

SB

216

HFIN

FILE

E
(11)

HOUSE COMMITTEE REPORT

5/6/96
Today's
calendar

Date Referred to Committee: May 4, 1996

FURTHER REFERRALS:

Date of Committee Action: 5/6/96

The FINANCE Committee considered:

CSSB 216(FIN)(title am)

CS FOR SENATE BILL NO. 216(FIN)(title am)

OMNIBUS STATE FEES & COST ASSESSMENTS

"An Act relating to fees, assessments, and costs for certain functions of state or municipal government including hearing costs related to the real estate surety fund, fees for authorization to operate a postsecondary educational institution or for an agent's permit to perform services for a postsecondary educational institution, fees of the state Commission on Human Rights, administrative fees for self-insurers in workers' compensation, fees relating to applications for exploration incentive credits, charges to prisoners, marine and harbor facility use fees, business license fees, fees for training relating to management of hazardous substances and emergency management response, fees for regulation of pesticides and broadcast chemicals; and subdivision plans for sewage waste disposal or treatment; relating to a fuel tax exemption; and providing for an effective date."

recommends it be replaced with the following committee substitute HCSSB216 (Fin) the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept, Date)

fiscal note(s) labor (2)

fiscal note(s) Senate Rev 5/2/96 DEC 5/4/96
DNC 5/2/96 DOE 5/2/96 CED 1/12/96
(2) Gov 1/12/96, MW 1/13/96 1/12/96

zero fiscal note(s)

zero fiscal note(s)

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Mark Kelly</i>	KELLY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<i>Gene Therriault</i>	TERRIAULT		<input checked="" type="checkbox"/>		
<i>Tommy Martin</i>	MARTIN			<input checked="" type="checkbox"/>	
<i>Paul Parnell</i>	PARNELL			<input checked="" type="checkbox"/>	
<i>John Kohring</i>	KOHRING			<input checked="" type="checkbox"/>	
<i>Steve Navarre</i>	NAVARRE			<input checked="" type="checkbox"/>	
<i>Ben Grussendorf</i>	GRUSSENDORF			<input checked="" type="checkbox"/>	
<i>John Mulder</i>	MULDER	<input checked="" type="checkbox"/>			
<i>Fay Brown</i>	BROWN	<input checked="" type="checkbox"/>			
<i>Mark Hanley</i>	HANLEY			<input checked="" type="checkbox"/>	

CHAIR'S SIGNATURE

Mark Kelly

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HCS (SSB) 216 (FIN)

Revision Date _____
 Title: Omnibus State Fees & Cost
Assessments
 Sponsor: Rules Committee
 Requestor: _____

Department Affected: Labor
 BRU: Workers' Compensation
 Component: Workers' Compensation

COMPONENT SERIAL NO. 344

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUE	1.8	1.8	1.8	1.8	1.8	1.8
FUND SOURCE #	1005	1005	1005	1005	1005	1005

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
1005 GF Program Receipt	1.8	1.8	1.8	1.8	1.8	1.8
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

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

ANALYSIS: (Attach a separate page if necessary)

Proposed legislation would create a \$100 annual Workers' Compensation Self-insured Assessment on all self-insured employers excluding the state, a municipality, a municipal school district or a regional educational attendance area. It would have a zero fiscal impact to the Worker Compensation Division. The new program receipts would offset existing general funds and would take effect January 1, 1997.

Prepared by: Paul Grossi, Director Phone: 465-2790
 Division: Workers' Compensation Date: 5/6/96

Approved by Commissioner: Tom Cashen, Commissioner
 Agency: Department of Labor Date: 5/6/96

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office

Revision Date: _____ Dept. Affected: Revenue
 Title: Omnibus State Fees & Cost Assessments BRU: Audit Operations
 Component: Income and Excise Audit
 Sponsor: Rules/Gov
 Requestor: (S) FIN COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES (GF)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
-------------------------	---------	---------	---------	---------	---------	---------

FUND SOURCE (Thousands of Dollars)

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

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Paul E. Dick Phone: 465-2312
 Division: Income and Excise Audit Date: May 1, 1996
 Approved by Commissioner: Wilson L. Condon Date: May 1, 1996
 Agency: Revenue

PREPARED TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office

Bill Analysis

This bill analysis includes only sections which pertain to Department of Revenue.

Section 8 deletes reference to AS 43.40.100(2)F (gasohol) for requirements of a certificate of use which applies to sales of tax-exempt motor fuel.

Section 12 repeals the tax exemption for gasohol.

Operating Costs

Department of Revenue does not anticipate any additional operating costs for implementing the tax exemption. Tax return forms would be updated to delete the line for gasohol under exemptions.

Revenue

For FY 96, the first full fiscal year in which gasohol sales were mandated in Anchorage, Department of Revenue projects that 75 million gallons of gasohol will be claimed as exemptions on motor fuel tax returns. Accordingly, the state will forego \$6 million (8c/gallon times 75 million gallons) in motor fuel tax revenue. Repeal of the exemption will increase General Fund revenue by \$6 million per fiscal year.

