

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 8672

9353 HOUSE LABOR & COMMERCE

1 of a registration statement or a notice filing under AS 45.55.075 may be incorporated
2 by reference in the registration statement or notice filing to the extent that the
3 document is currently accurate.

4 * Sec. 39. AS 45.55.110(e) is amended to read:

5 (e) The administrator may by regulation or order [OTHERWISE] permit the
6 omission of an item of information or document from a registration statement or a
7 notice filing under AS 45.55.075.

8 * Sec. 40. AS 45.55.110(i) is amended to read:

9 (i) A notice filing under AS 45.55.075 is effective on receipt by the
10 administrator. A [EVERY] registration statement or a notice filing under
11 AS 45.55.075 is effective for one year from its effective date [,] or any longer period
12 during which the security is being offered or distributed in a nonexempted transaction
13 by or for the account of the issuer or other person on whose behalf the offering is
14 being made or by an underwriter or broker-dealer who is still offering part of an
15 unsold allotment or subscription taken by the underwriter or broker-dealer as a
16 participant in the distribution [,] except during the time a stop order is in effect under
17 AS 45.55.120. The administrator may establish a different expiration date for
18 purposes of coordination with a national registration or notice filing system. The
19 administrator may by regulation provide for an automatic extension for one
20 additional year of the effective date for notice filings under AS 45.55.075 if the
21 extended expiration date is set at the same time the notice filing is made effective
22 and the notice filing fee reflects the extension. All outstanding securities of the
23 same class as a registered security are considered to be registered for the purpose of
24 any nonissuer transaction if the registration statement is effective and between the
25 thirtieth day after the entry of a stop order suspending or revoking the effectiveness
26 of the registration statement under AS 45.55.120, if the registration statement did not
27 relate in whole or in part to a nonissuer distribution, and one year from the effective
28 date of the registration statement. A registration statement may not be [WITH]
29 withdrawn for one year from its effective date if any securities of the same class are
30 outstanding. A registration statement may be withdrawn otherwise only in the
31 discretion of the administrator.

1 * Sec. 41 AS 45.55.110(k) is amended to read:

2 (k) A notice filing under AS 45.55.075 [REGISTRATION STATEMENT]
3 relating to a security issued by a face-amount certificate company or a redeemable
4 security issued by an open-end management company or unit investment trust, as those
5 terms are defined in 15 U.S.C. 80a-1 - 80a-64 ([THE] Investment Company Act of
6 1940), may be amended after its effective date so as to increase the securities specified
7 as proposed to be offered if the notice filing was for a specified dollar amount of
8 securities to be offered in this state and if the total fees were based on the dollar
9 amount of securities to be offered. An amendment becomes effective when the
10 administrator so orders. A [EVERY] person filing [SUCH] an amendment shall pay
11 a [FILING] fee, calculated in the manner specified in (b) of this section, with respect
12 to the additional securities proposed to be offered.

13 * Sec. 42. AS 45.55.139 is amended to read:

14 **Sec. 45.55.139. Reports of corporations.** A copy of all annual reports,
15 proxies, consents, [OR] authorizations, proxy statements, and other materials relating
16 to proxy solicitations distributed, published, or made available by any person to at least
17 30 Alaska resident shareholders of a corporation that has total assets exceeding
18 \$1,000,000 and a class of equity security held of record by 500 or more persons and
19 that [WHICH] is exempted from the registration requirements of AS 45.55.070 by
20 AS 45.55.138 [,] shall be filed with the administrator or the administrator's designee
21 concurrently with its distribution to shareholders.

22 * Sec. 43. AS 45.55.139 is amended by adding a new subsection to read:

23 (b) The administrator or the administrator's designee may by regulation or
24 order establish and enforce requirements relating to disclosure and form of proxies,
25 consents, authorizations, proxy statements, and other materials relating to proxy
26 solicitations described in (a) of this section.

27 * Sec. 44. AS 45.55.150 is amended to read:

28 **Sec. 45.55.150. Sales [FILING OF SALES] and advertising literature.** The
29 administrator may by regulation or order establish requirements for or require the
30 filing of a prospectus, a pamphlet, a circular, a form letter, an advertisement, or other
31 sales literature [,] or advertising communication addressed or intended for distribution

1 to prospective investors, [INCLUDING] clients, or prospective clients by an issuer,
2 a state investment adviser, a federal covered adviser, or a broker-dealer, unless

3 (1) the security or transaction is exempt under AS 45.55.900 and
4 the applicable provision of that section does not place a limitation on sales and
5 advertising literature;

6 (2) the security is a federal covered security; or

7 (3) the broker-dealer, state investment adviser, or federal covered
8 adviser is exempt or excluded from the requirements of this section under this
9 chapter or federal law [OF AN INVESTMENT ADVISER].

10 * Sec. 45. AS 45.55.170 is amended to read:

11 **Sec. 45.55.170. Unlawful representations concerning filing, registration,**
12 **notice, or exemption.** (a) Neither the fact that an application for registration under
13 AS 45.55.030 - 45.55.060, [OR] a registration statement under AS 45.55.070 -
14 45.55.120, a notice filing under AS 45.55.040(h) or 45.55.075, or proxy material
15 under AS 45.55.139 is filed nor the fact that a person or security is effectively
16 registered constitutes a finding by the administrator that a document filed under this
17 chapter is true, complete, and not misleading. Neither the fact of filing nor the fact
18 that an exemption or exception is available for a security or a transaction means that
19 the administrator has passed in any way upon the merits or qualifications of, or
20 recommended or given approval to, a person, security, or transaction.

21 (b) A person may not make, or cause to be made, to a prospective purchaser,
22 customer, [OR] client, or shareholder of a corporation described in AS 45.55.139
23 a [ANY] representation inconsistent with (a) of this section.

24 * Sec. 46. AS 45.55.900(a) is amended to read:

25 (a) The following securities are exempted from AS 45.55.070 and 45.55.075:

26 (1) a security, including a revenue obligation, issued or guaranteed by
27 the United States or a territory of the United States, the District of Columbia, a
28 state, a political subdivision of a state or territory, or an agency or corporate or other
29 instrumentality of one or more of the entities described in this paragraph
30 [FOREGOING]; or a certificate of deposit for one or more of the entities described
31 in this paragraph [ANY OF THE FOREGOING];

1 (2) a security issued or guaranteed by Canada, a Canadian province, a
2 political subdivision of a Canadian province, an agency or corporate or other
3 instrumentality of one or more of the entities described in this paragraph
4 [FOREGOING], or a foreign government with which the United States currently
5 maintains diplomatic relations [,] if the security is recognized as a valid obligation by
6 the issuer or guarantor;

7 (3) a security issued [BY AND REPRESENTING AN INTEREST IN]
8 or [A DEBT OF, OR] guaranteed by [,] a bank organized under the laws of the United
9 States, or by a bank, savings institution, savings and loan association, building and
10 loan association, or trust company organized and supervised under the laws of a state
11 or of the United States, or a security issued by or representing an interest in or a
12 direct obligation of a federal reserve bank;

13 (4) a commercial paper, note, draft, bill of exchange, or banker's
14 acceptance that arises out of a current transaction or the proceeds of which have been
15 or are to be used for current transactions [,] and that evidences an obligation to pay
16 cash within nine months of the date of issuance, exclusive of days of grace, or a
17 [ANY] renewal of the paper that is likewise limited, or a guarantee of the paper or of
18 the renewal, if the commercial paper, note, draft, bill of exchange, or banker's
19 acceptance is of the type eligible for discount by a federal reserve bank;

20 (5) security issued in connection with an employee's stock purchase,
21 savings, pension, profit-sharing, or similar employee's benefit plan, or a security
22 issued by or an interest or participation in a church plan, company, or account
23 that is excluded from the definition of an investment company under 15 U.S.C.
24 80b-3(c)(14) (Investment Advisers Act of 1940);

25 (6) a security issued by and representing an interest in or a debt of, or
26 guaranteed by, a federal savings and loan association, or a building and loan or similar
27 association organized under the laws of a state and authorized to do business in this
28 state;

29 (7) a security issued by and representing an interest in or a debt of, or
30 guaranteed by, an insurance company organized under the laws of a state and
31 authorized to do business in this state; but this exemption does not apply to an annuity

1 contract, investment contract, or similar security under which the promised payments
2 are not fixed in dollars but are substantially dependent upon the investment results of
3 a segregated fund or account invested in securities; except that policies or annuity
4 contracts of insurance companies admitted to do business in the state are not subject
5 to this chapter;

6 (8) a security issued or guaranteed by a federal credit union or any
7 credit union, industrial loan association, or similar association organized and supervised
8 under the laws of this state;

9 (9) a security issued or guaranteed by a railroad, other common carrier,
10 public utility, or holding company that is

11 (A) subject to the jurisdiction of the Interstate Commerce
12 Commission;

13 (B) a registered holding company under 15 U.S.C. 79 - 79z-6
14 [[THE] Public Utility Holding Company Act of 1935] or a subsidiary of the
15 company within the meaning of 15 U.S.C. 79 - 79z-6 [THAT ACT];

16 (C) regulated in respect of its rates and charges by a
17 governmental authority of the United States or a state; or

18 (D) regulated in respect of the issuance or guarantee of the
19 security by a governmental authority of the United States, a state, Canada, or
20 a Canadian province;

21 (10) a security listed or approved for listing upon notice of issuance on
22 the New York Stock Exchange, the American Stock Exchange, the Chicago
23 [MIDWEST] Stock Exchange, the Pacific Coast Stock Exchange, the Philadelphia
24 Stock Exchange, the Chicago Board of Options Exchange, or another [ANY OTHER]
25 securities exchange designated by order of the administrator, or any security designated
26 or approved for designation upon notice of issuance as a national market system
27 security on the National Association of Securities Dealers Automated Quotation
28 National Market System or on any other quotation system designated by order of the
29 administrator, or any other security of the same issuer that is of senior or substantially
30 equal rank; a security called for by subscription rights or warrants so listed or
31 approved; or a warrant or right to purchase or subscribe to an entity described in this

1 paragraph [ANY OF THE FOREGOING];

2 (11) a security issued by a person organized and operated not for
3 pecuniary [PRIVATE] profit but exclusively for religious, educational, benevolent,
4 charitable, fraternal, social, athletic, or reformatory purposes [,] or as a chamber of
5 commerce or trade or professional association, or a security of a fund that is
6 excluded from the definition of an investment company under 15 U.S.C. 80a-
7 3(c)(10)(B) (Investment Company Act of 1940);

8 (12) shares of membership stock in the Alaska Commercial Fishing and
9 Agriculture Bank, and other securities issued by that bank to members or in connection
10 with loans to members;

11 (13) an equity security issued in connection with the acquisition by
12 a holding company of a bank under 12 U.S.C. 1842(a) (Bank Holding Company
13 Act of 1956) or a savings association, as defined in 12 U.S.C. 1813(b) (Federal
14 Deposit Insurance Act) and the deposits of which are insured by the Federal
15 Deposit Insurance Corporation under 12 U.S.C. 1467(e) (Home Owners' Loan
16 Act) if

17 (A) the acquisition occurs solely as part of a reorganization
18 in which security holders exchange their shares of a bank or savings
19 association for shares of a newly formed holding company with no
20 significant assets other than securities of the bank or savings association
21 and the existing subsidiaries of the bank or savings association;

22 (B) the security holders receive after the reorganization
23 substantially the same proportional interests in the holding company as
24 they held in the bank or savings association except for nominal changes in
25 shareholders' interests resulting from lawful elimination of fractional
26 interests and the exercise of dissenting shareholders' rights under state or
27 federal law;

28 (C) the rights and interests of security holders in the holding
29 company are substantially the same as those in the bank or savings
30 association before the transaction except as may be required by law; and

31 (D) the holding company has substantially the same assets

1 and liabilities on a consolidated basis as the bank or savings association
2 before the transaction.

3 * Sec. 47. AS 45.55.900(b) is amended to read:

4 (b) The following transactions are exempted from AS 45.55.070 and
5 45.55.075:

6 (1) a transaction between the issuer or other person on whose behalf
7 the offering is made and an underwriter, or among underwriters;

8 (2) a transaction in a bond or other evidence of indebtedness secured
9 by a real or chattel mortgage or deed of trust, or by an agreement for the sale of real
10 estate or chattels, if the entire mortgage, deed of trust, or agreement, together with all
11 the bonds or other evidence of indebtedness, secured under those documents
12 [THEREBY,] is offered and sold as a unit;

13 (3) a transaction by an executor, administrator, sheriff, marshal,
14 receiver, trustee in bankruptcy, guardian, or conservator;

15 (4) an offer or sale to a bank, savings institution, trust company,
16 insurance company, investment company as defined in 15 U.S.C. 80a-1 - 80a-64 (
17 [THE] Investment Company Act of 1940), pension or profit-sharing trust, or other
18 financial institution or institutional buyer, or to a broker-dealer, whether the purchaser
19 is acting for itself or in some fiduciary capacity;

20 (5) sales by an issuer

21 (A) to no more than 10 persons in this state other than those
22 designated in (4) of this subsection during a period of 12 consecutive months
23 regardless of whether [OR NOT] the seller or any of the buyers is then present
24 in this state [,] if

25 (i) a [NO] commission or other remuneration is not paid
26 or given directly or indirectly for soliciting a prospective buyer in this
27 state;

28 (ii) the total dollar amount invested during a period of
29 12 consecutive months does not exceed \$150,000 [\$100,000];

30 (iii) a legend is placed on the certificate or other
31 document evidencing ownership of the security, stating that the security

1 is not registered under this chapter and cannot be resold without
2 registration under this chapter or exemption from it;

3 (iv) offers are made without public solicitation or
4 advertisement; and

5 (v) the issuer files with the administrator a notice
6 specifying the issuer, the security to be sold, and the terms of the offer
7 at least two days before any sales are made;

8 (B) to no more than 25 persons in this state other than those
9 designated in (4) of this subsection during a period of 12 consecutive months
10 regardless of whether [OR NOT] the seller or any of the buyers is then present
11 in this state [,] if

12 (i) the sales are made solely in this state;

13 (ii) before a [ANY] sale, each prospective buyer is
14 furnished access to the information that would be provided to a
15 prospective buyer in a registration under AS 45.55.100, which
16 information shall be furnished to the administrator upon request;

17 (iii) the total dollar amount invested during a period of
18 12 consecutive months does not exceed \$750,000 [\$500,000];

19 (iv) commissions or other remuneration meet the
20 requirements of this chapter and are made only to persons registered
21 under AS 45.55.040;

22 (v) a legend is placed on the certificate or other
23 document evidencing ownership of the security, stating that the security
24 is not registered under this chapter and cannot be resold without
25 registration under this chapter or exemption from it;

26 (vi) the issuer obtains a signed agreement from the
27 buyer acknowledging that the buyer is buying for investment purposes
28 and that the securities will not be resold without registration under this
29 chapter;

30 (vii) offers are made without public solicitation or
31 advertisement; and

1 (viii) the issuer files with the administrator a notice
2 specifying the issuer, the security to be sold, and the terms of the offer
3 at least two days before any sales are made;

4 (C) to 10 or fewer persons in this state who are to receive
5 the initial issue of shares of a nonpublicly traded corporation or limited
6 liability company organized in this state if

7 (i) the persons are promoters, as the administrator
8 may define "promotor" by regulation or order; and

9 (ii) a legend is placed on the certificate or other
10 document evidencing ownership of the security, stating that the
11 security is not registered under this chapter and cannot be resold
12 without registration under this chapter or exemption from it;

13 (D) to the buyer of an enterprise or a business and the
14 assets and liabilities of the enterprise or business if

15 (i) the transfer of stock to the buyer is solely
16 incidental to the sale of the enterprise or business and its assets and
17 liabilities;

18 (ii) the seller or sellers provide full access to the
19 buyer or buyers of the books and records of the enterprise or
20 business; and

21 (iii) a legend is placed on the certificate or other
22 document evidencing ownership of the security, stating that the
23 security is not registered under this chapter and cannot be resold
24 without registration under this chapter or exemption from it;

25 (6) an offer or sale of a preorganization certificate or subscription if

26 (A) a [NO] commission or other remuneration is not paid or
27 given directly or indirectly for soliciting a prospective subscriber; [.]

