

BILLS 1981 - 1982
SSHB 37 cont. - CSSHB 41

1416

Log. P. 1416

1 * Sec. 3. The Department of Revenue may not collect the motor fuel tax
2 from a dealer, as defined in AS 43.40.100(1), on a sale or transfer of motor
3 fuel that occurs before the effective date of this Act if the dealer did not
4 collect the tax from a purchaser or transferee because of a reasonable belief
5 that the fuel was not to be used as motor fuel, as that term is defined in
6 AS 43.40.100(2).

7 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
8 070(c).

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AMENDMENT HB 37

*Section 1. AS 43.40 is amended by adding a new section to read:

Sec. AS 43.40.015. SURTAX ON AVIATION FUEL. (a) There is levied a surtax on aviation fuel, in addition to the tax imposed in AS 43.40.010, in the following amounts:

- (1) One-half cent a gallon on all aviation gasoline sold or otherwise transferred in the state or consumed by a user; and
- (2) One-fourth cent a gallon on all aviation fuel other than gasoline sold or otherwise transferred in the state or consumed by a user.

(b) The surtax levied under this section shall be deposited in the general fund. The legislature may annually appropriate an amount equal to the proceeds of the surtax levied in this section for aviation safety training programs.

*Sec. 2. This Act terminates on July 1, 1985. *to the extent of any sec. 2*

*Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c).

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THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB37
 Title An Act relating to the motor fuel tax
 Requested by Randolph, Beirne, Bettisworth Date 3-8-82

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected Revenue Collections and Management
 BRU, Program, Or Subprogram(s) Affected Audit Division
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		22.0	23.5	25.0	27.0	29.5
200 TRAVEL		1.6	1.8	2.0	2.2	2.4
300 CONTRACTUAL						
400 COMMODITIES		.5				
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		24.1	25.3	27.0	29.2	31.9

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		24.1	25.3	27.0	29.2	31.9
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME		1	1	1	1	1
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

See attached memo to R. D. Stevenson dated 3-9-82.

Robert R. Kessel

IV. DATE March 9, 1982 PREPARED BY Robert R. Kessel
 AGENCY Audit Division
 Original: Legislative Finance PHONE 465-2320
 cc: Budget and Management
Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

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 BRU, Program, Or Subprogram(s) Affected Audit Division
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars) None

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND		(1.4)	(1.4)			
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS None

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

See attached copy of memo to R. D. Stevenson dated March 9, 1982.

Robert R. Kessel

IV. DATE March 9, 1982 PREPARED BY Robert R. Kessel
 AGENCY Audit Division
 Original: Legislative Finance PHONE 465-2320
 cc: Budget and Management

Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

MEMORANDUM

State of Alaska

Department of Revenue

TO: R. D. Stevenson
Special Assistant

DATE: March 9, 1982

FILE NO:

TELEPHONE NO:

FROM: Robert R. Kessel ^{RR}
Director, Audit Division

SUBJECT: Work Draft -
CSHB 37

The work draft would allow motor fuel dealers (distributors/jobbers) to buy a portion of their fuel tax free from the manufacturer/ supplier and would allow the distributor to sell that same portion to consumers tax free in those instances when such consumption is for exempt use. Exempt use includes a) fuel used for heating purposes and b) fuel used by exempt organizations such as the Federal Government, State agencies, charitable organizations, etc.

The distributors/jobbers must provide the manufacturer/supplier with a certificate of use for ex-tax purchases. The distributors/jobbers must obtain a certificate of use from every person purchasing fuel not intended for use as a motor fuel. The distributors/jobbers must retain the certificates for examination by the Department of Revenue.

The bill expands the term "user" (taxpayer) to include a person consuming or using diesel fuel who purchases or receives the fuel within the State that was not taxed at the time of purchase or receipt because it was sold as heating fuel.

Section 3 of the work draft provides, in essence, that all audit assessments against dealers for failure to collect the tax from a purchaser or transferee could not be collected by the Department of Revenue nor could further audits be conducted nor assessments made. This section is arguably unconstitutional. In addition, the State would lose about \$2.8 million because of abatement of current audit assessments and forfeiture of other audit efforts for prior years.

The work draft as written would apparently continue to require dealers and users to file motor fuel tax returns. The sponsors of this bill might not be aware of this requirement.

There would literally be thousands of certificates of use issued. The effort to audit under the certificate concept would require an additional revenue auditor.

Section 3 essentially punishes those 50% of the dealers who have conformed to the law and properly collected tax. The State of Alaska has a substantial amount of dollars impacted by the dealers' failure to collect when required.

RRK/gb

Asper

MAR 9 1992

Original sponsors: Randolph, Beirne and Bettisworth

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 37 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the motor fuel tax (AS 43.40); and
7 providing for an effective date."

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

9 * Section 1. AS 43.40.010 is amended by adding a new subsection to read:

10 (1) If a dealer has a reasonable belief at the time of sale or
11 transfer that fuel that is sold or transferred is not to be used as
12 motor fuel, the dealer need not collect the motor fuel tax. If the tax
13 is not collected, the dealer shall obtain a certificate of use from the
14 buyer or transferee stating that the fuel purchased or received is not
15 intended for use as motor fuel. The Department of Revenue may not
16 collect the motor fuel tax from a dealer for fuel for which a certificate
17 of use has been properly obtained under this subsection. The dealer
18 shall retain a copy of each certificate of use obtained under this
19 subsection for examination or audit on request by the Department of
20 Revenue. The form of a certificate of use may be prescribed by regula-
21 tion adopted by the Department of Revenue.

22 * Sec. 2. AS 43.40.100(3) is amended to read:

23 (3) "user" means a person consuming or using motor fuel, who
24 either

25 (A) purchases the fuel out of the state and ships it
26 into the state for his own use within the state;

27 (B) [OR] manufactures the fuel in the state; or

28 (C) purchases or receives the fuel within the state that
29 is not taxed at the time of purchase or receipt.

1 * Sec. 3. The Department of Revenue may not collect the motor fuel tax
2 from a dealer, as defined in AS 43.40.100(1), on a sale or transfer of motor
3 fuel that occurs before the effective date of this Act if the dealer did not
4 collect the tax from a purchaser or transferee because of a reasonable belief
5 that the fuel was not to be used as motor fuel, as that term is defined in
6 AS 43.40.100(2).

7 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
8 070(c).

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STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 26, 1982

SUBJECT: Motor fuel tax
(CSHB 37 (SA))

TO: Representative Ray H. Metcalfe

FROM: *(LHC)* Linn H. Asper
Legislative Counsel

You have asked for an opinion on the constitutionality of * Sec. 3 of CSHB 37 (SA), "An Act relating to the motor fuel tax" (AS 43.40). * Sec. 3 prohibits the Department of Revenue from collecting the motor fuel tax on a sale of fuel that takes place before the effective date of the Act from a dealer who did not collect the tax on the sale of the motor fuel, as is required by AS 43.40.010, because of a reasonable belief that the fuel was not to be used as "motor fuel".

* Sec. 3 was drafted to correct a situation described at a House State Affairs Committee meeting. Fuel sellers are being assessed large amounts in back taxes for failing to collect the motor fuel tax properly, under new interpretations of dealer duties by the Department of Revenue. The difficulty with the motor fuel tax law is that, by definition, fuel sold is only taxable "motor fuel" if it is used in a certain manner. Often it is difficult for the dealers to determine how their customers will use the fuel, and the Department of Revenue has given no guidance by regulation as to when the tax should or should not be collected. The dealers therefore developed patterns of practice in collecting the tax; patterns that were honored by the Department of Revenue until recently. Audits conducted in the last year have determined that many dealers failed to collect the motor fuel tax on fuel that the department now considers to be "motor fuel" under the tax act. * Sec. 3 of CSHB 37 responds to claims by the dealers that it was unfair for them to be assessed motor fuel taxes when they only failed to collect the taxes because the Department of Revenue accepted their former collection practices.

March 26, 1982

* Sec. 3 prohibits collection of the tax only in those instances where a dealer can demonstrate a reasonable belief that the fuel sold or otherwise transferred was not taxable "motor fuel" under the act. Thus, it provides relief for a very limited group of persons. As such it appears to be and is intended to be an equitable form of relief for persons whose conduct has been reasonable under the circumstances. Similar relief could be granted by the Department of Revenue if it decided to apply its new interpretation of the Motor Fuel Tax prospectively instead of retroactively, but such administrative relief is apparently not forthcoming.

Although the equities seem to be with the fuel dealers in this situation, it is possible that the retroactive tax relief can be challenged on constitutional grounds. This is so because the effect of * Sec. 3 will be that some dealers and some consumers of fuel have paid the tax while others will be able to avoid payment. Those that have collected, or have paid the tax could challenge the tax relief section of the bill as a violation of the equal protection clause of the state and federal constitutions. In the time frame of your request for this memorandum, I have not been able to research this question fully to determine if an equal protection clause challenge would be successful or not. Instead I am simply noting that a challenge could be brought and to that extent there is a constitutional problem with the bill. The constitutional problem might be resolved by additional language in the bill that would shift the collection burden to the state for the back taxes. Then consumers would still be subject equally to the tax, but the Department would have to collect it, thus relieving the dealers from the burden of the new administrative standards for past sales.

LHA:ljb

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K-STATE CAPITOL
JUNEAU, ALASKA 99811

March 25, 1982

Honorable David W. Cuddy
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Cuddy:

You have requested an opinion from this department concerning the constitutionality of § 3 of CSHB 37 which provides a retroactive tax exemption to dealers of motor fuel who failed to collect the tax based on a reasonable belief that the fuel was not to be used as motor fuel. There was also concern expressed at the March 25 subcommittee hearing on the need for a penalty provision which would provide the Department of Revenue with a remedy against the "user" of motor fuel who files a false certificate of use. These two issues will be addressed in turn.

AS 43.40.010(c) presently imposes a duty upon the dealer to collect the motor fuel tax. The dealer is absolutely liable for failure to collect the tax if the sale is not exempt. Section 3 of CSHB 37 could change the law to retroactively grant tax relief to the dealer based solely upon the dealer's "reasonable belief" that the sale was exempt, whether or not the sale was in fact exempt. The effect of this proposed change is that claims presently enforceable by the Department of Revenue would be forgiven because all dealers who now owe taxes could raise a new defense to payment which would retroactively absolve them from liability.¹

It is the Department's view that this amendment may violate Article IX, section 6 of the Alaska Constitution. This section provides that appropriations of public money may be made only for a public purpose. While the Alaska Supreme Court has not specifically addressed the question of the

¹ It should be noted that even under the present law, the Department of Revenue would certainly consider the dealer's belief as evidence of whether the sale is exempt. However, the law requires some objective evidence of exemption and not just the dealer's untested belief.

Honorable David W. Cuddy
Alaska State Legislature
March 26, 1982
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validity of retroactive tax repeals, courts in other jurisdictions have held that as a general rule, retroactive repeals of validly imposed taxes constitute an appropriation of public money for essentially private benefit. City of Yakima v. Huza, 407 P.2d 815 (Wash. 1965); In re Skinners Estate, 303 P.2d 745 (Cal. 1956); In re Stanford's Estate 58 P. 465 (Cal. 1899). The prohibition applies not only to an actual refund of taxes, but to any legislation that would "in any way surrender, impair or limit rights that have become fixed." In re Skinner's Estate. The rationale of these decisions is that retroactive repeal which forgives unpaid taxes does not benefit the collective public to whom the money in the state treasury belongs, but benefits the private individuals who receive the funds.

The proposed language in § 3 of to CSHB 37 does not appear to be a release of tax liability for the benefit of the general population of Alaska. Rather, it is intended to benefit dealers who failed to collect the tax at the time of sale as required by AS 43.40.010(c). For these reasons, we would recommend that § 3 be deleted from the bill.


A question was also raised at the hearing as to whether the penalty contained in AS 43.40.020 and repealed by Section 3 Ch. 116 SLA 1977 should be reinstated to provide recourse against the user who files a false certificate. Representative Metcalfe has correctly pointed out that the general penalty provisions of AS 43.05.290 would apply to the user who files a certificate and ultimately uses the fuel in a manner that is not tax exempt. However, it may be helpful to clarify the obvious intent of AS 43.40.100(3)(c) by providing that in addition to penalties, the user who files a certificate of use for fuel that is in fact not exempt is also liable for the tax itself.

Honorable David W. Cuddy
Alaska State Legislature
March 26, 1982
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If we can be of any further assistance to you or
your subcommittee, please let me know.

Sincerely,

WILSON L. CONDON
ATTORNEY GENERAL

By: 
Barbara Herman
Assistant Attorney General

Original sponsors: Randolph, Beirne and
Bettisworth

Offered: 3/12/82
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 37 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the motor fuel tax (AS 43.40); and
7 providing for an effective date."

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

9 * Section 1. AS 43.40.010 is amended by adding a new subsection to read:

10 (1) If a dealer has a reasonable belief at the time of sale or
11 transfer that fuel that is sold or transferred is not to be used as
12 motor fuel, the dealer need not collect the motor fuel tax. If the tax
13 is not collected, the dealer shall obtain a certificate of use from the
14 buyer or transferee stating that the fuel that has been or will be pur-
15 chased or received is not intended for use as motor fuel. The Department
16 of Revenue may not collect the motor fuel tax from a dealer for fuel for
17 which a certificate of use has been properly obtained under this sub-
18 section. The dealer shall retain a copy of each certificate of use
19 obtained under this subsection for examination or audit on request by
20 the Department of Revenue. The form of a certificate of use may be
21 prescribed by regulation adopted by the Department of Revenue.

22 * Sec. 2. AS 43.40.100(3) is amended to read:

23 (3) "user" means a person consuming or using motor fuel, who
24 either

25 (A) purchases the fuel out of the state and ships it
26 into the state for his own use within the state;

27 (B) [OR] manufactures the fuel in the state; or

28 (C) purchases or receives the fuel within the state that
29 is not taxed at the time of purchase or receipt.

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4 collect the tax from a purchaser or transferee because of a reasonable belief
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6 AS 43.40.100(2).