FISCAL NOTE

Bill Version: CS SB 216 (FIN)

(S) Publish Date: 5-2-96

STATE OF ALASKA

1996 LEGISLATIVE SESSION

Revision Date: 4/12/96

Department Affected: Education

Title: An Act relating to postsecondary education

BRU: Alaska Commission on Postsecondary Education

Component: Program Administration

Sponsor: Rules

Requester: (S) L&C

COMPONENT SERIAL NO. 212

Expenditures/Revenues:

(Thousands of Dollars)

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

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

CHANGE IN REVENUES	30 0	30 0	30 0	30 0	30 0	30 0
--------------------	------	------	------	------	------	------

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF Program Receipts	30 0	30 0	30 0	30 0	30 0	30 0
Other						
TOTAL	30 0	30 0	30 0	30 0	30 0	30 0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY96) impact: \$ -0-

ANALYSIS Section 2 allows the Commission to develop a fees schedule by regulation to cover, but not exceed, the costs associated with an institution's application for authorization to operate or renewal of authorization. The Commission currently funds the Institutional Authorization activities, 1.5 employees, from corporate receipts. Staff researched fee schedules of 25 similar state approving agencies and found that the rates varied from \$100 - \$6000. A number of states utilize a system of scaled fees which are tied to tuition rates or tuition revenues - a mechanism the Commission may wish to adopt.

The above revenue estimate is based on 1995 IA application totals and calculating 4% of the total tuition and fee revenue of the institutions seeking renewal of authorization. The minimum fee would be no less than \$200 and no more than \$2500.

Prepared by Gillian R. Mays, Legislative Liaison

Phone: 465-4719

Division: Alaska Commission on Postsecondary Education

Date: 4/12/96

Approved by Commissioner: Diane Barrans, Executive Director

Agency: Alaska Commission on Postsecondary Education

Date: 4/12/96

FISCAL NOTE

Bill Version: CSSA 216(FN)

(S) Publish Date: 5-2-96

STATE OF ALASKA 1996 LEGISLATIVE SESSION

Revision Date: Original Dept Affected Natural Resources
 Title: An Act relating to fees or assessment of BRU: Resource Development
costs for certain services provided by state government.. Component: Mining Development
 Sponsor: Rules by request of the Governor
 Requestor: Senate Finance Component Serial No. 442

Expenditures/Revenues		(Thousands of Dollars)					
	FY97	FY98	FY99	FY00	FY01	FY02	
OPERATING EXPENDITURES							
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	0.0	0.0	0.0	0.0	0.0	0.0	
CHANGE IN REVENUES (1005)	10.0	10.0	10.0	10.0	10.0	10.0	

FUND SOURCE		(Thousands of Dollars)					
	FY97	FY98	FY99	FY00	FY01	FY02	
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1006 GF/MHTIA							
Other							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	

Estimate of any current year (FY96) cost: \$ none

POSITIONS

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

ANALYSIS:

(Attach a separate page if necessary)

The Exploration Incentives Credit bill (HB197) enacted during the last session contained a fiscal note that was not approved. This left an annual unfunded mandate of approximately \$62.0. Before signing the bill, the department contacted the mineral industry to determine how to reduce the overall unfunded administrative costs of the new program. Industry, the department, and the Department of Revenue worked together over the summer and fall to develop a consensus position that resolved the funding shortfall addressed in HB416/SB216 and streamlining measures contained in HB415/SB215. With enactment of both HB415/SB215 and HB416/SB216, the overall net existing shortfall for funding the exploration incentives credit program to the department will be significantly reduced and the decision/application process streamlined. This is because the streamlining aspects in HB415/SB215 provide for abolishing the requirement for annual filing and processing with an automatic approval of the commissioner when no action is taken, and substituting a requirement for CPA certification of annual exploration credits exceeding \$40,000 in any one year and a threshold of \$250,000 for filing an application unless the lesser amount is associated with a mine ready to go into production. We estimate there will be 12-14 applications a year, less than 1/2 filed in the first year with only a limited part of the exploration period eligible for credits.

Prepared by: Jules Treston, Director Phone: 289-6825
 Division: Mining and Water Management Date: 24-Apr-96
 Approved by Commissioner: [Signature] Date: 24-Apr-96
 Agency: Natural Resources

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

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 215(FIN) AM

Revision Date: 5/8/96 Dept. Affected: Fish and Game
 Title: Omnibus state agency operations BRU: Administration and Support
 Component: Administrative Services

Sponsor: Senate Rules
 Requester: House Finance COMPONENT SERIAL NO. 479

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	1620.01	1620.01	1620.01	1620.01	1620.01	1620.01
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	1620.01	1620.01	1620.01	1620.01	1620.01	1620.01

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

CHANGE IN REVENUES ()	1620.01	1620.01	1620.01	1620.01	1620.01	1620.01
------------------------	---------	---------	---------	---------	---------	---------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other Fish and Game Fund	1620.01	1620.01	1620.01	1620.01	1620.01	1620.01
TOTAL	1620.01	1620.01	1620.01	1620.01	1620.01	1620.01

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

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See attached page.

Prepared by: Kevin Brooks *Sean Burre for* Phone: 465-8143
 Division: Division of Administration Date: 5/8/96
 Approved by Commissioner: Fred Rue *Sean Burre for* Date: 5/8/96
 Agency: Fish and Game

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

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

This bill will alter the way in which fish and game license vendor compensation is paid. Currently, the vendor withholds 5% of revenue generated from the sale of sport licenses as commission. The department also pays each vendor an additional \$1 per item sold on a quarterly basis. The amount of additional vendor compensation has been increasing for several years, requiring the department to request supplemental funding each year to cover the increases. This bill will allow vendors to withhold their additional vendor compensation along with their 5% commission. This will result in a reduction of revenue to the fish and game fund and an equal reduction in expenditures to be charge against the fund. This change will streamline the process for paying vendor compensation while having a net zero affect on the fish and game fund. This bill will affect approximately 1000 of the department's 1400 license vendors. It will still be necessary to make payments of up to \$50 to approximately 400 vendors that sell less than 500 licenses per year. The department will continue to report all compensation in the state accounting system and to vendors and the Internal Revenue Service on a form 1099.