28 (B) the number of subscribers does not exceed 10; [.] and

29 (C) a [NO] payment is not made by any subscriber;

30 (7) a transaction under an offer to existing security holders of the
31 issuer, including persons who at the time of the transaction are holders of convertible

1 securities, nontransferable warrants, or transferable warrants exercisable within not
2 more than 90 days of their issuance, if

3 (A) a [NO] commission or other remuneration, other than a
4 standby commission, is not paid or given directly or indirectly for soliciting a
5 security holder in this state; [,] or

6 (B) the issuer first files a notice specifying the terms of the
7 offer and the administrator does not by order disallow the exemption within the
8 next five full business days;

9 (8) an offer, [(] but not a sale, [)] of a security for which registration
10 statements have been filed under both this chapter and 15 U.S.C. 77a - 77bbbb(
11 [THE] Securities Act of 1933) if a [NO] stop order or refusal order is not in effect and
12 a [NO] public proceeding or examination looking toward an order is not pending
13 under either this chapter or 15 U.S.C. 77a - 77bbbb (Securities [THE] Act of 1933);

14 (9) an isolated nonissuer transaction, regardless of whether effected
15 through a broker-dealer, if the seller is [OR] not a promoter or controlling person
16 as the administrator may define by regulation or order or if the administrator at
17 the request of the seller waives the requirement that the seller not be a promoter
18 or controlling person;

19 (10) [A NONISSUER DISTRIBUTION OF AN OUTSTANDING
20 SECURITY IF

21 (A) A RECOGNIZED SECURITIES MANUAL CONTAINS
22 THE NAMES OF THE ISSUER'S OFFICERS AND DIRECTORS, A
23 BALANCE SHEET OF THE ISSUER AS OF A DATE WITHIN 18
24 MONTHS, AND A PROFIT AND LOSS STATEMENT FOR EITHER THE
25 FISCAL YEAR PRECEDING THAT DATE OR THE MOST RECENT YEAR
26 OF OPERATIONS, OR

27 (B) THE SECURITY HAS A FIXED MATURITY OR A
28 FIXED INTEREST OR DIVIDEND PROVISION AND THERE HAS BEEN
29 NO DEFAULT DURING THE CURRENT FISCAL YEAR OR WITHIN THE
30 THREE PRECEDING FISCAL YEARS, OR DURING THE EXISTENCE OF
31 THE ISSUER AND ANY PREDECESSORS IF LESS THAN THREE YEARS,

1 IN THE PAYMENT OF PRINCIPAL, INTEREST, OR DIVIDENDS ON THE
2 SECURITY;

3 (11)] a nonissuer transaction effected by or through a registered broker-
4 dealer under an unsolicited order or offer to buy; however, the administrator may by
5 regulation require that the customer acknowledge on [UPON] a specified form that the
6 sale was unsolicited, and that a signed copy of each form be preserved by the broker-
7 dealer for a specified period;

8 (11) [(12)] a transaction executed by a bona fide pledgee without
9 intending to evade [ANY PURPOSE OF EVADING] this chapter;

10 (12) [(13)] a transaction incident to a right of conversion or a statutory
11 or judicially approved reclassification, recapitalization, reorganization, quasi-
12 reorganization, stock split, reverse stock split, merger, consolidation, or sale of assets
13 [,] if

14 (A) a [NO] commission or other remuneration, other than a
15 standby commission, is not paid or given directly or indirectly for soliciting a
16 security holder in this state; and

17 (B) the issuer files a notice in the form specified by the
18 administrator not less than 30 days before making the offer;

19 (13) [(14)] a stock dividend, regardless of whether the corporation
20 distributing the dividend is the issuer of the stock [OR NOT], if nothing of value is
21 given by stockholders for the dividend other than the surrender of a right to a cash or
22 property dividend when each stockholder may elect to take the dividend in cash or
23 property or in stock;

24 (14) [(15)] an act incident to a class vote by stockholders, under the
25 certificate of incorporation or the applicable corporation statute, on a merger,
26 consolidation, reclassification of securities, or sale of securities of another corporation;

27 (15) [(16)] the offer or sale by a registered broker-dealer, acting either
28 as principal or agent, of securities previously sold and distributed to the public if the
29 securities

30 (A) [THE SECURITIES] are sold at prices reasonably related
31 to the current market price at the time of sale, and, if the broker-dealer is

1 acting as agent, the commission collected by the broker-dealer on account of
2 the sale is not in excess of usual and customary commissions collected with
3 respect to securities and transactions having comparable characteristics;

4 (B) [THE SECURITIES] do not constitute the whole or a part
5 of an unsold allotment to or subscription or participation by the broker-dealer
6 as an underwriter of the securities or as a participant in the distribution of the
7 securities by the issuer, by an underwriter, or by a person or group of persons
8 in substantial control of the issuer or of the outstanding securities of the class
9 being distributed; and

10 (C) [THE SECURITIES] have been lawfully sold and
11 distributed in this state under this chapter;

12 (16) [(17)] offers or sales of certificates of interest or participation in
13 oil, gas, or mining rights, titles, or leases, or in payments out of production under such
14 rights, titles, or leases, if the purchasers

15 (A) are or have been during the preceding two years engaged
16 primarily in the business of exploring for, mining, producing, or refining oil,
17 gas, or minerals; or

18 (B) have been found by the administrator upon written
19 application to be substantially engaged in the business of exploring for, mining,
20 producing, or refining oil, gas, or minerals so as not to require the protection
21 provided by AS 45.55.070;

22 (17) a nonissuer transaction by a registered agent of a registered
23 broker-dealer, and a resale transaction by a sponsor of a unit investment trust
24 registered under 15 U.S.C. 80a-1 - 80a-64 (Investment Company Act of 1940), in
25 a security of a class that has been outstanding in the hands of the public for at
26 least 90 days if, at the time of the transaction,

27 (A) the issuer of the security is actually engaged in business
28 and not in the organization stage or in bankruptcy or receivership and is
29 not a blank check, blind pool, or shell company whose primary plan of
30 business is to engage in a merger or combination of the business with, or
31 an acquisition of, an unidentified person or persons;

1 (B) the security is sold at a price reasonably related to the
2 current market price of the security;

3 (C) the security does not constitute the whole or part of an
4 unsold allotment to, or a subscription or participation by, the
5 broker-dealer as an underwriter of the security;

6 (D) a nationally recognized securities manual, which may be
7 designated by rule or order of the administrator, or a document filed with
8 the United States Securities and Exchange Commission that is publicly
9 available through the United States Securities and Exchange Commission's
10 electronic data gathering and retrieval system, contains

11 (i) a description of the business and operations of the
12 issuer;

13 (ii) the names of the issuer's officers and directors,
14 if any, or, in the case of an issuer not domiciled in the United
15 States, the corporate equivalents of such persons in the issuer's
16 country of domicile;

17 (iii) an audited balance sheet of the issuer as of a
18 date within 18 months or, in the case of a reorganization or merger
19 where parties to the reorganization or merger had that audited
20 balance sheet, a pro forma balance sheet; and

21 (iv) an audited income statement for each of the
22 issuer's immediately preceding two fiscal years or for the period of
23 existence of the issuer if the issuer has been in existence for less
24 than two years or, in the case of a reorganization or merger where
25 the parties to the reorganization or merger had that audited income
26 statement, a pro forma income statement; and

27 (E) the issuer of the security has a class of equity securities
28 listed on a national securities exchange registered under 15 U.S.C. 78a -
29 78lll (Securities Exchange Act of 1934) or designated for trading on the
30 National Association of Securities Dealers Automated Quotation System,
31 unless the issuer of the security

- 1 (i) is a unit investment trust registered under 15
2 U.S.C. 80a-1 - 80a-64 (Investment Company Act of 1940);
3 (ii) including predecessors, has been engaged in
4 continuous business for a least three years; or
5 (iii) has total assets of at least \$2,000,000 based on an
6 audited balance sheet as of a date within 18 months or, in the case
7 of a reorganization or merger where parties to the reorganization
8 or merger had that balance sheet, a pro forma balance sheet;
9 (18) an offer or a sale of a security by an issuer, that has a specific
10 business plan or purpose, is not in the development stage, and has not indicated
11 that its business plan is to engage in a merger or acquisition with an unidentified
12 company or other entity or person, under the following conditions:
- 13 (A) sales of securities are made only to persons who are or
14 the issuer reasonably believes are accredited investors as defined in
15 17 C.F.R. 230.501(a);
- 16 (B) the issuer reasonably believes that all purchasers are
17 purchasing for investment and not with the view to or for sale in
18 connection with a distribution of the security; a resale of a security sold in
19 reliance on this exemption within 12 months of sale is presumed to be with
20 a view to distribution and not for investment, except a resale under a
21 registration statement under AS 45.55.070 - 45.55.120 or to an accredited
22 investor under an exemption available under this chapter;
- 23 (C) the exemption in this paragraph is not available to an
24 issuer if the issuer, a predecessor of the issuer, an affiliated issuer, a
25 director, an officer, or a general partner of the issuer, a beneficial owner
26 of 10 percent or more of a class of the issuer's equity securities, a
27 promoter of the issuer presently connected with the issuer in any capacity,
28 an underwriter of the securities to be offered, or a partner, a director, or
29 an officer of the underwriter
- 30 (i) within the last five years has filed a registration
31 statement that is the subject of a currently effective registration

1 stop order entered by a state securities administrator or the United
2 States Securities and Exchange Commission:

3 (ii) within the last five years has been convicted of a
4 criminal offense in connection with the offer, purchase, or sale of
5 a security, of a criminal offense involving fraud or deceit, or of a
6 felony;

7 (iii) is currently subject to a state or federal
8 administrative enforcement order or judgment entered within the
9 last five years finding fraud or deceit in connection with the
10 purchase or sale of a security; or

11 (iv) is currently subject to an order, judgment, or
12 decree of a court of competent jurisdiction entered within the last
13 five years, temporarily, preliminarily, or permanently restraining
14 or enjoining the party from engaging in or continuing to engage in
15 conduct or a practice involving fraud or deceit in connection with
16 the purchase or sale of a security;

17 (D) the nonavailability of the exemption under (C) of this
18 paragraph does not apply if

19 (i) the party subject to the disqualification is licensed
20 or registered to conduct securities related business in the state in
21 which the order, judgment, or decree creating the disqualification
22 was entered against the party;

23 (ii) before the first offer under this exemption, the
24 state securities administrator or the court or regulatory authority
25 that entered the order, judgment, or decree waives the
26 disqualification; or

27 (iii) the issuer establishes that it did not know and,
28 in the exercise of reasonable care, based on a factual inquiry, could
29 not have known that a disqualification existed under this
30 paragraph;

31 (E) a general announcement of the proposed offering may

1 be made by any means and may include only the following information
2 unless additional information is specifically permitted by the
3 administrator:

4 (i) the name, address, and telephone number of the
5 issuer of the security;

6 (ii) the name, a brief description, and the price, if
7 known, of the security to be issued;

8 (iii) a brief description in 25 words or less of the
9 business of the issuer;

10 (iv) the type, number, and aggregate amount of
11 securities being offered;

12 (v) the name, address, and telephone number of the
13 person to contact for additional information;

14 (vi) a statement that sales will be made only to
15 accredited investors;

16 (vii) a statement that money or other consideration
17 is not being solicited or will not be accepted by way of this general
18 announcement; and

19 (viii) a statement that the securities have not been
20 registered with or approved by a state securities agency or the
21 United States Securities and Exchange Commission and are being
22 offered and sold under an exemption from registration;

23 (F) the issuer in connection with any offer may provide
24 information in addition to the general announcement under (E) of this
25 paragraph if the information is delivered

26 (i) through an electronic database that is restricted
27 to persons who have been prequalified as accredited investors; or

28 (ii) to a prospective purchaser that the issuer
29 reasonably believes is an accredited investor;

30 (G) a telephone solicitation is not permitted unless, before
31 placing the call, the issuer reasonably believes that the prospective

1 purchaser being solicited is an accredited investor;

2 (H) dissemination of the general announcement of the
3 proposed offering to persons who are not accredited investors disqualifies
4 the issuer from claiming this exemption;

5 (I) the issuer must file a notice of the transaction with the
6 administrator, a copy of the general announcement, and the fee for
7 exemption filings established by regulation within 15 days after the first
8 sale in this state;

9 (19) an offer to repav. under AS 45.55.930, the buver of a security
10 if the offeror first files with the administrator a notice specifving the terms of the
11 offer at least two days before the offer is made.

12 * Sec. 48. AS 45.55.900 is amended by adding a new subsection to read:

13 (g) An offer on the Internet by an issuer is exempt from the registration
14 provisions of AS 45.55.070 and the advertising regulations adopted under this chapter
15 and does not preclude the issuer from relying on other available exemptions for offers
16 provided under this chapter if

17 (1) the offer directly discloses, in a format and at a prominent place in
18 the offer and in an advertisement of the offer on the Internet, that the securities are not
19 being offered to persons in this state;

20 (2) the offer is not otherwise specifically directed to a person in this
21 state by or on behalf of the issuer; and

22 (3) a sale of the issuer's securities is not made in this state as a result
23 of the offer.

