewer Interceptor	54	\$5,024,900	\$17,524,900
Petersburg	Scow Bay Sewer Extension, Final Phase	54	\$2,064,000	\$19,588,900
Petersburg	Sludge De-watering Facility	53	\$1,115,000	\$20,703,900
Fairbanks	Wastewater Sludge Disposal	47	\$9,500,000	\$30,203,900
North Slope	Anaktuvuk Pass Sewer	47	\$3,000,000	\$33,203,900
North Slope	Point Hope Sewer Project	47	\$3,000,000	\$36,203,900
North Slope	Point Lay Sewer Project	47	\$3,000,000	\$39,203,900
North Slope	Wainwright Sewer Project	47	\$3,000,000	\$42,203,900
Fairbanks	Ft. Wainwright Interceptor Rehabilitation	47	\$800,000	\$43,003,900
Unalaska	Wastewater Secondary Treatment	46	\$9,000,000	\$52,003,900
Unalaska	Primary Wastewater Treatment Facility	46	\$7,500,000	\$59,503,900
Anchorage	Pt. Woronzof Incinerator	42	\$6,000,000	\$65,503,900
Dillingham	Northeastern Townsite Sewer	37	\$898,976	\$66,402,876
Dillingham	Area 5 Phase I & II	37	\$1,390,505	\$67,793,381
Dillingham	Area 4 Phase I & II	34	\$2,011,280	\$69,804,661
Sand Point	Harbor Sewer Extension	34	\$300,000	\$70,104,661
Fairbanks	Van Horn & South Cushman Sewer	33	\$900,000	\$71,004,661
North Pole	Highway Park/Badger-Hurst Sewer	29	\$2,850,000	\$73,854,661
Fairbanks	International Industrial Ave. Sewer, Ext.	29	\$850,000	\$74,704,661
Fairbanks	E.M. Jones Sewer Extension, Phase I	29	\$2,600,000	\$77,304,661
Fairbanks	Industrial Park Sewer Ext.	29	\$850,000	\$78,154,661

LEVERAGING THE CLEAN WATER FUND

The upper part of the accompanying chart demonstrates how the Alaska Clean Water Fund (ACWF) currently operates:

- Federal capitalization grants & State appropriations (20% of federal grant amount) are deposited into the ACWF.
- ADEC administers the ACWF, providing loans to fund sanitation projects.
- Repayment of loan principal and interest is deposited into the ACWF to provide the basis for funding more community projects.
- Department of Revenue maintains the ACWF account and invests the unobligated balance, with the earnings also deposited into the ACWF.

The bottom portion of the chart illustrates the effects of leveraging on management of the ACWF:

- The ACWF balance will be pledged as collateral for revenue bonds. Costs of bond issuance are moved from the ACWF to the Bond Redemption Fund (BRF).
- The BRF will pass these funds to the State Bond Committee (SBC) who will then issue the bonds and sell them to investors.
- Bond proceeds from investors will be deposited into the ACWF. The proceeds will fund additional loans for projects. The loan repayments will produce the bond principle and interest payments.
- The SBC and the Trustee will make bond principle and interest payments from the ACWF and the BRF.

LEVERAGING THE CLEAN WATER FUND

FEDERAL CAPITALIZATION GRANTS
STATE APPROPRIATIONS



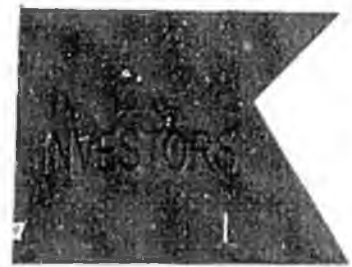
loans

repayments



1 bond issuance costs
2 annual bond payments

bond proceeds



1 issue bonds

2 annual bond payments





PRESTON GATES & ELLIS
ATTORNEYS

January 18, 1996

Ms. Michele Brown
Acting Commissioner
Department of Environmental Conservation
State of Alaska

The State Bond Committee
c/o Mr. Forrest Browne, Debt Manager
Treasury Division, Department of Revenue
State of Alaska

Re: Leveraging the Clean Water Act Revolving Fund Loan Program

Dear Ms. Brown and Members of the Committee:

We have been requested to evaluate the Alaska Clean Water Fund ("ACWF") revolving fund loan program for the purpose of making recommendations as to how the program can be structured to accommodate and provide for the sale of bonds ("Bonds"), the proceeds of which would be reinvested in the program. In so doing, we have been asked to consider the legal issues such a program may raise and to analyze the different options available for achieving such a program. We have also been requested to confirm that any format we propose complies with federal law requirements for the issuance of bonds the interest on which may be excluded from federal income tax. Concern has also been expressed that it comply with federal law relating to the federal Clean Water Act.

Finally, we were asked to assist in drafting necessary implementing legislation. Such legislation has been prepared through the efforts of the Department of Law, the Department of Environmental Conservation, the staff of the State Bond Committee, the financial advisor to the State Bond Committee and this firm. This legislation has been introduced in the Legislature as Senate Bill No. 207 and House Bill No. 401 (herein together, the "Bill").

In undertaking this task, we have reviewed the constitution and statutes of the State of Alaska relating to the ACWF (a state revolving fund or "SRF" under federal law) and have reviewed federal law relating to tax exemption of state and local governmental obligations and the Clean Water Act. We have reviewed relevant court decisions and opinions of the attorney general of the state, information relating to the operation of the revolving loan program and have met and

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Ms. Michele Brown
The State Bond Committee
January 18, 1996
Page 2

had discussions with staff members of the State Bond Committee, the Department of Environmental Conservation ("DEC") and the Department of Law.

We respond as follows:

SUMMARY OF CONCLUSIONS

We believe that the Bonds may be issued by the State Bond Committee as provided in the Bill, without violation of Article IX, Section 8, of the State Constitution requiring an election approving the issuance of bonds. We also believe that under the Bill the program can be structured to allow leveraging of the ACWF by the issuance of Bonds, with the commitment of funds necessary to such a structure without violation of Article IX, Section 7, of the State Constitution restricting the dedication of revenues of the state. Finally, under the Bill, such a financing program can be structured to allow the Bonds to be issued on a tax-exempt basis. These conclusions are, of course, dependent on the final language of the legislation adopted, and the ultimate terms and provisions of the financing plan as adopted by the State Bond Committee.

LEGAL ANALYSIS

Regardless of the administrative structure chosen to implement a program of leveraging the ACWF by the issuance of bonds, there are two fundamental legal issues which must be addressed. They are the questions of (1) whether or not a vote of the people is required for the issuance of such bonds and (2) whether or not the issuance of such bonds can be structured in such a way as to comply with the constitutional prohibition against dedication or earmarking of revenues of the State.

One important point should be made before discussing the legal issues. In order for a bond counsel to be able to give an opinion approving an issue of bonds, he or she must be able to say that no reasonable argument can be made against the validity of such bonds. This is a strict standard and is sometimes difficult to meet even if one thinks that a court would be likely to uphold validity on a particular issue. The following discussion is the result of our effort to evaluate each issue in the light of the "no reasonable argument" standard.

Issuing State Bonds Without an Election

Article IX, Section 8, of the State Constitution provides as follows:

"No state debt shall be contracted unless authorized by law for capital improvements . . . and ratified by a majority of the qualified voters of the State who vote on the question."

Section 11 of Article IX provides:

"The restrictions on contracting debt do not apply to debt incurred through the issuance of revenue bonds by a public enterprise or public corporation . . . when the only security is the revenues of the enterprise or corporation."

Thus, Article IX, Section 8, requires that State bonds be issued only for capital purposes and only with an approving vote of the electorate. These restrictions are removed with respect to the issuance of revenue bonds issued by "a public enterprise or public corporation of the State . . . when the only security is the revenues of the enterprise or corporation." Although the Bill proceeds would not be used for capital facilities belonging to the state and no election is contemplated, these restrictions do not apply if one of the above exceptions can be invoked.

One approach would be to create or use a separate public corporation for the purpose of leveraging the revolving fund program. The Bonds can also be issued directly by the State, as contemplated by the Bill, through the State Bond Committee which now administers the issuance of other State debt, if to do so constitutes "the issuance of revenue bonds by a public enterprise . . . of the State . . . , when the only security is the revenues of the enterprise" There is little law on the subject of whether or not such a loan program can constitute a "public enterprise" for purposes of meeting the revenue bond exception to public vote requirements. Many cases recognize the validity of issuing such bonds for a public improvement, such as a utility system or an airport which generates revenue sufficient to secure the bonds. There is authority that the issuance of bonds primarily for reinvestment to make a profit (arbitrage bonds) is not a valid public purpose. See State v City of Orlando, 576 So. 2d 1315, 1317 (Fla. 1991). Such arbitrage schemes are, however, quite different from the program contemplated here--the loaning of money to municipalities for clean water related public improvements. Under present federal law and DEC practice, such loans cannot bear interest at a rate greater than the Bonds so it is unlikely a profit could be made. We believe that the leveraging of the revolving fund program through the issuance of Bonds should be considered by the courts to be a public enterprise. While there seems to have been little litigation on this point, the existence of other similar State revolving fund programs financed in part by the issuance of revenue bonds, as well as the existence of a number of general purpose bond banks and industrial development authorities in Alaska and nationally, gives credence to the "public enterprise" characterization of such a program as being within the custom and practice nationally in municipal finance.

The proceedings of the Alaska Constitutional Convention further support the characterization of the Bonds as the revenue bonds of a public enterprise of the State. The minutes of the convention record the following exchange:

"HELLENTHAL: . . . In Section 11 where the Committee deals with the non-applicability of the restrictions on debt, in the case of revenue bonds issued by public corporations of the state, first; public enterprises of the state, second; and

thirdly, any political subdivision. Does the committee mean by that language that any political subdivision can issue revenue bonds either through a public corporation or through a public enterprise, or directly, like the City of Anchorage did with its Eklutna project; and in the event that they choose to issue them directly without employing the device of the public corporation, with those bonds being exempt from the restrictions applicable to debt?

NERLAND: That was the intention of the Committee, Mr. Hellenthal."

This language makes clear the intent of the drafters that bonds to fund a public enterprise may be issued directly by the State without employing the device of a public corporation.

Case law defines "enterprise" broadly. "Enterprise" is not restricted to a scheme for making money but includes any object that is consistent with the interests of society and may engage the attention of men and invite their cooperation." under the holding in Maxwell vs Akin, 89 F. 178, 180 C.C.C.D. Ore. 1898. Case law interpreting "enterprise." as it appears in federal statutes, does so very broadly. See Marshall v. McAlester Corp., 438 F. Supp. 1005, 1012 (E.D. Okla. 1977) ("enterprise" under the Fair Labor Standards Act).

Based on the foregoing, it appears that characterizing the revolving loan program as a public enterprise of the State should successfully bring into play the exceptions of Article IX, Section 11. Care should still be taken however in actually implementing the legislation to avoid the implication that the Bonds are, in any way, secured by the general funds or revenue of the State. To this end, it may be necessary to segregate in separate accounts the money paid into the fund out of general State funds and other ACWF moneys such as grants or loan repayments, to make clear that only federal grants, loan repayments and earnings thereon secure the Bonds, to create reserves that secure the Bonds only out of "revenues of the enterprise" and to make whatever other provisions are necessary to clarify the applicability of the revenue bond concept.

Dedicated Funds

In order to structure, in conjunction with the ACWF, a revenue bond financing vehicle, it is necessary to provide for, or authorize the issuing agency to provide for, the pledging or dedication of the revenue stream and other moneys which are to secure and pay the Bonds. The Bill does this. This is usually not a problem for a state or municipality. However, Alaska is subject to the requirements of Article IX, Section 7, of the State Constitution which provides:

"The proceeds of any state tax or license shall not be dedicated to any special purpose, except . . . when required by the federal government for state participation in federal programs."

The following questions are raised: May the State dedicate loan repayments (principal and interest) under the ACWF revolving fund program to be deposited in the ACWF? May the State pledge to the payment and security of the Bonds the loan repayments (principal and interest), federal grants received, State matching money and interest earned on ACWF money? May reserve funds or accounts be created out of funds other than revenue of the revolving fund loan program and pledged to secure and pay Bonds?

