

LEGISLATIVE FINANCE - HOUSE / SENATE FINANCE COMM. FILES 8879

HB 70 cont. - HB 73 443

34

NOTICE OF ADOPTION OF
EMERGENCY REGULATIONS

RECEIVED 703 1 1989

As required by AS 44.62.650, notice is given that, under authority vested by AS 47.05.010, the Department of Health and Social Services has amended, adopted, and repealed on this date, as emergency regulations, 7 AAC 43.005, 7 AAC 43.255, 7 AAC 43.312, 7 AAC 43.590, 7 AAC 43.591, 7 AAC 43.592, 7 AAC 43.950, and 7 AAC 47.271, relating to providing for Medicaid program coverage of prescription and certain other drugs, including what drugs are covered, how payment for covered drugs and for the costs of dispensing are computed, upon what grounds providers of drugs may be sanctioned, and removing covered drugs from those items which may be included in determining payment rates to nursing homes. In addition, these emergency regulations delete General Relief-Medical program payments for covered drugs provided to Medicaid recipients, provide that drugs covered under the General Relief Medical program will be subject to the applicable Medicaid regulations, and remove the requirement that assistance recipients pay \$1 for each prescription covered by the program.

These regulation changes become effective February 1, 1989.

This action is not expected to require an increased appropriation.

Copies of these regulations may be obtained by writing to the Division of Medical Assistance, P.O. Box H-07, Juneau, Alaska 99811, or by calling the Division at 907-465-3355.

The Department plans to make these regulations permanent at a later date to be separately noticed.

The Department welcomes oral and written comments to the above address or telephone number on these emergency regulations and will give any comments full consideration as it prepares its separate action to make these regulations permanent.

Date: Jan 24, 1989
Juneau, Ak

Myra M. Munson
Myra M. Munson, Commissioner

7 AAC 43.005(b) is amended to read:

(20) prescribed drugs and medical supplies; [MEDICAL SUPPLIES]

(c) Repealed 2/1/89

7 AAC 43.255 is amended to read:

(b) Legend drugs and biologicals [PRESCRIBED BY A LICENSED PHYSICIAN,] are not included in the all-inclusive rate. Payment will be made as specified in 7 AAC 43.591. [PAYMENT FOR SUCH DRUGS FURNISHED TO A RECIPIENT WILL BE MADE BY THE DIVISION UNDER THE BILLING PROCEDURE ESTABLISHED FOR ALL-INCLUSIVE RATE.]

(c) Repealed 2/1/89

7 AAC 43.312 is amended to read:

(a) Legend drugs and biologicals [PRESCRIBED BY A LICENSED PHYSICIAN,] are not included in the all-inclusive rate. Payment will be made as specified in 7 AAC 43.591. [PAYMENT FOR SUCH DRUGS FURNISHED TO A RECIPIENT WILL BE MADE BY THE DIVISION UNDER THE BILLING PROCEDURE ESTABLISHED FOR THE ALL-INCLUSIVE RATE.]

(b) Repealed 2/1/89

HEALTH & SOCIAL SERVICES

ARTICLE 9.

PRESCRIBED DRUGS AND

MEDICAL SUPPLIES

7AAC 43.590 is repealed and readopted to read:

7 AAC 43.590. DRUG COVERAGE. (a) The division will pay for:

- (1) drugs which require a prescription, except for those drugs excluded under (b) of this section;
- (2) any drug which the United States Drug Enforcement Agency has categorized as a "Schedule V Narcotic";
- (3) a compounded prescription, provided that at least one ingredient requires a prescription for dispensing or is a Schedule V Narcotic;
- (4) insulin and insulin syringes;
- (5) a drug which may be sold without a prescription, if it has been prescribed and a prior authorization has been obtained from the division; and
- (6) growth hormones, if prior authorization has been obtained from the division.