7 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
8 070(c).

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Introduced: 2/4/81
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY RANDOLPH, BEIRNE AND
BETTISWORTH

2 HOUSE BILL NO. 37

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act repealing all state taxes except the oil and
7 gas corporate income tax (AS 43.21); and providing for
8 an effective date."

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

10 * Section 1. The following laws are repealed:

11 (1) AS 10.25.540 - 10.25.570 (gross revenue tax on electric
12 and telephone cooperatives);

13 (2) AS 21.09.210(b) - (e), (g), and (h) (tax on persons
14 engaged in insurance business);

15 (3) AS 21.33.055 (unauthorized insurance premium tax);

16 (4) AS 21.33.061(c) - (f) (insurance premium tax);

17 (5) AS 21.33.230 - 21.33.240 (surplus lines insurance premium
18 tax);

19 (6) AS 21.66.110 (title insurance premium tax);

20 (7) AS 21.87.260 (hospital and medical service corporation
21 tax);

22 (8) AS 21.88.060 (medical indemnity corporation premium
23 tax);

24 (9) AS 43.20 (corporate income tax);

25 (10) AS 43.31 (Alaska estate tax);

26 (11) AS 43.35 (tax on coin-operated amusement and gaming
27 devices and on punchboards);

28 (12) AS 43.40 (tax on motor fuel, including the tax imposed on
29 motor fuel used in motor vehicles, aircraft, and watercraft);

- 1 (13) AS 43.50 (cigarette tax);
2 (14) AS 43.55 (oil and gas properties production tax);
3 (15) AS 43.56 (ad valorem tax on oil and gas exploration,
4 production and pipeline transportation property);
5 (16) AS 43.57 (oil and gas regulation and conservation tax);
6 (17) AS 43.58 (oil and gas reserves ad valorem tax);
7 (18) AS 43.60 (liquor tax);
8 (19) AS 43.65 (mining license tax);
9 (20) AS 43.70 (business license tax);
10 (21) AS 43.75 (fisheries tax).

11 * Sec. 2. AS 13.16.610(a)(1) is amended to read:

12 (1) "estate" means the gross estate of a decedent as deter-
13 mined for the purpose of federal estate tax [AND THE ESTATE TAX PAYABLE
14 TO THIS STATE];

15 * Sec. 3. AS 13.16.610(a)(5) is amended to read:

16 (5) "tax" means the federal estate tax [AND THE ADDITIONAL
17 INHERITANCE TAX IMPOSED BY AS 43.31] and interest and penalties imposed
18 in addition to the tax;

19 * Sec. 4. AS 16.10.296(3) is repealed and reenacted to read:

20 (3) "fish processor" means a person engaging or attempting
21 to engage in any of the following lines of business in connection with
22 the commercial fisheries of the state: shore-based cold storages and
23 other shore-based fish processing plants, freezer ships and other
24 floating cold storages;

25 * Sec. 5. AS 21.09.170(b) is amended to read:

26 (b) During the period of the suspension the insurer shall not
27 solicit or write any new business in this state, but shall file its
28 annual statement, pay fees and [,] licenses [AND TAXES] as required
29 under this title, and may service its outstanding business in force in

1 this state as if the certificate had continued in full force.

2 * Sec. 6. AS 21.09.220 is amended to read:

3 Sec. 21.09.220. COUNTER SIGNATURE BY RESIDENT AGENT--APPLICATION
4 OF TITLE. (a) A [NO] company, association, reciprocal exchange,
5 person or persons authorized to transact insurance or offer indemnity
6 contracts in this state excepting reciprocal mutuals organized under
7 the laws of this state and life insurance companies or life insurance
8 contracts and health and accident contracts and annuity contracts
9 written therein, may not make, write, place or cause to be made,
10 written or placed, a policy or contract of insurance or indemnity of
11 any kind or character, or a general or floating policy covering risks
12 on property located in the state, liability created by or accruing
13 under the laws of this state, or undertakings to be performed in this
14 state, except through their licensed resident insurance agents, who
15 shall countersign all policies, riders and endorsements or indemnity
16 contracts so issued and collect the premiums, or see to their collection
17 in due course, and who shall keep a record of the same. The record
18 shall contain the usual and customary information concerning the risk
19 undertaken, including the full premium paid or to be paid [, TO THE END
20 THAT THE STATE MAY RECEIVE THE TAXES REQUIRED BY LAW TO BE PAID ON
21 PREMIUMS COLLECTED FOR INSURANCE ON PROPERTY OR UNDERTAKINGS LOCATED IN
22 THIS STATE].

23 (b) An [NO] agent may not [SHALL] pay or forward a premium or
24 application for insurance or in any manner secure, help or aid in the
25 placing of insurance, or effect a contract of insurance or indemnity
26 upon property, liability or undertakings located in this state with an
27 insurer which is not authorized to transact its business in this state.
28 However [, EXCEPT THAT] if two or more insurers issue a single policy
29 of insurance, the policy may be countersigned on behalf of all insurers

1 appearing on it by a licensed agent, resident of the state, or any one
2 of the insurers. The practice of signing policies in blank is likewise
3 prohibited.

4 * Sec. 7. AS 21.33.011 is amended to read:

5 Sec. 21.33.011. PURPOSE. The purpose of AS 21.33.011 - 21.33.075
6 is to subject certain persons and insurers to the jurisdiction of the
7 director, of proceedings before the director, and of the courts of this
8 state in suits by or on behalf of the state and insureds or benefici-
9 aries under insurance contracts. The legislature declares that it is a
10 subject of concern that many residents of this state hold policies of
11 insurance issued by persons and insurers not authorized to do insurance
12 business in this state, thus presenting to these residents the often
13 insuperable obstacle of asserting their legal rights under these poli-
14 cies in forums foreign to them under laws and rules of practice with
15 which they are not familiar. The legislature declares that it is also
16 concerned with the protection of residents of this state against acts
17 by persons and insurers not authorized to do an insurance business in
18 this state by the maintenance of fair and honest insurance markets, [BY
19 PROTECTING THE PREMIUM TAX REVENUES OF THIS STATE,] by protecting
20 authorized persons and insurers, which are subject to strict regula-
21 tion, from unfair competition by unauthorized persons and insurers and
22 by protecting against the evasion of the insurance regulatory laws of
23 this state. In furtherance of this interest, the legislature, in
24 AS 21.33.011 - 21.33.075, provides methods for substituted service of
25 process upon these persons or insurers in any proceeding, suit or
26 action in any court and substitute service of any notice, order, plead-
27 ing or process upon these persons or insurers in any proceeding before
28 the director to enforce or effect full compliance with the insurance
29 and tax statutes of this state, and declares in so doing it exercises

1 its power to protect residents of this state and to define what consti-
2 tutes doing an insurance business in this state, and also exercises
3 powers and privileges available to this state by virtue of P.L. 79-15
4 (1945), (Chapter 20, 1st Sess., S. 340), 59 Stat. 33, as amended, which
5 declares that the business of insurance and every person engaged in the
6 business of insurance shall be subject to the laws of the several
7 states.

8 * Sec. 8. AS 21.33.041 is amended to read:

9 Sec. 21.33.041. VALIDITY OF INSURANCE CONTRACTS. Except for
10 lawfully procured surplus lines insurance and contracts of insurance
11 independently procured through negotiations occurring entirely outside
12 this state which are reported [AND ON WHICH PREMIUM TAX IS PAID] in
13 accordance with AS 21.33.061, a contract of insurance effective in this
14 state and entered into by an unauthorized insurer is unenforceable by
15 that [SUCH] insurer. If the unauthorized insurer fails to pay a claim
16 or loss within the provisions of the insurance contract, a person who
17 assisted or in any manner aided directly or indirectly in the procure-
18 ment of the insurance contract shall be liable to the insured for the
19 full amount under the provisions of the insurance contract.

20 * Sec. 9. AS 21.33.075(4) is amended to read:

21 (4) transactions involving contracts of insurance indepen-
22 dently procured through negotiations occurring entirely outside of this
23 state which are reported [AND ON WHICH PREMIUM TAX IS PAID] in accor-
24 dance with AS 21.33.061;

25 * Sec. 10. AS 21.33.250 is amended to read:

26 Sec. 21.33.250. PENALTY FOR FAILURE TO FILE OR REMIT. A surplus
27 line broker who fails to file the annual statement [OR PAY THE PREMIUM
28 TAX] before April 1 in the year due is liable to a fine of \$25 for each
29 day of delinquency beginning on April 1. The [TAX MAY BE COLLECTED BY

1 DISTRAINT, OR THE TAX AND) fine may be recovered by an action by the
2 department in a court. The department shall deposit the proceeds of
3 all fines collected in the general fund.

4 * Sec. 11. AS 21.33.260(1) is amended to read:

5 (1) if the broker fails to file the annual statement [OR PAY
6 THE PREMIUM TAX];

7 * Sec. 12. AS 21.33.290 is amended to read:

8 Sec. 21.33.290. ISSUANCE OF LICENSE AFTER REVOCATION OR SUS-
9 PENSION. The department may not issue a license to a surplus line
10 broker whose license has been suspended or revoked less than one year
11 before the application or until the fines [AND DELINQUENT TAXES] are
12 paid.

13 * Sec. 13. AS 21.88.095(b) is repealed and reenacted to read:

14 (b) If and while the company to which the assets and liabilities
15 of the corporation are transferred in the manner provided in (a) of
16 this section continues to write premiums in excess of the levels pro-
17 vided in AS 21.88.055, the obligation to repay to the loan fund loans
18 assumed by the company at the time of transfer of the assets and
19 liabilities of the corporation need not be shown as a liability on the
20 books of the corporation.

21 * Sec. 14. AS 23.15.390 is amended to read:

22 Sec. 23.15.390. FEES. The fee for filing an application for a
23 permit is \$10. All fees shall be deposited in the general fund. [IN
24 ADDITION TO PAYING THIS FEE, ALL PERSONS CONDUCTING EMPLOYMENT AGENCIES
25 MUST COMPLY WITH THE PROVISIONS OF THE ALASKA BUSINESS LICENSE ACT
26 (AS 43.70).]

27 * Sec. 15. AS 29.53.050(b) is amended to read:

28 (b) No municipality, or combination of municipalities occupying
29 the same geographical area, in whole or in part, may levy taxes (1)

1 which will result in tax revenues from all sources exceeding \$1,000 a
2 year for each person residing within their boundaries or (2) upon
3 values which, when combined with the value of property otherwise taxable
4 by the municipality, exceed the product of 225 percent of the average
5 per capita assessed full and true value of property in the state mul-
6 tiplied by the number of residents of the taxing municipality. If two
7 or more municipalities occupying the same geographical area, in whole
8 or in part, attempt to levy a tax (1) the combined levy of which would
9 result in tax revenues from all sources exceeding \$1,000 a year for
10 each person residing within their boundaries or (2) upon values which,
11 when combined with the value of property otherwise taxable by the
12 municipality, exceed the product of 225 percent of the average per
13 capita assessed full and true value of property in the state multiplied
14 by the number of residents of the taxing municipality, the commissioner
15 of community and regional affairs shall apportion the lawful levy and
16 equitably divide these revenues on the basis of need, services performed
17 and other considerations in the public interest. For the purpose of
18 this subsection, population shall be determined by the commissioner of
19 community and regional affairs based on the latest statistics of the
20 United States Bureau of the Census or on other reliable population
21 data. [FOR PURPOSES OF THIS SUBSECTION THE AVERAGE PER CAPITA ASSESSED
22 FULL AND TRUE VALUE OF PROPERTY IN THE STATE SHALL BE CALCULATED WITHOUT
23 REGARD TO THE ASSESSED VALUE OF TAXABLE PROPERTY UNDER AS 43.58.]

24 * Sec. 16. AS 34.35.485(a) is amended to read:

25 Sec. 34.35.485. ACKNOWLEDGMENT OF SATISFACTION. (a) When a
26 lien is satisfied by payment, an acknowledgment of satisfaction suitable
27 for recordation shall be delivered to all parties to the lien by the
28 lien claimant. The acknowledgment of satisfaction shall be delivered
29 immediately upon payment by tender of cash in satisfaction of the claim

1 or within 10 days after payment when satisfaction is obtained in some
2 other manner. [A CERTIFICATE OF DISCHARGE OF A LIEN FOR NONPAYMENT OF
3 A STATE TAX OR LICENSE FEE RECORDED UNDER AS 43.20.240 SHALL BE
4 DELIVERED WITHIN 15 DAYS AFTER TENDER OF CASH IN SATISFACTION OF THE
5 CLAIM OR WITHIN 30 DAYS WHEN SATISFACTION IS OBTAINED IN SOME OTHER
6 MANNER.] The acknowledgment shall identify all parties to the lien and
7 any property subject to the lien using the same name or description
8 contained in the claim of record, if a claim was made, and the book and
9 page of the official record containing the claim.

10 * Sec. 17. AS 34.60.110 is amended to read:

11 Sec. 34.60.110. NONTAXATION OF PAYMENTS. No payment received by
12 a displaced person under this chapter is income for the purposes of the
13 [STATE OR] federal income tax, personal or corporate. The payments are
14 not income or resources to a recipient of public assistance and the
15 payments may not be deducted from the amount of aid to which the re-
16 cipient would otherwise be entitled.

17 * Sec. 18. AS 38.05.180(i) is amended to read:

18 (i) The commissioner may provide for the establishment of an
19 exploration incentive credit system under which a lessee of state land
20 drilling an exploratory well on that land may earn credits based upon
21 the footage drilled and the region in which the well is situated. The
22 commissioner may also provide for credits to be earned by persons
23 performing geophysical work on state land, if that work is performed
24 during the two seasons immediately preceding an announced lease sale
25 and on land included within the sale area and the geophysical informa-
26 tion is made public following the sale. Credits may not exceed 50
27 percent of the cost of the drilling or geophysical work. Credits may
28 be used during a limited period established by the commissioner and may
29 be assigned during that period. Credits may be applied against [(1)]

1 oil and gas royalty and rental payments payable to the state [OR (2)
2 TAXES PAYABLE UNDER AS 43.55]. No credit may exceed 50 percent of the
3 payment toward which it is being applied. Amounts due the Alaska
4 permanent fund (AS 37.10.065) and the Alaska renewable resources
5 development fund (AS 37.11.020) shall be calculated before the applica-
6 tion of credits under this subsection.