24 * Sec. 49. AS 45.55.910 is amended by adding a new subsection to read:

25 (e) Unless the administrator determines disclosure to be in the best interest of
26 the administration of this chapter, all investig..tive files and materials supporting an
27 investigation are confidential.

28 * Sec. 50. AS 45.55.915 is amended to read:

29 Sec. 45.55.915. Reimbursement of expenses incident to examination or
30 investigation. (a) The administrator may require an [AN] issuer, broker-dealer,
31 agent, investment adviser representative, federal covered adviser, or state

1 investment adviser to [SHALL] reimburse the administrator for actual travel expenses
2 and per diem incurred in connection with an examination or investigation [INCIDENT
3 TO A REGISTRATION] under this chapter.

4 (b) The administrator may by regulation or order adopt a schedule of charges
5 for annual examination and investigation [FEES] of issuers, broker-dealers, agents,
6 investment adviser representatives, federal covered advisers, and state investment
7 advisers.

8 (c) If an issuer, broker-dealer, agent, investment adviser representative,
9 federal covered adviser, or state investment adviser fails to pay the fees and expenses
10 provided for in this section, the fees and expenses shall be paid out of the funds of the
11 administrator in the same manner as other disbursements made by the administrator.
12 The amounts paid from the funds of the administrator are a lien on [UPON] all of the
13 assets and property in this state of the issuer, broker-dealer, agent, investment adviser
14 representative, federal covered adviser, or state investment adviser, and the amount
15 may be recovered by the attorney general on behalf of the state.

16 (d) Failure of the issuer, broker-dealer, agent, investment adviser
17 representative, or state investment adviser to pay fees and expenses under this section
18 is a wilful violation of this chapter, and the violation falls within the provisions of
19 AS 45.55.060, 45.55.120, 45.55.920, and 45.55.925.

20 * Sec. 51. AS 45.55.925(a) is amended to read:

21 (a) In addition to the civil penalties assessed under AS 45.55.920, a person
22 who wilfully violates a provision of this chapter except AS 45.55.030(e), 45.55.040(h),
23 45.55.075, or 45.55.160 [AS 45.55.160], or who wilfully violates a regulation or order
24 under this chapter, or who wilfully violates AS 45.55.160 knowing the statement made
25 to be false or misleading in a material respect or the omission to be misleading by any
26 material respect, upon conviction, is punishable by a fine of not more than \$5,000, or
27 by imprisonment for not less than one year nor more than five years, or both. Upon
28 conviction of an individual for a felony under this chapter, imprisonment for not less
29 than one year is mandatory. However, an individual may not be imprisoned for the
30 violation of a regulation or order if the individual proves that the individual had no
31 knowledge of the regulation or order. An indictment or information may not be

1 returned under this chapter more than five years after the alleged violation.

2 * Sec. 52. AS 45.55.930(a) is amended to read:

3 (a) A person is liable to the person buying the security from the person for the
4 consideration paid for the security, together with interest at eight percent [SIX PER
5 CENT] a year or the stated rate of the security if the security has a stated, fixed
6 rate less than eight percent, from the date of payment, costs, and reasonable attorney
7 [ATTORNEYS'] fees, less the amount of income received on the security, on [UPON]
8 the tender of the security, or for damages if the buyer [SELLER] no longer owns the
9 security, if the seller offers or sells a security

10 (1) other than a federal covered security, [OFFERS OR SELLS A
11 SECURITY] in violation of AS 45.55.030(a), 45.55.070, or 45.55.170(b) or of a
12 regulation or order under AS 45.55.150 that requires the filing of sales literature before
13 it is used, or of a condition imposed under AS 45.55.100(d) or 45.55.110(g) or (h); [,]
14 or

15 (2) [OFFERS OR SELLS A SECURITY] by means of an untrue
16 statement of a material fact, or omits to state a material fact, the omission of which
17 makes a statement misleading.

18 * Sec. 53. AS 44.55.930(b) is amended to read:

19 (b) Damages are the amount that would be recoverable on [UPON] a tender
20 less the value of the security when the buyer disposed of it and interest at eight
21 percent [SIX PER CENT] a year, or the stated rate of the security if the security
22 had a stated, fixed rate less than eight percent, from the date of disposition.

23 * Sec. 54. AS 45.55.930(f) is amended to read:

24 (f) A person may not sue under this section more than three years after the
25 contract of sale, except as otherwise provided in this subsection. For a violation
26 of (a)(2) of this section or AS 45.55.010, an action under this section may be
27 started within three years after the sale or two years after the person bringing the
28 action discovered or should have discovered the facts on which the action is based,
29 whichever is later. Failure to start an action on a timely basis is an affirmative
30 defense. A person may not sue under this section if the buyer received

31 (1) [IF THE BUYER RECEIVED] a written offer, before suit and at

1 a time when the buyer owned the security, to refund the consideration paid together
2 with interest at eight percent [SIX PER CENT] a year, or the stated rate of the
3 security if the security has a stated, fixed rate less than eight percent, from the
4 date of payment, less the amount of income received on the security, and the buyer
5 failed to accept the offer within 30 days of its receipt; [,] or

6 (2) [IF THE BUYER RECEIVED] the offer before suit and at a time
7 when buyer did not own the security [,] unless the buyer rejected the offer in writing
8 within 30 days of its receipt.

9 * Sec. 55. AS 45.55.930(g) is amended to read:

10 (g) A person who makes or engages in the performance of a contract in
11 violation of a provision of this chapter or a regulation or an order under this chapter,
12 or who acquires a purported right under the contract with knowledge of the facts by
13 reason of which its making or performance is in violation of this chapter, may not
14 base a suit on the contract.

15 * Sec. 56. AS 45.55.930 is amended by adding new subsections to read:

16 (j) Notwithstanding the time limitation in (f) of this section, an action under
17 this section may be started after receipt of a written offer described in (a) of this
18 section if the buyer accepted the payment offer within 30 days after receipt of the offer
19 and has not been paid the full amount offered.

20 (k) An offer to repay the buyer under this section involves the offer or sale of
21 a security, and the transaction must be registered under this chapter or exempt from
22 registration under AS 45.55.900.

23 * Sec. 57. AS 45.55.935(a) is amended to read:

24 (a) The administrator shall adopt regulations, consistent with the provisions of
25 this chapter, governing administrative hearings conducted by the administrator or a
26 designee of the administrator for the following:

27 (1) orders issued under AS 45.55.120, 45.55.900(d), or 45.55.920; in
28 these instances, the administrator shall promptly send a notice of opportunity for
29 hearing to the issuer of the securities and to all persons who have filed with the
30 department a notice of intention to sell the securities or to all respondents named in
31 the order if the order deals with something other than securities; and

1 (2) orders issued under AS 45.55.060; before the administrator enters
2 an order under AS 45.55.060, the administrator shall send to the person involved a
3 notice of opportunity for hearing; if the person involved is an agent or investment
4 adviser representative, then the administrator shall, in addition, notify the employing
5 broker-dealer, state investment adviser, federal covered adviser [ADVISOR], or
6 issuer.

7 * Sec. 58. AS 45.55.950(a) is amended to read:

8 (a) The administrator may make, adopt, amend, and rescind the regulations,
9 forms, policies, and orders that are necessary to carry out this chapter, including
10 regulations, policies, and forms governing registration statements, applications, notice
11 filings, and reports, and defining terms regardless of [,] whether the terms are [OR
12 NOT] used in this chapter if [INSOFAR AS] the definitions of the terms are not
13 inconsistent with this chapter. For the purpose of regulations and forms, the
14 administrator may classify securities, persons, and matters within the jurisdiction of the
15 administrator [,] and prescribe different requirements for different classes.

16 * Sec. 59. AS 45.55.950(b) is amended to read:

17 (b) A regulation, form, policy, or order may not be made, adopted, amended,
18 waived, or rescinded unless the administrator finds that the action is necessary or
19 appropriate in the public interest or for the protection of investors and consistent with
20 the purposes fairly intended by the policy and provisions of this chapter. In adopting,
21 amending, rescinding, or waiving regulations, policies, and forms, the administrator
22 may cooperate with the securities administrators of the other states, self-regulatory
23 organizations, and the United States Securities and Exchange Commission with a
24 view to carrying out [EFFECTUATING] the policy of this section to achieve
25 maximum uniformity in the form, [AND] content, examination, and processing of
26 registration statements, applications, notice filings, and reports wherever practicable,
27 including participating in joint coordinated securities examinations with other
28 states.

29 * Sec. 60. AS 45.55.950(c) is amended to read:

30 (c) All financial statements required to be filed shall be prepared in
31 accordance with generally accepted accounting practices. The administrator may by

1 regulation or order prescribe

2 (1) the form and content of financial statements required under this
3 chapter;

4 (2) the circumstances under which consolidated financial statements
5 shall be filed; and

6 (3) whether any required financial statements shall be certified by
7 independent or certified public accountants.

8 * Sec. 61. AS 45.55.950(d) is amended to read:

9 (d) A provision of this chapter imposing liability does not apply to an act done
10 or omitted in good faith in conformity with a regulation, form, policy, or order of the
11 administrator, notwithstanding that the regulation, form, policy, or order may be later
12 amended or rescinded or be determined by judicial or other authority to be invalid.

13 * Sec. 62. AS 45.55.970(b) is amended to read:

14 (b) The administrator shall keep a register of all applications for registration
15 and registration statements that [WHICH] are or have ever been effective under this
16 chapter, all notice filings under this chapter, and all denial, suspension, or revocation
17 orders that [WHICH] have been entered under this chapter. The register must
18 [SHALL] be open for public inspection.

19 * Sec. 63. AS 45.55.970(c) is amended to read:

20 (c) The information contained in or filed with a registration statement,
21 application, notice filing, or report may be made available to the public under the
22 regulations adopted by the administrator.

23 * Sec. 64. AS 45.55.970(e) is amended to read:

24 (e) The administrator may honor requests from interested persons for
25 interpretative opinions and may establish appropriate fees by regulation.

26 * Sec. 65. AS 45.55.980(a) is amended to read:

27 (a) Unless the persons are exempt elsewhere in this chapter, AS 45.55.010,
28 45.55.025, 45.55.027, 45.55.028, 45.55.030(a), 45.55.035, 45.55.070, 45.55.075,
29 45.55.170, and 45.55.930 apply to persons who sell or offer to sell when an offer to

30 (1) [AN OFFER TO] sell is made in this state; or

31 (2) [AN OFFER TO] buy is made and accepted in this state.

1 * Sec. 66. AS 45.55.980(b) is amended to read:

2 (b) Unless the persons are exempt elsewhere in this chapter, AS 45.55.010,
3 45.55.025, 45.55.027, 45.55.028, 45.55.030(a), 45.55.035, and 45.55.170 apply to
4 persons who buy or offer to buy when an offer to

5 (1) [AN OFFER TO] buy is made in this state; or

6 (2) [AN OFFER TO] sell is made and accepted in this state.

7 * Sec. 67. AS 45.55.980(c) is amended to read:

8 (c) For the purpose of this section, an offer to sell or to buy is made in this
9 state, whether or not either party is then present in this state, when the offer

10 (1) originates from this state;

11 (2) is directed by the offeror to this state and received at the place to
12 which it is directed, or at a post office in this state in the case of a mailed offer;

13 (3) is for an interest or participation in an oil, gas, or mining right, title,
14 or lease on land in the state, including submerged land, regardless of where the offer
15 is made;

16 (4) is for an interest or participation in payments out of production
17 under an oil, gas, or mining right, title, or lease on land in the state, including
18 submerged land, regardless of where the offer is made; or

19 (5) is for an interest or participation in real property located in the
20 state, or in a domestic corporation, a domestic limited liability company, [OR] a
21 domestic limited partnership, or a domestic limited liability partnership; jurisdiction
22 under this paragraph may be exercised only when the exercise is not inconsistent with
23 the constitution of this state or of the United States.

24 * Sec. 68. AS 45.55.980(f) is amended to read:

25 (f) AS 45.55.020, 45.55.023, 45.55.030(d), 45.55.030(e), 45.55.040(h)
26 [45.55.030(c)], and 45.55.170, so far as state investment advisers, federal covered
27 advisers, and investment adviser representatives are concerned, apply when any act
28 instrumental in effecting prohibited conduct is done in this state, regardless of whether
29 [OR NOT] either party is then present in this state.

30 * Sec. 69. AS 45.55.980(g) is amended to read:

31 (g) An [EVERY] applicant for registration under this chapter, an [AND

1 EVERY] issuer that proposes to offer a security in this state through a person acting
2 on an agency basis in the common law sense, and a person making a notice filing
3 under this chapter shall file with the administrator, in the form that the administrator
4 prescribes by regulation, an irrevocable consent appointing the administrator or a
5 successor in office to be the applicant's or issuer's attorney to receive service of lawful
6 process in a civil suit, an action, or a proceeding against the applicant or issuer or a
7 successor executor or administrator that [WHICH] arises under this chapter or a
8 regulation or order under this chapter after the consent has been filed [,] with the same
9 force and validity as if served personally on the person filing the consent. A person
10 who has filed a [FILES THE] consent in connection with a previous registration or
11 notice filing need not file another. Service may be made by leaving a copy of the
12 process in the office of the administrator, but it is not effective unless

13 (1) the plaintiff, who may be the administrator in a suit, action, or
14 proceeding instituted by the administrator, immediately sends notice of the service and
15 a copy of the process by registered mail to the defendant or respondent at the last
16 address on file with the administrator; and

17 (2) the plaintiff's affidavit of mailing is filed in the case on or before
18 the return day of the process, if any, or within the further time that [WHICH] the
19 court allows.

20 * Sec. 70. AS 45.55.990(2) is amended to read:

21 (2) "agent" means an individual other than a broker-dealer who
22 represents a broker-dealer or an issuer in effecting or attempting to effect purchase or
23 sale of securities; a partner, an officer, or a director of a broker-dealer or issuer, or a
24 person occupying a similar status or performing similar functions, is an agent only if
25 the person otherwise comes within this definition; "agent" does not include an
26 individual who represents

27 (A) an issuer in effecting transactions

28 (i) [(A)] in a security exempted by AS 45.55.900(a)
29 [AS 45.55.900(a)(1) - (5)];

30 (ii) [(B)] exempted by AS 45.55.900(b);

31 (iii) in a covered security as described in 15 U.S.C.