HEALTH & SOCIAL SERVICES

(b) The division will not pay for the following:

- (1) drugs used to treat infertility;
- (2) drugs which are prohibited from receiving federal medicaid matching funds under 42 C.F.R. 441.25, as amended October 1, 1981;
- (3) drugs, except for birth control drugs, for which more than a 30 day supply is ordered per prescription. (Eff. 2/1/89, Register ____)

Authority: AS 08.80.295

AS 47.05.101

AS 47.07.030

AS 47.07.050

7 AAC 43 is amended by adding a new section:

7 AAC 43.591. DRUG REIMBURSEMENT. (a) The division will reimburse the provider for reasonable and necessary postage or freight costs incurred in the delivery of the prescription from the dispensing pharmacy to the recipient. Handling charges are included in the dispensing fee of (e) of this section and are not directly reimbursed.

(b) The payment for multiple source drugs for which the U.S. Health Care Financing Administration has established a specific upper limit amount will be the lesser of the amount billed or that upper limit, plus the dispensing fee of (e) of this section.

HEALTH & SOCIAL SERVICES

(c) The payment for drugs other than those of (b) of this section, and for brand names of multiple source drugs specified by the prescriber in accordance with 42 C.F.R. 447.331, as amended June 31, 1987, will be the dispensing fee of (e) of this section plus the estimated acquisition cost of that drug. The estimated acquisition cost is established by the division using results of Alaska pharmaceutical purchasing surveys. In the absence of such surveys, the division will establish the estimated acquisition cost as the average wholesale price published in the American Druggist Blue Book, as updated monthly, less 5 percent of that amount. However, the payment will not exceed the lower of the estimated acquisition cost plus the dispensing fee of (e) of this section, or the provider's normal charge to the typical walk-in, cash-paying customer.

(d) The payment for compounding prescriptions will be the sum of the costs of each of the ingredients as established under (b) or (c) of this section, plus the dispensing fee of (e) of this section, plus an additional compounding rate of \$5.75 for each 15 minutes required to compound the prescription.

(e) The division will establish the dispensing fee based on the result of surveys of Alaska pharmacies' costs of dispensing prescriptions. For each pharmacy, the dispensing fee will be determined using the following formula: \$23,192 is added to the result of multiplying the annual number of prescriptions by 5.070. To this number is added the result of multiplying the annual number of medicaid prescriptions by 12.44. From this number is subtracted the result of multiplying the total store volume expressed in square feet by 2.103. The resulting number is then

HEALTH & SOCIAL SERVICES

divided by the total annual number of prescriptions. To the result of this division is added \$0.73. However, the division will not pay a dispensing fee less than \$3.45 or more than the 80th percentile of all fees determined under the formula. New pharmacies which do not have the information available to establish a fee will be assigned the statewide average fee.

(f) Upon request by the division, a pharmacy shall produce business records and related information relevant to the cost of drugs and the cost of dispensing. If a pharmacy does not provide dispensing fee data as requested by the division, the division may, in its discretion, either pay that pharmacy the minimum dispensing fee established under (e) of this section or sanction the pharmacy as provided for under 7 AAC 43.950 - 7 AAC 43.985.

(g) Payments made to dispensing physicians will be for the estimated acquisition costs and will not include a dispensing fee.

(h) Payments to providers outside of Alaska will be made at the medicaid rate of their state. For Canadian providers, payments will be the lesser of the normal charge to the typical walk-in, cash-paying customer or the lowest total payment made for the same drug to a provider in Alaska.

(i) Unless prior authorized by the division, only one dispensing fee will be paid in any calendar month for each prescription dispensed to a resident of a nursing home.

HEALTH & SOCIAL SERVICES

(j) As part of each annual medicaid drug coverage budget submission, the department will request an inflation adjustment based on its analysis of both the Anchorage and National Consumer Price Indexes. If the legislature grants the requested inflation adjustment, the division will adjust the dispensing fee formula of (e) of this section. (Eff. 2/1/89, Register ___)

Authority: AS 47.05.010

AS 47.07.030

AS 47.07.050

7 AAC 43 is amended by adding a new section:

7AAC 43.592. MEDICAL SUPPLIES. The division will pay only for prescribed medical supplies that have been assigned a current specific billing code number by the division of medical assistance. The division of medical assistance may, in its discretion, grant an exception based on written information submitted on a request for authorization form, which is available from the division of medical assistance. (Eff. 2/1/89, Register ___)