7 * Sec. 19. AS 43.05.260(a) is amended to read:

8 Sec. 43.05.260. LIMITATION ON ASSESSMENT. (a) The [EXCEPT AS
9 PROVIDED IN AS 43.20.200(b), THE] amount of a tax imposed by this title
10 must be assessed within three years after the return was filed, whether
11 or not a return was filed on or after the date prescribed by law. If
12 the tax is not assessed before the expiration of the three-year period,
13 no proceedings may be instituted in court for the collection of the
14 tax.

15 * Sec. 20. AS 43.10.030 is amended to read:

16 Sec. 43.10.030. DISTRAINT ON PROPERTY EXTENDED TO ALL STATE
17 REVENUE STATUTES. The remedy of distraint on property [, SET OUT IN
18 AS 43.20.270,] applies to all state revenue statutes existing or here-
19 after enacted for the collection of taxes and license fees.

20 * Sec. 21. AS 43.18.100(b) is amended to read:

21 (b) The commissioner shall administer the program of reimbursement
22 authorized under this section and shall provide by regulation for the
23 filing of applications for reimbursement, the form of proof of costs
24 for which application for reimbursement is made, and other regulations
25 necessary to administer the program. The commissioner shall exclude
26 from the total school construction cost of the local district all state
27 and federal funds included in these costs except funds provided under
28 this section [AND AS 43.50.140]. In approving applications for reim-
29 bursement, the commissioner shall

1 [(1) OFFSET AGAINST THE AMOUNT OF REIMBURSEMENT AUTHORIZED
2 THE AMOUNT OF ANY FUNDS DISTRIBUTED TO THE BOROUGH OR CITY IN THE
3 SECOND PRECEDING FISCAL YEAR FROM THE SCHOOL FUND PROVIDED FOR IN
4 AS 43.50.140;

5 (2)] require the borough or city to provide, with its appli-
6 cation, a certified copy of the notice to taxpayers required by AS 43.-
7 18.030.

8 * Sec. 22. AS 43.21.010 is amended to read:

9 Sec. 43.21.010. APPLICATION. This chapter applies to every
10 corporation doing business in the state which derives income from the
11 production of oil or gas from a lease or property in the state, or from
12 the pipeline transportation of oil or gas in the state. The tax calcu-
13 lated under this chapter is measured by the total taxable income of the
14 corporation as defined in AS 43.21.020 - 43.21.040 and the tax rate
15 shall be 9.4 percent [IS DETERMINED AT THE RATES ESTABLISHED UNDER
16 AS 43.20.011(e)].

17 * Sec. 23. AS 43.21.020(c)(3) is amended to read:

18 (3) taxes imposed under [AS 43.56 AND] AS 29.53 which are
19 actually paid by the corporation on property used directly in the
20 production of oil or gas from a lease or property in the state, includ-
21 ing property used in production, gathering, treatment or preparation of
22 the oil or gas for pipeline transportation, but only if those property
23 tax payments were due and payable only after the date of commercial
24 production from the lease or property with which the property was
25 associated;

26 * Sec. 24. AS 43.21.020(c)(6) is amended to read:

27 (6) the amortization of lease acquisition payments and taxes
28 paid under [AS 43.56 AND] AS 29.53 (including capitalized interest on
29 both) for or on producing properties before the commencement of commer-

1 cial production from the lease or property for which the property is
2 being used;

3 * Sec. 25. AS 43.21.040(a) is amended to read:

4 (a) Taxable income of a corporation subject to this chapter from
5 activities in this state other than the production of oil or gas from a
6 lease or property in the state or the pipeline transportation of oil or
7 gas in the state shall be determined in accordance with the method
8 established in art. IV of AS 43.19.010 and the following [IN AS 43.20.-
9 071], as modified by (b) - (f) of this section:

10 (1) the numerator of the property factor is the sum of the
11 value for property in a fixed location, including buildings and land
12 used in the business, and intrastate equipment and personal property
13 determined according to the Multistate Tax Compact (AS 43.19), and the
14 value of interstate mobile property determined on a days-spent-in-ports
15 basis as provided in (4) of this subsection; the denominator of the
16 property factor is determined according to the Multistate Tax Compact
17 (AS 43.19);

18 (2) the numerator of the payroll factor is the sum of the
19 wages and salaries of employees assigned to fixed locations determined
20 according to the Multistate Tax Compact (AS 43.19) and the wages and
21 salaries of employees assigned to interstate mobile property determined
22 on a days-spent-in-ports basis as provided in (4) of this subsection;
23 the demoninator of the payroll factor is determined in accordance with
24 the Multistate Tax Compact (AS 43.19);

25 (3) the numerator of the sales factor is the sum of all
26 revenues from intrastate activities and revenues from interstate acti-
27 vities determined on a days-spent-in-ports basis as provided in (4) of
28 this subsection; the denominator is determined in accordance with the
29 Multistate Tax Compact (AS 43.19);

1 (4) the portions of the numerator of the property, payroll,
2 and sales factors which are directly related to interstate mobile pro-
3 perty operations are determined by a ratio which the number of days
4 spent in ports inside the state bears to the total number of days spent
5 in ports inside and outside the state; the term "days spent in ports"
6 does not include periods when ships are tied up because of strikes or
7 withheld from Alaska service for repairs, or because of seasonal reduc-
8 tion of service; days in port are computed by dividing the total number
9 of hours in all ports by 24.

10 * Sec. 26. AS 43.21.120 is repealed and reenacted to read:

11 Sec. 43.21.120. DEFINITIONS. In this chapter

12 (1) "barrel of oil" means 42 United States gallons of oil of
13 231 cubic inches a gallon computed at a temperature of 60 degrees
14 Fahrenheit;

15 (2) "base of operations" means the closest point on land to
16 the offshore oil or gas production operations from which goods, services
17 and supplies flow to those offshore oil or gas production operations;

18 (3) "consolidated business" means a corporation or group of
19 corporations having more than 50 percent common ownership direct or
20 indirect, or a group of corporations in which there is a common control
21 either direct or indirect as evidenced by any arrangement, contract or
22 agreement;

23 (4) "cubic foot of gas" means the volume of gas contained in
24 one cubic foot of space measured at a pressure base of 14.65 pounds per
25 square inch absolute and a temperature base of 60 degrees Fahrenheit;

26 (5) "department" means the Department of Revenue;

27 (6) "gas" means all natural, associated or casinghead gas,
28 all hydrocarbons produced at the wellhead not defined as oil, and all
29 liquid hydrocarbons extracted at a gas processing plant;

1 (7) "oil" means crude petroleum oil and other hydrocarbons
2 regardless of gravity which are produced at the wellhead in liquid form
3 and the liquid hydrocarbons known as distillate or condensate recovered
4 by separation from gas other than at a gas processing plant;

5 (8) "lease or property" means any right, title or interest
6 in or the right to produce or recover oil or gas including

7 (A) a mineral interest;

8 (B) a leasehold interest;

9 (C) a working interest, royalty interest, overriding
10 royalty interest, production payment, net profit interest or any
11 other interest in a lease, concession, joint venture or other
12 agreement for oil and gas exploration, development, or production;

13 (D) a working interest, royalty interest, overriding
14 royalty interest, production payment, net profit interest or any
15 other interest in an agreement for unitization or pooling under
16 the provisions of sec. 614(b) (3) of the Internal Revenue Code of
17 1954 as defined on the effective date of this paragraph;

18 (9) "gross value at the point of production"

19 (A) for oil, the value of the oil at the point where it
20 is metered or measured (by automatic custody transfer meter, tank
21 gauge, or other method) in a condition of pipeline quality on the
22 premises of the lease or property from which it is recovered;
23 however, if the oil is not of pipeline quality when it is removed
24 from the premises of the lease or property from which it is re-
25 covered, or if the oil recovered from a lease or property is not
26 metered or measured (by automatic custody transfer meter, tank
27 gauge, or other method) on the premises of the lease or property
28 from which it is recovered, then the gross value at the point of
29 production is the value of that oil at the off-premises location

1 where the oil is first metered or measured (by automatic custody
2 transfer meter, tank gauge, or other method) in a condition of
3 pipeline quality;

4 (B) for gas recovered from or in association with oil,
5 the value of the gas at the point where it is accurately metered
6 or measured after separation from the oil; for gas run through a
7 gas processing plant, the gross value at the point of production
8 is the full consideration received by the producer for the gas if
9 sold in an arm's length transaction or, in the absence of an arm's
10 length transaction, is the sum of the value of the liquids ex-
11 tracted from the gas at the plant and the value of the residue
12 gas, less a reasonable allowance for processing the gas at the
13 plant and for transporting the gas to the plant from the premises
14 upon which the oil production operation is conducted; and

15 (C) for gas not recovered from or in association with
16 oil, the value of the gas at the point where it is accurately
17 metered or measured or the value of the gas at the point of sale,
18 if any, on the premises of the lease or property from which the
19 gas is recovered, whichever is the higher value; for gas run
20 through a gas processing plant, the gross value at the point of
21 production is the full consideration received by the producer for
22 the gas if sold in an arm's length transaction or, in the absence
23 of an arm's length transaction, is the sum of the value of the
24 liquids extracted from the gas at the plant and the value of the
25 residue gas, less a reasonable allowance for processing the gas at
26 the plant and for transporting the gas to the plant from the point
27 where it was accurately metered or measured;

28 (10) "oil production operation" means the operation by which
29 oil is recovered from a lease or proeprty and rendered into oil of

1 pipeline quality, and includes any gathering done before the oil is
2 finally rendered into oil of pipeline quality.

3 * Sec. 27. The following laws are repealed: AS 04.21.040(c); AS 06.20.-
4 030(c); AS 08.54.142(a)(3); AS 16.43.182, 16.43.360; AS 19.40.040; AS 21.-
5 33.230 - 21.33.240; AS 21.69.390(c); AS 21.87.260; AS 29.53.045; AS 43.05.-
6 085; AS 43.21.020(c)(2) and 43.21.020(d); and AS 44.62.330(a)(20).

7 * Sec. 28. This Act is retroactive to January 1, 1981, and applies to
8 tax years beginning after December 31, 1980.

9 * Sec. 29. This Act takes effect immediately in accordance with AS 01.10.-
10 070(c).

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Original Sponsors: Moss and Beirne

Offered: 4/10/81
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 38 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the development of small farms;
7 and providing for an effective date."

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

9 * Section 1. DECLARATION OF POLICY. It is the policy of the state to
10 promote the development and stability of small farms as a component of
11 Alaskan agriculture through the use of a cost-sharing program administered
12 by the department for clearing and breaking land in a manner consistent with
13 soil and water conservation policies.

14 * Sec. 2. AS 03 is amended by adding a new chapter to read:

15 CHAPTER 12. ALASKA SMALL FARM DEVELOPMENT ACT.

16 Sec. 03.12.010. ESTABLISHMENT OF PROGRAM. The department shall
17 establish and administer a program of cost sharing for the development
18 of small farms by offering financial assistance for the clearing and
19 breaking of land to owners or holders of agricultural rights to eligible
20 land.

21 Sec. 03.12.020. ELIGIBLE LAND. (a) Only land which the depart-
22 ment determines has agricultural capability is eligible for the cost-
23 sharing program under this chapter.

24 (b) Land which contains marketable commercial timber is not
25 eligible for cost-sharing money until the timber on that land has been
26 used.

27 (c) Land which is the subject of a long-term agricultural loan
28 for clearing under AS 03.10 is not eligible for cost-sharing money.

29 (d) In order for any land to be eligible for cost sharing under

1 this section all the land controlled by the person applying for cost-
2 sharing must be managed in a manner consistent with the principles of
3 soil and water conservation as determined by the department or the
4 Agricultural Stabilization and Conservation Service of the United
5 States Department of Agriculture.

6 Sec. 03.12.025. ELIGIBLE PERSONS. If the agricultural rights to
7 eligible land are held by a person other than the owner of the land,
8 the holder of those agricultural rights is the person eligible to
9 submit the development plan and to receive the money under the cost-
10 sharing program.

11 Sec. 03.12.030. DEVELOPMENT PLAN. (a) In order to receive
12 cost-sharing money from the department for the purpose of clearing and
13 breaking eligible land the owner of land or, if the agricultural rights
14 are held by a person other than the owner, the holder of agricultural
15 rights to the land must submit a development plan for approval by the
16 department.

17 (b) In preparing a development plan the owner of the eligible
18 land or the holder of agricultural rights to the land must obtain
19 technical services and consultation from the Agricultural Stabilization
20 and Conservation Service of the United States Department of Agriculture
21 or from other public agencies or private firms approved by the depart-
22 ment.

23 Sec. 03.12.040. LIMITATION ON COST-SHARING MONEY. The department
24 may pay a person with an approved development plan cost-sharing money
25 subject to the following limitations:

26 (1) 75 percent of the cost of clearing land up to a maximum
27 of \$200 per acre or 75 percent of the cost of breaking up land to a
28 maximum of \$100 per acre;

29 (2) \$7,500 per farm in one calendar year; and

1 (3) \$30,000 per farm.

2 Sec. 03.12.050. REPAYMENT OF COST-SHARING MONEY. (a) If eligible
3 land is not put into production as crop or pasture land within three
4 years after cost-sharing money is paid to the owner of the land or to
5 the holder of the agricultural rights to the land, the cost-sharing
6 money plus interest shall be repaid to the department by the recipient
7 of the money as required by the department by regulation.

8 (b) If eligible land does not remain in production as crop or
9 pasture land for at least five of the seven consecutive years after the
10 owner of the land or the holder of the agricultural rights to the land
11 receives cost-sharing money from the department, the cost-sharing money
12 plus interest shall be repaid to the department by the recipient of the
13 money as required by the department by regulation.