An amendment adopted in the Senate allows vendors to assign all of the additional compensation they are entitled to under Section 5 (a)(2) of this bill to a nonprofit fish and game association. Funds so assigned would be transmitted to the department for transfer to the designated nonprofit fish and game association. A check would be issued to the designated nonprofit and a IRS form 1099 to the vendor/agent.

FISCAL NOTE

No. 2
 Version: SB 216
 (S) Publish Date: 1/12/96

**STATE OF ALASKA
 1996 LEGISLATIVE SESSION**

Revision Date: _____ Dept. Affected: Office of the Governor
 Title: "An Act relating to fees or assessments of costs
for certain services provided by state government...." BRU: Commissions/Special Offices
 Sponsor: Rules Committee Component: Human Rights Commission
 Requester: Governor COMPONENT SERIAL NO. 1

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 100	FY 01	FY 02
PERSONAL SERVICES	5.1	5.1	5.1	5.1	5.1	5.1
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	5.1	5.1	5.1	5.1	5.1	5.1

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

CHANGE IN REVENUES ()	5.1	5.1	5.1	5.1	5.1	5.1
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	5.1	5.1	5.1	5.1	5.1	5.1
1037 GF/Mental Health						
Other						
TOTAL	5.1	5.1	5.1	5.1	5.1	5.1

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

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The Commission receives many requests for training on preventing discrimination from employers, realtors and other organizations. These training sessions may consist of one hour presentations on the agency's responsibilities or full-day workshops on subjects like preventing discrimination against individuals with disabilities and sexual harassment.

The Commission was once able to respond to all requests for education on Alaska's Human Rights Law and easily meet its role of preventing discrimination without impacting on its enforcement activities. The Commission now has fewer staff at a time when the public's demand for services has soared.

Additional revenue generated by training would help offset the cost of overtime for our investigative staff who have recently been determined overtime eligible.

Prepared by: Paula M. Haley, Executive Director *M. Haley* Phone: 7474 x 241
 Division: Human Rights Commission Date: 1/9/96
 Approved by Commissioner: Jim Ayers, Chief of Staff *J. Ayers* Date: 1/10/96
 Agency: Office of the Governor

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

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

FISCAL NOTE

Bill Version: SB 215
 (S) Publish Date: 1/12/96

STATE OF ALASKA
 1996 LEGISLATIVE SESSION

Revision Date: _____ Department: Commerce and Economic Development
 Title: An Act streamlining the functions of state BRU: Occupational Licensing
 government: _____ Component: Operations
 Sponsor: Rules Committee
 Requestor: Governor COMPONENT SERIAL NO. 1844

(Thousands of Dollars)

Expenditures/Revenues	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
OPERATING EXPENDITURES						
PERSONAL SERVICES	(4.4)	(4.4)	(4.4)	(4.4)	(4.4)	(4.4)
TRAVEL	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
CONTRACTUAL	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)
CAPITAL EXPENDITURES						
CHANGE IN REVENUES	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)

(Thousands of Dollars)

FUND SOURCE	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other 1001 Designated PR	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)
TOTAL	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)

Estimate of any current year (FY 96) cost: \$ 5.3

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Section 8 repeals regulatory oversight statutes and statutory references under centralized licensing for the Athletic Commission (AS 05.05 and AS 05.10), and the certification of professional geologists (AS 08.02.011). The reduction identified in this fiscal note represent direct costs associated with these programs: Athletic Commission at \$3.6, and Professional Geologists at \$1.7. The reduction of revenue is based on fees generated in FY 95. Revenue of the Athletic Commission totalled \$1.4 and licenses are renewed annually. Revenue generated by certification of professional geologists totalled \$2.5 and are based on a one time charge with no expiration.

Prepared by: Jennifer Strickler, Administrative Officer Phone: 465-2144
 Division: Occupational Licensing Date: January 9, 1996
 Approved by Commissioner: William L. Hensley Date: 1-9-96
 Agency: Commerce and Economic Development

FISCAL NOTE

No. 6

STATE OF ALASKA
1996 LEGISLATIVE SESSION

Bill Version: SB 216

(S) Publish Date: 1/12/96

Revision Date: _____
 Title: An Act relating to fees or assessment of costs for
certain services provided by state government, ...
 Sponsor: Rules Committee
 Requestor: Governor

Department: Commerce and Economic Development
 BRU: Occupational Licensing
 Component: Operations

COMPONENT SERIAL NO. 1844

Expenditures/Revenues

(Thousands of Dollars)

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

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

CHANGE IN REVENUES	841.3	841.3	841.3	841.3	841.3	841.3
--------------------	-------	-------	-------	-------	-------	-------

FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1091 Designated Program Receipts	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
1006 GF/MHTIA						
Other 1040 RESF	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 96) cost: \$ 00

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Section 1 of the bill amends AS 08.88.472(a) to allow real estate surety fund hearing costs on a claim for reimbursement to be charged to the surety fund. Currently, only costs associated with awarded claims may be paid from the fund. The funding source change of \$3.0 from Designated Program Receipts (1091) to the Real Estate Surety Fund (1040) reflect the statutory change made in Section 1. The \$3.0 identified is a very conservative amount since previously, only costs associated with awarded claims were identified. After the first year of charging all surety fund related hearing costs to the surety fund, full costs of related hearings will be documented.

Section 5 of the bill amends AS 43.70.030(a) to increase the business licensing fee from \$25 per year to \$75 biennially. Licenses are currently valid for two-years in which licensees pay \$50. There are approximately 67,300 business licensees which approximately half renew each year. Increasing the fee to \$75 will generate an additional \$841.3 to the General Fund.