Authority: AS 47.05.010

AS 47.07.030

AS 47.07.050

HEALTH & SOCIAL SERVICES

7AAC 43.950 is amended by adding new subsections:

(22) dispensing a lesser quantity of medication than that prescribed in order to receive multiple dispensing fees for one prescription, unless the change is made in order to ensure that no more than a 30-day supply is dispensed;

(23) billing for a drug other than the drug dispensed;

(24) billing for an amount in excess of the usual and customary charge to the general public;

(25) billing for a prescription refill which was not authorized by the prescriber;

(26) falsely submitting an indication that a prescriber required a specific brand name drug rather than a less expensive generic equivalent;

(27) supplying false information on a dispensing fee or drug cost survey initiated by the division in order to establish or revise its reimbursement rates; and

(28) failing to submit business records or other information determined by the division to be necessary for the administration of the medicaid program. (Eff. 2/1/89, Register ____)

HEALTH & SOCIAL SERVICES

7 AAC 47.271 is amended to read:

(c) Reimbursement to providers will be that computed under 7AAC 43.591 for the Medicaid program. [THE DIVISION OF MEDICAL ASSISTANCE SHALL PAY THE PHARMACIST'S USUAL AND CUSTOMARY CHARGE TO THE PUBLIC, LESS THE RECIPIENT CO-PAYMENT AMOUNT. THE RECIPIENT CO-PAYMENT AMOUNT IS

(1) THE FINANCIAL OBLIGATION OF THE RECIPIENT, NOT THE DIVISION OF MEDICAL ASSISTANCE, AND MUST BE COLLECTED BY THE PHARMACIST AT THE TIME OF EACH SERVICE:

(2) \$1 FOR EACH PURCHASE OF A PRESCRIBED DRUG OR PRESCRIBED MEDICAL SUPPLY.] (Eff. 2/1/89, Register ____)

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 9, 1989

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Cotten:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to pharmaceutical medical assistance for needy persons in the medicaid program. The bill would add prescribed drugs as a covered medicaid service under that program. Chapter 120, SLA 1988 added prescribed drug services for fiscal year 1989 only. Passage of the attached bill will allow the state to continue to receive federal financial participation for these services.

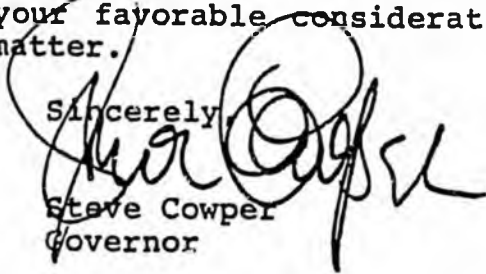
The bill has two main components: the authorization of prescribed drugs as a covered service under medicaid and the establishment of a priority for deletion of prescribed drugs if a funding shortfall occurs. Additionally, the bill adopts the federal medicaid standards of reimbursement for prescribed drugs, and the federal definition of prescribed drugs under the medicaid program.

With regard to the first of the two main components, the Department of Health and Social Services would continue to be required to cover prescribed drugs under the medicaid program after ch. 120, SLA 1988's temporary authorization expires. (Section 1 of the bill.) Before the temporary authorization (July 1, 1988), the department provided this service under the state-funded general relief medical program for medicaid recipients. While the change in program will not increase service to medicaid recipients, the bill will allow the State to continue to collect the federal funding that it collected under ch. 120, SLA 1988.

As to the second main component, sec. 2 of the bill would add prescribed drugs to the priority scheme in AS 47.07.035 that provides for elimination of services if a medicaid budget shortfall occurs. The bill would require that prescribed drugs be eliminated as a covered service under medicaid after personal care services in a recipient's home were eliminated, but before long-term care noninstitutional services were eliminated.

The Department of Health and Social Services (DHSS) views this bill as a critical step forward in continuing to maximize federal financial participation under the medicaid program. Without the federal financial participation that this bill would provide, a DHSS general fund budget shortfall of approximately \$2,500,000 will occur in FY 90 and prescribed drugs would be eliminated from medicaid coverage. Therefore, I urge your favorable consideration of, and prompt action on, this matter.