Dedications Required By Federal Law

In order to continue to qualify for participation in the federal funding program established by the Clean Water Act, implementing state legislation must be consistent with the Clean Water Act and relevant federal regulations. The proceeds of state bonds secured by the state revolving fund (the ACWF) are required to be paid into such fund. (33 U.S.C.A. Section 1383 (d)(4)) Repayment of loans out of a SRF must also be paid into the fund. (33 U.S.C.A. Section 1383(d)(1)(D)) Federal capitalization grants and state matching moneys are also required to be paid into the SRF. (33 U.S.C.A. Section 1382 (b) (1), (2)) Although there does not appear to be federal legislation specifically mandating the retention of interest earnings in the SRF, the regulations state that "SRF balances must be available in perpetuity and must be used solely to provide loans and other authorized forms of financial assistance" to assist communities in maintaining water quality. 40 CFR Section 35.3115 (1994) The Initial Guidance for State Revolving Funds contains similar language referring to "All funds within the SRF," as does 33 U.S.C.A. Section 1383 (c).

Thus it appears that federal legislation mandates that all of the major sources of money in the ACWF be deposited in that Fund and that moneys in the Fund may not be withdrawn except to be applied to provide financial assistance to local governments or state agencies for the purposes specified in the Act. One of the methods of giving financial assistance is to use such moneys to pay and secure bonds issued to provide funds for the same purposes. While federal law does not mandate that moneys in the SRF be used only for so securing bonds, as opposed to other authorized means of assisting communities, the discretion that Article IX, Section 7, intended to permanently vest in the legislature with respect to state revenues is almost totally eclipsed by these requirements of federal law which are "required . . . for state participation in" this federal program. Also, the case of State v. Alex, 646 P.2d 203, 209 (Alaska 1982) indicates that once moneys are in a given fund, Art. IX, Section 7, does not preclude their dedication to secure revenue bonds to which they relate. Thus, we believe that, as authorized by the Bill, the dedication of revenue sources in the Alaska Clean Water Act to the ACWF and the proposed dedication of money in the ACWF (other than state matching money or, possibly, the portion of loan repayments representing the loan of state matching money) to pay and secure bonds meet the requirements of Article IX, Section 7.

Tax Analysis

Under the Bill, a program may be structured in which tax-exempt bonds are issued by the State to acquire tax-exempt obligations of local governmental units. The debt obligations issued by the local governmental units must be tax-exempt governmental obligations and may not be tax-exempt private activity bonds. Care must be taken to ensure that the underlying projects do not have private business users in excess of that permitted by the Internal Revenue Code (the "Code") and that any private business management contracts for the facility meet the IRS guidelines in effect at the time the State bonds are issued.

The Code generally treats bonds as taxable "arbitrage bonds" if the bond proceeds are used to acquire "investment property" that has a yield that is materially higher than the bond yield. The term "investment property" includes securities (such as the obligations issued by local governmental units) but excludes from this treatment tax-exempt obligations that are not private activity bonds. Also, it is unlikely that any of the local obligations acquired would bear interest at a higher rate than the Bonds.

It is important that there be more projects to be financed than the non-bond resources available from the State and the federal government. Internal Revenue Service regulations generally prohibit the State from issuing more bonds, issuing bonds earlier, or allowing them to remain outstanding longer than is otherwise reasonably necessary to accomplish the governmental purposes for which the bonds are issued. A review of the DEC projection in this regard indicates that this issue should not pose a problem. The State's goal in the program is to leverage additional borrowed money into more project financing. It is important to demonstrate that additional projects may be financed (and financed sooner) than could be financed if the State were just to use the state and federal resources available to demonstrate that the State is not issuing more bonds than are necessary or issuing them earlier than necessary.

Programs such as this usually require that debt service reserves be established to secure the bonds. If money derived from the State funds or from the federal government are pledged to secure the State bonds, that money will be subject to the Code rules relating to bonds and may be subject to the arbitrage rebate requirements if invested in excess of the bond yield.

The bond proceeds generally may be invested at yields in excess of the bond yield for a period of three years by the local governmental units. While the bond proceeds are held by the State and before they are used to acquire the local governmental unit obligations, the IRS regulations allow for a six-month investment period for State bond proceeds. This six-month temporary period is subtracted from the three-year period available to the local governmental units. In addition, there is a three-month temporary investment period for repayments that are expected to be recycled into purchase of new local obligations.

Ms. Michele Brown
The State Bond Committee
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Page 7

The Code also contains specific requirements for "pooled financing bonds." In general, the State must reasonably expect that as of the close of the three-year temporary investment period, at least 95% of the net bond proceeds will have been used to acquire the local governmental unit obligations. In addition, the payment of legal and underwriting costs associated with the issuance of the bonds may not be contingent and at least 95% of such costs must be paid not later than 180 days after the State bond issuance.

We hope that the forgoing is of assistance. Please call with any questions or comments.

Very truly yours,

PRESTON GATES & ELLIS

By


Forrest W. Walls

FWW:wp

cc: Ms Marie Sansone
Mr. Butch White
Mr. Chester Johnson
Mr. Mike Burns
Mr. Lee Sharp
Mr. Bill Mantle
Ms. Cynthia Weed

FWW09F.DOC

Government Finance Associates, Inc.

71 Broadway, Suite 1301
New York, New York, 10006
(212) 809-5700
FAX (212) 809-6317

January 19, 1996

TO: MIKE BURNS
BUTCH WHITE
MARIE SANSONE
FORREST BROWNE

FROM: GOVERNMENT FINANCE ASSOCIATES, INC.

SUBJECT: ELIMINATION OF STATE INTERCEPT; EFFECT ON
ALASKA'S PROPOSED SRF FINANCING PROGRAM

We have been asked to evaluate the impact of removing the state intercept from the proposed SRF leveraging and bonding structure. In this connection, it is necessary to review the effects on both the underlying credit features and the projected financing costs for the program. In order to appropriately respond to this subject, background material should be presented, as follows.

DESIRED RATING: Generally speaking, as a result primarily of (i) the large cash infusions from the Federal and state governments, (ii) provisions of the local loan repayment arrangements, and (iii) the state creation and oversight, SRF's have been highly rated. For example, as indicated in the attachment, of the 25 active leveraged state SRFs, sixteen are rated double-A or better, without taking into account bond insurance. The other nine are rated single-A, or they are assigned insured ratings. Because of the high credit standing of these structures, only a few have chosen to be insured, since any rating in the double-A or higher categories makes bond insurance unnecessary. In most cases, insured bonds trade no better than a weak double-A. Additionally, double-A ratings, on an uninsured basis, give a borrower substantially greater flexibility, as a result of the lower cost of capital that the rating affords and the reduced number of restrictions that apply to uninsured debt. Taking these factors into consideration, combined with the inherent strengths of the Alaska SRF, we recommend that the State establish a goal of achieving no less than an uninsured rating of double-A.

USE OF STATE INTERCEPT: As shown in the attachment, of the sixteen active leveraged SRFs rated double-A or better, half of them use the state intercept of local aid to provide underlying security. The state intercept mechanism has been employed for numerous purposes over the years. In the 1970's, for example, states that created bond banks to reduce the cost of capital for localities often applied the state intercept to help secure the bonds that were sold by the respective state bond banks. As a policy matter, the rating agencies have concerns about the pooling of local credits, with disparate credit

Government Finance Associates, Inc.

standing, in the absence of some generic, extra credit support. State intercepts have often been used to address these rating agency misgivings about local credit pools and to "homogenize" the various credits within the pools. On occasion, state "moral obligation" pledges have been invoked for this purpose, but Moody's, in particular, gives little weight to the concept after "moral obligation" agencies in New York State had very serious credit problems in the 1970's, including a default on certain notes by one "moral obligation" agency. The state intercept is a well-established and favorably accepted credit device.

DIFFERENCE IN COST OF CAPITAL BETWEEN "A" AND DOUBLE "A" SRFs:

In our opinion, if the State does not make special arrangements, as discussed further below, to compensate for the loss of the state intercept, it is highly likely that a rating of single-A will be given to the State's SRF, as opposed to the more desirable double-A. If this development occurs, then the Alaska SRF will experience a more costly interest expense on the bonds it sells in the credit markets. We estimate that the current difference in interest costs between a single-A and double-A credit, over twenty years, on \$10 million is equal to \$271,000 in gross dollars. Compounding this difference over several years of SRF issuances, for \$100 million, it would amount to \$2.8 million over twenty years.

It should be noted that we are currently experiencing low interest rates. In a higher interest rate environment, this difference between single-A and double-A credits could be (and has been) as great as 50 basis points. In that situation, the difference in capital costs between a single A and double A could aggregate as much as \$7.0 million over twenty years. One could argue that the difference could be reduced through bond insurance, which is correct, but it is relevant to emphasize the following in this respect. First, bond insurance is rather expensive, often as much as one-half of one percent of total debt service. Second, bond insurers frequently require programmatic restrictions that even the rating agencies do not mandate.

ALTERNATIVES TO STATE INTERCEPT: As discussed above and as more fully exhibited in the enclosures, there are options for Alaska in achieving a double-A rating for the leveraged SRF over and above the use of the state intercept. The alternatives tend to fall into three categories. First, as demonstrated by the Arkansas, Colorado, and Minnesota programs, a supplemental reserve could be created that further secures the cash flow through excess revenues and unreleased fund balance. Second, overcollateralization of financed loans could also be accomplished through lower ratios of SRF debt to the program's fund balance and other unreserved monies; Missouri, Pennsylvania and Texas have followed this course. Third, other programs, such as Arizona and Nevada, have applied high general obligation bond ratings to secure the SRF debt; Arizona apparently issues uninsured debt only for high rated localities, such as Phoenix, and Nevada SRF debt is further secured by the State's general obligation pledge. Based on our understanding of the desire for flexibility in the Alaska program, we do not think that the third option is realistic for the Alaska context.

CONCLUSION: The state intercept mechanism is a common feature for many, highly rated SRF structures. If the State wishes to eliminate the state intercept but still achieve a double-A rating, on an uninsured basis, for its leveraged SRF program, it will be necessary for operational adjustments to be made by the State. These adjustments could include, but would not necessarily be limited to, the establishment of supplemental reserve funds and significant overcollateralization of assets (lower debt to equity ratios). In effect, the Alaska program would be required to limit its flexibility in certain respects. The State will need to balance these additional restrictions and effect on the SRF's future programmatic flexibility against any perceived disadvantages of the use of a state intercept.

As a final comment, we would like to emphasize that in the absence of substantial reasons to the contrary, the use of the state intercept, as a result of its frequent use for other states that have received a double-A rating, will facilitate discussions with rating agencies and will be met with an historically favorable acceptance by the credit markets. These factors should result in a lower cost of capital for the Alaska SRF. We suggest that if Alaska desires to eliminate the state intercept, we should first discuss its elimination with the rating agencies to determine the replacement security feature that the agencies would possibly require in order for Alaska to achieve a double-A rating. Of course, if Alaska is satisfied with the single-A rating, then it becomes a matter of the additional cost of capital that would be incurred through the elimination of the state intercept.