14 (c) In order to receive cost-sharing money the recipient shall
15 sign an agreement prepared by the department which clearly describes
16 his obligation to repay the cost-sharing money under the conditions set
17 out in this section.

18 Sec. 03.12.060. DEFINITION. In this chapter, "department" means
19 the Department of Natural Resources.

20 * Sec. 2. AS 03.12 is repealed on June 30, 1986.

21 * Sec. 3. This Act takes effect July 1, 1981.

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Introduced: 2/4/81
Referred: Resources and
Finance

1 IN THE HOUSE

BY MOSS AND BEIRNE

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18 of small farms by offering financial assistance for the clearing and
19 breaking of land to owners or holders of agricultural rights to eligible
20 land.

21 Sec. 03.12.020. ELIGIBLE LAND. (a) Only land which the depart-
22 ment determines has a soil capability classification of II or III is
23 eligible for the cost-sharing program under this chapter.

24 (b) Land which contains timber with commercial value is not
25 eligible for cost-sharing money until the timber on that land has been
26 used.

27 (c) Land which is the subject of a long-term agricultural loan
28 for clearing under AS 03.10 is not eligible for cost-sharing money.

29 (d) In order for any land to be eligible for cost-sharing under

1 this section all the land controlled by the person applying for cost-
2 sharing must be managed in a manner consistent with the principles of
3 soil and water conservation as determined by the department or the
4 Agricultural Stabilization and Conservation Service of the United
5 States Department of Agriculture.

6 Sec. 03.12.025. ELIGIBLE PERSONS. If the agricultural rights to
7 eligible land are held by a person other than the owner of the land,
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9 submit the development plan and to receive the money under the cost-
10 sharing program.

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13 breaking eligible land the owner of land or, if the agricultural rights
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15 rights to the land must submit a development plan for approval by the
16 department.

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COMMITTEE REPORT

HOUSE

4/10

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2/2/81

FURTHER: FINANCE

(11)

Date: APRIL 7, 1981

Mr. Speaker:

The Committee on RESOURCES has had HB 38

"An Act relating to the development of small farms; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 38(Res) same title
 new title
- and recommends DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Terry Gaudin
Paul F. Zwick
Earl C. Suter
Eric C. Sutcliffe
Ben Spenser
Robert A. Bettinworth

MEMBERS HAVING
OTHER RECOMMENDATIONS:

J. Smith - No Rec
J. Vaska - No Rec
Rich Halford - No Rec

Terry Gaudin
 Co-CHAIRMAN
Paul F. Zwick

Lofo

12-0223

Original Sponsors: Moss and Beirne

Offered: 4/10/81
Referred: Finance

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26 (1) 75 percent of the cost of clearing land up to a maximum
27 of \$200 per acre or 75 percent of the cost of breaking up land to a
28 maximum of \$100 per acre;

29 (2) \$7,500 per farm in one calendar year; and

1 (3) \$30,000 per farm.

2 Sec. 03.12.050. REPAYMENT OF COST-SHARING MONEY. (a) If eligible
3 land is not put into production as crop or pasture land within three
4 years after cost-sharing money is paid to the owner of the land or to
5 the holder of the agricultural rights to the land, the cost-sharing
6 money plus interest shall be repaid to the department by the recipient
7 of the money as required by the department by regulation.

8 (b) If eligible land does not remain in production as crop or
9 pasture land for at least five of the seven consecutive years after the
10 owner of the land or the holder of the agricultural rights to the land
11 receives cost-sharing money from the department, the cost-sharing money
12 plus interest shall be repaid to the department by the recipient of the
13 money as required by the department by regulation.

14 (c) In order to receive cost-sharing money the recipient shall
15 sign an agreement prepared by the department which clearly describes
16 his obligation to repay the cost-sharing money under the conditions set
17 out in this section.

18 Sec. 03.12.060. DEFINITION. In this chapter, "department" means
19 the Department of Natural Resources.

20 * Sec. 2. AS 03.12 is repealed on June 30, 1986.

21 * Sec. 3. This Act takes effect July 1, 1981.
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Sofa
12-0223

Introduced: 2/4/81
Referred: Resources and
Finance

1 IN THE HOUSE

BY MOSS AND BEIRNE

2 HOUSE BILL NO. 38

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the development of small farms;
7 and providing for an effective date."

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

9 * Section 1. DECLARATION OF POLICY. It is the policy of the state to
10 promote the development and stability of small farms as a component of
11 Alaskan agriculture through the use of a cost-sharing program administered
12 by the department for clearing and breaking land in a manner consistent with
13 soil and water conservation policies.

14 * Sec. 2. AS 03 is amended by adding a new chapter to read:

15 CHAPTER 12. ALASKA SMALL FARM DEVELOPMENT ACT.

16 Sec. 03.12.010. ESTABLISHMENT OF PROGRAM. The department shall
17 establish and administer a program of cost-sharing for the development
18 of small farms by offering financial assistance for the clearing and
19 breaking of land to owners or holders of agricultural rights to eligible
20 land.

21 Sec. 03.12.020. ELIGIBLE LAND. (a) Only land which the depart-
22 ment determines has a soil capability classification of II or III is
23 eligible for the cost-sharing program under this chapter.

24 (b) Land which contains timber with commercial value is not
25 eligible for cost-sharing money until the timber on that land has been
26 used.

27 (c) Land which is the subject of a long-term agricultural loan
28 for clearing under AS 03.10 is not eligible for cost-sharing money.

29 (d) In order for any land to be eligible for cost-sharing under

1 this section all the land controlled by the person applying for cost-
2 sharing must be managed in a manner consistent with the principles of
3 soil and water conservation as determined by the department or the
4 Agricultural Stabilization and Conservation Service of the United
5 States Department of Agriculture.

6 Sec. 03.12.025. ELIGIBLE PERSONS. If the agricultural rights to
7 eligible land are held by a person other than the owner of the land,
8 the holder of those agricultural rights is the person eligible to
9 submit the development plan and to receive the money under the cost-
10 sharing program.

11 Sec. 03.12.030. DEVELOPMENT PLAN. (a) In order to receive
12 cost-sharing money from the department for the purpose of clearing and
13 breaking eligible land the owner of land or, if the agricultural rights
14 are held by a person other than the owner, the holder of agricultural
15 rights to the land must submit a development plan for approval by the
16 department.

17 (b) In preparing a development plan the owner of the eligible
18 land or the holder of agricultural rights to the land must obtain
19 technical services and consultation from the Agricultural Stabilization
20 and Conservation Service of the United States Department of Agriculture.

21 Sec. 03.12.040. LIMITATION ON COST-SHARING MONEY. The department
22 may pay a person with an approved development plan cost-sharing money
23 subject to the following limitations:

24 (1) 75 percent of the cost of clearing land up to a maximum
25 of \$200 per acre or 75 percent of the cost of breaking up land to a
26 maximum of \$100 per acre;

27 (2) \$7,500 per farm in one calendar year; and

28 (3) \$30,000 per farm.

29 Sec. 03.12.050. REPAYMENT OF COST-SHARING MONEY. (a) If eligible

1 land is not put into production as crop or pasture land within three
2 years after cost-sharing money is paid to the owner of the land or to
3 the holder of the agricultural rights to the land, the cost-sharing
4 money shall be repaid to the department by the recipient of the money.

5 (b) If eligible land does not remain in production as crop or
6 pasture land for at least seven consecutive years after the owner of
7 the land or the holder of the agricultural rights to the land receives
8 cost-sharing money from the department, the cost-sharing money shall be
9 repaid to the department by the recipient of the money.

10 Sec. 03.12.060. DEFINITION. In this chapter, "department" means
11 the Department of Natural Resources.

12 * Sec. 2. AS 03.12 is repealed on June 30, 1986.

13 * Sec. 3. This Act takes effect July 1, 1981.
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ALASKA STATE LEGISLATURE

TWELFTH Legislature FIRST Session

HOUSE BILL NO. 38

By MOSS, AND BEIRNE

"An Act relating to the development of small farms; and providing for an effective date."

Small farms

Introduced in the House ... 2/4..., 19.81

HISTORY IN THE HOUSE

19	81	Read first time and referred to Committee on												
Feb.	4	Resources and Finance												
		Reported back with recommendation that												
		Read second time and												
		Read third time and												
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		Signed by Speaker												
		Sent to Senate												
CHIEF CLERK OF THE HOUSE														

HISTORY IN THE SENATE

19		Read first time and referred to Committee on												
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		Signed by President												
		Returned to House												
SECRETARY OF THE SENATE														

HISTORY IN THE HOUSE

19		Received from Senate
		Concurred in Senate amendment thus adopting: VOTE
		Failed to concur in Senate amendment; asked Senate to recede VOTE
		Senate receded from amendment VOTE
		Senate failed to recede from amendment VOTE
		CC appointed by House
		CC appointed by Senate
		CC adopted by House VOTE
		CC adopted by Senate VOTE
		To enrolling Reported correctly enrolled Sent to Governor by Governor
		Filed with Lt. Governor
		Chapter No.

COMMITTEE REPORT
SENATE

4/30/81

FURTHER: Finance

Date: 4-12-82

Mr. President:

The Committee on HEALTH, EDUCATION AND SOCIAL SERVICES has had CSSSHB 41(Fin)(efd failed
health of residents of the state

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for CS CSSSHB 41 (HESS) same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]
[Signature]
[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature]
 CHAIRMAN

Offered: 4/19/82
Referred: Finance

Original sponsors: Buchholdt, Cato,
Gardiner, et al

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

1 IN THE HOUSE

2 SENATE CS FOR CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 41 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a state health insurance program."

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

8 * Section 1. AS 18 is amended by adding a new chapter to read:

9 CHAPTER 27. STATE HEALTH INSURANCE PROGRAM.

10 Sec. 18.27.010. STATE HEALTH INSURANCE PROGRAM. (a) The com-
11 missioner shall establish a state health insurance program for resi-
12 dents.

13 (b) The commissioner shall by regulation specify the professional
14 and institutional benefits to be provided by the program.

15 (c) The commissioner shall contract for the underwriting of the
16 program and may contract for the administration of the program. A
17 contract entered into under this subsection shall be based on competi-
18 tive proposals.

19 (d) The program shall provide for copayments and deductibles, and
20 shall provide for an annual deductible for each enrolled resident and
21 for each enrolled family.

22 (e) The program shall provide a limit on the amount of reim-
23 bursable charges to be paid by an enrolled resident for institutional
24 and professional services received by the enrolled resident or depen-
25 dents of the resident who are enrolled in the program.

26 (f) The program may provide to enrolled residents a choice of
27 benefit options.

28 Sec. 18.27.020. STATE PAYMENT OF INSURANCE PREMIUMS. (a) The
29 commissioner shall pay the insurance premium for a resident who is

COMMITTEE COPY

1 enrolled in the program and who qualifies under the following formula:

2 (1) if the total adjusted gross income of the resident and
3 dependents of the resident who are enrolled in the program is at or
4 below 75 percent of the base income, 100 percent of the premium cost of
5 the program;

6 (2) if the total adjusted gross income of the resident and
7 dependents of the resident who are enrolled in the program is between
8 75 percent and 125 percent of the base income, a graduated percentage
9 of the premium cost of the program between 100 percent and zero percent.

10 (b) The commissioner may not pay the insurance premium for a
11 resident and the dependents of the resident if, and to the extent that,
12 subsidized medical care or subsidized health insurance (other than
13 insurance under the program) is, or would be, available to the resident
14 upon application.

15 Sec. 18.27.030. DEFINITIONS. In this chapter

16 (1) "adjusted gross income" means the adjusted gross income
17 of the resident determined under the regulations of the commissioner;

18 (2) "base income" means

19 (A) family median income for Alaska determined by the
20 United States Bureau of the Census; and

21 (B) regional adjustments established by the commis-
22 sioner to the family median income for Alaska determined by the
23 United States Bureau of the Census, that are based on relative
24 costs of living in the state;

25 (3) "commissioner" means the commissioner of administration;

26 (4) "copayment" means the portion of covered expenses pay-
27 able by the resident after the deductible has been met;

28 (5) "deductible" means a clause in a health insurance policy
29 stating that the insurer shall pay the portion of a claim remaining

1 after a stipulated amount, to be paid by the insured party, is deducted;

2 (6) "dependent" means a dependent under 26 U.S.C. sec. 152;

3 (7) "insurance" means prepaid health plans or health indem-
4 nity plans;

5 (8) "program" means the state health insurance program
6 established under this chapter;

7 (9) "resident" means a person who maintains a permanent
8 place of abode in the state and a voting residence in the state and who
9 has maintained both for 12 consecutive months immediately preceding
10 enrollment in the state health insurance program under this chapter;

11 (10) "subsidized health insurance" means health insurance
12 all or part of the premiums of which are paid by an employer or trade
13 union of the insured;

14 (11) "subsidized medical care" means medical care provided
15 at reduced charge or no charge to a resident or a dependent of the
16 resident.

17 * Sec. 2. AS 21.54.060 is amended by adding a new paragraph to read:

18 (7) under a policy issued to the state to insure residents
19 of the state under AS 18.27.

20 * Sec. 3. The commissioner of administration shall establish the state
21 health insurance program and provide for state health insurance cost sharing
22 by July 1, 1983.
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Original sponsors: Buchholdt, Gardiner,
Clocksin, et al

Offered: 4/16/81
Referred: Rules

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 41 (Finance) (efd failed)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TWELFTH LEGISLATURE - FIRST SESSION
5 A BILL

6 For an Act entitled: "An Act relating to the health of residents of the
7 state."

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

9 * Section 1. AS 18 is amended by adding a new chapter to read:

10 CHAPTER 27. STATE HEALTH INSURANCE.

11 Sec. 18.27.010. STATE COMPREHENSIVE HEALTH PLAN. (a) The com-
12 missioner shall establish minimum benefit standards for the state
13 comprehensive health plan and shall provide for the underwriting and
14 administration of the state comprehensive health plan.