Sincerely,



Steve Cowper
Governor

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SENATE COMMITTEE REPORT

FURTHER

4/29/89

DATE TURNED INTO OFFICE 5/5/89

Mr. President:

Finance

Committee considered

CSHB 70 (FIN)

extending the termination date of the Board of Pharmacy; relating to substitution of generic drugs that are therapeutically equivalent; relating to pharmaceutical medical assistance for needy persons; etc and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and technical title change (HB only)
- Senate Finance letter of intent adopted

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

FISCAL NOTE(S) ^{DHSS} zero fiscal impact appropriation no FN
 new updated previous
 same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

Frank

France

OTHER RECOMMENDATIONS

Paul Triche No Rec

Richard (No Rec)

 Chair signature and recommendation

Committee Backup attached

John B... DO PASS

 CO CHAIR



Official Business

Alaska State Legislature

Senate

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

Letter of Intent

for

CS FOR HOUSE BILL NO. 70 (Finance)

ADOPTED

It is the intent of the Senate that the Department of Health and Social Services will submit to the Health Care Financing Administration (HCFA) for its approval a Medicaid state plan amendment, which incorporates Alaska data and which is based upon the Texas reimbursement methodology for pharmacy services as approved by HCFA, including a dispensing fee which varies by ingredient cost. The Department of Health and Social Services will work with Alaska pharmacists to prepare this plan amendment and vigorously promote its approval by the Health Care Financing Administration. This plan amendment shall be submitted to HCFA by the Department of Health and Social Services as soon as practical (but no later than three months) after formal HCFA approval of the Medicaid plan amendments submitted March 31, 1989.

It is the intent of the Senate that the Department of Health and Social Services will work with Alaska pharmacists to immediately define a class of "expensive drugs" and then develop an interim methodology to adequately compensate pharmacy providers for dispensing these expensive drugs with a mutually acceptable reimbursement formula.

The Department of Health and Social Services shall report to the legislature by the tenth day of the Sixteenth Alaska State Legislature on the Department's progress in implementing the pharmaceutical Medicaid option.

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HB 70
PUBLISH DATE: HOUSE 1/9/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to pharmaceutical
medical assistance for needy persons.
Sponsor: Rules Committee
Requestor: Governor

Agency Affected: Health & Social Services
BRU: Medical Assistance
Components: General Relief Medical
and Medicaid Non-Facility

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		Ø	Ø	Ø	Ø	Ø

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

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* See Attached *

Prepared by: Kim Busch *Kim Busch*
Division: Director

Phone: 465-3355
Date: 11-3-88

Approved by Commissioner: Mika M. Munn
Agency: DHSS

Date: 12-1-88

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)

Adopted

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Summary

Before the last legislative session, pharmacy services for Medicaid eligible individuals were purchased from the General Relief Medical program. Because Alaska had not adopted the pharmacy option under the Medicaid program. During the last legislative session, CSSB 255, which was signed into law as Chapter 120, SLA 1988, added pharmacy services as a Medicaid option for the period October 1, 1988 - June 30, 1989. (SB 255 has a sunset clause which repeals Chapter 120 effective July, 1989.)

Unless this legislation is passed, a general fund appropriation of \$2,560 million will be needed in FY90 to continue to pay for pharmacy services for poor Alaskans. In essence, the state would be relinquishing \$2.56 million in federal match and pharmacy services for Medicaid eligible individuals would once again be purchased through the general relief medical program (GRM). Should general funds not be appropriated, significant reductions in pharmacy services would also likely occur.

Budgetary and Program Impact

All services which are purchased by the state under the Medicaid program receive a dollar-for-dollar federal match. All services purchased under the General Relief Medical program are entirely general funds.

The Department has submitted its FY90 budget assuming this legislation would pass, pharmacy services would remain as a Medicaid option and, \$2,560.2 in federal funds would be received as match. Consequently, this legislation has a zero fiscal note. If it passes, the total pharmacy cost of \$5.037 million is split between federal funds and general funds. The

proposed FY90 budget contains sufficient general funds to pay the state share, so pharmacy services would continue as currently provided.