Prepared by: Jennifer Strickler, Administrative Officer
 Division: Occupational Licensing
 Approved by Commissioner: William L. Hensley
 Agency: Commerce and Economic Development

Phone: 465-2144
 Date: January 10, 1996
 Date: 1/11/96

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information, call the Governor's Legislative Office

CS SB 216(FIN) - RELATING TO FEES CHARGED BY STATE AGENCIES - SECTIONAL

Section	Department	Brief Description	Revenues	
			FY97	Future Years
1	Commerce & Economic Dev	Allows the department to charge costs of hearings related to the real estate surety fund on an ongoing basis rather than upon conclusion of a case. This clarifies and simplifies the real estate surety fund statutes by allowing all hearing costs to be charged to the real estate surety fund.	3.0	
2	Education	Allows the department to set fees by regulation for applications to operate and for agents' permits related to postsecondary education institutions. This will allow the corporation to cover costs of this process by allocating these costs across the regulated population. Charges will be based on a sliding scale tied to the tuition/fee revenues of each institution and will set minimums and maximums.	62.5	
3	Governor	Allows the Human Rights Commission to charge fees for education and training services and for materials provided to the public. The Commission has had to direct more of its limited resources towards enforcement and less to training in recent years. This section will allow the Commission to charge for training to deal with this unmet need.	5.1	
4	Labor	Requires self-insured employers to pay a fee to cover the costs of activities related to Workers' Compensation claims processing. The bill exempts municipalities, school districts and regional educational attendance areas from these provisions. 4% user fee on all workers compensation costs paid during the previous calendar year. This is similar to the premium tax paid by employers' for WC policies. This fee would cover the cost of processing & hearings on claim disputes before the	384.4	
5	Natural Resources	Allows the department to charge a fee for direct costs of evaluating or auditing an application for exploration credits for mine development.	10.0	
6		Allows municipalities to charge prisoners for costs of incarceration subject to prisoners' ability to pay.		

d
CF
E
L
002
000

CS SB 216(FIN) - RELATING TO FEES CHARGED BY STATE AGENCIES - SECTIONAL

7	Transportation & Public Facilities	Allows the department to charge for the use of state marine or harbor facilities and requires municipalities that lease state marine or harbor facilities to charge comparable fees and account for those fees separately.		
8	Revenue	Removes gasohol from the requirement of use permits		
9	Commerce & Economic Dev	Increases business license fees charged by Occupational Licensing from \$25 per year to \$75 every 2 years The business license fees have not been changed since statehood. The increased revenues will help close the fiscal gap. Occupational licensing collects the current fees on a biannual basis.	841.3	
10	Military & Veterans' Affairs	Allows the department to charge fees for emergency management response training Municipalities, non-profits and for-profit organizations are interested in receiving training on emergency preparedness. The fees will cover travel and facility rental necessary to conduct the training. The trainer is funded from federal FEMA funds.	0.0	4.0
11	Environmental Conservation	Allows the department to charge chemical firms fees for pesticide and broadcast chemical use and for review of subdivision plans for sewage waste disposal or	320.0	
12	Revenue	Removes the gasohol from the exemptions from the definition of motor fuel	6,000.0	
13, 14		Transitional language		
15 - 17		Effective dates		
			<hr/>	
			7,626.3	4.0

failed -

AMENDMENT # 2

OFFERED IN THE HOUSE

BY Rep. Fesler

TO: CSSB 216 (FIN)(title am)

- 1 Page 3, Line 23, following "exceed":
- 2 Delete "\$70"
- 3 Insert "\$100"

~~Table 5~~ Rescinded
Adopted

AMENDMENT NO. 3

OFFERED IN HOUSE FINANCE

TO: CS for Senate Bill No. 216(FLN)(title am)

Omnibus State Fees and Cost Assessments

new section

* Sec. 4. AS 23.30.090 is amended by adding new subsections to read:

(b) An employer authorized as a self-insurer, except the state, a municipality, a municipal school district, or a regional educational attendance area shall pay to the department for administrative services provided by the department, a \$100 fee, [OF FOUR PERCENT OF THE TOTAL AMOUNT REPORTED IN THE REPORT FILED BY THE EMPLOYER UNDER AS 23.30.155(M) FOR THE PRECEDING CALENDAR YEAR. THE BOARD SHALL ADOPT REGULATIONS ESTABLISHING THE PROCEDURES FOR PAYMENT OF THE FEE UNDER THIS SUBSECTION. THE DEPARTMENT SHALL TRANSFER THE FEES COLLECTED UNDER THIS SUBSECTION TO THE DEPARTMENT OF REVENUE FOR DEPOSIT IN THE STATE TREASURY.

(C) IN (B) OF THIS SECTION, "TOTAL AMOUNT REPORTED" MEANS THE TOTAL OF ALL TEMPORARY TOTAL DISABILITY PAYMENTS, TEMPORARY PARTIAL DISABILITY PAYMENTS, PERMANENT PARTIAL DISABILITY PAYMENTS, PERMANENT PARTIAL IMPAIRMENT PAYMENTS, PERMANENT TOTAL DISABILITY PAYMENTS, MEDICAL BENEFITS, REEMPLOYMENT BENEFITS, DEATH BENEFITS, ATTORNEY FEES, LITIGATION COSTS, PENALTIES, INTEREST, AND OTHER PAYMENTS PAID BY THE EMPLOYER AND REPORTED IN THE EMPLOYER'S ANNUAL REPORT FILED UNDER AS 23.30.155(M.)