STATE REVOLVING FUNDS

Issuer	RATINGS			State Intercept
	Moody's	S & P	Fitch	
Alabama Water Pollution Control Authority	NR	NR	NR	No
Wastewater Management Authority of Arizona	Aa	AA+	NR	No
Arkansas Development Finance Authority	NR	AA	NR	No
Colorado Water Resources and Power Development Authority	Aa	AA/AA+	NR	No
State of Connecticut	Aa	AA+	AA	Yes
Indiana Bond Bank	NR	A	NR	Yes
Iowa Finance Authority	NR	A	NR	No
Kansas Development Finance Authority	Aa1	AA+	NR	Yes
Kentucky Infrastructure Authority	A	A	NR	No
Maine Municipal Bond Bank	NR	A+	NR	No
Maryland Water Quality Financing Administration	Aa	AA	AA-	Yes
Massachusetts Water Pollution Abatement Trust	Aa1/Aa	AAA/AA-/A+	AA+/AA	Yes
Michigan Municipal Bond Authority	Aa	AA	NR	Yes
Minnesota Public Facilities Authority	Aa	AAA	NR	No
Missouri State Environmental Improvement And Resources Authority	Aa1/Aa	NR	NR	No
New Jersey Wastewater Treatment Trust	Aa	AA	NR	Yes
State of Nevada	Aa	AA	NR	No
New York State Environmental Facilities Corporation	Aaa/Aa	AAA/A/A-	AAA/AA	Yes
North Dakota Municipal Bond Bank	A1	NR	NR	No
Ohio Water Development Authority	A	A	NR	No
Pennsylvania Infrastructure Investment Authority	NR	AA	NR	No
Rhode Island Clean Water Finance Agency	NR	NR	NR	No
South Dakota Conservancy District	A	NR	NR	No
Texas Water Development Board	Aa	AAA	NR	No
State of Wisconsin	Aa	AA	AA+	Yes

STATES THAT HAVE NO STATE INTERCEPT

Alabama	No uninsured ratings.
Arizona	Uninsured ratings are only for Phoenix, whose double-A general obligation ratings flow to the ratings on Arizona's SRF bonds.
Arkansas	Double-A Standard and Poor's rating: without state intercept, State is required to use supplemental reserve fund, which is utilized if earnings fall below required coverage.
Colorado	Double-A from both Mood's Investors Service and Standard & Poor's; without state intercept, State is required to use supplemental reserve fund, which is utilized if earnings fall below required coverage.
Iowa	Rated only single-A by Standard & Poor's.
Kentucky	Rated only single-A by both Moody's Investors Service and Standard & Poor's.
Maine	Rated only "A+" by Standard & Poor's; enjoys state moral obligation.
Minnesota	Similar to both Arkansas and Colorado, Minnesota has a supplemental reserve, but the debt is also secured by moral obligation pledge.
Missouri	Reserve fund equals 70% of outstanding loans, as opposed to lower conventional reserve fund levels for most other programs.
Nevada	Backed by State's general obligation pledge.
North Dakota	Rated "A1" by Moody's Investors Service.
Ohio	Rated only single-A by both Moody's Investors Service and Standard & Poor's.
Pennsylvania	Double-A Standard & Poor's rating; overcollateralization with over one-half of the program funds coming from the State of Pennsylvania.
Rhode Island	No uninsured ratings.
South Dakota	Rated only single-A by Moody's Investors Service.
Texas	Substantial overcollateralization; expectation that debt service coverage on pool will rise to over 8.0 times during the life of the bonds.

January 23, 1996

SENATE BILL 207
HOUSE BILL 401

SECTIONAL ANALYSIS

Introduction

Senate Bill 207 (the bill) and its counterpart, House Bill 401, will authorize the state bond committee (committee), which consists of the commissioners of the Departments of Administration, Commerce and Economic Development, and Revenue, to issue and sell state revenue bonds to fund public wastewater treatment systems, solid waste management systems, nonpoint source water pollution projects, and estuary conservation management projects. The bill authorizes the Department of Environmental Conservation (DEC) to use the Alaska clean water fund (fund), a revolving loan fund, as security for the payment of the principal and interest on the bonds, provided the bond proceeds are deposited in the fund.

The Alaska clean water fund and the proposed bond program are designed to comply with requirements for participation in a federal matching grant program under the Clean Water Act and, therefore, do not present any problem under the dedicated funds prohibition of the State Constitution.

By using the Alaska clean water fund as security for the bonds, the state will be able to leverage or increase the amount of money in the fund that is available to municipalities and state agencies for water pollution control projects.

Section 1. Section 1 of the bill recognizes that the proposed bond program is an appropriate use of the public credit, and that it will serve a public purpose by allowing public water pollution control projects to be financed and constructed much sooner than would otherwise be possible. This statement of the policies and purposes underlying the bill will also reflect the legislature's

intent that the bonds to be issued are revenue bonds.

Section 2.

This section of the bill will create a new article, article 3A, in Title 37, the public finance title of the Alaska Statutes.

Sec. 37.15.560. BOND AUTHORIZATION - Authorizes the state bond committee to issue and sell revenue bonds to raise money to be deposited in the Alaska clean water fund. This section characterizes the Alaska clean water fund as a public enterprise of the state and the proposed bonds as revenue bonds. Under the Alaska Constitution, state-issued revenue bonds do not require voter approval. This section authorizes the committee to enter into agreements and perform those functions that are normally required to accomplish the task of issuing and selling bonds.

Sec. 37.15.565. BOND REDEMPTION FUND - A bond redemption fund is established. This is a standard financing technique for making it easier and more accountable to perform the many functions necessary in the bond issuance and sales process. Also, to provide accountability for any future principal and interest payments and any premium redemptions on the bonds. The state bond committee will be responsible for administering the bond redemption fund, and may invest the proceeds of the bond redemption fund according to the 'prudent investor' standards established in AS 37.10.070, providing the earnings on these investments are retained in the bond redemption fund.

Sec. 37.15.570. BOND TERMS - The state bond committee may issue, sell, or redeem the bonds so as to achieve the greatest advantage for the State. The committee can make decisions based upon the market conditions, and does not require approval of another agency to execute these decisions. The committee will decide the level of security required from the Alaska clean water fund and the portion of the fund that will provide this collateral security. The committee may appoint a trustee to perform all necessary functions. The committee must give due regard to the continued funding of projects under the

Alaska clean water fund, including applicable state and federal requirements. Any such decisions made by the committee and expressed in a bond resolution are conclusively deemed to comply with the requirements of the legislation pertaining to the bond program.

Sec. 37.15.573. BOND RESOLUTION - The committee must adopt a bond resolution to issue bonds. The resolution will contain those terms and conditions necessary to identify and define the bonds and the bond sales process.

Sec. 37.15.575. STATE AID INTERCEPT - This section defines the procedure for allowing the State to intercept or garnish other legitimate sources of State aid should a community default on a loan from this fund. This paragraph is included in the legislation to enhance investor confidence in the program, improve the bond rating, and ultimately, lower program costs.

Sec. 37.15.580. PLEDGE OF THE STATE - This provision recognizes that the state may not alter the terms and conditions of a bond resolution by subsequent executive or legislative action.

Sec. 37.15.583. ENFORCEMENT BY BONDOWNER - To resolve any disagreements between the bondowners and the committee, 10 percent or more of the bondowners of any series or issue can bring suit in state superior court in Juneau. The ten percent threshold was selected to discourage frivolous litigation.

Sec. 37.15.585. AMOUNTS REQUIRED FOR PAYMENTS - Each year the committee will inform the commissioners of the departments of Environmental Conservation and Revenue of the amounts needed in that year to pay for the bonds. The notice will be given at this time so that the departments will be able to incorporate these numbers into their financial planning for the next fiscal year.

Sec. 37.15.587. PURPOSES AND SUFFICIENCY OF REVENUE - Bond proceeds will be used to build projects that are eligible under the clean water fund program. The committee will not issue bonds unless there is enough security available in the fund to make it prudent to issue the bonds.

Sec. 37.15.590. REFUNDING - If it is in the best interests of the State, the committee may refund all or some of the bonds. The committee will follow the defined procedures to conduct the refunding process. The committee may appoint a trustee to conduct this process. The trustee may invest funds in short-term federal instruments until the refunding proceeds are needed.

Sec. 37.15.595. BONDS AS LEGAL INVESTMENTS - The bonds are legal investments and can be traded and sold between institutions and persons. The State may accept them as security for the State and Municipal debts.

Sec. 37.15.600. STATUTORY CONSTRUCTION - The statute is to be liberally construed to give effect to the public purpose of providing for the financing and construction of public water pollution control projects.

Sec. 37.15.605. REGULATIONS - The committee can adopt regulations to implement this program.

Sec. 37.15.605. Definitions - This sections contains the definitions applicable to the bond program.

Section 3 - 12. Sections 3 - 12 of the bill amend AS 46.03.032, the statute that establishes the Alaska clean water fund.

Section 3. AS 46.03.032(a) - The Alaska clean water fund statute is amended to allow the fund to receive money from the sale of bonds and this money may be placed in a special account of the fund.

Section 4. AS 46.03.032(b) - The provisions of the Alaska clean water fund statute are to be given liberal interpretation to further their purpose of providing financing for the construction of water pollution control projects. The DEC will administer the fund consistent with the state and federal requirements applicable to the fund and with the requirements of the bond legislation.

Section 5. AS 46.03.032(c) - This section makes a technical correction in the citation of the Clean Water Act, to follow the proper citation form and to refer to the Clean Water Act as amended.

Section 6. AS 46.03.032(d) - This section reorganizes the existing statute into a more understandable form. It also authorizes use of the fund to secure state-issued bonds, and authorizes use of the fund to pay the principal and interest on the bonds and the costs of issuing and administering the bonds. The proceeds of the bond sale must be deposited into the fund.

Section 7. AS 46.03.032(f) - This section also reorganizes the existing statute into a more logical format and allows DEC to spend money from the fund to administer the bond program.

Section 8. AS 46.03.032(g) - The existing statute is amended to allow a state agency to receive loans from the fund. Currently, only municipalities may do this. Nationwide it has been recognized that the state environmental agencies that normally run the clean water funds don't always have authority over all environmental situations. This is especially true for nonpoint source pollution problems that affect plant and animal populations that would normally be considered part of the jurisdiction of the Departments of Natural Resources or Fish and Game. Allowing DEC to make loans to other state agencies will provide a tool to enable these organizations to cooperatively address these interagency environmental problems. Also, the section is amended to make it clear that the potential borrowers will demonstrate their credit-worthiness prior to loan commitment.

Section 9. AS 46.03.032(j) - This section amends the existing statute to accommodate the references to the bond issuance program. Some technical changes are also made to reference AS 46.06.021, the solid waste statute that establishes project priorities, rather than repeat them in full in the Alaska clean water fund statute.

Section 10. AS 46.03.032(k) - In addition to the reports the department already prepares for the program, DEC will prepare reports necessary for the committee.

Section 11. AS 46.03.032(o) - The definitions section includes one technical change in the terminology used to refer to solid waste management projects and adds a new definition for the term "state agency."

Section 12. AS 46.03.032(p) - This new subsection provides that any inconsistencies between any regulations adopted by the state bond committee under Title 37 and those adopted by DEC under Title 46 involving the Alaska clean water fund program will be resolved in favor of the Title 37 regulations.

Section 13. Clarifies that the portion of this legislation that is entitled ENFORCEMENT BY BONDOWNER would affect a change in Civil Procedure 3 and require all actions to be filed in Superior Court in Juneau.

Section 14. Recognizes that in order for all actions to be filed in Superior Court in Juneau, the second part of the paragraph that is entitled ENFORCEMENT BY BONDOWNER must receive a two-thirds majority vote of each house; otherwise that portion will not take effect.

SB

229

03/18/96

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

LTN1150

13:29:01

PARTICIPANT LIST (ALL PARTICIPANTS)

BY:FBX

TCN:60565

SCHEDULED FOR:03/18/96 13:30 TO 15:00

FOR:FBX

PUBLIC HEARING

SENATE COMMUNITY & REGIONAL AFFAIRS

LOCATION:FAIRBANKS

SB 229

MR.

DAVID

DEAN

PIC

TESTIFY

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 1/19/96

FURTHER: Labor & Commerce
 Finance

Date of 5-Day Notice: 2/1/96
 (in accordance with Uniform Rule 23)

DATE TURNED
 INTO OFFICE: _____

The Community & Regional Affairs Committee considered SB 229

Relating to state training and employment program.

and recommends:

- be replaced with CS SB 229 (CRA)
- adopt previous CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
 same title
 new title
- House Bill:**
 same title
 technical title
 new: SCR# _____

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

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

LABOR	2/2/96		0
CS Comm & Reg'l Affairs #1012			✓
CS Comm & Reg'l Affairs #1178			✓
CS Gov Office Human Res Involvement 2b/96		✓	

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

CS LABOR	12/12/95		✓

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

CS FOR SENATE BILL NO. 229(CRA)
 IN THE LEGISLATURE OF THE STATE OF ALASKA
 NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
 Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to employment contributions and to the state training and
 2 employment program; and providing for an effective date."