15 (b) A resident of the state is entitled to enroll in the state
16 comprehensive health plan.

17 (c) The state comprehensive health plan shall provide for copay-
18 ments and deductibles, and shall provide an annual limit on the total
19 amount of copayments and deductibles for each enrolled resident and the
20 covered dependents of the resident for each year. The annual limit
21 shall be the same regardless of family size.

22 (d) The commissioner shall contract for the administration and
23 may contract for the underwriting of the state comprehensive health
24 plan. A contract entered into under this subsection shall be based on
25 competitive bids and shall be for a three-year period.

26 (e) Notwithstanding the provisions of (c) of this section and the
27 limitations in AS 18.27.020(b), an individual eligible for a permanent
28 fund dividend under AS 43.23.010 may, to the extent of his eligibility
29 under AS 43.23.010,

1 (1) enroll in the state comprehensive health plan or in an
2 individual health insurance plan certified under AS 18.27.020(a)(1);

3 (2) direct the commissioner of revenue to use as much of the
4 permanent fund dividend to which the individual is entitled under
5 AS 43.23.010 as is necessary to pay a cost of the individual incurred
6 in participation in the state comprehensive health plan or in an indivi-
7 dual health insurance plan certified under AS 18.27.020(a)(1).

8 Sec. 18.27.020. STATE HEALTH INSURANCE COST SHARING PROGRAM. (a)
9 A resident of the state is entitled to cost sharing under the state
10 health insurance cost sharing program if

11 (1) the resident is enrolled in the state comprehensive
12 health plan or an individual health insurance plan which the insurance
13 company has certified to the commissioner as equivalent to or exceeding
14 the benefit standards of the state comprehensive health plan estab-
15 lished by the commissioner under AS 18.27.010(a);

16 (2) the resident is not enrolled in a group health insurance
17 plan or in a federal health plan; and

18 (3) the resident qualifies for cost sharing under (b) of
19 this section.

20 (b) The commissioner shall pay the state share of the costs of
21 health insurance incurred by a resident of the state and his covered
22 dependents qualifying for cost sharing under the following formula:

23 (1) if the total adjusted gross income of the resident and
24 his dependents is at or below 75 percent of the base income, 100 per-
25 cent of the premium cost of health insurance;

26 (2) if the total adjusted gross income of the resident and
27 his dependents is between 75 percent of the base income and 125 percent
28 of the base income, a graduated percentage of the premium cost of
29 health insurance between 100 percent and zero percent;

1 (3) if the total adjusted gross income of the resident and
2 his dependents is at or below 45 percent of the base income, 100 per-
3 cent of copayments and deductibles;

4 (4) if the total adjusted gross income of the resident and
5 his dependents is between 45 percent of the base income and 95 percent
6 of the base income, a graduated percentage of the copayments and de-
7 ductibles from 100 percent and zero percent;

8 (5) if a resident is enrolled in an individual health insur-
9 ance plan certified to the commissioner under (a) of this section, the
10 state share of the cost of health insurance for the resident is limited
11 to the amount that the state's share would have been if the resident
12 had been enrolled in the state comprehensive health plan.

13 (c) The commissioner shall adopt minimum benefit standards and
14 guidelines for determining benefit equivalence for the certification of
15 plans under (a)(1) of this section.

16 (d) Notwithstanding the provisions of an individual health insur-
17 ance plan, a plan certified by an insurance company to the commissioner
18 under (a)(1) of this section provides the minimum benefits and the
19 equivalent benefits required for certification.

20 Sec. 18.27.030. DEFINITIONS. In this chapter

21 (1) "adjusted gross income" means the adjusted gross income
22 of the resident determined under the regulations of the commissioner;

23 (2) "base income" means

24 (A) family median income for Alaska determined by the
25 federal Office of Human Development Service; and

26 (B) regional adjustments established by the commis-
27 sioner to the family median income for Alaska determined by the
28 federal Office of Human Development Service which are based on
29 relative costs of living in the state;

1 (3) "benefit equivalence" means that the benefits provided
2 in an individual health insurance plan and certified to the commis-
3 sioner under AS 18.27.020(d) are equivalent to benefits provided under
4 the state comprehensive health plan;

5 (4) "commissioner" means the commissioner of administration;

6 (5) "copayment" means the portion of covered expenses pay-
7 able by the resident after the deductible has been met;

8 (6) "insurance" means prepaid plans or indemnity plans.

9 * Sec. 2. The commissioner of administration shall report by the 30th
10 day of the Second Session of the Twelfth Legislature on

11 (1) proposed minimum benefit standards and estimated actuarial
12 costs of the state comprehensive health plan (AS 18.27);

13 (2) the anticipated number and characteristics of participants in
14 the state health insurance cost sharing program (AS 18.27.020) and the
15 projected cost to the state;

16 (3) a proposed plan for

17 (A) implementation of AS 18.27;

18 (B) eligibility determinations under AS 18.27;

19 (C) payment of the state share of premium costs and copay-
20 ment and deductibles incurred under AS 18.27; and

21 (D) informing the public of benefits under AS 18.27;

22 (4) recommendations for amendments to AS 18.27.

23 * Sec. 3. Coverage under the state comprehensive health plan (AS 18.27.-
24 010) and the state health insurance cost sharing program under AS 18.27.020
25 begins on July 1, 1982.

26 * Sec. 4. AS 21.54.060 is amended by adding a new paragraph to read:

27 (7) under a policy issued to the state to insure residents
28 of the state under AS 18.27.

29 * Sec. 5. AS 39.30.090(1) is amended to read:

1 (1) A group insurance policy shall provide one or more of
2 the following benefits: life insurance, accidental death and dismem-
3 berment insurance, weekly indemnity insurance, hospital expense insur-
4 ance, surgical expense insurance, dental expense insurance, audio-
5 visual insurance, alcoholism and drug dependency insurance, or other
6 medical care insurance.

7 * Sec. 6. AS 39.30 is amended by adding a new section to read:

8 Sec. 39.30.092. COVERAGE FOR ALCOHOLISM AND DRUG DEPENDENCE. (a)
9 The group insurance policy under AS 39.30.090(1)

10 (1) shall provide coverage for alcoholism and drug depen-
11 dence to include

12 (A) inpatient detoxification benefits for not less than
13 14 days of benefit each calendar year in a state-approved treat-
14 ment facility or licensed hospital; payment of institutional and
15 professional benefits shall be equal to and payable as any other
16 covered condition, except a covered condition which, by the terms
17 of the policy, has an internal restriction;

18 (B) inpatient treatment coverage benefits for not less
19 than 30 days of benefit each calendar year in a state-approved
20 treatment program; payment of institutional and professional bene-
21 fits shall be at the same level as any other covered condition,
22 except a covered condition which, by the terms of the policy, has
23 an internal restriction; and

24 (C) outpatient treatment coverage benefits of not less
25 than 30 visits each calendar year if treatment is provided by a
26 licensed physician, state-approved treatment program, or state-
27 certified professional substance abuse counselor; coverage shall
28 include individual, family or group therapy; benefits shall be
29 paid at not less than 75 percent of the usual, customary and

1 reasonable charge for a medical procedure, treatment or service in
2 the geographic area;

3 (2) may not exclude dependents otherwise covered and may not
4 limit coverage for alcoholism or drug dependence because of age, sex or
5 state of illness;

6 (3) may not apply preexisting or named condition exclusions
7 to deny coverage for alcoholism or drug dependence; and

8 (4) may require a physician's certification of necessity as
9 a condition of payment for alcoholism or drug dependence treatment.

10 (b) The provisions of this section apply to group health insur-
11 ance contracts and group service or indemnity type contracts issued to
12 provide coverage for employees of the state and may apply to contracts
13 for the benefit of employees of other participating governmental units
14 only if the governing body of the governmental unit elects to have the
15 provisions apply.

16 (c) In (a) of this section,

17 (1) "alcoholism" means an illness or condition characterized
18 by the habitual lack of self control in the use of alcoholic beverages,
19 or use of alcoholic beverages to the extent that health is substantial-
20 ly impaired or endangered, or social or economic function is substan-
21 tially disrupted;

22 (2) "drug dependence" means the condition of being physi-
23 cally or psychologically addicted to an opiate, opiate derivative,
24 tranquilizer, amphetamine, barbiturate, or similar substance, but
25 excluding nicotine, caffeine and alcohol;

26 (3) "state" means any state in the United States and in-
27 cludes the District of Columbia.

28 * Sec. 7. AS 39.30.100 is amended to read:

29 Sec. 39.30.100. DEFINITIONS. In AS 39.30.090 - 39.30.100 [AS 39.-

1 30.0901

2 (1) "eligible employee" means

3 (A) an employee who has served in permanent full-time
4 or part-time employment with the same governmental unit for 30
5 days or more, except an emergency or temporary employee, and

6 (B) an elected or appointed official of a governmental
7 unit, effective upon taking the oath of office;

8 (2) "governmental unit" means the state, a borough, municipi-
9 pal corporation, or other political subdivision of the state, and the
10 North Pacific Fishery Management Council;

11 (3) "insurance", "insurance carrier" and "insurance policy"
12 include health care services, health care service contractors and con-
13 tracts.

14 * Sec. 8. The provisions of secs. 5 - 7 of this Act apply to group poli-
15 cies or contracts which provide coverage under AS 39.30.090 - 39.30.100 and
16 which are delivered, issued for delivery, or renewed in this state after the
17 effective date of this Act. A policy or contract providing coverage for
18 eligible employees in this state under AS 39.30.090 - 39.30.100 delivered,
19 issued for delivery, or renewed after the effective date of this Act provides
20 the minimum coverage required by this Act even if the language of the policy
21 or contract does not specifically so provide.

22 * Sec. 9. AS 47.05 is amended by adding new sections to read:

23 Sec. 47.05.070. MEDICAL ASSISTANCE BY INSURANCE OR SERVICE CON-
24 TRACTS. (a) The commissioner shall use medical assistance funds to
25 purchase and pay premiums on policies of insurance or pay the expenses
26 on health care service contracts that provide one or more of the ser-
27 vices available under state medical assistance programs.

28 (b) The policy of insurance or the contract financed under this
29 section must guarantee to

1 (1) provide services and supplies under policies of insur-
2 ance or contracts under AS 21;

3 (2) provide the statistical data, records, and reports
4 relating to the provision, administration, and costs of providing
5 services and supplies as required by the commissioner.

6 Sec. 47.05.080. IMPLEMENTATION. The commissioner shall implement
7 the provisions of AS 47.05.070 when he determines that comparable
8 benefits are available at equal or less cost than direct payments by
9 the department to the providers of services and supplies.

10 Sec. 47.05.090. INTERIM PAYMENT. If the commissioner determines
11 under regulations adopted by him that a provider of medical services is
12 expected to serve a large volume of medical assistance clients, he may
13 make an interim payment before receipt of billing for services to the
14 provider.

15 Sec. 47.05.100. INTEREST ON LATE PAYMENTS. When presented by a
16 provider of medical services with a clean claim, the commissioner shall
17 pay

18 (1) interest at the rate of one percent per month when
19 payment is delayed more than 45 days after presentation of the clean
20 claim;

21 (2) interest at the rate of two percent per month when
22 payment is delayed more than 90 days after presentation of the clean
23 claim; and

24 (3) the interest for a full month if the overdue clean claim
25 is not paid by the 15th day of a calendar month.

26 Sec. 47.05.110. DEFINITIONS. In AS 47.05.070 - 47.05.110

27 (1) "clean claim" means a claim for payment which can be
28 processed without obtaining additional information from the provider of
29 the service or from a third party; it includes a claim with errors

1 originating in the department's claims processing system, but does not
2 include claims from a provider who is under investigation for fraud or
3 abuse, or a claim under review for medical necessity;

4 (2) "commissioner" means the commissioner of health and
5 social services;

6 (3) "health care service contract" means a contract with a
7 nonprofit corporation which accepts prepayment for health care services
8 and is sponsored by or associated with a group of physicians or a group
9 of hospitals or both or by a health maintenance organization recognized
10 under federal law;

11 (4) "medical assistance" means Medicaid (AS 47.07), general
12 relief medical (AS 47.25.120), catastrophic illness (AS 47.08), and
13 crippled children's and maternal and child health programs (AS 18.05.-
14 010).

15 * Sec. 10. AS 47.07.020(b) is repealed and reenacted to read:

16 (b) A resident of the state for whom the provisions of the Social
17 Security Act in effect on March 1, 1981, allow optional medical cover-
18 age qualifying for federal financial participation is eligible for
19 medical assistance. A resident of the state qualifying as medically
20 needy is not eligible for medical assistance.

21 * Sec. 11. AS 47.07.030 is repealed and reenacted to read:

22 Sec. 47.07.030. MEDICAL SERVICES TO BE PROVIDED. Medical ser-
23 vices to be offered to eligible persons include those services eligible
24 for federal financial participation under the provisions of Title XIX
25 of the federal Social Security Act in effect on March 1, 1981.

26 * Sec. 12. AS 47.07.080 is amended by adding new paragraphs to read:

27 (5) "medically needy" means a person who meets the categori-
28 cal requirements of eligibility for medical assistance but whose income

29 (A) exceeds the income standard for categorical assist-

1 ance; and

2 (B) is less than the medically needy income standard
3 after the deduction of allowable medical expenses;

4 (6) "categorical requirements of eligibility" means the
5 standards established under 42 C.F.R., secs. 435.500 - 435.541;

6 (7) "medically needy income standard" means the standards
7 established under 42 C.F.R., secs. 435.800 - 435.816.

8 * Sec. 13. (a) By the 30th day of the Second Session of the Twelfth
9 Legislature the Legislative Council shall study and make recommendations to
10 the legislature

11 (1) for federal improvements in the Indian Health Service
12 delivery system;

13 (2) on the alternatives available to the state to complement the
14 funding of the Indian Health Service;

15 (3) on the alternatives available to the state to complement
16 services available to the senior citizens of the state under Medicare.