1 78r(b)(3) and (4)(D) (Securities Act of 1933); or

2 (iv) [(C)] with existing employees, partners, or directors
3 of the issuer if a [NO] commission or other remuneration is not paid
4 or given directly or indirectly for soliciting any person in this state; or

5 (B) a broker-dealer in effecting transactions in this state
6 described in 15 U.S.C. 78o(h)(2) and (3) (Securities Exchange Act of 1934);

7 * Sec. 71. AS 45.55.990(3) is amended to read:

8 (3) "broker-dealer" means a person engaged in the business of effecting
9 transactions in securities for the account of others or for the person's own account;

10 "broker-dealer" does not include

11 (A) an agent;

12 (B) an issuer;

13 (C) a bank, savings institution, or trust company;

14 (D) a person who has no place of business in this state if the
15 person effects transactions in this state exclusively with or through

16 (i) the issuers of the securities involved in the
17 transactions;

18 (ii) other broker-dealers; or

19 (iii) banks, savings institutions, trust companies,
20 insurance companies, investment companies as defined in 15 U.S.C.
21 80a-1 - 80a-64 ([THE] Investment Company Act of 1940), pension or
22 profit-sharing trusts, or other financial institutions or institutional
23 buyers, whether acting for themselves or as trustees; or

24 (E) a person who has no place of business in this state if, during
25 a period of 12 consecutive months, the person does not effect more than 15
26 transactions at the initiation and direction of the customer and on behalf
27 of residents of this state regardless of whether the residents are then
28 present in this state and does not direct any [MORE THAN 15] offers
29 initiated by the person to sell or buy into this state in any manner to persons
30 other than those specified in (D) of this paragraph regardless of whether [OR
31 NOT] the offeror or any offeree is then present in this state;

1 * Sec. 72. AS 45.55.990(9) is amended to read:

2 (9) "person" means an individual, a corporation, a partnership, a
3 limited liability company, a limited partnership, a limited liability partnership, an
4 association, a joint-stock company, a trust in which [WHERE] the interests of the
5 beneficiaries are evidenced by a security, an unincorporated organization, a
6 government, or a political subdivision of a government;

7 * Sec. 73. AS 45.55.990(11) is repealed and reenacted to read:

8 (11) "Securities Act of 1933" means 15 U.S.C. 77a - 77bbbb;

9 * Sec. 74. AS 45.55.990(12) is amended to read:

10 (12) "security" means a note; stock; treasury stock; bond; debenture;
11 evidence of indebtedness; certificate of interest or participation in any profit-sharing
12 agreement; a limited liability company interest under AS 10.50, notwithstanding the
13 limitations of AS 45.08.103(c); collateral-trust certificate [CERTIFICATES];
14 preorganization certificate or subscription; transferable share; investment contract;
15 voting-trust certificate; certificate of deposit for a security; [A] certificate of interest
16 or participation in an oil, gas, or mining title or lease or in payments out of production
17 under the title or lease or in any sale of or indenture or bond or contract for the
18 conveyance of land or any interest in land; [AN] option on a contract for the future
19 delivery of agricultural or mineral commodities or any other commodity offered or sold
20 to the public and not regulated by the Commodity Futures Trading Commission;
21 however, the contract or option is not subject to the provisions of AS 45.55.070 if it
22 is sold or purchased on the floor of a bona fide exchange or board of trade and offered
23 or sold to the public by a broker-dealer or agent registered under this chapter;
24 investment of money or money's worth including goods furnished or services
25 performed in the risk capital of a venture with the expectation of some benefit to the
26 investor where the investor has no direct control over the investment or policy decision
27 of the venture; or, in general, any interest or instrument commonly known as a
28 "security," or any certificate of interest or participation in, temporary or interim
29 certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase,
30 any of the foregoing; "security" does not include an insurance or endowment policy
31 or annuity contract under which an insurance company promises to pay a fixed or

1 variable sum of money either in a lump sum or periodically for life or for some other
2 specified period;

3 * Sec. 75. AS 45.55.990 is amended by adding new paragraphs to read:

4 (14) "advisory client" means a person to whom services are provided
5 under an investment advisory contract;

6 (15) "advisory fee" means the fee for providing services under an
7 investment advisory contract;

8 (16) "advisory services" means advising a person as to the value of
9 securities or their purchase or sale, whether through the issuance of analyses or reports
10 or otherwise;

11 (17) "Bank Holding Company Act of 1956" means 12 U.S.C. 1841 -
12 1850;

13 (18) "clients who are natural persons" means natural persons who are
14 clients of a state investment adviser or federal covered adviser, except that natural
15 persons with at least \$500,000 under management with the state investment adviser or
16 federal covered adviser or with a net worth of at least \$1,000,000 at the time they
17 initially contract for services described in (23)(A)(i) of this section are not considered
18 natural persons for the purpose of determining under (23)(A)(ii) if a supervised person
19 provides the services described under (23)(A)(i) of this section to natural persons;

20 (19) "federal covered adviser" means a person who is registered with
21 the United States Securities and Exchange Commission under 15 U.S.C. 80b-3
22 (Investment Advisers Act of 1940); "federal covered adviser" does not include a person
23 that is excluded from the definition of "state investment adviser" under (35)(B) of this
24 section;

25 (20) "federal covered security" means a security that is a covered
26 security under 15 U.S.C. 77r(b), as amended (Securities Act of 1933), or regulations
27 adopted under that Act;

28 (21) "Federal Deposit Insurance Act" means 12 U.S.C. 1811 - 1835a;

29 (22) "Home Owners' Loan Act" means 12 U.S.C. 1461 - 1470;

30 (23) "investment adviser representative" means

31 (A) a natural person who

1 (i) makes a recommendation or otherwise renders advice
2 regarding securities; manages accounts or portfolios of clients;
3 determines which recommendation or advice regarding securities should
4 be given; solicits, offers, or negotiates for the sale of or sells advisory
5 services; or supervises employees who perform an activity described in
6 this sub-subparagraph; and

7 (ii) is a supervised person of a state investment adviser
8 that is registered or required to be registered under this chapter if a
9 substantial portion of the business of the supervised person is providing
10 to clients who are natural persons the service described in (i) of this
11 subparagraph, or who has a place of business located in this state and
12 is a supervised person of a federal covered adviser if a substantial
13 portion of the business of the supervised person is providing to clients
14 who are natural persons the services described in (i) of this
15 subparagraph;

16 (B) other persons who are not otherwise covered by this
17 paragraph but who are designated by regulation or order of the administrator;

18 (24) "Investment Advisers Act of 1940" means 15 U.S.C. 80b-1 - 80b-
19 21;

20 (25) "investment advisory business" means a business in which a
21 person receives compensation primarily for providing advisory services;

22 (26) "investment advisory contract" means a contract in which one
23 person receives consideration from another person primarily for providing advisory
24 services;

25 (27) "Investment Company Act of 1940" means 15 U.S.C. 80a-1 - 80a-
26 64;

27 (28) "NASDAQ" means National Association of Securities Dealers
28 Automatic Quotation System;

29 (29) "National Securities Markets Improvement Act of 1996" means
30 P.L. 104 - 290, 101 Stat. 3416 - 3440;

31 (30) "notice filing" means a filing made under AS 45.55.040(h) or

1 45.55.075 unless the context indicates otherwise;

2 (31) "place of business" of a state investment adviser, investment
3 adviser representative, or federal covered adviser means

4 (A) an office at which the state investment adviser, federal
5 covered adviser, or investment adviser representative regularly provides
6 advisory services, solicits, meets with, or otherwise communicates with clients;
7 and

8 (B) another location that is held out to the general public as a
9 location at which the state investment adviser, federal covered adviser, or
10 investment adviser representative provides advisory services, solicits, meets
11 with, or otherwise communicates with clients;

12 (32) "principal place of business" of a state investment adviser,
13 investment adviser representative, or federal covered adviser means the executive
14 office of the state investment adviser, investment adviser representative, or federal
15 covered adviser from which the officers, partners, or managers of the state investment
16 adviser, investment adviser representative, or federal covered adviser direct, control,
17 and coordinate the activities of the state investment adviser, investment adviser
18 representative, or federal covered adviser;

19 (33) "Securities Exchange Act of 1934" means 15 U.S.C. 78a - 78lll;

20 (34) "securities business" means a business that provides the services
21 provided by

22 (A) state investment advisers, federal covered advisers, or
23 investment adviser representatives; or

24 (B) broker-dealers, issuers, or agents of broker-dealers or
25 issuers;

26 (35) "state investment adviser"

27 (A) means

28 (i) a person who, for compensation, engages in the
29 business of advising others, either directly or through publications or
30 writings, as to the value of securities or as to the advisability of
31 investing in, purchasing, or selling securities, or who, for compensation

1 and as a part of a regular business, issues or promulgates analyses or
2 reports concerning securities, or who, for compensation, engages in this
3 state in the business of managing an investment or trading account in
4 securities for other persons;

5 (ii) a financial planner or other person who, as an
6 integral component of other financially related services, provides the
7 services described in (i) of this subparagraph to others for compensation
8 and as part of a business or who holds out to provide the services
9 described in (i) of this subparagraph to others for compensation;

10 (B) does not include

11 (i) an investment adviser representative;

12 (ii) a bank or a bank holding company as defined in 12
13 U.S.C. 1841 (Bank Holding Company Act of 1956) that is not an
14 investment company, savings institution, or trust company;

15 (iii) a lawyer, an accountant, an engineer, or a teacher
16 whose performance of the services described in (A)(i) of this paragraph
17 is incidental to the practice of the person's profession;

18 (iv) a broker-dealer or its agent whose performance of
19 the services described in (A)(i) of this paragraph is incidental to the
20 conduct of business as a broker-dealer or an agent and who receives no
21 special compensation for the services;

22 (v) a publisher of a bona fide newspaper, news column,
23 newsletter, news magazine, or business or financial publication or
24 service, whether communicated in hard copy form, by electronic means,
25 or otherwise, that does not consist of the rendering of advice on the
26 basis of the specific investment situation of each client;

27 (vi) a person that is a federal covered adviser;

28 (vii) a person whose sole clients are the person's spouse,
29 parents, children, or siblings by blood or adoption, and who does not
30 hold out to provide the services described in (A)(i) of this paragraph to
31 the general public;

1 (viii) other persons not within the intent of this
2 paragraph whom the administrator may designate by regulation or order;
3 (36) "substantial portion of the business" means that more than 10
4 percent of the clients of a supervised person during the preceding 12 months are clients
5 who are natural persons to whom the supervised person is providing the services
6 described in (23)(A)(i) of this section;

7 (37) "supervised person"

8 (A) means

9 (i) a partner, an officer, a director, or another person
10 occupying a similar status or performing similar functions, an employee
11 of a state investment adviser or federal covered adviser, or another
12 person who provides services described in (23)(A)(i) of this section to
13 clients on behalf of the state investment adviser or federal covered
14 adviser if the person is subject to the supervision and control of the
15 state investment adviser or federal covered adviser;

16 (ii) a third-party natural person employed primarily to
17 solicit, offer, or negotiate for the sale of or to sell the services described
18 in (23)(A)(i) of this section for a state investment adviser or federal
19 covered adviser, even if the person is not subject to the supervision or
20 control of the state investment adviser or federal covered adviser;

21 (B) does not include a person who

22 (i) does not on a regular basis solicit, meet with, or
23 otherwise communicate with clients of a state investment adviser or
24 federal covered adviser as a normal and ordinary part of the duties of
25 the person; or

26 (ii) provides the services described in (23)(A)(i) of this
27 section only by means of written material or oral statements that do not
28 claim to meet the objectives or needs of specific individuals or
29 accounts.

30 * Sec. 76. AS 45.55.995 is amended to read:

31 **Sec. 45.55.995. Short title.** This chapter may be cited as the Alaska Securities

1 Act [OF 1959].

2 * Sec. 77. AS 45.55.020(d) and 45.55.99 (6) are repealed.

3 * Sec. 78. TRANSITION: REGULATIONS. Notwithstanding sec. 82 of this Act, the
4 Department of Commerce and Economic Development may immediately proceed to adopt
5 regulations necessary to implement the changes made by this Act. The regulations take effect
6 under AS 44.62 (Administrative Procedure Act), but not before November 1, 1999.

7 * Sec. 79. Section 3 of this Act takes effect only if AS 25.27.244(s)(2) is repealed and
8 reenacted under sec. 148(c), ch. 87, SLA 1997.

9 * Sec. 80. Section 78 of this Act takes effect immediately under AS 01.10.070(c).

10 * Sec. 81. If sec. 3 of this Act takes effect, it takes effect on the effective date of the
11 repeal and reenactment of AS 25.27.244(s)(2) under sec. 148(c), ch. 87, SLA 1997.

12 * Sec. 82. Except as provided in secs. 80 and 81 of this Act, this Act takes effect
13 November 1, 1999.

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE MEMBERS

REPRESENTATIVE NORMAN ROKEBERG, CHAIRMAN
REPRESENTATIVE JOHN COWDERY, VICE CHAIRMAN
REPRESENTATIVE BILL HUDSON
REPRESENTATIVE JOE RYAN
REPRESENTATIVE JERRY SANDERS
REPRESENTATIVE TOM BRICE
REPRESENTATIVE GENE KUBINA
COMMITTEE AID, SHIRLEY ARMSTRONG
COMMITTEE SECRETARY, CATHY WOOD
COMMITTEE HEARING ROOM 17 STATE CAPITOL



INTERIM:
716 WEST 4TH AVENUE, SUITE 640
ANCHORAGE, AK 99501
PHONE: (907) 258-8191
FAX: (907) 258-2918

SESSION:
STATE CAPITOL, ROOM 20
JUNEAU, AK 99801-1182
PHONE: (907) 465-4954
FAX: (907) 465-2040

Labor and Commerce Committee

MEMORANDUM

TO: Legislative Legal Services

FROM: Representative Norman Rokeberg, Chairman
House Labor & Commerce Committee

DATE: January 21, 1998

SUBJECT: Request for bill draft

A handwritten signature in black ink, appearing to read "Norman Rokeberg".

Please prepare a L & C Committee work draft as a by L & C by request document. Attached is a sectional analysis and bill draft by Dept of Law. If you need further technical information please feel free to contact Mr. Terry Elder in Dept of Commerce, Banking and Securities Division.