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

4 * Section 1. FINDINGS. The legislature finds that

5 (1) an inadequate number of jobs exist in this state to meet the needs of those
 6 seeking employment;

7 (2) many Alaskans are having difficulty finding jobs, especially in trying to
 8 meet the changing technology needs in this state;

9 (3) employer and employee contributions paid into the unemployment
 10 insurance system are used for payment of compensation to unemployed workers and allocation
 11 of a small portion of employment contributions paid by employees would provide money to
 12 develop a state training and employment program to meet the training needs of Alaskans;

13 (4) a state training and employment program would

14 (A) help prevent future claims against unemployment benefits;

1 (B) foster new jobs by encouraging businesses to locate in the state due
2 to availability of a skilled labor force and by minimizing employers' unemployment
3 costs; and

4 (C) increase training opportunities to those workers severely affected
5 by the fluctuations in the state economy or technological changes in the workplace in
6 the state;

7 (5) it would be beneficial to the state for state training and employment
8 programs funded by the state training and employment program to supplement, but not to
9 displace, programs funded by money available to a training entity for public or private
10 training, and not to replace, parallel, compete with, or duplicate existing federally approved,
11 jointly administered apprenticeship and training programs;

12 (6) it would be beneficial to the state to make the state training and
13 employment program a permanent state program to benefit Alaska workers, businesses, and
14 industry.

15 * Sec. 2. AS 23.15 is amended by adding new sections to read:

16 ARTICLE 4A. STATE TRAINING AND EMPLOYMENT PROGRAM.

17 Sec. 23.15.620. STATE TRAINING AND EMPLOYMENT PROGRAM.

18 There is created in the department a program to finance and award grants to
19 employment assistance and training entities. Employment assistance and training
20 entities shall give appropriate state agencies full access to accounting records
21 concerning grants received to assure compliance with program standards.

22 Sec. 23.15.625. EMPLOYMENT ASSISTANCE AND TRAINING
23 PROGRAM ACCOUNT. The employment assistance and training program account
24 is established in the general fund. The commissioner of administration shall separately
25 account for money collected under AS 23.15.630 that the department deposits in the
26 general fund. The annual estimated balance in the account may be appropriated by the
27 legislature to the department to implement AS 23.15.620 - 23.15.660. The legislature
28 may appropriate the lapsing balance of the account to the unemployment compensation
29 fund established in AS 23.20.130.

30 Sec. 23.15.630. SPECIAL EMPLOYEE UNEMPLOYMENT CREDIT AND
31 CONTRIBUTIONS FOR PROGRAM. (a) In the manner provided in AS 23.20, the

1 department shall collect from each employee an amount equal to one-tenth of one
2 percent of the wages, as set out in AS 23.20.175, on which the employee is required
3 to make contributions under AS 23.20.290(d). The department shall remit to the
4 Department of Revenue, in accordance with AS 37.10.050, money collected under this
5 subsection.

6 (b) Notwithstanding AS 23.20.290(d), the department shall credit each
7 employee with an amount equal to the amount collected from the employee under (a)
8 of this section against unemployment contributions owed by the employee under
9 AS 23.20.

10 (c) The department shall assess and collect, under AS 23.20.185 - 23.20.275,
11 interest and penalties for delinquent reports and payments due under this section.
12 Interest and penalties collected shall be handled in accordance with AS 23.20.130(d).

13 Sec. 23.15.635. PEOPLE TO BE SERVED. Within the limits of its grant, an
14 employment assistance and training entity receiving a grant under AS 23.15.651 shall
15 provide services set out in AS 23.15.640 to state residents who, immediately before
16 beginning training or receiving benefits under a grant financed by this program,

17 (1) are unemployed and

18 (A) are receiving unemployment insurance benefits; or

19 (B) have exhausted the right to unemployment insurance
20 benefits within the past three years;

21 (2) are employed, but liable to be displaced within the next six months
22 because of

23 (A) reductions in overall employment within a business;

24 (B) elimination of the worker's current job; or

25 (C) a change in conditions of employment requiring that, to
26 remain employed, the employee must learn substantially different skills that the
27 employee does not now possess; or

28 (3) have worked in a position covered by AS 23.20 at any time during
29 the last three years, and are not currently eligible for unemployment insurance benefits
30 because

31 (A) their employment has been seasonal, temporary, part-time,

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or marginal;

(B) their qualifying wages are insufficient because of limited job opportunity; or

(C) they are employed but, because they are underemployed, they are in need of employment assistance and training to obtain full employment.

Sec. 23.15.640. SERVICES FOR ELIGIBLE PEOPLE. Subject to the limits of its grant, an entity receiving a grant under AS 23.15.651 shall provide one or more program elements. The program elements include

- (1) industry-specific training;
- (2) on-the-job training;
- (3) institutional or classroom job-linked training;
- (4) support services, including allowances;
- (5) relocation assistance; or
- (6) provisions of necessary tools, work-related clothing, safety gear, or other necessities to obtain or retain employment.

Sec. 23.15.645. DUTIES AND POWERS OF THE DEPARTMENT. (a) The department shall award a grant to the council to

- (1) administer a state training and employment program; and
- (2) award grants to qualified entities.

(b) When a grant is awarded to the council, the department shall annually provide to the council a priority list of targeted projects or services, based on unemployment statistics, unemployment insurance claims, occupational and industrial projections, availability of other training and employment programs, and other relevant data. The department shall also provide annually to the council a priority list of criteria for eligibility to maximize services to those people most in need of training under AS 23.15.620 - 23.15.660. In developing the priority list for targeted projects and services, the department shall solicit comments from the Department of Community and Regional Affairs, Department of Education, Department of Commerce and Economic Development, University of Alaska, organized labor, the council, and the administrative entities of the substate service delivery areas established for the

1 council. The department shall give preference to projects and services that train
2 individuals in industries identified in the resident hire report required under
3 AS 36.10.130 as employing a disproportionate percentage of nonresident individuals.

4 (c) The department may adopt regulations necessary to implement this chapter.

5 (d) The council shall establish grant administration requirements including
6 accounting procedures that apply to qualified entities and their grantees.

7 (e) In making a grant under this section, the council shall require that the
8 qualified entity and grantees of the qualified entity limit the amount of the grant
9 proceeds spent on administration so that the total spent on administration from the
10 proceeds of the employment assistance and training program account, including
11 amounts spent by the council itself, does not exceed 20 percent. The amount collected
12 and remitted in accordance with the shared cost requirements of the federal Office of
13 Management and Budget Circular A-87 entitled "Cost Principles for State and Local
14 Governments" is not considered an amount spent on administration under this
15 subsection.

16 Sec. 23.15.651. DUTIES OF ALASKA HUMAN RESOURCE INVESTMENT
17 COUNCIL; GRANTS; ELIGIBLE ENTITIES. (a) In implementing this program
18 under a grant received under AS 23.15.645, and subject to the limit of its grant the
19 council shall award grants, in accordance with the priority list established by the
20 department under AS 23.15.645(b) to employment assistance and training entities. A
21 training entity is eligible for a grant under this section if the entity meets program
22 requirements and can demonstrate that

23 (1) its accounting systems include controls adequate to check the
24 accuracy and reliability of accounting data, promote operating efficiency, and assure
25 compliance with program requirements and generally accepted accounting principles;
26 and

27 (2) its activities do not replace or compete in any way with a federally
28 approved, jointly administered apprenticeship program or any other existing training
29 programs.

30 (b) The council may not award a grant if the grant would displace money
31 available through existing public or private training programs.

1 (c) To provide administration of the program, the council may use the
2 administrative entities of the substate service delivery areas.

3 (d) The council shall annually provide the department with financial and
4 performance reporting on the activities of the program and recommendations
5 concerning continuation of funding.

6 Sec. 23.15.660. DEFINITIONS. In AS 23.15.620 - 23.15.660,

7 (1) "council" means the Alaska Human Resource Investment Council
8 established in AS 44.19.620;

9 (2) "program" means the state training and employment program
10 established in AS 23.15.620 - 23.15.660; and

11 (3) "substate service delivery areas" means those areas designated by
12 the governor under 29 U.S.C. 1532.

13 * Sec. 3. AS 23.15.620, 23.15.625, 23.15.630, 23.15.635, 23.15.640, 23.15.645, 23.15.651,
14 and 23.15.660 are repealed June 30, 1998.

15 * Sec. 4. This Act takes effect July 1, 1996.

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR TORGERSON

TO: CSSB 229(CRA) version "C" dated 2/26/96

1 Page 1, line 1:

2 Delete "making"

3 Page 1, line 2:

4 Delete "a permanent state program"

5 Page 5, following line 25:

6 Insert a new bill section to read:

7 "** Sec. 3. AS 23.15.620, 23.15.625, 23.15.630, 23.15.635, 23.15.640, 23.15.645,
8 23.15.651, and 23.15.660 are repealed June 30, 1998."

9 Renumber the following bill section accordingly.

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR TORGERSON

TO: CSSB 229(CRA) version 'C' dated 2/26/96

1 Page 1, line 1:

2 Delete "making"

3 Page 1, line 2:

4 Delete "a permanent state program"

5 Page 4, following line 30:

6 Insert a new subsection to read:

7 "(d) In making a grant under this section, the council must require that the
8 qualified entity and grantees of the qualified entity limit the amount of the grant
9 proceeds spent on administration so that the total spent on administration from the
10 proceeds of the employment assistance and training program account, including
11 amounts spent by the council itself, does not exceed 20 percent."

*Insert highlighted
sentence from attached.*

Administrative expenses will be limited to twenty percent (20%) of the annual estimated balance in the employment assistance and training program account. [Administrative expenses exclude the amount collected in accordance with the shared cost requirements of the federal government's OMB Circular A-87 "Cost Principles for State and Local Governments."]

465-2029

Terry Cramer

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR TORGERSON

TO: CSSB 229(CRA) version "C" dated 2/26/96

1 Page 1, line 1:

2 Delete "making"

3 Page 1, line 2:

4 Delete "a permanent state program"

5 Page 4, following line 30:

6 Insert a new subsection to read:

7 "(d) The council shall establish grant administration requirements including
8 ~~uniform~~-accounting procedures that apply to qualified entities and their grantees."

9-GS2026\C ✓
Cramer
2/26/96

CS FOR SENATE BILL NO. 229(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to employment contributions and to making the state training
2 and employment program a permanent state program; and providing for an
3 effective date."

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

5 * Section 1. FINDINGS. The legislature finds that

6 (1) an inadequate number of jobs exist in this state to meet the needs of those
7 seeking employment;

8 (2) many Alaskans are having difficulty finding jobs, especially in trying to meet
9 the changing technology needs in this state;

10 (3) employer and employee contributions paid into the unemployment insurance
11 system are used for payment of compensation to unemployed workers and allocation of a small
12 portion of employment contributions paid by employers would provide money to develop a state
13 training and employment program to meet the training needs of Alaskans;

14 (4) a state training and employment program would

- 1 (A) help prevent future claims against unemployment benefits;
2 (B) foster new jobs by encouraging businesses to locate in the state due
3 to availability of a skilled labor force and by minimizing employers' unemployment
4 costs; and
5 (C) increase training opportunities to those workers severely affected by
6 the fluctuations in the state economy or technological changes in the workplace in the
7 state;

8 (5) it would be beneficial to the state for state training and employment programs
9 funded by the state training and employment program to supplement, but not to displace,
10 programs funded by money available to a training entity for public or private training, and not
11 to replace, parallel, compete with, or duplicate existing federally approved, jointly administered
12 apprenticeship and training programs;

13 (6) it would be beneficial to the state to make the state training and employment
14 program a permanent state program to benefit Alaska workers, businesses, and industry.

15 * Sec. 2. AS 23.15 is amended by adding new sections to read:

16 ARTICLE 4A. STATE TRAINING AND EMPLOYMENT PROGRAM.

17 Sec. 23.15.620. STATE TRAINING AND EMPLOYMENT PROGRAM. There
18 is created in the department a program to finance and award grants to employment
19 assistance and training entities. Employment assistance and training entities shall give
20 appropriate state agencies full access to accounting records concerning grants received
21 to assure compliance with program standards.

22 Sec. 23.15.625. EMPLOYMENT ASSISTANCE AND TRAINING PROGRAM
23 ACCOUNT. The employment assistance and training program account is established in
24 the general fund. The commissioner of administration shall separately account for money
25 collected under AS 23.15.630 that the department deposits in the general fund. The
26 annual estimated balance in the account may be appropriated by the legislature to the
27 department to implement AS 23.15.620 - 23.15.660. The legislature may appropriate the
28 lapsing balance of the account to the unemployment compensation fund established in
29 AS 23.20.130.