17 (b) The Legislative Council shall seek participation in the study by

18 (1) the Health, Education, and Social Services Committees of the
19 legislature;

20 (2) the Alaska Native Health Board;

21 (3) regional health organizations;

22 (4) other providers and consumers of health care;

23 (5) the Department of Health and Social Services;

24 (6) the Alaska Area Native Health Service, United States Public
25 Health Service.

26 * Sec. 14. AS 47.07.020(d) is repealed.
27
28
29

11B-41-B

FISCAL SUMMARY FOR CSSSHB 41 (Finance)

	<u>FY '82</u>	<u>FY '83</u>	<u>FY '84</u>	<u>FY '85</u>	<u>FY '86</u>
Federal funds:					
1. Medicaid match	11631.8	13353.4	15338.3	17619.6	20241.0
General fund:					
DHSS					
1. Medicaid	6781.6	7782.0	8938.8	10268.4	11796.0
2. GRM transfer to 50% federal match	(4619.1)	(5311.9)	(6108.6)	(7024.9)	(8078.9)
ADMIN.					
1. Alcoholism	180.0	414.0	476.1	547.5	629.6
2. Benefits/cost sharing	0.0	8800.0	23950.0	51420.0	63107.0
3. Administration ¹	1023.4	955.6	1047.6	1152.2	1267.3
REVENUE					
1. Rogers amendment ²					
<u>TOTAL GENERAL FUND</u>	<u>3365.9</u>	<u>12639.7</u>	<u>28303.9</u>	<u>56363.2</u>	<u>68721.2</u>
Total of g.f. and fed. funds	14997.7	25993.1	43642.2	73982.8	88962.2

¹ These figures will be updated by the Dept. The new FY '82 figure will be about \$400,000 more than indicated here.

² These figures are currently being generated by the Dept. Preliminary indications are that they will not go over \$50,000 for each fiscal year.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Proposed CSSHB 41 (Finance)

Title An ACT Relating to the Health and Residents of the State

Requested by HOUSE FINANCE COMMITTEE Date 4/9/81

II. FISCAL DETAIL

Agency Affected Department of Health and Social Services

Program Category Affected Health/Social and Economic Assistance

BRU, Program, or Subprogram(s) Affected Medicaid/Eligibility Deter./Public Assist. Admin.

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES		353.9	389.3	428.2	471.0	518.1
200 TRAVEL		12.9	14.2	15.6	17.2	18.9
300 CONTRACTUAL		133.8	147.2	161.9	178.1	195.9
400 COMMODITIES		6.5	7.2	7.9	8.7	9.5
500 EQUIPMENT		13.3	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES		0	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.		17893.0	20576.9	23663.5	27213.0	31295.0
TOTAL		18413.4	21135.4	24277.1	27888.0	32037.0

FUNDING (Thousands of Dollars)

GENERAL FUND		6781.6	7782.0	8938.8	10268.4	11796.0
FEDERAL FUNDS		11,631.8	13353.4	15338.3	17619.6	20241.0
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		12	12	12	12	12
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Medical benefits would be provided to approximately 2145 new cases under the Medicaid program. Administration of program benefits would require 11 field staff positions and 1 central office position, office space, an additional computer time to be divided between the Eligibility Determination and Public Assistance Administration BRUs. Funding is 50% federal except for the Indian Health Care Program which is funded at 100% federal funds.

IV. DATE 4/9/81

PREPARED BY David M. Davidson

AGENCY Division of Public Assistance

PHONE 465-5317

Original: Legislative Finance

Budget and Management

Prepared by (Print Leghibler Name) David M. Davidson

WAB Approval [Signature]

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill Resolution No. Proposed CSSHB 41 (Finance)

Title An ACT Relating to the Health of Residents of the State

Requested by HOUSE FINANCE COMMITTEE

Date 4/9/81

II. FISCAL DETAIL

Agency Affected Department of Health and Social Services

Program Category Affected Health

BRU, Program, or Subprogram(s) Affected General Relief Medical

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		(4,619.1)	(5311.9)	(6108.6)	(7024.9)	(8078.7)
TOTAL		(4,619.1)	(5311.9)	(6108.6)	(7024.9)	(8078.7)

FUNDING (Thousands of Dollars)

GENERAL FUND	(4,619.1)	(5311.9)	(6108.6)	(7024.9)	(8078.7)
FEDERAL FUNDS					
OTHER (Specify Fund Source)					

POSITIONS

FULL TIME					
PART TIME					
TEMPORARY					

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Decrease in General Relief Medical program expenditures due to the transfer of coverage for certain service categories from state funding to coverage under the Medicaid program, and the addition of certain groups under Medicaid that are currently covered by General Relief Medical.

IV. DATE 4/9/81

PREPARED BY David M. Davidson

AGENCY Public Assistance

PHONE 333-3333

Original to: State Finance
Request and Management

Approved: _____
Date: _____

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPT. OF HEALTH AND SOCIAL SERVICES

DIVISION OF PUBLIC ASSISTANCE

POUCH H-07
JUNEAU, ALASKA 99811
PHONE: (907) 465-3355

April 9, 1981

Document# 98-81

The Honorable Samuel Cotten
House of Representatives
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Cotten:

This letter is intended to confirm the Department's estimate of increased Medicaid costs in FY82 based on CSSSHB-41 as amended by Representatives Buchholdt, Adams and Rogers on April 8, 1981.

HB-41 as originally introduced presented \$23,491.1 in additional costs as follows. (See position paper dated 2/27/81).

	<u>TOTAL</u>	<u>FED</u>	<u>STATE</u>	<u>POS.</u>
(1) Addition of all Medicaid Services & New Optional Categorical Groups.	\$18,413.4	11,631.8	6,781.6	12
(2) Decrease of GR Medical	(4,619.1)		(4,619.1)	
(3) Addition of Medically Needy to Medicaid	\$ 9,029.7	5,709.3	3,320.4	5
(4) Interest Payments	<u>667.2</u>	<u> </u>	<u>667.2</u>	<u> </u>
TOTAL	\$23,491.1	17,341.1	6,150.1	17

However, as a result of testimony offered by the Department and others, CSSSHB-41 was modified to delete medically needy coverage (item #3 above) and to resolve the Department's concerns with the interest payments provisions (item #4 above). As a result, only those costs associated with items #1 and #2 above remain at this time, representing an increase of \$13,794.3 as follows. (See position paper dated 4/3/81).

	<u>TOTAL</u>	<u>FED</u>	<u>STATE</u>	<u>POS.</u>
(1) Addition of all Medicaid Services & New Optional Categorical Groups.	\$18,413.4	11,631.8	6,781.6	12
(2) Decrease of GR Medical	<u>(4,619.1)</u>	<u> </u>	<u>(4,619.1)</u>	<u> </u>
TOTAL	\$13,794.3	11,631.8	2,162.5	12

Two final comments are in order:

- * President Reagan's proposed CAP on Medicaid makes it very uncertain whether the State will receive the expected \$11,631.8 in additional federal funds. The State could find itself in the position of paying the entire \$13,794.3 out of the State general fund.
- * These estimates do not include the costs associated with implementation of Sections 1-8 of CSSSHB-41. These costs would be in addition to the \$13,794.3 increase in Medicaid.

Please let me know if I may provide any additional information.

Sincerely,



Rod Betit
Director

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Sponsor Substitute House Bill 41 (Sections 5-8)

Title Insurance for Alcoholism and Drug Dependence

Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement & Benefits

Program Category Affected Labor Services

BRU, Program, or Subprogram(s) Affected 02-96-8-01-02-00 (OTHER BENEFITS)

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 STATE TRS MATCHING						
100 BENEFITS		180.0	414.0	476.1	547.5	629.6
TOTAL		180.0	414.0	476.1	547.5	629.6

FUNDING (Thousands of Dollars)

GENERAL FUND		147.4	339.1	389.9	448.4	515.6
FEDERAL FUNDS		8.3	19.0	21.9	25.2	29.0
VETERAN'S FUND		0.4	.8	1.0	1.1	1.3
FISH & GAME FUND		1.1	2.5	2.9	3.3	3.8
HIGHWAY FUND		2.3	5.4	6.2	7.1	8.2
AIRPORT FUND		5.2	12.0	13.8	15.9	18.2
CAPITAL FUND		15.3	35.2	40.4	46.5	53.5
PERS						
TRS						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Approximately 10,275 State employees are currently covered under the State Group Health Plan.
2. The cost to implement provisions of this bill will be \$2.92 per employee per month.
3. Estimate that the cost to provide continued coverage will increase 15% each year for the immediate future. However, an effective Alcoholism/Drug dependency program should help to reduce overall health care claim experience in the future.

IV. DATE February 26, 1991

PREPARED BY

Ken Humphreys, for
Paul B. Arnoldt, Director

AGENCY

DIVISION OF RETIREMENT & BENEFITS

PHONE

465-4460

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named) Buchholdt
Office of the Governor (Faith Spocking)

ESTIMATION OF FISCAL IMPACT FOR STATE
COST-SHARING UNDER CSSH 41 (Finance)

44,000	individuals with no health coverage (Battelle study)
25,000	individuals with individual private coverage (est. by Battelle)
<u>+ 31,000</u>	assumed migration from small group plans (fudge factor)
100,000	individuals eligible for cost sharing (round estimate)
<u>/. 3.03</u>	average people per household (1980 est. by state demographer)
33,000	households eligible for cost sharing (round estimate)
<u>x \$1,620</u>	average plan cost per household (\$1,320 premium + \$300 out of pocket)
\$53,465	total plan cost (in thousands)
<u>x .564</u>	average subsidy level (analysis of SIE data)
\$30,179	benefit costs of cost sharing program (FY81 dollars)
<u>x 1.166</u>	two years' inflation factor at 8%
\$35,200	cost of full enrollment, FY83 dollars

\$35,200 x .25 = \$ 8,800 est. FY83 benefit costs (assumes 50% of eligibles enroll by end of FY83-- 25% ann. ave.)

\$35,200 x 1.08 x .63 = \$23,950 est. FY84 benefit costs (assumes 75% of eligibles enroll by end of FY84)

\$35,200 x 1.166 x .88 = \$51,420 est. FY85 benefit costs (assumes 100% of eligibles enroll by end of FY85)

\$35,200 x 1.793 x 1.0 = \$63,107 est. FY86 benefit costs (assumes 100% enrollment all year)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Sponsor Substitute House Bill 41 (partial)
Title State Comprehensive Health Plan
Requested by House HESS Date _____

II. FISCAL DETAIL

Agency Affected Department of Administration, Division of Retirement & Benefits
Program Category Affected Public Health
BRU, Program, or Subprogram(s) Affected Retirement & Benefits
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES		144.8	591.1	650.2	715.2	786.7
200 TRAVEL		3.0	3.0	3.3	3.6	4.0
300 CONTRACTUAL		862.6	353.3	388.6	427.5	470.3
400 COMMODITIES		1.0	3.2	3.5	3.9	4.3
500 EQUIPMENT		12.0	5.0	2.0	2.0	2.0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	1,023.4	955.6	1,047.6	1,152.2	1,267.3

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND		1,023.4	955.6	1,047.6	1,152.2	1,267.3
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME		12	16	16	16	16
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Assumption:

- 30 thousand accounts first year with 75,000 covered individuals.
- Field offices in Anchorage, Fairbanks, Nome and Juneau.
- Staff costs increase by 10% after FY 83.
- Does not include benefit costs under the cost sharing program or the costs under Sections 5-8.

This fiscal note addresses only the estimated costs of administering the state comprehensive health plan and state health insurance cost sharing program and producing the report called for in Sec. 2 of the bill.

IV. DATE February 26, 1981 PREPARED BY Ken Humphreys, Deputy Director
AGENCY Division of Retirement & Benefits
PHONE 465-4400

Original: Legislative Finance
cc: Budget and Management
Home Sponsor (First Legislator Named) Buchholz
Office of the Governor (Keith Specking)

Ken Humphreys JCH

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

Bill/Resolution No. 1/1/82 SCS CS SS HB 41 (HESS) (attached draft)
 Title An Act establishing a state health insurance program
 Requested by Senator Parr Date _____

II. FISCAL DETAIL

Agency Affected Administration
 Program Category Affected Centralized Administrative Services
 BRU, Program, Or Subprogram(s) Affected Retirement and Benefits
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		280.2	686.3	687.4	756.1	831.7
200 TRAVEL		8.5	16.0	17.6	19.4	21.3
300 CONTRACTUAL		1,045.0	521.6	548.8	603.7	664.0
400 COMMODITIES		3.5	8.3	9.1	10.0	11.0
500 EQUIPMENT		90.7	12.3	5.0	5.5	6.1
600 LAND & STRUCTURES		0	48.6	53.5	58.8	64.7
700 GRANTS, CLAIMS, ETC.		0	0	0	0	0
Benefit Costs		0	30,030.0	33,033.0	36,336.3	39,969.9
TOTAL		1,427.9	31,323.1	34,354.4	37,789.8	41,568.7

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		1,427.9	31,323.1	34,354.4	37,789.8	41,568.7
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME		16	18	18	18	18
PART TIME						
TEMPORARY			4			

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

Assumptions:

- 30,000 accounts first year (FY 84) with 69,000 covered individuals.
- Field offices in Anchorage, Fairbanks, Juneau and Nome.
- Costs to increase by 10% after FY 84.
- Premium will be increased to include approximately \$800.00 per year fees for a third party administrator who will aggregate the premiums and provide the health carrier with eligibility listings.
- Eligibility for resident status and premium subsidies handled by the Division of Retirement and Benefits.

IV. DATE 4/16/82 PREPARED BY Ken Humphreys, Deputy Director
 AGENCY Division of Retirement and Benefits
 Original: Legislative Finance PHONE 465-4462
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Buchholdt
 33-001 (Rev. 12/81)

Bradley
12-0324

House Supplement #28
Fiscal Summary

FU NOTE ATTACHED - CS# 3U-419102

ALASKA STATE LEGISLATURE

TWELFTH Legislature FIRST Session

SPONSOR SUBSTITUTE FOR

HOUSE BILL NO. 41

By BUCHHOLDT, GARDINER, CLOCK-SIN, CATO, ROGERS, ZHAROFF, ADAMS, FULLER AND VASKA

"An Act relating to the health of residents of the state; and providing for an effective date."