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF BANKING, SECURITIES, AND CORPORATIONS

TONY KNOWLES, GOVERNOR

333 Willoughby Avenue, 9th Floor
P.O. BOX 110807
JUNEAU, ALASKA 99811-0807
Banking & Securities (907) 465-2521
Corporation Section (907) 465-2530

ANCHORAGE
Corporation Information (907) 269-8140
TDD: (907) 465-5437

January 26, 1998

The Honorable Norman Rokeberg
Alaska House of Representatives
Chairman, House Labor & Commerce Committee
State Capitol Room 24
Juneau, AK 99801-1182

Dear Chairman Rokeberg:

Re: Request Committee's Introduction of Securities Act Changes

The Division of Banking, Securities and Corporations respectfully requests that the House Labor & Commerce Committee introduce legislation to amend the Alaska Securities Act (AS 45.55). Amendments are necessary so Alaska law will conform to the changes Congress made in federal securities law. Other changes address certain minor improvements to the Act.

The proposed legislation is a result of the National Securities Markets Improvement Act (NSMIA) passed in October 1996. Two major impacts from NSMIA on Alaska are preemption from registration of a new class of securities, Federal Covered Securities, and changes to registration requirements of Investment Advisers and their agents.

Federal Covered Securities, for the most part Mutual Funds, are no longer required to register in Alaska. However, in an attempt to have a revenue neutral impact on the states and to preserve local investor protection, **congress allowed the states to require Notice filings and fees.** NSMIA provides a three-year window for the states to amend their statutes to provide for Notice filings and Notice fees or lose the authority to require them. Without this legislation by October 1999, Alaska would lose between \$3-4 million in revenue funds for the purpose of investor protection.

NSMIA also altered the registration and regulation of investment advisers. Investment advisers were previously registered with the Securities and Exchange Commission (SEC) and each state in which they offered their services. NSMIA created two kinds of advisers: Federal Covered Advisers, those who manage assets in excess of \$25-30 million, must register with the SEC, and State Investment Advisers (SIA) must register with the states. States may require Federal Covered Advisers to file a Notice and pay a Notice fee in order to provide services in the state. Although Federal Covered Advisers are exempt from registration, the states will retain regulatory authority over them for violations of the anti-fraud provisions of state law. Finally, NSMIA allows the states to require registration of the representatives of Federal Covered Advisers, who actually provide the investment advice, if they have a place of business in the state.

The changes in federal law require significant amendments to the Alaska Securities Act. These amendments must provide for Federal Covered Securities, Federal Covered Advisers, Investment

Adviser Representatives, and Notices and Notice fees. Provisions must also be added to specify fraudulent and unethical behavior that may lead to action not only against a registered person but now, also against a person who filed a Notice in Alaska. Language for the amendments was, for the most part, drafted by the North American Securities Administrators Association (NASAA), an organization of state securities regulators. Division staff also worked with industry and have the support of the Investment Company Institute, representing the mutual fund industry, and the Investment Counsel Association of America, Inc., representing the investment adviser industry.

In addition to NSMIA changes, other proposed amendments would improve access to the capital market without weakening investor protection. The following changes to the Act are proposed for addition or amendment, as described:

1. AS 45.55.900(b)(5)(A) and (b)(5)(B). The dollar limits on exemptions are increased from \$100,000 to \$150,000 and from \$500,000 to \$750,000, respectively. This will benefit smaller issuers to qualify for exemption from registration.
2. AS 45.55.900(b)(5)(C). A new self-executing exemption is added for initial issuance of stock to promoters with no dollar limit. So if up to 10 persons are forming a company **and issue the stock to themselves and not the public**, there will not be any requirement to file anything with the division.
3. AS 45.55.900(b)(5)(D). A new self-executing exemption is added for transfer of stock solely incidental to the sale of a business (usually a relatively small business). Currently, if a person buys another person's business and the seller of the business transfers stock to the buyer, the seller may be liable to the buyer under AS 45.55.930 if the seller neglects to either register the stock or obtain an exemption. Often the limits of the current exemption make such transactions difficult to qualify. The proposed exemption has no limitations as long as the transfer is incidental to the sale of the business.
4. AS 45.55.900(b)(10). The exemption from registration section is amended to provide investors with information currently required, but, in addition, allowing issuers to use reports filed with the SEC as well as the standard manuals now allowed. The Securities Industry Association encouraged states to adopt this NASAA-drafted exemption along with the NSMIA amendments.
5. AS 45.55.900(b)(18). This is a new exemption that allows a Notice-filing exemption for issuers who are not in the development stage and who are limiting the offering to accredited (qualified) investors. This should allow Alaska issuers to take part in programs like ACE-Net where issuers and accredited investors can be matched electronically. This may assist in providing a source for capital.
6. AS 45.55.035. This is a new section to allow Canadian broker-dealers a limited license to serve their Canadian clients who are in Alaska temporarily, if the broker-dealers' Canadian Province allows reciprocal rights to U.S. broker-dealers. This language was also drafted by NASAA.
7. AS 45.55.910 is amended to provide the Administrator the authority to charge respondents for investigations as well as examinations. The division should never be in a position where it cannot take action to protect investors because it lacks the funds to investigate a violation. This would provide the authority to recoup the costs of investigation.

8. AS 45.55.139 and .170 are amended to add language providing a clear basis for current proxy regulations for qualifying ANCSA corporations. There is no increase in division authority in these proposals, only improved clarity in the statutory provisions.
9. AS 45.55.930(d) is amended to allow buyers of securities more time to file civil suit against the sellers in those cases where the sellers violated the anti-fraud provisions of the Act. The change is from the current three years from the date of purchase to the later of that date or two years after the fraud was known or should have been known. This provides additional investor protection in cases where the fraud may not be discovered until after the three-year limit has expired.
10. AS 45.55.060(11). A subsection is added to give authority for action against registrants who have failed to meet their child support obligations. Currently, the division compares registrants to a list provided by the Child Support Enforcement agency. The proposed amendment would make it clear the division can take action against the registrants.

We will be pleased to work with the committee in the introduction and passage of this essential legislation. Not only is time of the essence, but we believe the NSMIA amendments and the other improvements described above will improve investor protection and issuer access to capital. We appreciate the committee's consideration of our request.

Yours truly,



Willis F. Kirkpatrick
Director

WFK/TE/mme602wk.doc
012698a

cc: House Labor & Commerce Committee
Commissioner's Office

WORK ORDER REQUEST FORM

W.O. [20] LS-1426

KEYWORDS: INVESTMENTS ASSIGNED: Bannister

SECURITIES

REQUEST FOR: New Bill TAKEN BY: Barnes

SUBJECT: Amend Alaska Securities Act

REQUESTED FOR: HC HL&C BY: Rep. Rokeberg PHONE: 465-4968

DELIVER TO: Rep. Rokeberg, Cap. 24

INSTRUCTIONS: Draft bill amending the Alaska Securities Act, per attached.

<p>OBTAIN</p>	<p>SPECIAL DRAFTING INSTRUCTIONS ATTACHED [] AUTHORIZED TO CONFER WITH _____ _____ RETURN _____ _____ TO REQUESTOR APPROVED: <input checked="" type="checkbox"/> DIRECTOR, LEGAL SERVICES</p>
<p>REVIEWED _____ IN <u>01/21/98</u> DUE _____ TYPED: Draft _____ Date _____ Final _____ Date _____ PROOFED _____ DELIVERED _____</p>	<p>SPECIAL INSTRUCTIONS to TYPING/PROOFING _____ By Request _____ Request for DRAFT</p>

HB

490

HOUSE COMMITTEE REPORT

(7)
Date Referred to Committee: April 27, 1998

FURTHER REFERRALS: Finance

Date of Committee Action: 5/1/98

The LABOR AND COMMERCE Committee considered: HB 490

HOUSE BILL NO. 490 INSURANCE PREMIUM TAX

“An Act relating to insurance premium taxes.”

recommends it be replaced with the following committee substitute CSHB 490 (DC) the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) DCED APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>John Caudrey</i>			✓	
<i>Gene Korman</i>	✓			
<i>Bill Hudson</i>			✓	
<i>Norm Kotely</i>				
<i>Jerry Sampson</i>			✓	

CHAIR'S SIGNATURE *Norm Kotely* 5/1/98

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

05-01-98A39:09 RCVD

BILL NO. HR 490

Revision Date: _____
Title: Insurance Premium Tax
Sponsor: Rules by Request
Requester: _____

Dept. Affected None
BRU _____
Component _____
Component Serial No. _____

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

No fiscal impact.

Prepared by House Rules Committee
Division _____
Approved by Pete Burt
Agency _____

Phone 465-3764
Date _____
Date 5/1/98

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 490 | _____

Revision Date (5/1/98) _____ Dept. Affected Commerce & Economic Development
 Title An Act relating to insurance premium taxes BRU Insurance
 Component Insurance
 Sponsor (H) Rules by Request
 Requester (H) L&C Component Serial No. 354

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES ()	(2,651.0)	(2,746.0)	(2,844.0)	(2,946.0)	(3,052.0)	(3,161.0)
-------------------------------	------------------	------------------	------------------	------------------	------------------	------------------

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY98) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Exact revenue change not available. See analysis and supporting assumptions on following page.

Prepared by Marianne K. Burke, Director *Marianne K. Burke* Phone 465-2515
 Division Insurance Date 5/1/98
 Approved by Commissioner Deborah B. Sedwick *Deborah B. Sedwick* Date 5/1/98
 Agency Commerce & Economic Development

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

For further distribution information, call the Governor's Legislative Office

Calculation of Fiscal Note - HB490

According to Blue Cross of WA & AK, exempt premium tax due to this bill in 1997 would have been \$400,000 annually at retaliatory tax of 2% (Washington rate). Per Jack McRae and Larry Zommick

Blue Cross writes health coverage on several of the municipalities, school districts, and cities covered by this bill.

Using a listing of policyholders of Blue Cross for 1994, and a list of PERS members - approximately 20% of the PERS market is covered by Blue Cross.

If 20% results in a premium tax savings of \$400,000, the same 20% represents premiums of \$20,000,000. 100% of the PERS entities would result in \$100,000,000 in premium and therefore the remaining premium received by other entities would be \$80,000,000.

\$80,000,000 at 2.7% Alaska tax rate would result in \$2,160,000.

The total tax on PERS entities for one year would be \$2,560,000 for calendar year 1997 collected on March 1, 1998.

Using 1996 premium receipts reported in the division annual statement, \$100,000,000 total premiums for PERS members represents approximately 25% of premiums received for Blue Cross and all group health insurance.

With the language of the bill as it now is drafted, it would appear that taxation of premiums would not occur until March 1 for the prior year. Therefore, the effective date of the bill (July 1998 or Jan 1999) would not affect the tax collected. On March 1 all prior year premium would be eligible for exemption.

The loss in revenue is increased by a factor calculated using the group health premium total for the last six years and calculating a change factor for each year. The change factor is then averaged over the five year period resulting in an average annual increase in premium of 3.58%. The reduction in tax revenue is increased each year by 3.58%.

FISCAL NOTE

Bill Version: CSHB 490 (L&C)

(H) Publish Date: 5/2/98

**STATE OF ALASKA
1998 LEGISLATIVE SESSION**

Revision Date (5/1/98) Dept. Affected Commerce & Economic Development
 Title An Act relating to insurance premium taxes BRU Insurance
 Component Insurance
 Sponsor (H) Rules by Request
 Requester (H) L&C Component Serial No. 354

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES ()	(2,651.0)	(2,746.0)	(2,844.0)	(2,946.0)	(3,052.0)	(3,161.0)
-------------------------------	------------------	------------------	------------------	------------------	------------------	------------------

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY98) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Exact revenue change not available. See analysis and supporting assumptions on following page.

Prepared by Marianne K. Burke, Director
 Division Insurance
 Approved by Commissioner Deborah B. Sedwick
 Agency Commerce & Economic Development

Phone 465-2515
 Date 5/1/98
 Date 5/1/98

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

For further distribution information, call the Governor's Legislative Office

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services
Department of Education
State of Alaska

FISCAL NOTE

Bill Version: CSHB 490 (L&C)
 (H) Publish Date: 5/2/98

**STATE OF ALASKA
 1998 LEGISLATIVE SESSION**

Revision Date (5/1/98) _____ Dept. Affected Commerce & Economic Development
 Title An Act relating to Insurance premium taxes BRU Insurance
 Component Insurance
 Sponsor (H) Rules by Request
 Requester (H) L&C Component Serial No. 354

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
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Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES ()	(2,651.0)	(2,746.0)	(2,844.0)	(2,946.0)	(3,052.0)	(3,161.0)
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1003 GF Match						
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1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Exact revenue change not available. See analysis and supporting assumptions on following page.

Prepared by Marianne K. Burke, Director Phone 465-2515
 Division Insurance Date 5/1/98
 Approved by Commissioner Deborah B. Sedwick Date 5/1/98
 Agency Commerce & Economic Development

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05/01/98
15:43:56

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
PARTICIPANT LIST (ALL PARTICIPANTS)
TCN:80804 SCHEDULED FOR:05/01/98 15:15 TO 17:30
PUBLIC HEARING HOUSE LABOR & COMMERCE

LTN1150
BY:ANC
FOR:ANC

LOCATION: ANCHORAGE

HB 490
HB 490
HB 490
HB 490

ED
BRANDON
LINDA
PATTI

LINQUIST ✓
CINTULA ✓
HULBERT ✓
BLATTMACHR

ANCH SCHOOL DIST TESTIFY
TESTIFY
TESTIFY
TESTIFY



Anchorage Labor Relations/Benefits School District

4600 DeBarr Road
P.O. Box 196614
Anchorage Alaska 99519-6614
Phone: (907) 333-9561

05-01-2000-20 1012

May 1, 1998

Rep. Rokeberg
Chair, House Labor and Commerce Committee
Alaska State Legislature

Re: Health Insurance - Premium/Retaliatory Tax - School District Employees
House Bill 490

Dear Rep. Rokeberg:

I appreciate the opportunity to be able to provide some input relative to House Bill 490 related to health insurance and premium tax issues. I want to make it clear that what I have stated below is stated in behalf of the Anchorage School District and its employees who are being negatively impacted by this tax. We are not supporting any particular insurance company, even though Blue Cross of Washington and Alaska is our current health insurance provider as a result of competitive bidding.

During contract negotiations for health care benefits with Blue Cross of Washington and Alaska a year ago, the Anchorage School District was advised that part of the rate increase was related to the imposition of a 2% premium tax on top of the health care premium.

This tax is apparently the result of an interpretation that school districts are not "state entities" in the same way as the Alaska Railroad, the University of Alaska, and the State of Alaska, who do not pay this extra 2% burden. We believe that it is clear that major responsibility for school districts is vested in the State, including the responsibility for funding. The State of Alaska provides approximately seventy per cent of the funding for the District; such a tax seems as though the state provides money to the District "with one hand and takes it away with the other hand."