If this legislation does not pass, federal matching funds for pharmacy services would be lost. Should this occur, an additional \$2,560.2 in general funds would be needed to replace the federal funds so that existing services could be maintained.

When pharmacy legislation (SB 255) passed in FY89, the department estimated \$2 million in savings because the total drug program cost about \$4 million. Services to new eligibles and utilization and price increases have since increased the total program cost to \$5 million. Consequently, returning to a totally general funded pharmacy program would cost \$1 million more in FY90 than it did in FY88, the last year in which pharmacy was entirely funded by several funds.

Throughout the interim, the department has worked diligently with pharmacists to fashion a Medicaid program which captures federal reimbursement while minimizing financial impact to pharmacists. A separate document describes the policy making process, the research conducted on pharmacy costs, and the reimbursement methodologies which resulted from that process.

If the legislature decides not to pass this legislation, the department requests that the full \$2.56 million in general funds be appropriated. This amount includes the inflation in pharmacy service costs which occurred from FY88 to FY90 in addition to the restoration of the general fund which had been supplanted by federal funds.

The following describes the sequence of modification to the FY90 budget that would be needed to continue present services should the legislation not pass:

1. Transfer \$2,476.9 State General Fund Match (SGFM) from the Medicaid Non-Facility component to the General Relief Medical component. (1,328.9 FY89 transfer for Chapter 120, 913.6 FY90 Budget Request transfer and 234.4 FY90 increments for price, utilization and eligibles.) If the program is not a Medicaid option, there are no federal funds to match with state general funds.
2. Decrement the Medicaid Non-Facility component for 2,560.2 federal funds. (1,412.3 FY89 Chapter 120, 913.6 FY90 Budget request and 234.3 FY90 increments for price, utilization and eligibles.) These federal match funds are not received if the pharmacy services are not provided through Medicaid.
3. Increment the General Relief Medical program for 2,560.2 state general funds to offset the federal decrements in #2 above.

The following chart depicts the development of the FY90 budget request and the above described modifications.

FY90 Budget Development

	<u>GRM</u>	<u>Medicaid Non-Facility</u>	<u>Total</u>
FY89 Authorization	913.6	2,741.2	3,654.8
C-4 Transfer	<u>(913.6)</u>	<u>913.6</u>	<u>0</u>
FY90 Adjusted Base	0	3,654.8	3,654.8
FY90 Increments:			
Federal Increment		913.6	913.6
Price		135.2	135.2
Eligibles		196.4	196.4
Utilization		<u>137.1</u>	<u>137.1</u>
FY90 Budget Request	0	5,037.1	5,037.1

Required Modifications

Transfer SGFM	2,476.9	[1] (2,476.9)	0
Decrement Federal	-	[2] (2,560.2)	(2,560.2)
Increment SGF	[3] <u>2,560.2</u>	<u>-</u>	<u>2,560.2</u>
Totals	5,037.1	0	5,037.1

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 CS FOR HOUSE BILL NO. 70 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL
6 For an Act entitled: "An Act extending the termination date of the Board
7 of Pharmacy; relating to substitution of generic
8 drugs that are therapeutically equivalent; relating
9 to pharmaceutical medical assistance for needy per-
10 sons; changing the order of priority for eliminating
11 medical assistance coverage for certain services; and
12 providing for an effective date."

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

14 * Section 1. AS 08.03.010(c)(4) is amended to read:

15 (4) Board of Pharmacy (AS 08.80.010) -- June 30, 1993
16 [1989].

17 * Sec. 2. AS 08.80.460(b) is repealed and reenacted to read:

18 (b) A person who violates AS 08.80.295 is guilty of a violation.