30 Sec. 23.15.630. SPECIAL EMPLOYEE UNEMPLOYMENT CREDIT AND
31 CONTRIBUTIONS FOR PROGRAM. (a) In the manner provided in AS 23.20, the
32 department shall collect from each employee an amount equal to one-tenth of one percent

1 of the wages, as set out in AS 23.20.175, on which the employee is required to make
2 contributions under AS 23.20.290(d). The department shall remit to the Department of
3 Revenue, in accordance with AS 37.10.050, money collected under this subsection.

4 (b) Notwithstanding AS 23.20.290(d), the department shall credit each employee
5 with an amount equal to the amount collected from the employee under (a) of this
6 section against unemployment contributions owed by the employee under AS 23.20.

7 (c) The department shall assess and collect, under AS 23.20.185 - 23.20.275,
8 interest and penalties for delinquent reports and payments due under this section. Interest
9 and penalties collected shall be handled in accordance with AS 23.20.130(d).

10 Sec. 23.15.635. PEOPLE TO BE SERVED. Within the limits of its grant, an
11 employment assistance and training entity receiving a grant under AS 23.15.651 shall
12 provide services set out in AS 23.15.640 to state residents who, immediately before
13 beginning training or receiving benefits under a grant financed by this program,

14 (1) are unemployed and

15 (A) are receiving unemployment insurance benefits; or

16 (B) have exhausted the right to unemployment insurance benefits

17 within the past three years;

18 (2) are employed, but liable to be displaced within the next six months

19 because of

20 (A) reductions in overall employment within a business;

21 (B) elimination of the worker's current job; or

22 (C) a change in conditions of employment requiring that, to
23 remain employed, the employee must learn substantially different skills that the
24 employee does not now possess; or

25 (3) have worked in a position covered by AS 23.20 at any time during
26 the last three years, and are not currently eligible for unemployment insurance benefits
27 because

28 (A) their employment has been seasonal, temporary, part-time, or
29 marginal;

30 (B) their qualifying wages are insufficient because of limited job
31 opportunity; or

32 (C) they are employed but, because they are underemployed, they

1 are in need of employment assistance and training to obtain full employment.

2 Sec. 23.15.640. SERVICES FOR ELIGIBLE PEOPLE. Subject to the limits of
3 its grant, an entity receiving a grant under AS 23.15.651 shall provide one or more
4 program elements. The program elements include

5 (1) industry-specific training;

6 (2) on-the-job training;

7 (3) institutional or classroom job-linked training;

8 (4) support services, including allowances;

9 (5) relocation assistance; or

10 (6) provisions of necessary tools, work-related clothing, safety gear, or
11 other necessities to obtain or retain employment.

12 Sec. 23.15.645. DUTIES AND POWERS OF THE DEPARTMENT. (a) The
13 department shall award a grant to the council to

14 (1) administer a state training and employment program; and

15 (2) award grants to qualified entities.

16 (b) When a grant is awarded to the council, the department shall annually
17 provide to the council a priority list of targeted projects or services, based on
18 unemployment statistics, unemployment insurance claims, occupational and industrial
19 projections, availability of other training and employment programs, and other relevant
20 data. The department shall also provide annually to the council a priority list of criteria
21 for eligibility to maximize services to those people most in need of training under
22 AS 23.15.620 - 23.15.660. In developing the priority list for targeted projects and
23 services, the department shall solicit comments from the Department of Community and
24 Regional Affairs, Department of Education, Department of Commerce and Economic
25 Development, University of Alaska, organized labor, the council, and the administrative
26 entities of the substate service delivery areas established for the council. The department
27 shall give preference to projects and services that train individuals in industries identified
28 in the resident hire report required under AS 36.10.130 as employing a disproportionate
29 percentage of nonresident individuals.

30 (c) The department may adopt regulations necessary to implement this chapter.

31 Sec. 23.15.651. DUTIES OF ALASKA HUMAN RESOURCE INVESTMENT
32 COUNCIL; GRANTS; ELIGIBLE ENTITIES. (a) In implementing this program under

1 a grant received under AS 23.15.645, and subject to the limit of its grant the council
2 shall award grants, in accordance with the priority list established by the department
3 under AS 23.15.645(b) to employment assistance and training entities. A training entity
4 is eligible for a grant under this section if the entity meets program requirements and can
5 demonstrate that

6 (1) its accounting systems include controls adequate to check the
7 accuracy and reliability of accounting data, promote operating efficiency, and assure
8 compliance with program requirements and generally accepted accounting principles; and

9 (2) its activities do not replace or compete in any way with a federally
10 approved, jointly administered apprenticeship program or any other existing training
11 programs.

12 (b) The council may not award a grant if the grant would displace money
13 available through existing public or private training programs.

14 (c) To provide administration of the program, the council may use the
15 administrative entities of the substate service delivery areas.

16 (d) The council shall annually provide the department with financial and
17 performance reporting on the activities of the program and recommendations concerning
18 continuation of funding.

19 Sec. 23.15.660. DEFINITIONS. In AS 23.15.620 - 23.15.660,

20 (1) "council" means the Alaska Human Resource Investment Council
21 established in AS 44.19.620;

22 (2) "program" means the state training and employment program
23 established in AS 23.15.620 - 23.15.660; and

24 (3) "substate service delivery areas" means those areas designated by the
25 governor under 29 U.S.C. 1532.

26 * Sec. 3. This Act takes effect July 1, 1996.

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR TORGERSON

TO: SB 229

1 Page 4, line 17:

2 Delete "may"

3 Insert "shall"

4 Page 4, line 20:

5 Delete "pilot project"

6 Page 4, line 21:

7 Delete "If"

8 Insert "When"

9 Page 5, lines 5 - 6:

10 Delete "a pilot project grant for a period of up to two years"

11 Insert "grants"

12 Page 5, line 7:

13 Delete "an"

14 Page 5, line 8:

15 Delete "training entity"

16 Insert "training entities. A training entity is eligible for a grant under this section"

17 Page 5, line 16:

18 Delete "pilot project"

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR TORGERSON

TO: SB 229

1 Page 5, line 1, after ".":

2 Insert "The department shall give preference to projects and services that train
3 individuals in industries identified in the resident hire report required under AS 36.10.130 as
4 employing a disproportionate percentage of nonresident individuals."

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR TORGERSON

TO: SB 229

- 1 Page 5, line 19:
- 2 Delete "established for the council"

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO: SB229

Revision Date: _____ Dept. Affected: Community & Regional Affairs
 Title: An act relating to employment contributions and the BRU: Employment/Training/Rural Dev.
state training program Component: Statewide Service Delivery
 Sponsor: Rules Committee
 Requestor: Governor COMPONENT SERIAL NO. 1012

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

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	11.0	11.0	11.0	11.0	11.0	11.0
CONTRACTUAL	87.0	87.0	87.0	87.0	87.0	87.0
SUPPLIES	2.0	2.0	2.0	2.0	2.0	2.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS	1,724.6	1,724.6	1,724.6	1,724.6	1,724.6	1,724.6
MISCELLANEOUS						
TOTAL OPERATING	1,824.6	1,824.6	1,824.6	1,824.6	1,824.6	1,824.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES () Revenue Code						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GE Match						
1004 GE						
1005 GE/Program Receipts						
1006 GE/MHTIA						
Other	1,824.6	1,824.6	1,824.6	1,824.6	1,824.6	1,824.6
TOTAL	1,824.6	1,824.6	1,824.6	1,824.6	1,824.6	1,824.6

Estimate of current year (FY 96) impact: \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This bill makes the state training and employment program permanent. The program is funded by a worker contribution on one-tenth of one percent of covered wages collected by the Department of Labor. This is done at no additional cost to the worker by giving credit of this amount for the employee contribution currently provided for in AS 23.20.290. Budget numbers for information only.

Prepared By: Remond Henderson, Director *Remond Henderson* Phone: 465-4708
 Division: Division of Administrative Services Date: 02/20/96
 Approved by Commissioner: Mike Irwin, Commissioner *Mike Irwin* Date: 02/20/96
 Agency: Community & Regional Affairs

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FISCAL NOTE

STATE OF ALASKA

BILL NO: SB229

1996 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Community & Regional Affairs
 Title: An act relating to employment contributions and the BRU: Employment/Training/Rural Dev.
state training program Component: Statewide Service Delivery
 Sponsor: Rules Committee
 Requestor: Governor COMPONENT SERIAL NO. 1178

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

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	63.6	63.6	63.6	63.6	63.6	63.6
TRAVEL	18.3	18.3	18.3	18.3	18.3	18.3
CONTRACTUAL	43.0	43.0	43.0	43.0	43.0	43.0
SUPPLIES	4.0	4.0	4.0	4.0	4.0	4.0
EQUIPMENT	1.5	1.5	1.5	1.5	1.5	1.5
LAND & STRUCTURES						
GRANTS, CLAIMS	1,378.6	1,378.6	1,378.6	1,378.6	1,378.6	1,378.6
MISCELLANEOUS						
TOTAL OPERATING	1,509.0	1,509.0	1,509.0	1,509.0	1,509.0	1,509.0

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

CHANGE IN REVENUES ()						
Revenue Code						

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other	1,509.0	1,509.0	1,509.0	1,509.0	1,509.0	1,509.0
TOTAL	1,509.0	1,509.0	1,509.0	1,509.0	1,509.0	1,509.0

Estimate of current year (FY 96) impact: \$ _____

POSITIONS:

FULL-TIME	1.0	1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)
 This bill makes the state training and employment program permanent. The program is funded by a worker contribution on one-tenth of one percent of covered wages collected by the Department of Labor. This is done at no additional cost to the worker by giving credit of this amount for the employee contribution currently provided for in AS 23.20.290. Budget numbers for information only.

Prepared By: Remond Henderson, Director *Remond Henderson* Phone: 465-4708
 Division: Division of Administrative Services Date: 02/20/96
 Approved by Commissioner: Mike Irwin, Commissioner *Mike Irwin* Date: 02/20/96
 Agency: Community & Regional Affairs

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SB 229

Revision Date: _____ Dept. Affected: Office of the Governor
 Title: "An Act relating to employment contributions and BRU: Commissions/Special Offices
to making the state training and employment program a permanent..." Component: Human Resource Investment
 Sponsor: Rules Committee Council
 Requester: Governor COMPONENT SERIAL NO. 2055

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 100	FY 01	FY 02
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 ()						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

No fiscal impact.

Prepared by: Mike Andrews, Exec. Director Phone: 269-7490
 Division: Human Resource Investment Council Date: 2/2/96
 Approved by Commissioner: Jim Ayers, Chief of Staff Date: 2/2/96
 Agency: Office of the Governor

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FISCAL NOTE

Revision Date: _____ Dept. Affected: Community & Regional Affairs
 Title: An Act relating to employment contributions BRU: Employment/Training/Rural Dev.
and the state training program Component Statewide Service Delivery
 Sponsor: Rules Committee
 Requestor: Governor COMPONENT SERIAL NO. 1178

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	-63.6	-63.6	-63.6	-63.6	-63.6	-63.6
TRAVEL	-18.3	-18.3	-18.3	-18.3	-18.3	-18.3
CONTRACTUAL	-43.0	-43.0	-43.0	-43.0	-43.0	-43.0
SUPPLIES	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0
EQUIPMENT	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
LAND & STRUCTURES						
GRANTS, CLAIMS	-1,328.2	-1,328.2	-1,328.2	-1,328.2	-1,328.2	-1,328.2
MISCELLANEOUS						
TOTAL OPERATING	-1,458.6	-1,458.6	-1,458.6	-1,458.6	-1,458.6	-1,458.6

CAPITAL EXPENDITURES						
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REVENUE FUND SOURCE:						
----------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other 1007 I/A	-1,458.6	-1,458.6	-1,458.6	-1,458.6	-1,458.6	-1,458.6
TOTAL	-1,458.6	-1,458.6	-1,458.6	-1,458.6	-1,458.6	-1,458.6

Estimate of current year (FY96) costs:

POSITIONS:						
FULL-TIME	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This bill makes the state training and employment program permanent. The program is funded by a worker contribution on one-tenth of one percent of covered wages collected by the Department of Labor. This is done at no additional cost to the worker by giving a credit of this amount for the employee contribution currently provided for in AS 23.20.290. Budget numbers for information only; this shows impact if legislation does not pass.