The Anchorage School District health insurance program is self-funded; the insurance company provides for the administration of the program under a minimum premium arrangement.

Since employees co-pay a portion of the health insurance premium, this tax is passed along directly to them. In effect, it is not the insurance company that is taxed, it is the employee. It represents a cost to each employee of over \$100 each year. We believe that it is not appropriate to tax employees whose salaries are dependent upon state funding. Again, the employee receives compensation through revenues provided by the state and then has that compensation reduced.

Page 2

House Bill 490 re:
Health Insurance Premium Tax

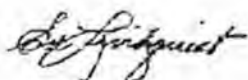
With the goal of obtaining the best possible health care benefits at the lowest cost, it seems inequitable for the State of Alaska to charge some public entities 2% more for their health insurance. This 2% is paid by the employee "taxpayers" to Blue Cross and then Blue Cross pays its tax liability to the state of Alaska. In the District's view, this is inequitable and only increases costs for administration; it also passes along additional costs to the employee "taxpayer" with no additional return in improved health care.

We request that you support House Bill 490 so that the School District differently than other state entities. Secondly, we urge that you consider the effect of the current tax law which applies only to public entities at a time when public funds are becoming increasingly scarce. We feel that this increase could be better used in reducing health care costs or increasing health care coverage.

The employee groups and unions representing District employees are willing to come forward and support what has been stated above, but they have had little time to consider this bill, since it is relatively new. I will be happy to provide additional information if necessary and will attempt to testify on the bill from the Legislative Affairs Office in Anchorage this afternoon. Again, please be aware that this is not an issue of supporting Blue Cross in whatever efforts they may be undertaking; we believe that the principle involved would be the same no matter which insurance company provides service to the District.

Again, we endorse this bill and hope for support from you and other legislators.

Sincerely,



J. Edward Lindquist
Director, Contract Administration

cc: Bob Christal, Superintendent, Anchorage School District
School Board Members

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

MEMORANDUM OF SUPPORT

MAY 1, 1998

TO: HOUSE LABOR & COMMERCE COMMITTEE

FROM: LARRY WIGET, DIRECTOR, PUBLIC AFFAIRS/GOVERNMENT
RELATIONS & LEGISLATIVE LIAISON

SUBJECT: HOUSE BILL 490

The Anchorage School Board supports amending Sec 2 AS 21.09.210 (i) to include insurance premiums paid by employers who participate in the Public Employees Retirement System of Alaska or in the Teacher's Retirement System of Alaska. In fact, the School Board adopted amending this statute as one of its 1998 ASD Legislative Priorities at its October 13, 1997 School Board meeting.

Based on 1997 estimates, this tax costs the Anchorage School District approximately \$100 per employee covered through Blue Cross Blue Shield of Alaska.

ALASKA STATE LEGISLATURE
House of Representatives



HB 490

#1
P.
L23

Labor and Commerce Committee

Policy year Premiums
below the value of \$100,000.00
shall be taxed at a rate of
2.7% of the amount of the
policy year premium.

0-LS1775VE
Ford
4/29/98

*Revised
moved* *2 moved*

CS FOR HOUSE BILL NO. 490()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to insurance premium taxes; and providing for an effective
2 date."

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

4 * Section 1. AS 21.09.210(b) is amended to read:

5 (b) Each insurer, and each formerly authorized insurer with respect to
6 premiums received while an authorized insurer in this state, shall pay a tax on the total
7 direct premium income received during the year ending on the preceding December
8 31 and paid for the insurance of property or risks resident or located in the state, other
9 than wet marine and transportation insurance, after deducting from the total direct
10 premium income the applicable cancellations, returned premiums, the unabsorbed
11 portion of any deposit premium, all policy dividends, unabsorbed premiums refunded
12 to policyholders, refunds, savings, savings coupons, and other similar returns paid or
13 credited to policyholders with respect to their policies. Deductions [NO
14 DEDUCTIONS] may not be made of cash surrender value of policies. Considerations

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received on annuity contracts are not included in the direct premium income and are not subject to tax. The tax shall be paid to the director at least annually but not more often than once each quarter on the dates specified by the director. The method of payment must be by the electronic or other payment method specified by the director. Except as provided under (n) of this section, the [THE] tax is computed at the rate of

(1) for domestic and foreign insurers, except hospital and medical service corporations, 2.7 percent;

(2) for hospital and medical service corporations, six percent of their gross premiums less claims paid.

* Sec. 2. AS 21.09.210(i) is amended to read:

(i) Premiums paid by the state, premiums paid by employers who participate in the Public Employees' Retirement System of Alaska or in the Teacher's Retirement System of Alaska ^{all political subdivisions} [FOR INSURANCE POLICIES] and premiums paid under contracts purchased under the provisions of AS 39.30 are exempt from taxation under this chapter [SECTION]. An insurer may not include the tax imposed under this section in a premium charged on an insurance policy or contract purchased by the state under the provisions of AS 39.30. An insurer may claim the exemption on forms provided by the division of insurance.

* Sec. 3. AS 21.09.210 is amended by adding a new subsection to read:

(n) The tax imposed under this section shall be computed at the rate of one-tenth of a percent for a policy of life insurance with a policy year premium that equals or exceeds \$100,000. ^{1 insert}

* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

*Polley
amendment
no. 2*

within the state (governmental)

Alaska State Legislature House of Representatives

Committees

Rules Committee, Chair
Legislative Council
International Trade & Tourism
Military & Veterans Affairs
World Trade & State/Federal Relations



Interim:
10928 Eagle River Rd. Suite 141
Eagle River, AK 99577

Session:
Alaska State Capitol
Juneau, AK 99801

May 1, 1998

To: Norman Rokeberg, Chair House Labor and Commerce Committee
From: Jim Hornaday % Representative Pete Kott

Re: HB 490

Am advised we will need LIOs in Anchorage and Fairbanks for the
teleconference today on HB 490

Thank you.

2/1/98 6:54



Representative Pete Kott

Juneau Office (907) 465-3777 Toll Free 1-800-861-KOTT(5688) Fax (907) 465-2819
Eagle River Office (907) 694-8944 Fax (907) 694-8945 E-Mail: representative_pete_kott@legis.state.ak.us



CS FOR HOUSE BILL NO. 490()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to insurance premium taxes; and providing for an effective
2 date."

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

4 * Section 1. AS 21.09.210(b) is amended to read:

5 (b) Each insurer, and each formerly authorized insurer with respect to
6 premiums received while an authorized insurer in this state, shall pay a tax on the total
7 direct premium income received during the year ending on the preceding December
8 31 and paid for the insurance of property or risks resident or located in the state, other
9 than wet marine and transportation insurance, after deducting from the total direct
10 premium income the applicable cancellations, returned premiums, the unabsorbed
11 portion of any deposit premium, all policy dividends, unabsorbed premiums refunded
12 to policyholders, refunds, savings, savings coupons, and other similar returns paid or
13 credited to policyholders with respect to their policies. Deductions [NO
14 DEDUCTIONS] may not be made of cash surrender value of policies. Considerations

1 received on annuity contracts are not included in the direct premium income and are
2 not subject to tax. The tax shall be paid to the director at least annually but not more
3 often than once each quarter on the dates specified by the director. The method of
4 payment must be by the electronic or other payment method specified by the director.
5 Except as provided under (n) of this section, the [THE] tax is computed at the rate
6 of

7 (1) for domestic and foreign insurers, except hospital and medical
8 service corporations, 2.7 percent:

9 (2) for hospital and medical service corporations, six percent of their
10 gross premiums less claims paid.

11 * Sec. 2. AS 21.09.210(i) is amended to read:

12 (i) Premiums paid by the state, premiums paid by employers who
13 participate in the Public Employees' Retirement System of Alaska or in the
14 Teacher's Retirement System of Alaska, [FOR INSURANCE POLICIES] and
15 premiums paid under contracts purchased under the provisions of AS 39.30 are
16 exempt from taxation under this chapter [SECTION]. An insurer may not include the
17 tax imposed under this section in a premium charged on an insurance policy or
18 contract purchased by the state under the provisions of AS 39.30. An insurer may
19 claim the exemption on forms provided by the division of insurance.

20 * Sec. 3. AS 21.09.210 is amended by adding a new subsection to read:

21 (n) The tax imposed under this section shall be computed at the rate of one-
22 tenth of a percent for a policy of life insurance with a policy year premium that equals
23 or exceeds \$100,000.

24 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

Alaska State Legislature House of Representatives

Committees

Rules Committee, Chair
Legislative Council
International Trade & Tourism
Military & Veterans Affairs
World Trade & State/Federal Relations



Interim:
10928 Eagle River Rd. Suite 141
Eagle River, AK 99577

Session:
Alaska State Capitol
Juneau, AK 99801

SPONSOR STATEMENT HOUSE BILL 490

Current Alaska law (AS 21.09.210(I)) prohibits taxes of any kind from being imposed on insurance premiums paid by the State. However, buried in Alaska's voluminous insurance laws is a provision which could be interpreted to require the Director of Insurance to levy a unique type of premium tax on certain health insurance policies issued to the University of Alaska, municipalities and school districts.

HB 490 leaves in place this seldom used tax but clarifies that the tax does not apply to health insurance premiums written to the University of Alaska, municipalities and school districts.

The public policy issue which HB 490 clarifies is that the State of Alaska will not impose a tax on health insurance sold to the University of Alaska, municipalities and school districts. To impose a "back door" health insurance tax on the University and the State's political subdivisions makes no sense from either a policy or fiscal perspective.

I urge your support of the legislation.

Representative Pete Kott

Juneau Office (907) 465-3777 Toll Free 1-800-861-KOTT(5688) Fax (907) 465-2819
Eagle River Office (907) 694-8944 Fax (907) 694-8945 E-Mail: representative_pete_kott@legis.state.ak.us



HB 400

SB 393

At present the State of Alaska collects a 2.7 % premium tax on insurance sold in the state of Alaska. Few--if any---life insurance policies exceed an annual premium of \$100,000 per year. With the advent of the Alaska Trust Act there is an increased interest in placing trust business and life insurance in the state of Alaska.

The Life Insurance Marketing and Research Association (LIMRA) is an organization which gathers and presents information on the life insurance industry. LIMRA most recently completed a life insurance "buyers survey" in 1996. The survey estimated that 11.6 million life insurance policies were sold in the U.S. Of these, approximately 11,600 policies had annual premium in excess of \$100,000.

Adjusting the taxation rates after the first \$100,000 of annual premium would encourage individuals to place high premium policies in the state of Alaska, rather than in other states or in an off shore trust with no premium tax.

This bill will increase revenue to the state and encourage additional trust business to be placed here.

**The Alaska Retaliatory Tax:
An unnecessary increase in health care costs**

What is the Retaliatory Tax?

The retaliatory tax applies to out-of-state insurance companies selling insurance in Alaska. It is the difference between the higher tax burden of the out-of-state company's own state's tax laws and the lower taxes imposed by Alaska.

Example (for illustration purposes only): Tax on a \$100 premium calculated under Alaska law is \$1.20. Tax on the same amount under Washington state law is \$2. Because of Alaska retaliatory tax, a Washington insurer doing business in Alaska must pay \$2 on the \$100 premium sold in Alaska. The retaliatory tax is \$0.80 (\$2 Washington state tax premium minus \$1.20 Alaska premium tax).

Do the people of Alaska benefit from the tax?

No. The intent of the tax is to protect local businesses by equalizing the tax rates between states. However, in the case of health insurance companies, there are no local insurance businesses in Alaska to protect. The only purpose that the tax fulfills is to increase tax revenue by increasing costs to the health care consumer, which is not a legitimate purpose of the retaliatory tax.

Why does the retaliatory tax increase health care costs?

Like medical claims costs and other costs of offering insurance coverage, the retaliatory tax becomes part of the rate paid by consumers.

How long have Alaskans been paying this increased cost?

Prior to 1994, the retaliatory tax did not contribute to increases in health care costs. Companies in both Washington and Alaska were allowed to deduct claims from premiums for tax purposes. Therefore, no differences existed between the two states in the amount of premium subject to tax, and Alaska did not require an extra retaliatory fee. In 1994 Washington state law regarding premium tax changed as part of an extensive health care reform package. Because of the 1994 change in law, Washington insurers now have to pay taxes on their claims, not just on their administrative costs. Since the Washington state tax burden is greater, Washington-based insurers are now subject to retaliatory tax in Alaska and must factor this additional cost into their Alaska premiums.

What is the Solution?

The best solution to the current problem is to revise the law to eliminate the tax on premiums paid by government entities. By eliminating the tax on premiums, these entities would automatically be spared the added cost of the retaliatory tax. The change would benefit over 50 local government entities that currently receive insurance through Washington-based insurance companies. These entities include cities, hospitals, schools, fire departments and many other essential community centers. The legislation will alter the law to fit the current health care business environment in Alaska. If, at some point in the future, an in-state insurance company begins to operate, the retaliatory tax would have a legitimate purpose and could be re-imposed. This bill provides Alaska with a win-win situation. It allows for protection should a domestic Alaska health insurance company be formed, yet allows relief to Alaska citizens by eliminating the cost of an unnecessary retaliatory tax.