TYPICAL: OVER/UNDER-PAYMENT AMOUNTS

Annual Interest Rate Compounded Quarterly: 11%

Interest earned on \$150.00 or less:

In 30 days: \$1.38

In 60 days: \$2.75

In 90 days: \$4.13

Cost to process an underpayment or overpayment: \$150.00

NET RETURN in 30 days: \$1.38 Interest - \$150.00 Cost = -\$148.62

BREAK-EVEN CASE : OVER/UNDER-PAYMENT AMOUNTS

Annual Interest Rate Compounded Quarterly: 11%

Interest earned on \$16,000.00 :

In 30 days: \$146.67

In 60 days: \$293.33

In 90 days: \$440.00

Cost to process an underpayment or overpayment: \$150.00

NET RETURN in 30 days: \$146.67 Interest - \$150.00 Cost = -\$3.33

Memorandum

To: Pat Pourchot

CC: Tom Cashen

From: Paul Grossi, State of Alaska, Dept. of Labor Division of Workers' Compensation

Date: May 3, 1996

Subject: Self Insured User Fee

This memo is written to address concerns listed in letters by Mark Williams of Carr's and Glenn Smith of Scott Wetzel Services. The concerns are regarding the self-insured user fee.

Mark Williams' Letter:

1) Mr. Williams indicated the 4% user fee unequally distributes burden on self-insurers, because the premium tax is only 2.7% for workers' compensation insurance policies.

While this seems unfair to the self-insurer, it is actually less than the premium tax. The premium tax is based on a larger total sum. Premium is the amount charged for a policy and must include the amount claims will cost, overhead for the cost of doing business and a profit for the insurance company.

The 4% user fee is based just on the total workers' compensation payments paid. This is a much smaller total number so the percentage must be higher to make them closer to equal. The actual dollar amount paid to the state would not be larger. If anything, the 4% fee is probably less than what a premium tax would be for the same employer. For example:

A seafood company recently became self-insured. Their last workers' compensation policy premium was \$1,406,448. This would generate a premium tax of over \$37,000. Last year if the company were charged a 4% fee on all compensation paid, they would have paid under \$15,000 to the state.

2) The bill exempts the state and local governments. This is true. When the administration introduced the bill it included local governments. The Senate Labor and Commerce Committee excluded local governments from the fee because they felt this was a "pass through". The State was never included

because the entire operating budget of the Workers' Compensation Division is already paid for out of general funds. It is felt the State already pays its fair share.

Glenn Smith's letters:

1) Mr Smith says the intent of the bill is to generate revenue for the general fund and create an inducement for employers to reduce workplace injuries. While this may be true, the bill does allow the funds being produced by the 4% fee to be used as program receipts by the division reducing its reliance on straight general fund dollars.

2) Mr Smith says that self-insured employers pay premium tax for other lines of insurance. This is true for insured employers as well as self-insured employers.

3) Glenn makes the point that many of the self-insureds purchase an excess workers' compensation insurance policy for which they are charged a premium tax. This is true, although it is unlikely the self-insured fee plus the premium tax on the excess workers' compensation policy would total what a comparable insured pays in premium tax.

Lets go back to the seafood company who recently became self-insured. Last year that company's excess workers' compensation policy premium was \$192,316 the premium tax was \$4807.90. The total, if there had been a 4% fee last year, would have been approx. \$20,000. Again the last premium tax they paid was over \$37,000.

4) The last point Mr. Smith makes is that the premium tax should be eliminated and both insured and self-insured should be charged the 4% user fee. This may be a good idea and good public policy, but can't be addressed in the present legislation. Perhaps the insured user fee issue could be addressed in the future.

CARR GOTTSTEIN FOODS CO.

Mark Williams, President & Chief Executive Officer

1011 A Street, Anchorage, Alaska 99518
 PH: (907) 564 2590 FAX: (907) 564 2590

Date: May 3, 1996

To: - Mark Hanley Fax: 465-2418
 Dick Foster 465-3242
 Joe Green 465-4116
 Pete Kmi 465-2819
 Brian Porter 465-3834
 Norm Rokeberg 465-2040
 Eldon Mulder 465-3518
 Terry Martin 465-2293

From: Mark Williams
 President and CEO
 Carr Gottstein Foods Company

Carr Gottstein Foods Company opposes enactment of a "user fee" imposed by Section 3 of C/SSB 216 on self insureds on workers' compensation and other benefits paid to injured workers. The proposed fee unequally distributes burden of supporting state insurance regulation because insurance carriers are responsible only for a 2.7% premium tax. The "user fee" concept requires more work to treat insurers and self insured equally. The proposed fee, together with existing premium tax would also generate more revenues than necessary to pay direct costs of insurance regulation and should be reviewed more carefully before implementation. The bill also exempts state and local governments from its provisions, thereby unfairly requiring private industry to pay unfair share of state administrative costs.



SCOTWITZEL
SERVICES, INC.

Risk Management Planning and Support

May 3, 1996

Brian Porter

RE: SB 216 - User Fee on Self Insureds

Dear Mr. Porter:

Please be advised that I would like to express my opposition to SB 216-User Fee on Self Insureds.


The intent of the Bill is to generate revenue for the general fund under the guise that it would also reduce losses by the 4% being based on the amount of claims paid and therefore bring a consciousness to the self insureds in controlling their losses.

What it doesn't say is that all self insureds in this State are not totally self insured and insure through the standard market for other lines of business and therefore also pay a premium tax of 2.7% on those lines. Further, the State's largest self insured, the State of Alaska, is not subject to this 4% fee and therefore has no incentive to control their losses.

Additionally, almost all self insureds that I'm familiar with pay a premium tax through their excess coverages. My recommendation is that if the purpose of the Bill is to generate revenue as well as reduce losses, that we eliminate the premium tax and charge an equal user fee to both self insureds and insureds, putting everyone on a common ground. Anything less than this would be a discriminatory action and I am vehemently opposed.