Prepared by: Remond Henderson, Director *Remond Henderson* Phone: 465-4708

Division: Division of Administrative Services Date: 01/04/96

Approved by Commissioner: *Mike Duran* Date: 01/04/96

Agency: Community & Regional Affairs

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FISCAL NOTE

Revision Date: _____ Dept. Affected: Community & Regional Affairs
 Title: An Act relating to employment contributions and the state training program BRU: Employment/Training/Rural Dev.
 Sponsor: Rules Committee Component: State Training & Employment Pgm.
 Requestor: Governor COMPONENT SERIAL NO. 1012

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	-11.0	-11.0	-11.0	-11.0	-11.0	-11.0
CONTRACTUAL	-87.1	-87.1	-87.1	-87.1	-87.1	-87.1
SUPPLIES	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	-2,065.1	-2,065.1	-2,065.1	-2,065.1	-2,065.1	-2,065.1
MISCELLANEOUS						
TOTAL OPERATING	-2,165.4	-2,165.4	-2,165.4	-2,165.4	-2,165.4	-2,165.4

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

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

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other 1007 I/A	-2,165.4	-2,165.4	-2,165.4	-2,165.4	-2,165.4	-2,165.4
TOTAL	-2,165.4	-2,165.4	-2,165.4	-2,165.4	-2,165.4	-2,165.4

Estimate of current year (FY96) costs: \$ 2,165.4

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

This bill makes the state training and employment program permanent. The program is funded by a worker contribution on one-tenth of one percent of covered wages collected by the Department of Labor. This is done at no additional cost to the worker by giving a credit of this amount for the employee contribution currently provided for in AS 23.20.290. Budget numbers for information only; this shows impact if legislation does not pass.

Prepared by: Remond Henderson, Director *Remond Henderson* Phone: 465-4708

Division: Division of Administrative Services Date: 01/04/96

Approved by Commissioner: *Mike Duran* Date: 01/04/96

Agency: Community & Regional Affairs

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FISCAL NOTE

Bill Vers. No. 3
SB 229
 (S) Publish Date: 1/19/96

STATE OF ALASKA
 1996 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Labor
 Title: "An Act relating to employment
contributions and the state training program..." BRU: Employment Security
 Sponsor: Rules Committee Component: State Training &
Employment Program
 Requestor: Governor COMPONENT SERIAL NO. 1184

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	3,946.2 *	3,946.2 *	3,946.2 *	3,946.2 *	3,946.2 *	3,946.2 *
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	3,946.2 *	3,946.2 *	3,946.2 *	3,946.2 *	3,946.2 *	3,946.2 *

CAPITAL						
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CHANGE IN REVENUE FUND SOURCE #						
------------------------------------	--	--	--	--	--	--

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
1054 St Empl & Tmg Prgm	3,946.2 *	3,946.2 *	3,946.2 *	3,946.2 *	3,946.2 *	3,946.2 *
TOTAL	3,946.2 *	3,946.2 *	3,946.2 *	3,946.2 *	3,946.2 *	3,946.2 *

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY96) impact: \$ None

ANALYSIS: (Attach a separate page if necessary)

This bill makes the State Training and Employment Program permanent. The program is funded by a worker contribution of one-tenth of one percent of covered wages collected by the Department of Labor. This is done at no additional cost to the worker by diverting a portion of the employee contribution currently provided for in AS 23.20.290.

- Per instruction from the Office of Management & Budget, to avoid disruption to other budgets which rely on this funding, existing expenditure authorization has not been deleted from the department's operating budget. The amounts shown above are for informational purposes only.

Prepared by: Rebecca Nance, Director Phone: 465-2712
 Division: Employment Security Division Date: 12/12/95
 Approved by Commissioner: Tom Cashen, Commissioner
 Agency: Department of Labor Date: 12/12/95

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STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

P.O. BOX 21149
JUNEAU, ALASKA 99802-1149
PHONE: (907) 465-2700
FAX: (907) 465-2784

rec'd 1/23/96: 11:45 AM

January 22, 1996

The Honorable John Torgerson
Alaska State Senate
State Capitol
Juneau, AK 99811

Dear Senator Torgerson:

I respectfully request that you calendar a hearing in the Community & Regional Affairs Committee which you chair, for Senate Bill No. 229, "An Act relating to employment contributions and to making the state training and employment program a permanent state program; and providing for an effective date."

If you should have any questions please don't hesitate to contact me.

Sincerely,



Tom Cashen
Commissioner

SECTION BY SECTION ANALYSIS
Senate Bill No. 229

Section 1 of the bill describes the labor market conditions which support a finding that a state training program is needed to provide a trained Alaskan work force. The goals of the program are to reduce claims for unemployment benefits, foster new jobs, and provide opportunities for economically displaced workers.

Section 2 of the bill amends AS 23 by adding a new chapter 23 to establish the temporary state employment and training program (STEP) as a permanent state program. This new eight-section chapter (AS 23.23.010-23.23.900) closely follows the original language in the 1989 temporary program legislation, with some technical changes. The new sections are as follows:

AS 23.23.010 creates the STEP program as a permanent program in the Department of Labor to finance and award grants to employment assistance and training entities. It also requires these entities to make accounting records available for inspection by appropriate state agencies.

AS 23.23.020 establishes an employment assistance and training account in the general fund and provides for separate accounting of the money. The Legislature may appropriate these funds to the department to implement the program and may appropriate lapsing funds back to the unemployment compensation trust fund.

AS 23.23.030 provides the funding mechanism for the program. It is funded entirely by a small employee contribution of one-tenth of one percent of wages subject to unemployment insurance contributions. The employee is given a credit against the unemployment tax equal to the STEP contribution, so this provision in effect diverts part of the employee unemployment insurance contribution to fund STEP. The STEP programs would thus be closely tied to unemployment insurance outlays that would otherwise occur.

AS 23.23.040 targets the primary population eligible for the program. The intended target group consists of Alaska residents who are current, past or future unemployment insurance claimants. The first targeted subgroup includes current unemployment insurance recipients and those who have exhausted benefits in the previous three years. The

second subgroup includes workers who are employed but likely to be displaced by job-elimination or other industrial changes. The third subgroup includes people who have worked in covered employment during the last three years but are not eligible for unemployment benefits because they are working in seasonal, marginal, temporary or part-time jobs, or are underemployed. This makes training available to a number of Alaskan workers currently not eligible for federal job training programs.

AS 23.23.050 defines the services that must be provided by a grantee under the program. Services include industry-specific training; on-the-job training; classroom training; support services; relocation assistance; and tools, work-related clothing and safety gear.

AS 23.23.060 defines the duties of the department in awarding grants to the Alaska Human Resource Investment Council. The council may use the grants to administer employment and training programs or to award pilot project grants to other qualified entities. The section also directs the department to annually provide to the council a priority list of targeted projects or services, if a grant is awarded to the council. In making the list, the department must solicit and consider comments from the Department of Community and Regional Affairs, Department of Education, Department of Commerce and Economic Development, University of Alaska, organized labor, the council, and the service delivery areas established for the council. Finally, this section gives the department authority to adopt regulations implementing the chapter.

AS 23.23.070 sets out the duties of the Alaska Human Resource Investment Council in awarding STEP grants to qualified employment assistance and training entities. It provides controls to insure the integrity of the training entities, and insures the program will not compete with or displace other training programs or training money.

AS 23.23.900 defines terms used in the chapter.

Section 3 of the bill provides an effective date of July 1, 1996, for the program.

Alaska's State Training and Employment Program (STEP)

A Brief Overview

Purpose: The Alaska State Training and Employment Program (STEP) was established to:

- Help reduce future claims against unemployment benefits
- Foster new jobs by encouraging businesses to locate in Alaska due to the availability of a skilled labor force and minimized unemployment costs
- Increase training opportunities to those workers severely affected by fluctuations in the state economy or technological changes in the workplace.

History:

- STEP was established in 1989 as a two-year pilot under Chapter 95, SLA 1989.
- The program was extended in 1991 as a two-year pilot under Chapter 17, SLA 1991. In 1993, STEP was reauthorized through June 30, 1996.
- As of June 30, 1994, nearly 4,700 participants have received STEP training.

Program Operation:

- Funding:* The program is funded by employee contributions to Unemployment Insurance (UI). One-tenth of one percent of each worker's wages subject to regular UI contributions is collected by the Alaska Department of Labor (DOL) and put into a special "Employment Assistance and Training Program Account." The money is then appropriated by the state legislature to fund STEP.
- Who needs training:* DOL establishes eligibility priorities as required by Chapter 95, SLA 1989 and targets projects and services based upon labor market information and input from the Alaska Department of Community and Regional Affairs, Education, and Commerce and Economic Development, as well as the University of Alaska, organized labor, Alaska Native organizations, the Alaska Job Training Council (AJTC), and the private industry councils (PICs).
- How the funds are allocated:* DOL may award a grant to the AJTC to implement the program. The AJTC, through the Job Training Partnership Office, allocates funds to the three Service Delivery Areas (SDAs) using a formula that reflects target population characteristics. An SDA may contract with training organizations in the communities it serves to deliver such services as classroom training, on-the-job training, etc. SDAs may also directly provide training and services to clients in their respective areas.
- How funds are matched with those who need training:* Contractors actively recruit clients for their projects and the SDAs market their programs through mailings, a referral network with partner social service agencies, and presentations to other organizations. Participants must meet one of eight employment-related criteria specified in the legislation (such as unemployed and receiving UI benefits, unemployed and exhausted UI benefits within the last three years, etc.).

BILL NO: SB 229

DATE: February 6, 1996

TITLE: State Training and Employment Program CONTACT: Dwight Perkins
465-2700

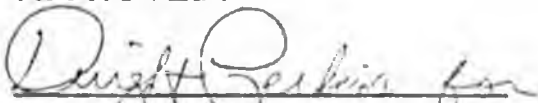
For the past six years, the State Training and Employment Program (STEP) has temporarily existed as a contingent training and employment program for Alaska's workers. The original 1989 legislation allowed the state to collect from each worker in Alaska one-tenth of one percent of their employee tax contribution to fund an alternative, flexible training program designed with a threefold purpose:

- 1) to reduce future claims against unemployment benefits;
- 2) to foster new jobs for Alaskans by encouraging businesses to locate in Alaska due to the availability of a skilled workforce; and
- 3) to increase training opportunities to Alaskans severely affected by economic and technological fluctuations.

Alaska's private sector employers, organized labor, and the now defunct Alaska Job Training Council are in accord that STEP is a proven and valid approach to advancing Alaskan residents opportunities for viable employment. In the six years since its inception as a temporary measure, STEP has demonstrated its efficacy. We know that STEP works for Alaskans.

The legislation before you will enable STEP to take its rightful place as an established, permanent program to keep Alaskans employment skills up to date and competitive in the rapidly changing world of work.

APPROVED:


Tom Cashen, Commissioner

DATE:

06 Feb 1996

**State Training and Employment Program
1995 Program Review
Executive Summary**

Prepared By
Paul Engelman
Jeff Hadland
Todd Mosher

Alaska Department of Labor,
Research and Analysis and
Alaska Employment Service
In Cooperation with The Alaska
Department of Community and Regional Affairs,
Job Training Partnership Office
and Service Delivery Areas

Program Overview

Between Program inception in the second half of 1989(Fiscal Year 90) and July of 1994 (Fiscal Year 94) the State Training and Employment Program spent \$9.79 million to provide training and services to 4,890 individuals at an average rate of \$2,002 per participant.

The program has provided support to a wide variety of workers. During the five year period, the average age of participants was 37. Sixty-three percent of the participants were men and 37% women. Nearly half of the participants (48%) had some post secondary education, 92% had a high school diploma or GED.

In fiscal year 1994 over 60% of all STEP participants were employed for at least one quarter of the year. These individuals earned in excess of \$68 million during this same period.

Part of the first year of the program (FY 90) was used to establish operational guidelines based on the authorizing legislation and develop the rules and contracts under which the administering agencies would operate. A result of this "set up" time was low enrollment for fiscal year 1990.

In the first years of the program the administering agencies (The Department of Community and Regional Affairs and the Service Delivery Areas) targeted several specific projects such as the Over the Horizon /Backscatter project in order to accomplish the legislative intent of the program. In more recent years, using information and suggestions from legislators, unions, employers, and educational and training institutions, the process has evolved into a program that uses a combination of subcontracting agencies and provider developed programs to employ, maintain, and retain program participants in the Alaska marketplace while keeping them off of Unemployment Insurance rolls.