**Premium and Retaliatory Taxes Paid by Government Entities
Purchasing Coverage through Blue Cross Blue Shield of Alaska***

School Districts		\$311,203
Kodiak	6	
Tanana SID	1,503	
Juneau	32,716	
Achorage	183,897	
Klawock	3,734	
Galena	4,047	
Bristol Bay	9,537	
St. Mary's	1,293	
Alaska Gateway	9,160	
Annette Isl	5,292	
Cordova	6,482	
Wrangell	7,294	
Sitka	16,257	
South East Island	5,158	
Chatham	2,755	
Hoonah	4,411	
Pelican	815	
Skagway	2,584	
Yakutat	3,733	
Delta Greely	10,529	
Public Safety Employees Association		48,196
Cities		87,996
Ketchikan	21,465	
Saint Paul	3,997	
Cordova	4,346	
Fort Yukon	482	
Galena	2,813	
Saint George	1,094	
Barrow	2,200	
Juneau	190	
Sitka	13	
Bristol Bay	9,157	
Kotzebue	3,707	
Wasilia	6,325	
Yakutat	1,295	
Craig	4,286	
Dillingham	4,475	
Hoonah	1,002	
Klawock	1,666	
Pelican	305	
Skagway	2,447	
Wrangell	16,731	
Hospitals		19,576
Wrangell General	418	
Petersburg General	5,059	
Cordova Hospital	5,033	
Sitka Community	9,066	
TOTAL TAXES PAID		\$466,971

*Based on 1997 estimates

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
PARTICIPATING EMPLOYERS**

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Akutan, City of
Alaska, State of
Alaska Gateway School District
Alaska Housing Finance Corporation
Alaska Municipal League
Alaska, University of
Alaska Geophysical Institute, University of
Aleutian Housing Authority
Aleutian Region School District
Aleutians East Borough
Aleutians East Borough School District
Aleutians West Coastal Resource Service Area
Allakaket, City of
Anchorage, Municipality of
Anchorage Parking Authority
Anchorage School District
Anchorage Telephone Utility
Annette Island School District
Anaktuvuk Pass, City of
Atka, City of</p> <p>Barrow, City of
Bartlett Memorial Hospital
Bering Straits Coastal Resource Service Area
Bering Straits Regional Housing Authority
Bering Strait School District
Bethel, City of
Bristol Bay Borough
Bristol Bay Borough School District
Bristol Bay Coastal Resource Service Area
Bristol Bay Housing Authority</p> <p>Cenaliurrit CRSA
Chatham School District
Chugach Regional School District
Cook Inlet Housing Authority
Copper River Basin Regional Housing Authority
Copper River School District
Cordova, City of
Cordova Community Hospital
Cordova Public Schools
Craig, City of
Craig School District</p> | <p>Delta/Greely School District
Denali Borough
Denali Borough School District
Dillingham, City of
Dillingham City School District</p> <p>Egegik, City of
Elim, City of</p> <p>Fairbanks, City of
Fairbanks Municipal Utility System
Fairbanks North Star Borough
Fairbanks North Star Borough School District
Fort Yukon, City of</p> <p>Galena, City of
Galena City Schools</p> <p>Haines Borough
Haines Borough School District
Haines, City of
Homer, City of
Hoonah, City of
Hoonah City Schools
Huslia, City of
Hydaburg City Schools</p> <p>Iditarod Area School District
Interior Regional Housing Authority</p> <p>Juneau Borough School District
Juneau, City and Borough of</p> <p>Kachemak, City of
Kake City School District
Kaitag, City of
Kashunamuit School District
Kenai, City of
Kenai Peninsula Borough
Kenai Peninsula Borough School District
Ketchikan, City of
Ketchikan Gateway Borough
Ketchikan Gateway Borough School District
King Cove, City of
Kivalina, City of</p> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
PARTICIPATING EMPLOYERS**

Klawock, City of
 Klawock City School District
 Kodiak, City of
 Kodiak Island Borough
 Kodiak Island Borough School District
 Kotzebue, City of
 Kuspuk School District

Lake and Peninsula Borough
 Lake and Peninsula School District
 Lower Kalskag, City of
 Lower Kuskokwim School District
 Lower Yukon School District

Marshall, City of
 Matanuska-Susitna Borough
 Matanuska-Susitna Borough School District
 Mekoryuk, City of

Nenana, City of
 Nenana City Public Schools
 Nome, City of
 Nome Public Utilities
 Nome City Public Schools
 Noorvik, City of
 North Pacific Fisheries Management Council
 North Pole, City of
 North Slope Borough
 North Slope Borough School District
 Northwest Arctic Borough
 Northwest Arctic Borough School District

Old Harbor, City of

Palmer, City of
 Pelican, City of
 Pelican Schools
 Petersburg, City of
 Petersburg General Hospital
 Petersburg Public Schools
 Point Hope, City of
 Pribilof Regional School District

Quinhagak, City of

Ruby, City of

Saint George, City of
 Saint Mary's, City of
 Saint Mary's School District
 Saint Paul, City of
 Sand Point, City of
 Saxman, City of
 Selawik City Council
 Seward, City of
 Seward General Hospital
 Sitka, City and Borough of
 Sitka Community Hospital
 Sitka Borough School District
 Skagway, City of
 Skagway City School District
 Soldotna, City of
 Southeast Islands School District
 Southeast Regional Resource Center
 Southwest Region Schools
 Special Education Service Agency

Tanana, City of
 Tanana City School District
 Thorne Bay, City of

Unalakleet, City of
 Unalaska, City of
 Unalaska City School District

Valdez, City of
 Valdez City Schools

Wasilla, City of
 Whittier, City of
 Wrangell, City of
 Wrangell City Schools

Yakutat, City and Borough of
 Yakutat City School District
 Yukon Flats School District
 Yukon-Koyukuk School District

**Teachers' Retirement System
Participating Employers**

Adak Region School District
 Alaska Department of Education
 Alaska Gateway School District
 Alaska, University of
 Alaska Geophysical Institute, University of
 Alaska State Legislature
 Aleutian Region School District
 Aleutians East Borough School District
 Anchorage School District
 Annette Island School District

Bering Strait School District
 Bristol Bay Borough School District

Chatham School District
 Chugach School District
 Copper River School District
 Cordova Public Schools
 Craig City School District

Delta-Greely School District
 Denali Borough School District
 Dillingham City School District

Fairbanks North Star Borough School District

Galena City School District

Haines Borough School District
 Hoonah City School District
 Hydaburg School District

Iditarod Area School District

Juneau School District, City and Borough of

Kake City School District
 Kashunamuit School District
 Kenai Peninsula Borough School District
 Ketchikan Gateway Borough School District

Klawock City School District
 Kodiak Island Borough School District
 Kuspuk School District

Lake and Peninsula School District
 Lower Kuskokwim School District
 Lower Yukon School District

Matanuska-Susitna Borough School District

National Education Association - Alaska
 Nenana Public Schools
 Nome Public School
 North Slope Borough School District
 Northwest Arctic Borough School District

Pelican School District
 Petersburg Public Schools
 Pribilof School District

Saint Mary's School District
 Sitka School District
 Skagway City School District
 Southeast Island School District
 Southeast Regional Resource Center
 Southwest Region Schools
 Special Education Service Agency

Tanana City School District

Unalaska School District

Valdez City Schools

Wrangell Public Schools

Yakutat City School District
 Yukon Flats School District
 Yukon-Koyukuk School District
 Yuplit School District

taxing these businesses twice, since insurers are subject to a premium tax imposed by this section. *North-ern Adjusters, Inc. v. Department of Revenue*, 627 P.2d 206 (Alaska 1981).

Secs. 21.09.220 — 21.09.240. Resident agent's counter signature; exception; affidavit requirement. [Repealed, § 2 ch 41 SLA 1984.]

Sec. 21.09.250. Prohibited acts. An insurer doing business in this state may not make, write, place, or cause to be made, written, or placed in this state a policy, duplicate policy, or contract of insurance of any kind or character, or general or floating policy upon persons or property resident, situated, or located in this state, from or through a person required to be licensed who has not secured a license in this state. An insurer may not pay a commission or any form of remuneration to a person, firm, or organization for the writing or placing of insurance coverage in this state unless that person, firm, or organization holds a license issued by the director. (§ 1 ch 120 SLA 1966; am § 2 ch 29 SLA 1987; am § 15 ch 62 SLA 1995)

Effect of amendments. - The 1995 amendment, effective July 1, 1995, substituted "a person required to be licensed" for "a broker, agent, general agent, surplus line broker, or person" in the first sentence.

Sec. 21.09.260. Penalties. An insurer that the director determines, following an appropriate hearing as provided in AS 21.06.170 -- 21.06.230, has violated the provisions of AS 21.09.250 is subject to a civil penalty of not more than \$2,500 for each violation. The director may suspend or revoke the license of the insurer for a violation of AS 21.09.250, but violation does not invalidate the insurance contract. (§ 1 ch 120 SLA 1966; am § 1 ch 41 SLA 1984; am § 2 ch 149 SLA 1984)

Sec. 21.09.270. Retaliation. (a) If, under the laws of another state or foreign country, taxes, licenses, and other fees, in the aggregate, and fines, penalties, deposit requirements, or other material obligations, prohibitions, or restrictions are or would be imposed upon Alaska insurers, or upon their agents or representatives, that are in excess of the taxes, licenses, and other fees, in the aggregate, or that are in excess of the fines, penalties, deposit requirements, or other obligations, prohibitions, or restrictions directly imposed upon similar insurers, or upon their agents or representatives, of another state or country under the statutes of this state, as long as the laws of the other state or country continue in force or are applied, the same taxes, licenses, and other fees, in the aggregate, or fines, penalties, or deposit requirements or other material obligations, prohibitions, or restrictions of whatever kinds shall be imposed by the director upon the insurers, or upon their agents or representatives, of the other state or country doing business or seeking to do business in this state. A tax, license or other fee or other obligation imposed by a city, county, or other political subdivision or agency of another state or country on Alaska insurers or their agents or representatives shall be considered to be imposed by the state or country within the meaning of this section.

(b) This section does not apply to personal income taxes, or to ad valorem taxes on real or personal property or to special purpose obligations or assessments imposed by another state in connection with particular kinds of insurance other than property insurance; except that deductions from premium taxes or other taxes otherwise payable allowed on accounts of real estate or personal property taxes paid shall be taken into consideration by the director in determining the propriety and extent of retaliatory action under this section.

(c) For the purposes of this section the domicile of an alien insurer, other than insurers formed under the laws of Canada or a province of Canada, shall be that state designated by the insurer in writing filed with the director at the time of admission to this state or within six months after July 1, 1966, whichever date is the later, and may be any one of the following states:

Alaska State Legislature House of Representatives

Committees

Rules Committee, Chair
Legislative Council
International Trade & Tourism
Military & Veterans Affairs
World Trade & State/Federal Relations



Interim:
10928 Eagle River Rd. Suite 141
Eagle River, AK 99577

Session:
Alaska State Capitol
Juneau, AK 99801

04-28-5 08:00:11 AM '98

April 27, 1998

To: Representative Norman Rokeberg, Chair, Alaska House Labor and Commerce
Committee

From: Representative Pete Kott

Re: HB 490

Please schedule HB 490 for hearing in the Labor and Commerce Committee

Thank you.

Representative Pete Kott

Juneau Office (907) 465-3777 Toll Free 1-800-861-KOTT(5688) Fax (907) 465-2819
Eagle River Office (907) 694-8944 Fax (907) 694-8945 E-Mail: representative_pete_kott@legis.state.ak.us



**Alaska State Legislature
House of Representatives**

DA-20-92411-002 2012

Committees
Rules Committee, Chair
Legislative Council
International Trade & Tourism
Military & Veterans Affairs
World Trade & State/Federal Relations



Interim:
10928 Eagle River Rd. Suite 141
Eagle River, AK 99577

Session:
Alaska State Capitol
Juneau, AK 99801

4 30 98

To: Representative Norman Rokeberg, Chair Alaska House Labor and Commerce Committee

From: Jim Hornaday % Representative Pete Kott

Re: HB 490

Enclosed is back up information for the packet on HB 490

Thank you.



Representative Pete Kott

Juneau Office (907) 465-3777 Toll Free 1-800-861-KOTT(5688) Fax (907) 465-2819
Eagle River Office (907) 694-8944 Fax (907) 694-8945 E-Mail: representative_pete_kott@legis.state.ak.us



HCR

34

FISCAL NOTE

No: 1

Bill Version: CSHCR 34 (L&C)

(H) Publish Date: 4/9/98

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Revision Date: _____
 Title: Establishing a Joint Committee on Electric
Utility Restructuring.
 Sponsor: House Labor and Commerce Committee
 Requestor: House Labor and Commerce Committee

Department Affected: Legislative Affairs Agency
 BRU: Legislative Operating Budget

Component: Legislative Operating Budget

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

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

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	0	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

HCR 34 has zero fiscal impact. The Joint Committee on Electric Utility Restructuring will be staffed by existing legislative employees. Zero travel expenses are anticipated as all meetings will be held by teleconference.

Prepared By: Karla Schofield, Deputy Director *Karla Schofield* Phone: 465-3852
 Division: Administrative Services Date: 4/3/98

Approved By: Pamela A. Varni, Executive Director *Pamela A. Varni*
 Agency: Legislative Affairs Agency Date: 4/4/98

Distribution (by preparer): Leg. Finance, Legislative Sponsor, Requestor, OMB, Gov., & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

NO. _____
BILL VERSION: HCR 34
PUBLISH DATE: _____

Revision Date: _____
Title: Establishing a Joint Committee on Electric Utility Restructuring.
Sponsor: House Labor and Commerce Committee
Requestor: House Labor and Commerce Committee

Department Affected: Legislative Affairs Agency
BRU: Legislative Operating Budget
Component: Legislative Operating Budget

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONT ACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

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

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	0	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

HCR 34 has zero fiscal impact. The Joint Committee on Electric Utility Restructuring will be staffed by existing legislative employees. Zero travel expenses are anticipated as all meetings will be held by teleconference.

Prepared By: Karla Schofield, Deputy Director
Division: Administrative Services

Phone: 465-3852
Date: 4/3/98

Approved By: Pamela A. Varni, Executive Director
Agency: Legislative Affairs Agency

Date: 4/4/98

Distribution (by preparer): Leg. Finance, Legislative Sponsor, Requestor, OMB, Gov., & Impacted Agency(ies).

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services
Department of Education
State of Alaska

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

NO. _____
BILL VERSION: HCR 34
PUBLISH DATE: _____

Revision Date: _____
Title: Establishing a Joint Committee on Electric Utility Restructuring.
Sponsor: House Labor and Commerce Committee
Requestor: House Labor and Commerce Committee

Department Affected: Legislative Affairs Agency
BRU: Legislative Operating Budget
Component: Legislative Operating Budget

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE	0	0	0	0	0	0
---------------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	0	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

HCR 34 has zero fiscal impact. The Joint Committee on Electric Utility Restructuring will be staffed by existing legislative employees. Zero travel expenses are anticipated as all meetings will be held by teleconference.

Prepared By: Karla Schofield, Deputy Director *Karla Schofield* Phone: 465-3852
 Division: Administrative Services Date: 4/3/98
 Approved By: Pamela A. Varni, Executive Director *Pamela A. Varni*
 Agency: Legislative Affairs Agency Date: 4/4/98

Distribution (by preparer): Leg. Finance, Legislative Sponsor, Requestor, OMB, Gov. , & Impacted Agency(ies).

Rep Ryan will NOT BE BACK for
ANY MORE committee meetings of LTC
HE SAID SOMETHING to the EFFECT OF
BEING CUT OFF.

HIS STAFFER SAID HE WAS
VERY ADMIT about it!