Thank you.

Sincerely,


Glenn C. Smith
Assistant Secretary/Branch Manager

GCS/clc

WCCA

WORKERS' COMPENSATION COMMITTEE OF ALASKA
P.O. Box 200611 • Anchorage, Alaska • 99520

May 3, 1996

Representative Foster
Juneau, Alaska

Re: Senate Bill 216 -- Self-Insureds' Tax

Dear Representative Foster:

On behalf of several hundred members of the Workers' Compensation Committee of Alaska (WCCA), and particularly our members who are self-insureds, I urge you to reject a proposed 4% user fee on self-insureds contained in this bill until the matter is more carefully considered by all interested parties.

While self-insureds do not presently pay the same 2.7% "insurance tax" levied by the State to pay administrative expenses of the Divisions of Insurance and Workers' Compensation, we believe a new 4% tax SB 216 would levy on self-insureds should not be enacted in its present form. Specifically:

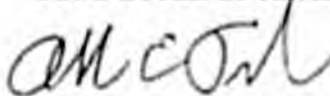
1. A combination of the proposed 4% tax on self-insureds with the existing 2.7% tax on certain forms of insurance will generate substantially more revenues than are presently required to pay actual operating costs of State insurance regulatory agencies. WCCA does not believe that taxes or "user fees" of this sort should be used to generate excess general fund revenues beyond those actually needed to fund specific regulatory activities.

2. WCCA certainly believes that self-insureds and those who purchase insurance should "pay their way" for State administrative costs, and should do so equally. The proposed legislation would not, however, equally distribute the burden of supporting legitimate regulatory activities between self-insureds and those who purchase insurance.

As WCCA pledged to Paul Grossi many months ago, we are more than willing to sit down with the State Administration and come up with a fair means of spreading these burdens equally. Until that happens, however, we do not believe SB 216 is an appropriate vehicle for simply raising new State revenues. We urge you to reject the 4% user fee in that bill. If you have questions regarding this matter, please do not hesitate to contact me.

Cordially,

WORKERS' COMPENSATION
COMMITTEE OF ALASKA



Allan E. Tesche
President

AET/sbi

Workers' Compensation Committee of Alaska
P.O. Box 200631 Anchorage, Alaska 99520

May 5 1996

Representative Richard Foster, Co-Chair
House Finance Committee
Alaska State Legislature

Dear Representative Foster:

Re: Senate Bill 216 -- Self-Insureds' Tax

Please consider this letter as testimony regarding SB 216 I would otherwise offer in person today on behalf of the Workers' Compensation Committee of Alaska.

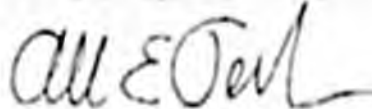
As you know, the Workers' Compensation Committee of Alaska counts as its members hundreds of insured and self insured businesses, non profit, and public entities dedicated to the goals of improving Alaska's workers' compensation system in ways that benefit both employers and employees. We understand and appreciate the need to explore new, and more equitable means of supporting essential State governmental functions such as the activities of the Divisions of Insurance and Workers' Compensation.

For reasons stated in my letter to you last Friday, WCCA opposes the current proposal for a new tax on self insureds which is contained in SB 216. Those comments are not repeated here. Instead, I want the Committee to understand that WCCA remains committed to working with the State Administration and the legislature in crafting more equitable means of allocating the direct costs of those governmental functions among the various entities involved. We would like the opportunity to work with the insureds and self insureds within our organization to develop specific, alternate legislation which would achieve these goals.

On behalf of WCCA, I request the proposed tax on self insureds contained in SB 216 be deferred pending further discussions between the state agencies involved, WCCA, and the insureds and self insureds affected. I remain confident that with sufficient time to work with the entities involved, a consensus on improved language is feasible.

Cordially,

WORKERS' COMPENSATION
COMMITTEE OF ALASKA



Allan E. Tesche, President

Carr-Gottstein Foods Co. response to Senate Bill 216

Carr-Gottstein Foods Co. is opposed to paragraph (b) & (c) of section 3 of senate bill 216. These paragraphs call for a 4% fee to be paid by authorized self-insureds on all costs reported to the state for workers' compensation in the prior year. The costs reported would include all medical benefits, disability benefits, impairment ratings, reemployment benefits, death benefits, attorney fees, litigation costs, penalties, interest, and all other payments which the employer is required to report to the state. For Carrs this would amount to an additional tax (fee) of approximately \$57,000 per year. Listed below are some of the reasons we are opposed to these sections of the bill

- Carrs already pays a 2.7% tax on the excess insurance coverage we purchase for workers' compensation. We also pay a 2.7% tax on all our property coverage, liability coverage, automobile coverage, boiler and machinery coverage, crime coverage, and other insurance we purchase. These premium taxes amounted to approximately \$19,000 last year.
- Currently the insurance premium taxes which the state collects are more than sufficient to fund both the Division of Insurance and the Department of Labor, Workers' Compensation Division with excess funds being used for general government
- Carr-Gottstein is the largest private employer in the state and has chosen to be self insured both for economic reasons and so that we can manage our own claims. We have an active return to work program which has been very successful and has been used as an example to others. We handle claims fairly and expeditiously which means we do not overuse or place a heavy burden on the workers' compensation system.
- One argument for this fee is that it would encourage self-insureds to hold their losses down. I believe that we already have all the incentive we need to keep our claims down. We have been very proactive in doing this and have been extremely successful. This fee would only add to our costs of doing business in an extremely competitive marketplace and industry.
- According to the state records for 1994 (latest year we have) the two self-insureds who reported the largest dollar amount to the state for workers' compensation expenditures would be exempt from the tax (fee). These are: Municipality of Anchorage (reported costs of \$2,148,957 and assessed fee of \$85,958) and Anchorage School District (reported costs of \$1,460,149 and assessed fee of \$58,406). Under the proposed bill one would be exempt as a municipality and the other as a municipal school district
- Carrs has chosen to take the risk with a high self-insured retention (deductible) on our workers' compensation insurance. We feel this fee amounts to nothing more than a tax on underlying coverage we have elected not to purchase
- Our business is extremely competitive and we look for every advantage and cost savings we can find to remain competitive and offer our customers the best possible prices. We can't simply accept increased costs of doing business with the thought that we can pass them along to residents of the State of Alaska.