Health of residents of the state

Introduced in the House ... 21 9 ... 19 81

HISTORY IN THE HOUSE

19 81	Feb 19	Read first time and referred to Committee on HESS and Finance
	Mar 21	Reported back with recommendation that <i>Here replace C.S. (Fin) 4 do pass in the. To Finance</i>
	Apr 16	<i>Finance replace C.S. (Fin) 3 do pass, 2 do not pass To Rules</i>
	Apr 24	Read second time and C.S. (Fin) adopted <i>rod</i>
	Apr 24	Read third time and
	Apr 27	Reconsideration brought up <i>held until 4/29</i>
	Apr 29	Reconsideration taken <i>up</i>
	Apr 24	PASS <i>rod</i> Effective Date <i>2nd 22</i> Yeas 21 Nays 14 Absent 5 Excused <i>not voting</i>
	Apr 24	Reconsideration
	Apr 29	PASS <i>rod</i> Effective Date <i>2nd 23</i> Yeas 22 Nays 14 Absent 4 Excused <i>not voting</i>
	4 29	Reported correctly engrossed
	4 29	Signed by Speaker
	4 29	Sent to Senate
<i>Bernie Pastern</i> CHIEF CLERK OF THE HOUSE		

HISTORY IN THE SENATE

19 81	4 30	Read first time and referred to Committee on <i>HESS 1 2in</i>
	1982 4 19	Reported back with <i>HESS</i> recommendation that <i>replace w/SCS, new title, new ty noted 3 do pass to Fin.</i>
		Read second time and
		Read third time and
		PASS Effective Date Yeas Nays Absent Excused
		Reconsideration
		PASS Effective Date Yeas Nays Absent Excused
		Reported correctly engrossed
		Signed by President
		Returned to House
SECRETARY OF THE SENATE		

HISTORY IN THE HOUSE

19	Received from Senate
	Concurred in Senate amendment thus adopting: VOTE
	Failed to concur in Senate amendment; asked Senate to recede VOTE
	Senate receded from amendment VOTE
	Senate failed to recede from amendment VOTE
	CC appointed by House
	CC appointed by Senate
	CC adopted by House VOTE
	CC adopted by Senate VOTE
	To enrolling Reported correctly enrolled Sent to Governor by Governor
	Filed with Lt. Governor
	Chapter No.

Original sponsors: Buchholdt, Gardiner,
Clocksin, et al

Offered: 4/16/81
Referred: Rules

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 41 (Finance) (efd failed)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the health of residents of the
7 state."

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

9 * Section 1. AS 18 is amended by adding a new chapter to read:

10 CHAPTER 27. STATE HEALTH INSURANCE.

11 Sec. 18.27.010. STATE COMPREHENSIVE HEALTH PLAN. (a) The com-
12 missioner shall establish minimum benefit standards for the state
13 comprehensive health plan and shall provide for the underwriting and
14 administration of the state comprehensive health plan.

15 (b) A resident of the state is entitled to enroll in the state
16 comprehensive health plan.

17 (c) The state comprehensive health plan shall provide for copay-
18 ments and deductibles, and shall provide an annual limit on the total
19 amount of copayments and deductibles for each enrolled resident and the
20 covered dependents of the resident for each year. The annual limit
21 shall be the same regardless of family size.

22 (d) The commissioner shall contract for the administration and
23 may contract for the underwriting of the state comprehensive health
24 plan. A contract entered into under this subsection shall be based on
25 competitive bids and shall be for a three-year period.

26 (e) Notwithstanding the provisions of (c) of this section and the
27 limitations in AS 18.27.020(b), an individual eligible for a permanent
28 fund dividend under AS 43.23.010 may, to the extent of his eligibility
29 under AS 43.23.010,

1 (1) enroll in the state comprehensive health plan or in an
2 individual health insurance plan certified under AS 18.27.020(a)(1);

3 (2) direct the commissioner of revenue to use as much of the
4 permanent fund dividend to which the individual is entitled under
5 AS 43.23.010 as is necessary to pay a cost of the individual incurred
6 in participation in the state comprehensive health plan or in an indivi-
7 dual health insurance plan certified under AS 18.27.020(a)(1).

8 Sec. 18.27.020. STATE HEALTH INSURANCE COST SHARING PROGRAM. (a)
9 A resident of the state is entitled to cost sharing under the state
10 health insurance cost sharing program if

11 (1) the resident is enrolled in the state comprehensive
12 health plan or an individual health insurance plan which the insurance
13 company has certified to the commissioner as equivalent to or exceeding
14 the benefit standards of the state comprehensive health plan estab-
15 lished by the commissioner under AS 18.27.010(a);

16 (2) the resident is not enrolled in a group health insurance
17 plan or in a federal health plan; and

18 (3) the resident qualifies for cost sharing under (b) of
19 this section.

20 (b) The commissioner shall pay the state share of the costs of
21 health insurance incurred by a resident of the state and his covered
22 dependents qualifying for cost sharing under the following formula:

23 (1) if the total adjusted gross income of the resident and
24 his dependents is at or below 75 percent of the base income, 100 per-
25 cent of the premium cost of health insurance;

26 (2) if the total adjusted gross income of the resident and
27 his dependents is between 75 percent of the base income and 125 percent
28 of the base income, a graduated percentage of the premium cost of
29 health insurance between 100 percent and zero percent;

1 (3) if the total adjusted gross income of the resident and
2 his dependents is at or below 45 percent of the base income, 100 per-
3 cent of copayments and deductibles;

4 (4) if the total adjusted gross income of the resident and
5 his dependents is between 45 percent of the base income and 95 percent
6 of the base income, a graduated percentage of the copayments and de-
7 ductibles from 100 percent and zero percent;

8 (5) if a resident is enrolled in an individual health insur-
9 ance plan certified to the commissioner under (a) of this section, the
10 state share of the cost of health insurance for the resident is limited
11 to the amount that the state's share would have been if the resident
12 had been enrolled in the state comprehensive health plan.

13 (c) The commissioner shall adopt minimum benefit standards and
14 guidelines for determining benefit equivalence for the certification of
15 plans under (a)(1) of this section.

16 (d) Notwithstanding the provisions of an individual health insur-
17 ance plan, a plan certified by an insurance company to the commissioner
18 under (a)(1) of this section provides the minimum benefits and the
19 equivalent benefits required for certification.

20 Sec. 18.27.030. DEFINITIONS. In this chapter

21 (1) "adjusted gross income" means the adjusted gross income
22 of the resident determined under the regulations of the commissioner;

23 (2) "base income" means

24 (A) family median income for Alaska determined by the
25 federal Office of Human Development Service; and

26 (B) regional adjustments established by the commis-
27 sioner to the family median income for Alaska determined by the
28 federal Office of Human Development Service which are based on
29 relative costs of living in the state;

1 (3) "benefit equivalence" means that the benefits provided
2 in an individual health insurance plan and certified to the commis-
3 sioner under AS 18.27.020(d) are equivalent to benefits provided under
4 the state comprehensive health plan;

5 (4) "commissioner" means the commissioner of administration;

6 (5) "copayment" means the portion of covered expenses pay-
7 able by the resident after the deductible has been met;

8 (6) "insurance" means prepaid plans or indemnity plans.

9 * Sec. 2. The commissioner of administration shall report by the 30th
10 day of the Second Session of the Twelfth Legislature on

11 (1) proposed minimum benefit standards and estimated actuarial
12 costs of the state comprehensive health plan (AS 18.27);

13 (2) the anticipated number and characteristics of participants in
14 the state health insurance cost sharing program (AS 18.27.020) and the
15 projected cost to the state;

16 (3) a proposed plan for

17 (A) implementation of AS 18.27;

18 (B) eligibility determinations under AS 18.27;

19 (C) payment of the state share of premium costs and copay-
20 ment and deductibles incurred under AS 18.27; and

21 (D) informing the public of benefits under AS 18.27;

22 (4) recommendations for amendments to AS 18.27.

23 * Sec. 3. Coverage under the state comprehensive health plan (AS 18.27.-
24 010) and the state health insurance cost sharing program under AS 18.27.020
25 begins on July 1, 1982.

26 * Sec. 4. AS 21.54.060 is amended by adding a new paragraph to read:

27 (7) under a policy issued to the state to insure residents
28 of the state under AS 18.27.

29 * Sec. 5. AS 39.30.090(1) is amended to read:

1 (1) A group insurance policy shall provide one or more of
2 the following benefits: life insurance, accidental death and dismem-
3 berment insurance, weekly indemnity insurance, hospital expense insur-
4 ance, surgical expense insurance, dental expense insurance, audio-
5 visual insurance, alcoholism and drug dependency insurance, or other
6 medical care insurance.

7 * Sec. 6. AS 39.30 is amended by adding a new section to read:

8 Sec. 39.30.092. COVERAGE FOR ALCOHOLISM AND DRUG DEPENDENCE. (a)

9 The group insurance policy under AS 39.30.090(1)

10 (1) shall provide coverage for alcoholism and drug depen-
11 dence to include

12 (A) inpatient detoxification benefits for not less than
13 14 days of benefit each calendar year in a state-approved treat-
14 ment facility or licensed hospital; payment of institutional and
15 professional benefits shall be equal to and payable as any other
16 covered condition, except a covered condition which, by the terms
17 of the policy, has an internal restriction;

18 (B) inpatient treatment coverage benefits for not less
19 than 30 days of benefit each calendar year in a state-approved
20 treatment program; payment of institutional and professional bene-
21 fits shall be at the same level as any other covered condition,
22 except a covered condition which, by the terms of the policy, has
23 an internal restriction; and

24 (C) outpatient treatment coverage benefits of not less
25 than 30 visits each calendar year if treatment is provided by a
26 licensed physician, state-approved treatment program, or state-
27 certified professional substance abuse counselor; coverage shall
28 include individual, family or group therapy; benefits shall be
29 paid at not less than 75 percent of the usual, customary and

1 reasonable charge for a medical procedure, treatment or service in
2 the geographic area;

3 (2) may not exclude dependents otherwise covered and may not
4 limit coverage for alcoholism or drug dependence because of age, sex or
5 state of illness;

6 (3) may not apply preexisting or named condition exclusions
7 to deny coverage for alcoholism or drug dependence; and

8 (4) may require a physician's certification of necessity as
9 a condition of payment for alcoholism or drug dependence treatment.

10 (b) The provisions of this section apply to group health insur-
11 ance contracts and group service or indemnity type contracts issued to
12 provide coverage for employees of the state and may apply to contracts
13 for the benefit of employees of other participating governmental units
14 only if the governing body of the governmental unit elects to have the
15 provisions apply.

16 (c) In (a) of this section,

17 (1) "alcoholism" means an illness or condition characterized
18 by the habitual lack of self control in the use of alcoholic beverages,
19 or use of alcoholic beverages to the extent that health is substantial-
20 ly impaired or endangered, or social or economic function is substan-
21 tially disrupted;

22 (2) "drug dependence" means the condition of being physi-
23 cally or psychologically addicted to an opiate, opiate derivative,
24 tranquilizer, amphetamine, barbiturate, or similar substance, but
25 excluding nicotine, caffeine and alcohol;

26 (3) "state" means any state in the United States and in-
27 cludes the District of Columbia.

28 * Sec. 7. AS 39.30.100 is amended to read:

29 Sec. 39.30.100. DEFINITIONS. In AS 39.30.090 - 39.30.100 [AS 39.-

1 30.090]

2 (1) "eligible employee" means

3 (A) an employee who has served in permanent full-time
4 or part-time employment with the same governmental unit for 30
5 days or more, except an emergency or temporary employee, and

6 (B) an elected or appointed official of a governmental
7 unit, effective upon taking the oath of office;

8 (2) "governmental unit" means the state, a borough, municipi-
9 pal corporation, or other political subdivision of the state, and the
10 North Pacific Fishery Management Council;

11 (3) "insurance", "insurance carrier" and "insurance policy"
12 include health care services, health care service contractors and con-
13 tracts.

14 * Sec. 8. The provisions of secs. 5 - 7 of this Act apply to group poli-
15 cies or contracts which provide coverage under AS 39.30.090 - 39.30.100 and
16 which are delivered, issued for delivery, or renewed in this state after the
17 effective date of this Act. A policy or contract providing coverage for
18 eligible employees in this state under AS 39.30.090 - 39.30.100 delivered,
19 issued for delivery, or renewed after the effective date of this Act provides
20 the minimum coverage required by this Act even if the language of the policy
21 or contract does not specifically so provide.

22 * Sec. 9. AS 47.05 is amended by adding new sections to read:

23 Sec. 47.05.070. MEDICAL ASSISTANCE BY INSURANCE OR SERVICE CON-
24 TRACTS. (a) The commissioner shall use medical assistance funds to
25 purchase and pay premiums on policies of insurance or pay the expenses
26 on health care service contracts that provide one or more of the ser-
27 vices available under state medical assistance programs.

28 (b) The policy of insurance or the contract financed under this
29 section must guarantee to

1 (1) provide services and supplies under policies of insur-
2 ance or contracts under AS 21;

3 (2) provide the statistical data, records, and reports
4 relating to the provision, administration, and costs of providing
5 services and supplies as required by the commissioner.

6 Sec. 47.05.080. IMPLEMENTATION. The commissioner shall implement
7 the provisions of AS 47.05.070 when he determines that comparable
8 benefits are available at equal or less cost than direct payments by
9 the department to the providers of services and supplies.

10 Sec. 47.05.090. INTERIM PAYMENT. If the commissioner determines
11 under regulations adopted by him that a provider of medical services is
12 expected to serve a large volume of medical assistance clients, he may
13 make an interim payment before receipt of billing for services to the
14 provider.