04/06/98 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150
15:14:04 PARTICIPANT LIST (ALL PARTICIPANTS) BY:COR
TCN:80614 SCHEDULED FOR:04/06/98 15:15 TO 17:15 FOR:COR
PUBLIC HEARING HOUSE LABOR & COMMERCE

LOCATION:CORDOVA
HCR 34 MR. JIM ROBERTS COR ELEC CO-OP TESTIFY

04/06/98 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150
15:14:18 PARTICIPANT LIST (ALL PARTICIPANTS) BY:VAL
TCN:80614 SCHEDULED FOR:04/06/98 15:15 TO 17:15 FOR:VAL
PUBLIC HEARING HOUSE LABOR & COMMERCE

LOCATION:VALDEZ
HCR 34 MR. ROBERT WILKINSON TESTIFY

04/06/98 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150
15:15:30 PARTICIPANT LIST (ALL PARTICIPANTS) BY:HOM
TCN:80614 SCHEDULED FOR:04/06/98 15:15 TO 17:15 FOR:HOM
PUBLIC HEARING HOUSE LABOR & COMMERCE

LOCATION:HOMER
HCR 34 MR. NORM STORY HOMER ELECTRIC TESTIFY

04/06/98 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150
15:16:11 PARTICIPANT LIST (ALL PARTICIPANTS) BY:FBX
TCN:80614 SCHEDULED FOR:04/06/98 15:15 TO 17:15 FOR:FBX
PUBLIC HEARING HOUSE LABOR & COMMERCE

LOCATION:FAIRBANKS
HCR 34 MR. ROBERT HANSEN GVEA TESTIFY

04/06/98 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150
15:20:55 PARTICIPANT LIST (ALL PARTICIPANTS) BY:ANC
TCN:80614 SCHEDULED FOR:04/06/98 15:15 TO 17:15 FOR:ANC
PUBLIC HEARING HOUSE LABOR & COMMERCE

LOCATION:ANCHORAGE
HB 475 PAUL GROSSI TESTIFY
HCR 34 CHARLES WALLS TESTIFY
HCR 34 DONALD EDWARDS TESTIFY
HCR 34 MEERA KOHLER TESTIFY
HB 479 STEVEN ROUSE TESTIFY



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Electric
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Association, Inc.

703 W. Tudor Rd., #200
Anchorage, AK 99503-6650
(907) 561-6103
FAX (907) 561-5547

Honorable Gene Kubina
House Labor and Commerce Committee
Alaska State Legislature
Juneau, Alaska

April 6, 1998

Subject: Support for HCR-34: Electric Utility Restructuring

Dear Representative Kubina,

ARECA, on behalf of our members throughout Alaska, supports House Concurrent Resolution No. 34 establishing a Joint Committee on Electric Utility Restructuring. Electric utility restructuring is an extremely important and complex issue that rightfully requires the full and deliberate consideration of the Alaska Legislature, the electric utility industry, and impacted consumers. The issue of electric utility restructuring goes by many different names: deregulation, competition, restructuring, unbundling, customer choice, retail wheeling, and reregulation to name a few. The elusive moniker reflects the confusion over the ultimate objective being sought -- namely cheaper electricity and appropriate service for *all* electric consumers.

As you are aware, Congress has been considering imposition of mandatory electric utility restructuring for a number of years. However, the diversity of issues from one state and region to the next is such that no national legislation has been passed, nor is any likely to pass this year.

Nevertheless, Senator Murkowski, Chairman of the Senate Energy Committee which has jurisdiction over the national legislation on restructuring, in a meeting last summer with the ARECA membership, advised Alaska's electric utilities to work with state legislators to define the parameters of deregulation for our state. Senator Murkowski urged this initial step to avoid being subjected to national legislation that would not take into account the very unique differences between the Alaska electric grid system and that of the contiguous states.

The action being contemplated by the Alaska Legislature through HCR-34 is very much in line with the approach being taken by other states. Few are waiting for direction from the federal government, yet most are taking a very deliberate approach. To date, 10 states have enacted restructuring legislation, nine states have directed their utilities commissions to issue comprehensive restructuring orders, 23 states have active study processes underway to propose implementing legislation, and nine states including the District of Columbia have undertaken little or no action. Each state is attempting to establish legislation that fits their individual circumstances, yet none is as unique as Alaska. Following are a few examples of these differences:

- The lower-48 states have a highly interconnected transmission grid system that can accommodate retail wheeling. Alaska has a weak interconnection system in the railbelt and is not tied into the Canadian or lower-48 grid system. Rural Alaska has no interconnected system.
- There are thousands of energy providers in the lower-48 with a myriad of transmission interconnections to allow for consumer choice. In the interconnected railbelt, there are only three substantive providers: Chugach Electric, Anchorage Municipal Light & Power, and Golden Valley Electric.
- Because of the small size and "stand-alone" nature of Alaska's utilities, they are generally much more susceptible to "cherry-picking" and resulting stranded investment than their counterparts outside.
- Seventy five percent of the electricity provided by utilities in the lower-48 states comes from investor owned utilities (IOUs) while only 9% of the electricity in Alaska is provided by IOUs. Consumer owned utilities such as cooperatives and municipal utilities provide 90% of the electricity in the state of Alaska.
- Federal laws regulating commerce generally do not apply to the electric utility industry in Alaska: Federal Power Act, FERC jurisdiction (footnote 441 of Order 888).

In addition to these differences, there are a number of issues that the state will need to address to ensure that consumers do not get hurt by restructuring. A few of the areas that will need to be explored are: reliability, market power, uniform standards of information, predatory pricing, "cherry picking," universal service, stranded cost, tax exempt status of financing, unregulated monopolies, power pools, etc.

The electric utility industry in Alaska is consumer owned because investor owned utilities could not see the potential for significant profits up here. Our present utility system has been built up over the years and provides good service for all classes of consumers. While we agree that competition has potential benefits for Alaska, we want to ensure that the concepts that may work in a mature market such as the lower-48 states do not become an economic hindrance in Alaska. For this reason, we feel that the deliberate approach being taken by HCR-34 is the right way to go, and we strongly support it. We look forward to testifying before the joint committee and hope to be an active participant in subsequent working subcommittees.

Sincerely,



Eric P. Yould
Executive Director



ARECAGram

ARECA, 703 West Tudor Road, Suite 200, Anchorage, Alaska 99503 Telephone: (907) 561-6103 Fax: (907) 561-5547

Restructuring Study Committee Resolution Passes Committee

By Eric Yould, ARECA Executive Director

April 9, 1998

An ARECA-supported resolution to create a joint House-Senate committee on electric utility restructuring cleared its only House committee yesterday, and is on its way to the floor. The measure is expected to be taken up by the full House soon after it returns from its Easter recess on Tuesday. The resolution, House Concurrent Resolution 34, was initially brought up Monday by the House Labor and Commerce Committee, and was passed without dissent yesterday.

The only amendment accepted was one offered by Representative Tom Brice, a Fairbanks democrat, to ensure proportionate minority party representation on the committee. A written amendment circulated to the committee Monday by Chugach would have urged the APUC to "quickly" decide "the matters pending before it which pertain to retail competition". The Chugach amendment was not offered by the committee.

HCR 34 would establish a joint House-Senate committee to study the highly complicated restructuring issue and provide the next legislature with written recommendations "on whether and how to implement electric utility restructuring in Alaska". Composition of the committee would be determined by House Speaker Gail Phillips and Senate President Mike Miller. Legislative leaders have assured ARECA that the industry will play an active role in the committee's deliberations.

Phillips and Miller first announced their intention to form a joint committee when they spoke at ARECA's legislative conference in Juneau in February. At Monday's hearing by the House Labor and Commerce Committee, ARECA and a number of its members spoke in favor of the resolution. There was some discussion of extending the joint committee through 1999, but legislators pointed out that the current legislature expires at the end of this year.



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www.legis.state.ak.us

Visit the ARECA Website for the latest in Updates, Current Issues and More!
Or, call ARECA for information. We'll be happy to help!

www.areca.org

BridgeStation

Thu Apr 30 16:09:32 1998

[PZURWP] [B] Alaska legislature to study electricity restructuring

-- [B] Alaska legislature to study electricity restructuring -

By John Wright, Bridge News

Seattle--Apr 29--Alaska's legislature has established a joint House-Senate committee to study and make recommendations about whether and how to implement electric restructuring in the state.

"We need to have an Alaskan approach to this issue," said state Rep. Norman Rokeberg, chairman of the House Labor and Commerce Committee, which sponsored the resolution. "Our needs are unique," Rokeberg told Bridge News.

Rokeberg, a Republican from the Anchorage area, explained that Alaska's grid isn't hooked up to any interstate and the state's customers are served mostly by public utilities.

Monday's vote in the Alaska House of Representatives to create the committee followed a decision last October by the Alaska Public Utilities Commission (APUC) to study the matter.

Alaska appears unlikely to adopt a freewheeling sort of deregulation seen in California and New Hampshire. Investor-owned utilities were nowhere to be found when Alaska was developing because customers were spread out and few big industries existed. After communities formed co-ops, they're not about to turn them over to the private companies or let them poach customers.

There are more than 100 electric companies in Alaska, some of them supplying remote villages populated by no more than 100 people. Investor-owned utilities furnish power for Juneau and a handful of other areas.

More than 90% of Alaska's residential customers get their energy from co-ops or municipal companies. By contrast, about 15% of electric utility customers nationwide are served by an investor-owned utility. A 4,300-megawatt capacity grid links Anchorage with Fairbanks, 360 miles to the north, and Homer, 225 miles to the south. The area encompasses about 70% of Alaska's population.

Most of Alaska's electric generation comes from plants that utilize the state's abundant natural gas supplies; a limited amount comes from small hydroelectric sources.

Rural versus urban interests influence opinions regarding electric restructuring more than partisan bickering, according to Rokeberg.

"Rural areas want to maintain their exclusive service areas," he said, while adding that many urban customers would like to choose their power source.

"One proposal would be to demarcate the area around Anchorage to allow open competition. If we do, we would have to study embedded costs," he said.

The APUC is hearing 2 disputes about whether a company has the right to serve another's customers. The cases involve one service territory in Anchorage and another one in Valdez, 300 miles southeast of Anchorage.

Anchorage Municipal Light and Power is contesting attempts by Chugach Electric Association to woo a commercial customer. Both companies are publicly owned, serving different parts of the Anchorage metropolitan area. A third publicly owned company, Matanuska Electric Association, also has customers in the area. The Anchorage area is home to more than half of the state's 600,000 population.

Rokeberg said that the committee will provide the legislature with written recommendations next year about the restructuring issue. End

Bridge News, Tel: (206) 563-8102

Send comments to Internet address energy@bridge.com

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Post-It* Fax Note	7671	Date	4/30/98
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Co./Dist.	AK House	Co.	Bridge News
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Fax #	(907) 465-2040	Fax #	

04-30-98 05:15 RCVD

ALASKA STATE LEGISLATURE

News from the House Majority

web site: <http://www.akrepublicans.org>

State Capitol
Juneau, AK 99801
Actuality line: 1-800-478-6540

Jerry Ritter
Press Secretary
(907) 465-3804

For Immediate Release April 27, 1998

Contact: Rep. Norman Rokeberg
(907) 465-4968

House Approves Electrical Restructuring Committee Joint House-Senate Committee Would Study Restructuring

(JUNEAU) -- The Alaska House of Representatives Monday unanimously approved House Concurrent Resolution 34, which would establish a joint House-Senate Committee to study the electric utility restructuring in Alaska.

"This joint House-Senate Committee will provide the next legislature with written recommendations on whether and how to implement electric utility restructuring in Alaska," said Representative Norman Rokeberg (R-Anchorage), Chairman of the House Labor and Commerce Committee, which sponsored HCR 34. "This is a highly complicated issue and it will take time and a good deal of work to make sure that all sides are heard and the issue is fully aired," Rokeberg said.

HCR 34 permits the President of the Senate and the Speaker of the House of Representatives to determine the make-up of the committee.

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Broadcasters note: Audio comments are on the House Majority Line 1-800-478-6540

ALASKA STATE LEGISLATURE

House of Representatives

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716 WEST 4TH AVENUE, SUITE 640
ANCHORAGE, AK 99501
PHONE: (907) 258-8191
FAX: (907) 258-2916

SESSION:
STATE CAPITOL, ROOM 24
JUNEAU, AK 99801-1182
PHONE: (907) 465-4954
FAX: (907) 465-2040

Labor and Commerce Committee

MEMORANDUM

TO: Representative Pete Kott, Chairman
House Rules Committee

FROM: Representative Norman Rokeberg, Chairman *NR*
House Labor and Commerce

DATE: April 18, 1998

SUBJECT: Hearing Request for HCR 34 – Establishing a Joint Committee On
Electrical Restructuring

I respectfully request that HCR 34 be scheduled for floor debate. My office will provide a bill packet for use on the floor.

Thank you for your consideration in this matter. If you have any questions please contact Shirley Armstrong at 465-4968.

Attachments

**A Resolution of the Alaska Conference of Mayors and
the Alaska Municipal League Board of Directors**

RESOLUTION 98-04

**URGING THE GOVERNOR AND LEGISLATURE TO REACH AN
ACCEPTABLE COMPROMISE ON EDUCATION FUNDING THAT
INCREASES OR PRESERVES EDUCATIONAL OPPORTUNITIES FOR
ALL STUDENTS**

WHEREAS, the people of Alaska, specifically the students, need the **Governor and Legislature to achieve an acceptable plan for school funding**; and

WHEREAS, the AML/ACoM conducted a statewide education funding survey that received responses by municipal leaders representing over 80% of the population. **It gives clear guidance from the Alaskans who work with students and the public every day on the implementation and funding of education.** (This survey was distributed to all legislators and the administration); and

WHEREAS, over the past ten years, the state has not increased state per student funding to offset increased operating costs. While the state has increased funding for increased number of students and some special education programs, **the impact on local taxpayers has been an average doubling of local property taxes for schools**; and

WHEREAS, SB 36 actually proposes a significant decrease in per student (ADM) funding for some school districts; and

WHEREAS, this year, due to increases in Assessed Property Tax Values, the state mandated local taxpayer contribution to the state for education increased by \$9 million. Despite this windfall to the state paid by local taxpayers, local taxpayers will see no benefit from their \$9 million increased contribution unless the state increases the per student state allocation for schools; and

WHEREAS, the McDowell "Alaska School Operating Cost Study" recommends "a transition period to insure that no district receives less than its current allocation." SB 36 provides only a two-year transition in most districts and no transition for some; and

NOW, THEREFORE BE IT RESOLVED, any changes in the education funding formula should:

1. Add \$18 million of funding to recognize the lack of inflation adjustment for the last eight years, for an estimated total appropriation for education of \$678 million.