Sincerely,

Mark R. Williams

President and Chief Executive Officer

The

WCCA Sounder

"A publication for people concerned
about workers' compensation reform"

January/February 1996

**WCCA
opposes use
of workers
compensation
fees to fund
general
government**



Director Paul Grossi (third from left), of the Division of Workers' Compensation, briefs the WCCA's Board on a proposal to impose a user fee on self-insured companies. Also pictured are, left to right, WCCA President Allan Tesche, WCCA Treasurer Eric Tollefson, Alaska Workers' Compensation Board Member Steve Hagedorn and WCCA Board Members Carol Ann Lute and Carol Smith.

'User fee' of 4% proposed on self-insured employers

A 4% "user fee" on workers' compensation claims paid by self-insured companies has been put forward by the Knowles administration to help close the state's fiscal gap. Division of Workers' Compensation Director Paul Grossi met in early February with WCCA to brief employers on the proposed tax.

WCCA board members, representing many of the state's self-insured employers, questioned Grossi closely and exchanged views on the proposal. According to Grossi, the 4% fee would be "comparable to the 2.7% premium" as that employers pay now through their insurance policy. "We see this as a 'fairness type of fee.'"

The current tax generates \$5 million annually, which goes into the general fund and more than supports the budgets for the Division of Insurance and the Division of Workers' Compensation. The new tax would generate an additional \$600,000 to \$700,000 for the state's general fund.

At the meeting WCCA members expressed their willingness to contribute to the support of the Divisions of Insurance and Workers' Compensation. WCCA President Allan Tesche asked Grossi to come up with an appropriate figure which represents "overhead" for the division.

Concerns were expressed about the lack of investigative capability within

Continued on page 5

**Self-insureds
already pay
tax on other
lines and
excess
coverage**

User fees

(continued from page 1)

the division, which has allowed certain unscrupulous workers to file fraudulent workers' compensation claims with impunity.

"They know they'll never get caught," pointed out attorney and WCCA Member-at-Large Shelby Nuenke-Davison. WCCA Treasurer Eric Tollefson, human resources manager at Carrs Quality Centers, added that most employers would be willing to pay for beefed up investigations and prosecutions of workers' compensation fraud.

John Garrett, claims adjuster for Alyeska Pipeline Service Company, noted that Alyeska would probably have no problem paying its fair share for services received—but not for fattening the state's general fund.

Others echoed the same theme: the unfairness of asking the workers' compensation system to support general government. WCCA members pointed out that the Second Injury Fund already goes into the general fund with no interest paid. Board member Veronica Allmaras, employee health manager at Providence Hospital, commented in writing that Providence last year paid more than \$30,000 into the Second Injury Fund. "Just because we're self-insured, that doesn't mean we don't pay taxes."

WCCA's Glenn Smith, of Scott Wetzel Services, who also sent in written objections, pointed out that self-insured employers pay a premium tax on their standard insurance, as well as on their excess coverage.

Director Grossi noted that one attractive feature of the user fee would be that the actual amount paid each year would rise or fall depending on the employer's workers' compensation claims paid. "Obviously, a company with fewer accidents will file fewer claims, schedule fewer hearings and pre-hearings and in general be less of a burden on the state," said Grossi. "We've built in an incentive for maintaining a safe workplace."

Smith, in his written comments, asked, "What incentive do the insurance companies have in holding their losses down when they are only responsible for paying a 2.7% premium tax, which they in turn pass on back to their consumers? Certainly if there is going to be a user fee, then the premium tax should be abol-

ished and a user fee assessed against both insureds and self-insureds.

This would put both the standard market and the self-insureds on an even playing field." Smith also noted the inequity of having Alaska's largest self-insured entity, the state itself, exempt from the user fee, and hence its loss control incentives.