In the annual assessment of the program, the Alaska labor market is analyzed to determine those areas in which the employers must "import" laborers to work in their businesses. These occupations are then "targeted" by training programs in order to minimize the number of jobs in the state that use nonresident hire. The three administering Service Delivery Areas (SDAs) contracted with over 100 individual subcontractors to provide services to the 4,890 applicants. The contractors and the SDAs provided training that ranged from construction related training (often tied to union certification) to computer education and seafood processing. Highlights from the first years of the program follow.

STEP Overall Funding and Expenditures

The Alaska State Training and Employment Program (STEP) was originally enacted by the Alaska Legislature in 1989 as a two year pilot program. The program was subsequently extended through 1995, retaining its pilot status. Overall funding and expenditures for the program are shown in Table 1. Data are shown for each fiscal year, however, the expenditure data for fiscal year 1994 may not be complete due to open vendor contracts.

Actual program revenues for the fiscal years 1990, 1991, 1992, 1993, and 1994 were \$2.18 million, \$3.09 million, \$3.20 million, \$3.17 million and \$3.47 million, respectively. The variation in the allocated amounts between years 1991 - 1994 reflects year-to-year changes in the UI Trust Fund collections. (i.e., UI Trust fund collections declined in 1993 compared to 1992). Some funds are allocated for program evaluation. The amounts shown in Table 1 reflect total STEP program expenditures.

Table 1			
Alaska State Training and Employment Program			
Funding Allocations and Expenditures			
Fiscal Year	Program Revenues (millions)	Total Expenditures* (millions)	Number of New Participants
1990	\$2.18	\$0.31	138
1991	3.09	1.82	1,256
1992	3.20	2.09	824
1993	3.17	2.66	1,239
1994	3.47	2.91	1,433

Source: Alaska Department of Labor, Research and Analysis and The Alaska Department of Community and Regional Affairs, JTPO.
 * The data for 1994 is preliminary and includes an assessment of \$250,445 to cover the cost of funding collection (A requirement stipulated by the US Department of Labor).

Expenditures increased at an average rate of slightly over 20% per year. The initial program year expenditures (FY 1990) were quite low due to a late start in the program caused by the development of programs, criteria, and the general logistic requirements of starting a new program. Much of the 20% annual increase is results from the low initial year expenditures.

Program Analysis

STEP funds have been distributed through three different agencies¹, the Fairbanks SDA, Anchorage/MatSu SDA, and the Alaska Statewide SDA. The Statewide SDA is made up of five regional offices: Juneau Statewide, Fairbanks Statewide, Nome Statewide, Bethel Statewide, and Anchorage Statewide. The analysis of the program is based on these project breakdowns. For the most part, the Statewide SDA is treated as a single entity in order to show multi-period data in a simpler format, however, its components are shown if relevant to the analysis.

The Alaska State Training and Employment Program (STEP) was enacted by the Alaska Legislature in 1989 to "reduce current and future claims against unemployment benefits, foster new jobs due to the availability of a skilled labor force, and increase training opportunities to the state's workers to protect against fluctuations in the economy and to prepare for technological changes in the workplace" (BACC 87.020). Overall, the program has been successful in meeting the goals established by the Alaska Legislature.

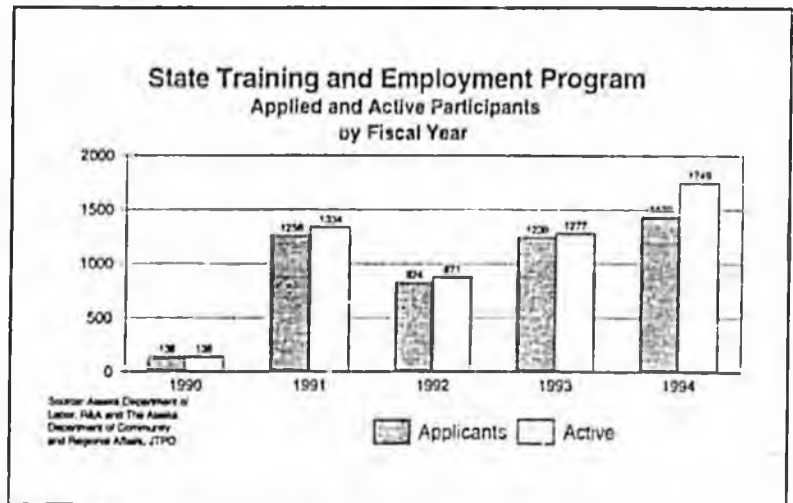


Figure 1

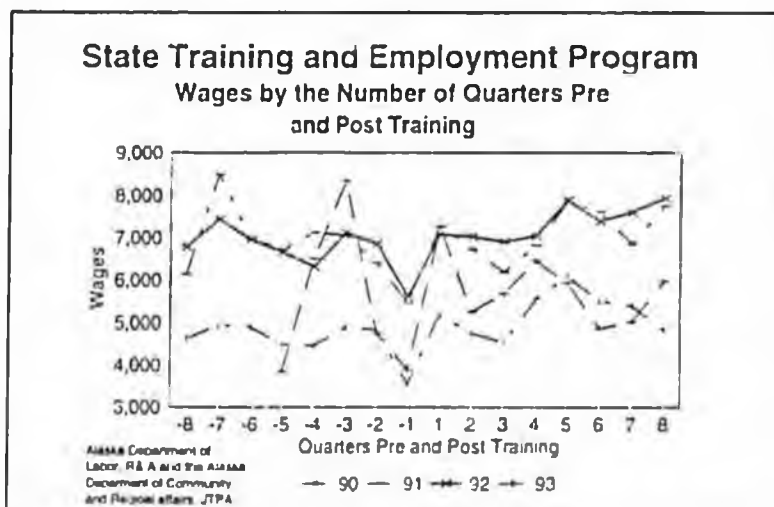


Figure 2

The number of participants who applied and were accepted into the STEP program together with the number of individuals active each fiscal year is shown in Figure 1. The number active exceeds or equals the number who applied because some of the those who applied in the previous fiscal year remained active the following year. In the four years of the program, 4,863 individuals participated in STEP activities. Because of implementation delays, only 138 participants received STEP services in the fiscal year 1990.

¹ A onetime grant was awarded to the Fairbanks Native Association in fiscal year 1993

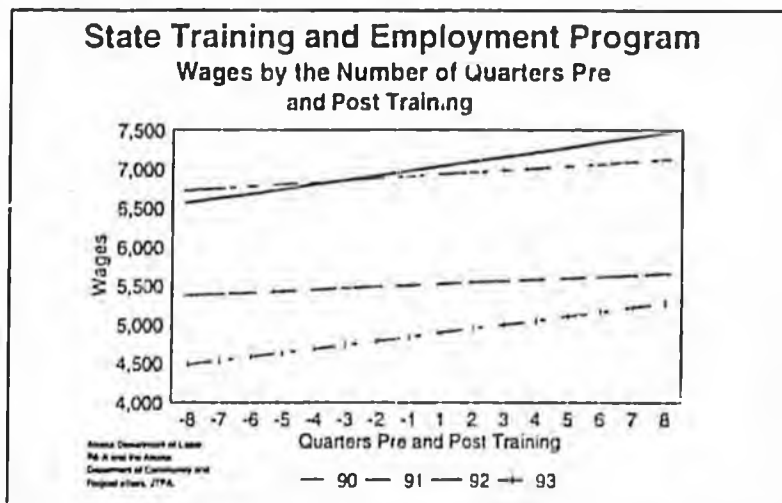


Figure 3

immediately prior to training and relatively high immediately after training. It is very difficult to identify the longer term effects from this graph because of the large number of fluctuations between quarters.

Figure 3 shows the average quarterly wage trend for participants using the pre and post training wages shown in figure 2. The trend lines indicate an average wage growth rates of about 3% per year. The trend implies that the wage levels improve as the time after training progresses.

Employment

The employment data is not as positive. While employment the first quarter after training is very strong (see figure 4), the level of employment drops thereafter. Figure 5 shows that the trend in employment is down after termination from the program. Several factors can explain part of the loss in employment. An analysis of the Permanent Fund Dividend file indicates that participants leave Alaska at the rate of 1 to 2 percent per year (some may return in later years

Wages

An analysis of the participants wage and employment information, pre and post training, yields mixed results. Wages are showing a definite improvement. Figure 2 shows the wages by the number of quarters before and after training for each of the fiscal years of the program. An examination of the quarters immediately before and after entry (-1, 1, respectively) into the program show that the average quarterly wage is very low

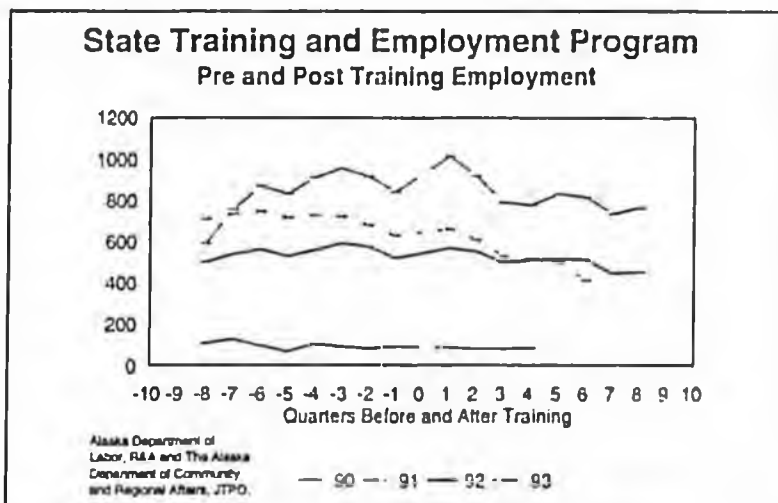


Figure 4

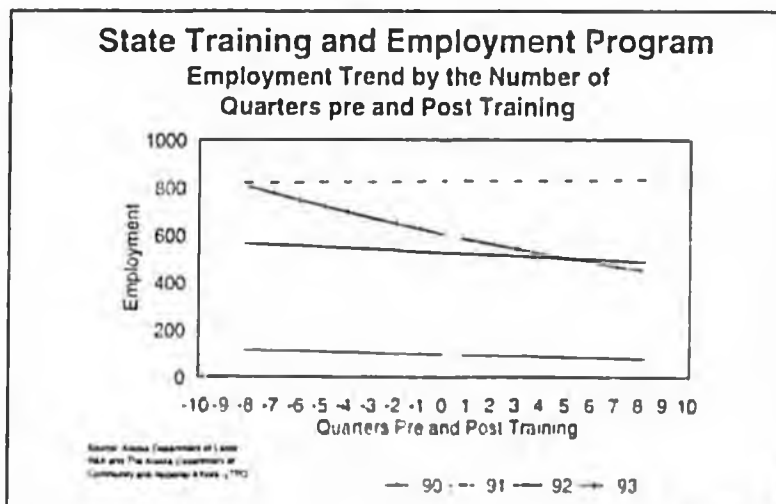


Figure 5

but the data does not show this trend to be significant). The out-migration means that the pool of participants available for employment in Alaska decreases as time progresses accounting for part of the decrease in employment.

In addition to the out-migration, an analysis of the Alaska Business License File indicates that a surprisingly high 8% of the participants were holders of Alaska business licenses in 1994. The majority of these licenses were in industries with traditionally low startup costs (50.4% were in service related industries, see figure 6). This implies that many of these licenses are associated with active businesses. Since these individuals are self employed, they would not show up in the wage file data and should be eliminated from the potential measurable wage and salary employment pool.



Figure 6

Due to the combined effects of out-migration and self-employment the wage and salary employment level could decline by as much as 10% in each year. Since the self employed and out-migrants are likely to be the most aggressive in searching for a new source of income by either leaving the state to search for a job or by starting their own business it is likely that the impact on employment will be proportionately large and play a significant role in the decrease in measurable Alaska wage and salary employment.

Further, it is not surprising that an individual would have difficulty getting re-employed after layoff, or experiencing some other form of economic dislocation.

New Hires

An analysis of the jobs being filled by the STEP participants indicates that in 1994 nearly 300 of the positions filled were in new businesses. This means that the program is providing trained personnel for new business in the state. A more detailed analysis of the second quarter 1994 wage and salary workers indicates that for the total Alaska "new hires," 8.5% were hired by start-up or new firms. For STEP participants that were "new hires," 12.2% were hired by start-up firms. Termination data for STEP participants indicates that 590 participants, or over 12% of all terminations from the program are to accept a job that did not exist previously. This would tend to confirm that STEP participants are filling the intended role of providing trained personnel to new firms in the state.