15 Sec. 47.05.100. INTEREST ON LATE PAYMENTS. When presented by a
16 provider of medical services with a clean claim, the commissioner shall
17 pay

18 (1) interest at the rate of one percent per month when
19 payment is delayed more than 45 days after presentation of the clean
20 claim;

21 (2) interest at the rate of two percent per month when
22 payment is delayed more than 90 days after presentation of the clean
23 claim; and

24 (3) the interest for a full month if the overdue clean claim
25 is not paid by the 15th day of a calendar month.

26 Sec. 47.05.110. DEFINITIONS. In AS 47.05.070 - 47.05.110

27 (1) "clean claim" means a claim for payment which can be
28 processed without obtaining additional information from the provider of
29 the service or from a third party; it includes a claim with errors

1 originating in the department's claims processing system, but does not
2 include claims from a provider who is under investigation for fraud or
3 abuse, or a claim under review for medical necessity;

4 (2) "commissioner" means the commissioner of health and
5 social services;

6 (3) "health care service contract" means a contract with a
7 nonprofit corporation which accepts prepayment for health care services
8 and is sponsored by or associated with a group of physicians or a group
9 of hospitals or both or by a health maintenance organization recognized
10 under federal law;

11 (4) "medical assistance" means Medicaid (AS 47.07), general
12 relief medical (AS 47.25.120), catastrophic illness (AS 47.08), and
13 crippled children's and maternal and child health programs (AS 18.05.-
14 010).

15 * Sec. 10. AS 47.07.020(b) is repealed and reenacted to read:

16 (b) A resident of the state for whom the provisions of the Social
17 Security Act in effect on March 1, 1981, allow optional medical cover-
18 age qualifying for federal financial participation is eligible for
19 medical assistance. A resident of the state qualifying as medically
20 needy is not eligible for medical assistance.

21 * Sec. 11. AS 47.07.030 is repealed and reenacted to read:

22 Sec. 47.07.030. MEDICAL SERVICES TO BE PROVIDED. Medical ser-
23 vices to be offered to eligible persons include those services eligible
24 for federal financial participation under the provisions of Title XIX
25 of the federal Social Security Act in effect on March 1, 1981.

26 * Sec. 12. AS 47.07.080 is amended by adding new paragraphs to read:

27 (5) "medically needy" means a person who meets the categori-
28 cal requirements of eligibility for medical assistance but whose income

29 (A) exceeds the income standard for categorical assist-

1 ance; and

2 (B) is less than the medically needy income standard
3 after the deduction of allowable medical expenses;

4 (6) "categorical requirements of eligibility" means the
5 standards established under 42 C.F.R., secs. 435.500 - 435.541;

6 (7) "medically needy income standard" means the standards
7 established under 42 C.F.R., secs. 435.800 - 435.816.

8 * Sec. 13. (a) By the 30th day of the Second Session of the Twelfth
9 Legislature the Legislative Council shall study and make recommendations to
10 the legislature

11 (1) for federal improvements in the Indian Health Service
12 delivery system;

13 (2) on the alternatives available to the state to complement the
14 funding of the Indian Health Service;

15 (3) on the alternatives available to the state to complement
16 services available to the senior citizens of the state under Medicare.

17 (b) The Legislative Council shall seek participation in the study by

18 (1) the Health, Education, and Social Services Committees of the
19 legislature;

20 (2) the Alaska Native Health Board;

21 (3) regional health organizations;

22 (4) other providers and consumers of health care;

23 (5) the Department of Health and Social Services;

24 (6) the Alaska Area Native Health Service, United States Public
25 Health Service.

26 * Sec. 14. AS 47.07.020(d) is repealed.

Offered: 4/19/82
Referred: Finance

Original sponsors: Buchholdt, Cato,
Gardiner, et al

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 SENATE CS FOR CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 41 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a state health insurance program."

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

8 * Section 1. AS 18 is amended by adding a new chapter to read:

9 CHAPTER 27. STATE HEALTH INSURANCE PROGRAM.

10 Sec. 18.27.010. STATE HEALTH INSURANCE PROGRAM. (a) The com-
11 missioner shall establish a state health insurance program for resi-
12 dents.

13 (b) The commissioner shall by regulation specify the professional
14 and institutional benefits to be provided by the program.

15 (c) The commissioner shall contract for the underwriting of the
16 program and may contract for the administration of the program. A
17 contract entered into under this subsection shall be based on competi-
18 tive proposals.

19 (d) The program shall provide for copayments and deductibles, and
20 shall provide for an annual deductible for each enrolled resident and
21 for each enrolled family.

22 (e) The program shall provide a limit on the amount of reim-
23 bursable charges to be paid by an enrolled resident for institutional
24 and professional services received by the enrolled resident or depen-
25 dents of the resident who are enrolled in the program.

26 (f) The program may provide to enrolled residents a choice of
27 benefit options.

28 Sec. 18.27.020. STATE PAYMENT OF INSURANCE PREMIUMS. (a) The
29 commissioner shall pay the insurance premium for a resident who is

1 enrolled in the program and who qualifies under the following formula:

2 (1) if the total adjusted gross income of the resident and
3 dependents of the resident who are enrolled in the program is at or
4 below 75 percent of the base income, 100 percent of the premium cost of
5 the program;

6 (2) if the total adjusted gross income of the resident and
7 dependents of the resident who are enrolled in the program is between
8 75 percent and 125 percent of the base income, a graduated percentage
9 of the premium cost of the program between 100 percent and zero percent.

10 (b) The commissioner may not pay the insurance premium for a
11 resident and the dependents of the resident if, and to the extent that,
12 subsidized medical care or subsidized health insurance (other than
13 insurance under the program) is, or would be, available to the resident
14 upon application.

15 Sec. 18.27.030. DEFINITIONS. In this chapter

16 (1) "adjusted gross income" means the adjusted gross income
17 of the resident determined under the regulations of the commissioner;

18 (2) "base income" means

19 (A) family median income for Alaska determined by the
20 United States Bureau of the Census; and

21 (B) regional adjustments established by the commis-
22 sioner to the family median income for Alaska determined by the
23 United States Bureau of the Census, that are based on relative
24 costs of living in the state;

25 (3) "commissioner" means the commissioner of administration;

26 (4) "copayment" means the portion of covered expenses pay-
27 able by the resident after the deductible has been met;

28 (5) "deductible" means a clause in a health insurance policy
29 stating that the insurer shall pay the portion of a claim remaining

1 after a stipulated amount, to be paid by the insured party, is deducted;

2 (6) "dependent" means a dependent under 26 U.S.C. sec. 152;

3 (7) "insurance" means prepaid health plans or health indem-
4 nity plans;

5 (8) "program" means the state health insurance program
6 established under this chapter;

7 (9) "resident" means a person who maintains a permanent
8 place of abode in the state and a voting residence in the state and who
9 has maintained both for 12 consecutive months immediately preceding
10 enrollment in the state health insurance program under this chapter;

11 (10) "subsidized health insurance" means health insurance
12 all or part of the premiums of which are paid by an employer or trade
13 union of the insured;

14 (11) "subsidized medical care" means medical care provided
15 at reduced charge or no charge to a resident or a dependent of the
16 resident.

17 * Sec. 2. AS 21.54.060 is amended by adding a new paragraph to read:

18 (7) under a policy issued to the state to insure residents
19 of the state under AS 18.27.

20 * Sec. 3. The commissioner of administration shall establish the state
21 health insurance program and provide for state health insurance cost sharing
22 by July 1, 1983.

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POSITION PAPER

WORK DRAFT OF SENATE COMMITTEE SUBSTITUTE FOR
COMMITTEE SUBSTITUTE FOR SPONSOR SUBSTITUTE FOR
HOUSE BILL NO. 41 (HESS)

I. BACKGROUND

The work draft for Senate HESS committee substitute for House Bill No. 41 would create a state-sponsored health insurance program. Previous versions of HB 41 have included proposals to make changes in the Medicaid and General Relief Medical (GRM) programs, create an employer-based health insurance subsidy program, and create a high-risk health insurance program. While the HB 41 work draft would establish the health insurance program in the Department of Administration, the subject matter of the bill does involve the Department of Health and Social Services. During the last eighteen months, the Battelle Institute has been studying health care financing in Alaska under a contract with the Department of Health and Social Services, and the results of that study are now available.

Several factors emerge from that study which bear mentioning as they relate to legislation proposing to establish a state-sponsored health insurance program:

1. There are approximately 30,000 Alaskans who have no public or private health insurance or health care coverage and:
 - a. almost all are civilian non-Natives under age 65;
 - b. approximately 12,000 are dependent children;
 - c. of the approximately 18,000 adults in this group, 14,500 are employed at least part of the year;
 - d. approximately 6000 of the 18,000 adults are childless single individuals or couples.
2. The Medicaid program could be expanded to provide coverage to many of the individuals who would be eligible for the state-sponsored health insurance program and thereby result in federal funds being used rather than state funds.
3. The scope of benefits under a state-sponsored health insurance program, the extent of state subsidy, the extent of crossover from existing employee plans, and the amount of the deductible will have a major impact on the cost of the program.

II. EFFECT OF THE HB 41 WORK DRAFT

Battelle Institute has estimated that the cost of implementing a state-sponsored health insurance program of the type proposed by the HB 41 work draft would cost the State of Alaska between \$23 and \$52

million for benefits and between \$1.5 and \$3.6 million for program administration. In addition, program administration will involve between 60 and 90 employees.

Given the present fiscal problems experienced by the State of Alaska due to the decline in the world price of oil, the development of a state-sponsored health insurance program could take place only if new state revenues were found or if funds were diverted from presently funded programs or projects. While this does not appear likely to happen this year, it is still important to discuss some concerns that the Department has about the HB 41 work draft.

1. The HB 41 work draft does not specify what categories of service would be covered under the state-sponsored health insurance plan, leaving this responsibility to the Commissioner of the Department of Administration. The nature, cost, and desirability of the program will vary greatly depending on the services covered.

2. No mention is made of coverage for preventive health care. Under Medicaid, the Early and Periodic Screening, Diagnosis and Treatment program provides preventive health screening and treatment services for all Medicaid-eligible children, including routine dental care. Without preventive coverage, the state-sponsored program will merely be providing illness insurance.

3. Since the HB 41 work draft lacks detail on what the program would entail, there is no information as to what the period of eligibility will be for state subsidy of premiums and deductibles. Under Medicaid and GRM, individuals must report as frequently as monthly or lose eligibility. If longer periods of time are used for the state subsidy, will there be adjustments for seasonal variations in income. Also, no mention is made of how personal assets will be considered in determining eligibility. Under the Catastrophic Illness program, a percentage of personal assets above a maximum level are considered available to meet the applicant's medical needs.

4. Expansion of the Medicaid program could provide the same type of health insurance coverage as would be created under the state-sponsored health insurance program for those individuals who will likely receive full state subsidies. The primary difference is that by expanding the Medicaid program, the State of Alaska would be able to take advantage of federal funds to make up 48% of the benefit and administrative costs.

5. Nothing in the HB 41 work draft indicates the basis upon which payment will be made to health care providers. Some of the alternatives are: usual and customary charges; usual, customary, and reasonable; schedule of maximum allowances; percentage of charges; lower of costs or charges; flat rate; interim rates with retrospective cost settlement; per capita payments. Whatever the payment method used, several studies have shown that fee-for-service health insurance programs are not the most cost-effective method of providing health care coverage. A state-sponsored health insurance program may be more efficiently administered through the development of health maintenance organizations or other prepaid health plans that operate on a per capita basis rather than a fee-for-service basis.

6. A major factor in the delivery of health care in Alaska is access to health care providers. The availability of health insurance is of little value if an individual does not have access to services. Under the Medicaid program, necessary, medically-related transportation is a program benefit. Consideration should be given to assuring that necessary medically-related transportation is included in a state-sponsored health insurance program.

7. The HB 41 work draft would preclude state subsidy for individuals who already receive government subsidized health insurance or health care services. However, such an exclusion should apply only when the individual's other subsidized program provides equal or better coverage than available under the state-sponsored health insurance program.

8. Federally-operated health care facilities providing services at no cost to beneficiaries are not eligible to receive payment for them under almost all health insurance programs. Whether or not this will be the case under a state-sponsored health insurance program depends partly on the willingness of federally-operated facilities to provide health care to non-beneficiaries, and the cost-effectiveness of providing transportation to private health care providers more distant from their homes than federally-operated facilities.

III. POSITION OF THE DEPARTMENT

Given a more promising financial picture for the State of Alaska, we believe that a state-sponsored health insurance program that has taken into consideration the factors raised in part II could be a worthwhile expenditure of state revenues and contribute to the overall productive of the people of the state of Alaska. However, in the present fiscal reality, we believe that the creation of a state-sponsored health insurance program would require a major redirection of state spending priorities which the Department believes cannot be undertaken at this late date in the 1982 legislative session. As an alternative, the Department would like to suggest that the contents of CSSB 817 be considered as a Senate HESS committee substitute for HB 41. CSSB 817 would transfer funus between the GRM and Medicaid programs to take advantage of federal Medicaid funds that are available without increasing the state budget. Under CSSB 817, the Department would provide health care coverage, including preventive health care services, to over 4000 children not presently eligible for Medicaid, and provide prenatal care to almost 400 pregnant women not currently eligible for Medicaid. Passage of CSSB 817 would not cost the state any money, but would provide health care services to a portion of the population targeted for coverage under the state-sponsored health insurance program in the HB 41 work draft.

Approved by:


Helen D. Beirne, Commissioner

Dated:

4-7-82

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SCS CSSSHB 41 (work draft)
 Title An Act establishing a state health insurance program
 Requested by Senate HESS Committee Date 3/30/82

II. FISCAL DETAIL

Agency Affected Department of Health and Social Services
 Program Category Affected None
 BRU, Program, Or Subprogram(s) Affected None
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

The HB 41 work draft proposes to create a state-sponsored health insurance program in the Department of Administration and would therefore have no effect on the Department of Health and Social Services.

IV. DATE 4/7/82 PREPARED BY David M Davidson
 AGENCY Division of Public Assistance
 Original: Legislative Finance . PHONE 455-3347
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

JCC