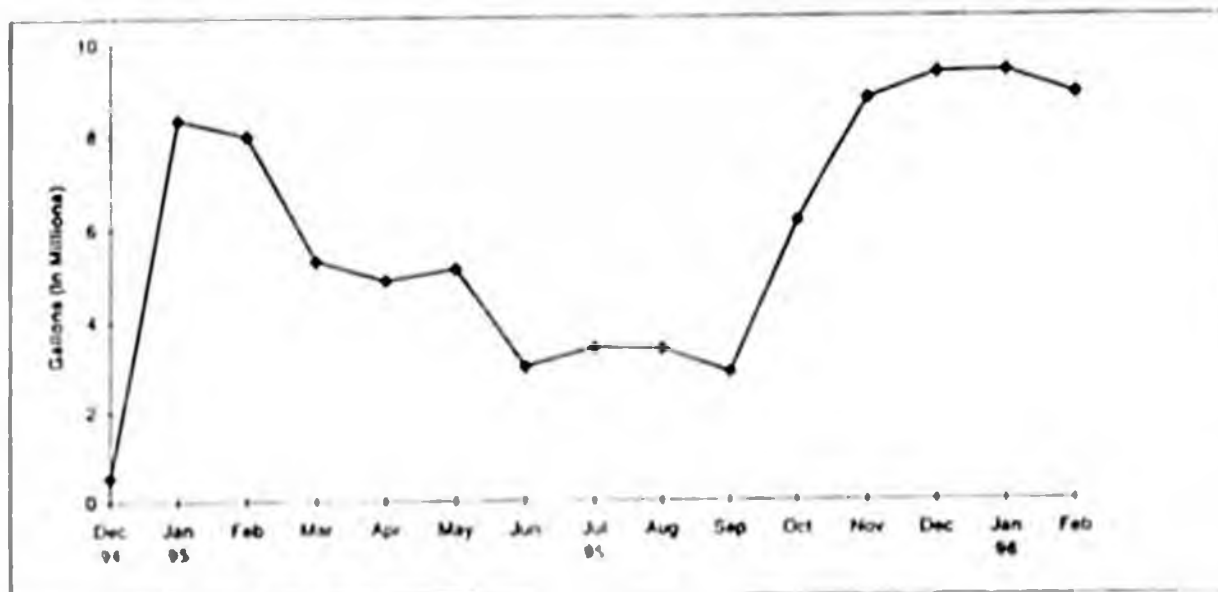
WCCA officials expressed their thanks to Director Grossi for the briefing, and the opportunity to discuss the proposed fee.



Others participating in the recent briefing were, left to right, WCCA Past President Willy Van Hemert, Member-at-Large Shelby Nuenke-Davison, WCCA Board Members Virginia Collins and (rear) Mark Lutz, and Tom Johnson of Aurora Environmental & Safety. Also in attendance was Alyeska's John Garrett.

Alaska Department of Revenue
Income and Excise Audit Division

Gasohol Distributions by Month
Inception to Date through April 10, 1996



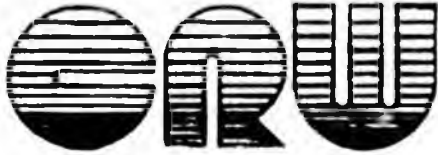
	FY 96 YTD	FY 96 Projected
Total Gallons	52,144,775	75,000,000
Tax Equivalent	\$4,171,582	\$6,000,000

Revenue lost

FY 95 Actuals
\$ 2,400,000

Month	FY 95	FY 96
July		3,414,786
August	N/A	3,383,432
September	(estimated)	2,874,991
October	(estimated)	6,149,280
November	January 1995	8,768,003
December	527,623	9,328,066
January	8,327,787	9,365,194
February	7,970,557	8,060,993
March	5,311,785	
April	4,883,918	
May	5,138,818	
June	3,004,248	
Total	35,170,834	62,144,775

FAX Cover Sheet



CRW Engineering Group
3900 Arctic Blvd., Suite 203
Anchorage, AK 99503-5781
Phone (907) 562-3252 Fax 561-2273

To:

From:

Attention: Rep. Mark Hanley
Company: Alaska House of Representatives

Name: Willy Van Hemert, P. E.
Job No.: Date: 5/6/96
Descr.: Senate Bill 216

Fax No: (907)465-2418

Subject:

Total Number of Sheets: 1
(Including this sheet)

Originals in Mail: Yes No


Remarks:

Dear Representative Hanley:

I would like to express my opposition to passage of SB 216 in regards to the 4% user fee imposed on self-insureds. I have long supported the concept of user fees as long as they are equitably dealt with. Unfortunately, the selection of a 4% rate is completely arbitrary. As you are aware, insurance carriers pay only a 2.7% premium tax. This should be the beginning point for considering fees for other user groups. And even then, the Division of Worker's Compensation should be able to justify the financial impact to their division by the various groups. If additional income is generated shouldn't everyone's rates go down?

In regard to equity, I also have a big problem exempting state and local governments. As a person in private industry, I am always facing the issue of government being able to do the work at less cost. Part of that conception comes from the fact that government entities are exempt from many costs or their direct costs are hidden through the administrative process. This is just another example of how government is given a special status at the expense of private industry.

Finally, having worked with the worker's comp issue for the past six years, I know that there is a need to find consensus prior to initiating changes in the system. In this case, the division did not address concerns with the impacted parties early on. Had they reached consensus prior to introducing their bill, your job would have been made much easier. As it now stands, you have a difficult job ahead of you. I would strongly urge you and the committee to eliminate the 4% user fee from SB 216 and make the division work with the self-insureds to reach an acceptable compromise that can be dealt with "easily" in the next legislative session.



1200 PROVIDENCE DRIVE
PO BOX 150674
ANCHORAGE, ALASKA
99512-0674

Tel: 907 552-2211

May 4, 1996

TO: Senator Gail Phillips
Representative Mark Hanley
Senate President Drue Pearce
Senator Rick Halford
Senator Mike Miller
Senator Tim Kelly

FROM: Joan Fisher, Administrator *Fisher*
Providence Health System in Alaska

RE: SB 216

The Providence Health System in Alaska opposes the enactment of a 4% user fee imposed by Section 3 of SB 216 on self-insureds on worker's compensation and other benefits paid to injured workers. The proposed fee unequally distributes the burden of supporting state insurance regulation because insurance carriers are responsible only for a 2.7% premium tax. The "user fee" concept requires more work to treat insurers and self-insured equally. The proposed fee, together with raising premium tax, could also generate more revenues than necessary to pay direct costs of insurance regulation and should be reviewed more carefully before implementation.

The bill also exempts state and local governments from its provisions, thereby unfairly requiring private industry to pay unfair share of state administrative costs.