Occupations

Table 2 shows training occupations, the number of applicants working in Alaska after training and the percent working in jobs related to employment. Participants are trained in occupations ranging from crafts to technical and service occupations. In total, of the number with identifiable training occupational codes, 60% are working in occupations for which they were trained.

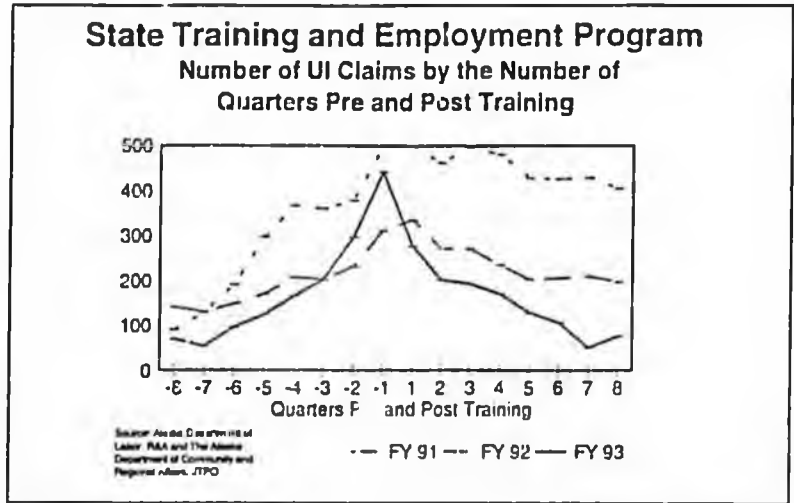


Figure 7

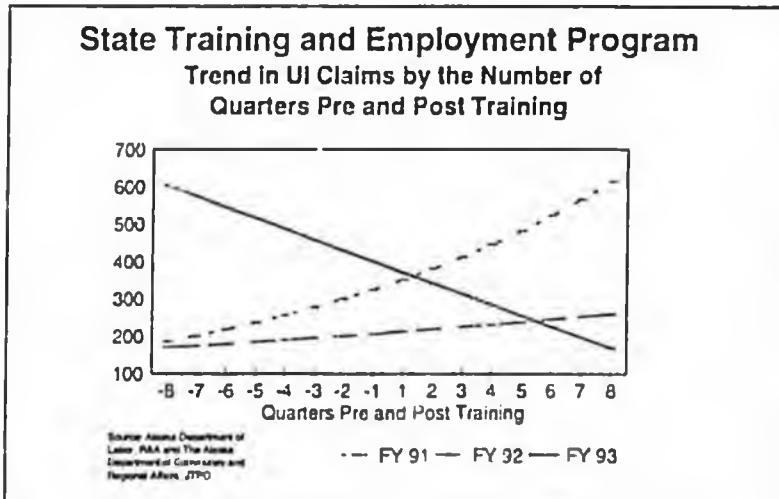


Figure 8

overall trends shown in figure 8 demonstrate that while the number of claims per quarter following training is up, that in 1992 the trend is nearly flat and in 1993 the trend is down. The program appears to be improving in each successive year as the program is refined to better meet legislative mandates. This change parallels the trend in statewide unemployment in that unemployment increased in 1991 and 1992 but decreased in 1993.

Unemployment Insurance

For 1991 STEP participants, claims increased for each quarter before training and remained "relatively" level for the quarters following training (see figure 7). For 1992 participants, the number of claims increased before training and decreased or held steady in post training quarters. For 1993 participants the number of claims increased in each quarter before training and decreased in each quarter subsequent to training. The

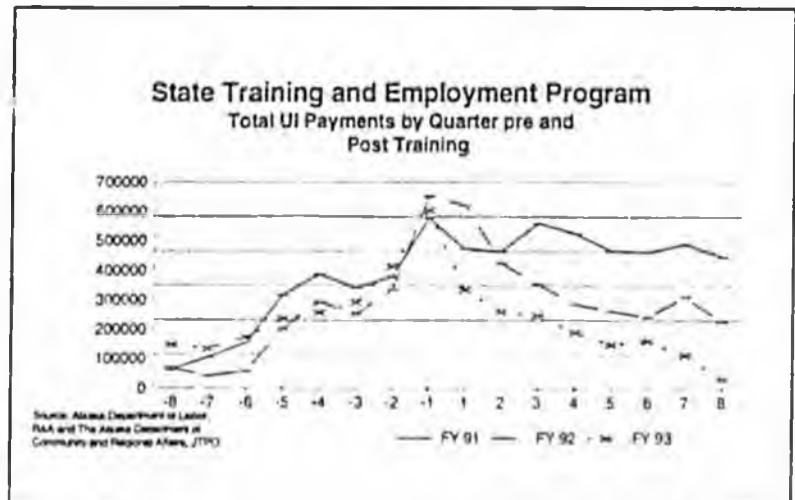


Figure 9

More importantly the pre and post training total UI payments to participants are improving dramatically as can be seen in figure 9. The level of pre training total Unemployment Insurance payments start out very close in each of the program years (between \$80,000 and \$120,000 per quarter). In each program year the maximum paid is between \$600,000 and \$700,000 per quarter. However, in 1991 the level remains at nearly \$500,000, in 1992 it decreases to around \$200,000 and in 1993 total Unemployment Insurance payments decrease to less than \$50,000 per quarter after 8 quarters. Clearly, in 1993 the program has successfully reduced the amount of Unemployment Insurance payments paid over what would otherwise be expected.

Table 2			
State Training and Employment Program			
Applicants by Training-Related Employment			
Largest occupational Categories			
FY 91 Through FY 94			
		Working in Alaska	
			Pct. with
			Training
	Total		Related
Occupational Title	Trainees	Total	Employment
Computer Operator	355	253	50.0%
Manual Occ., NEC	256	219	76.0%
Construction Trades NEC	215	188	61.0%
Painter (Constr. & Maint.)	162	145	76.0%
Welfare Svc. Aide	131	98	68.0%
Hand Packer/Packager	125	101	46.0%
Freight/Stock Mover, NEC	105	85	50.0%
Electrician	102	79	96.0%
Nursing Aide, Attendant	100	78	47.0%
Plumber, Pipe/Steamfitter	93	86	83.0%
Carpenter	77	67	78.0%
Health Aide, not nursing	68	48	42.0%
Supv.: Handlers, Laborers	62	50	71.0%
Janitor, Cleaner	57	29	44.0%
Bookkeeper, Account Clerk	56	34	51.0%
Roofer	56	30	57.0%
Truck Driver, Heavy	54	34	16.0%
Secretary	50	39	72.0%

Table 2			
State Training and Employment Program			
Applicants by Training-Related Employment			
Largest occupational Categories			
FY 91 Through FY 94			
		Working in Alaska	
			Pct. with
			Training
	Total		Related
Occupational Title	Trainees	Total	Employment
Admin. Support, Clerical	49	18	59.0%
Sheet Metal Worker	43	37	85.0%
Crossing Guards	42	40	23.0%
Supv.: Other Constr. Trades	42	29	64.0%
Mechanic, Repairer, NEC	40	30	42.0%
Police/Detective, Public Svc.	36	34	67.0%
Social Worker	31	13	35.0%
General Office Occ.	29	23	57.0%
Power Plant/Systems Oprs.	29	21	56.0%
Welder, Cutter	27	12	27.0%
Hand Painter/Coater	25	22	45.0%
Auto Mechanic	24	9	25.0%
Misc. Material Moving Opr.	23	11	53.0%
Accountant, Auditor	22	15	23.0%
Stock/Inventory Clerk	21	15	24.0%

Source: Alaska Department of Labor, R&A and The Alaska Department of Community and Regional Affairs, JTPO

Methodology

The Alaska Department of Labor wage file includes information on all employees covered by Alaska unemployment insurance. Information on self employed individuals is limited to those who held an Alaska Business License at any time during the fiscal year 1994. Whether the individual actually pursued the business as a form of livelihood or whether the business was successful cannot be determined from the file. Wage and employment information for federal government employees or those who work outside of Alaska was not available for this publication. Therefore, the data presented does not include all the earnings activity of the participants, but does provide a good view of the majority of those employed or collecting unemployment insurance benefits. In some cases data was unavailable to those collecting or entering the data. As much data as possible is presented with an annotation if the data is very sparse. Data are aggregated to protect the confidentiality of individuals. No employment or earnings information is released when there are fewer than six individuals in a particular group. To avoid double counting of applicants who are in the program for more than one fiscal year, report findings are based on the original date of application unless otherwise identified.

The primary sources of data are:

1. **The Department of Community and Regional Affairs.** All of the basic data and social security numbers used to identify program participants were supplied by the Department of Community and Regional Affairs. The data included project codes, education level, gender, ethnic group, program eligibility data, activities, beginning and ending dates, termination data, and vendor or agency.
2. **Alaska Department of Labor.** Provides industry or firm data, wages, unemployment compensation, duration of UI benefits, occupational codes, and area of employment.
3. **Permanent Fund Dividend file.** Provides gender and place of residence.
4. **Alaska Business License file.** Provides Business License Data and the industry for which license was purchased.

TONY KNOWLES
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

January 19, 1996

229
The Honorable Drue Pearce
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Pearce:

Under the authority of art. III, sec. 18 of the Alaska Constitution, I am transmitting a bill making the state training and employment program ("STEP") a permanent state program.

The STEP is an integral component of Alaska's job training program and has enabled participants to increase their average quarterly earnings from nine to 12 percent. The STEP was established as a temporary, pilot program in 1989 and has been extended twice -- in 1991 and 1993. Since its inception, STEP has trained 4,390 Alaska workers at an average cost of \$2,000 per participant which is covered by Alaska employees. The program is financed entirely by employee payroll contributions with no employer contributions or general fund monies.

The STEP serves workers who would often be ineligible for employment training assistance through other programs. It offers workers the opportunity to acquire skills by investing in themselves, and helps those workers who have been displaced from their jobs to learn more skills. Nearly 60 percent of those entering the program are receiving unemployment benefits, and over 80 percent of the participants successfully complete the training and increase their employment opportunities.

The STEP will expire June 30, 1996, unless renewed by the Legislature. As federal training money decreases from year to year, continuing STEP and making it a permanent program will help Alaskans receive the training they need to respond to the changing needs of business and industry.

I urge your support of this important bill.

Sincerely,

Handwritten signature of Tony Knowles in cursive script.
Tony Knowles
Governor

Alaska State Legislature

Committee Chair
Community & Regional Affairs

Committee Vice-Chair
Labor & Commerce

Committee Membership
Legislative Council



District Address:
145 Main St. Loop; Suite 226
Kenai, AK 99611
(907) 283-2690; fax 283-9267


Session Address:
State Capitol, Room 427
Juneau, AK 99801-1182
(907) 465-2828; fax 465-4779

Senator John Torgerson

SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

March 15, 1996

TO: Senator Randy Phillips, Vice-Chair
Senator Tim Kelly
Senator Lyman Hoffman
Senator Fred Zharoff

FROM: Senator John Torgerson, Chair 
Senate Community and Regional Affairs Committee

RE: SB 229, State Training and Employment Program

At the last hearing on Senate Bill 229, held February 21, 1996, the committee adopted a committee substitute to SB 229 consisting of three amendments. Two of the amendments were technical changes and the third inserted a requirement that preference be given to projects and services that train individuals in industries identified in the resident hire report as employing a disproportionate percentage of nonresident individuals. These amendments are contained in the attached work draft of CS for Senate Bill 229 (CRA).

On February 22, we requested the following information: a spreadsheet of where and for what purpose STEP funds were used in FY 95, estimated for FY 96 and anticipated in FY 97; verification of how the 1/10 of 1 percent is collected from employees; and options on how administrative costs could be capped.

Attached to this memorandum is the response to this request. There is a letter of explanation and a general spreadsheet summarizing the three year expenditure data by department and function. Following are more detailed spreadsheets for each fiscal year. Accompanying the spreadsheets is a definition of the program categories used by STEP in allocating expenditures. Last are detailed lists of FY 95 grant recipients in each of the three substate service delivery areas.

We will be discussing this information at the next committee meeting where agency staff will be available to answer any questions.

Attachments