19 * Sec. 3. AS 47.07.030(b) is amended to read:

20 (b) In addition to the mandatory services specified in (a) of
21 this section, the department may offer only the following optional
22 services: case management and nutrition services for pregnant women;
23 personal care services in a recipient's home; emergency hospital
24 services; long-term care noninstitutional services; medical supplies
25 and equipment; clinic services; inpatient psychiatric facility ser-
26 vices for individuals age 65 or older and individuals under age 21;
27 prescribed drugs; physical therapy; occupational therapy; chiropractic
28 services; treatment of speech, hearing, and language disorders; adult
29 dental services; prosthetic devices and eyeglasses; optometrists'

1 services; intermediate care facility services, including intermediate
2 care facility services for the mentally retarded; skilled nursing
3 facility services for individuals under age 21; and reasonable trans-
4 portation to and from the point of medical care.

5 * Sec. 4. AS 47.07.035 is amended to read:

6 Sec. 47.07.035. PRIORITY OF MEDICAL ASSISTANCE. If the depart-
7 ment finds that the cost of medical assistance for all persons eligi-
8 ble under this chapter will exceed the amount allocated in the state
9 budget for that assistance for the fiscal year, the department shall
10 eliminate coverage for optional medical services and optionally eligi-
11 ble groups of individuals in the following order:

- 12 (1) chiropractic services;
- 13 (2) adult dental services;
- 14 (3) emergency hospital services;
- 15 (4) treatment of speech, hearing, and language disorders;
- 16 (5) optometrists' services and eyeglasses;
- 17 (6) occupational therapy;
- 18 (7) prosthetic devices;
- 19 (8) medical supplies and equipment;
- 20 (9) clinic services;
- 21 (10) physical therapy;
- 22 (11) personal care services in a recipient's home;
- 23 (12) prescribed drugs;
- 24 (13) long-term care noninstitutional services;
- 25 (14) [(13)] inpatient psychiatric facility services;
- 26 (15) [(14)] intermediate care facility services for the men-
27 tally retarded;
- 28 (16) [(15)] intermediate care facility services;
- 29 (17) [(16)] pregnant women, and children five years of age

1 or younger, with a household income that does not exceed 100 percent
2 of the federal poverty level;

3 (18) [(17)] individuals under age 21 who are not eligible
4 for benefits under the federal aid to families with dependent children
5 program because they are not deprived of one or more of their natural
6 or adoptive parents;

7 (19) [(18)] skilled nursing facility services for persons
8 under age 21;

9 (20) [(19)] aged, blind, and disabled individuals who,
10 because they do not meet the income requirements, do not receive
11 supplemental security income under Title XVI of the Social Security
12 Act, but who are eligible, or would be eligible if they were not in a
13 skilled nursing facility or intermediate care facility, to receive an
14 optional state supplementary payment;

15 (21) [(20)] individuals in a hospital, skilled nursing
16 facility, or intermediate care facility whose income while in the
17 facility does not exceed 300 percent of the supplemental security
18 income benefit rate under Title XVI of the Social Security Act, but
19 who, because of income, are not eligible for the optional state sup-
20 plementary payment;

21 (22) [(21)] individuals under age 21 under supervision of
22 the department, for whom maintenance is being paid in whole or in part
23 from public money and who are in foster homes or private child-care
24 institutions.

25 * Sec. 5. AS 47.07 is amended by adding a new section to read:

26 Sec. 47.07.065. PAYMENT FOR PRESCRIBED DRUGS. The department
27 shall pay for prescribed drugs under AS 47.07.030(b) under regulations
28 adopted by the commissioner in conformity with applicable federal
29 regulations.

1 * Sec. 6. Section 2 of this Act takes effect January 1, 1990, unless by
2 that date the director of the division of occupational licensing has certi-
3 fied to the revisor of statutes that the Board of Pharmacy has adopted
4 regulations establishing the schedule of civil fines required under AS 08.-
5 80.460(b).

6 * Sec. 7. Sections 1 and 3 - 5 of this Act take effect July 1, 1989.

5/4/89 SFC
Myra Manson

It is the intent of the legislature that the Department of Health and Social Services will submit to the Health Care Financing Administration (HCFA) for its approval a Medicaid state plan amendment, which incorporates Alaska data and which is based upon the Texas reimbursement methodology for pharmacy services as approved by HCFA, including a dispensing fee which varies by ingredient cost. The Department of Health and Social Services will work with Alaska pharmacists to prepare this plan amendment and vigorously promote its approval by the Health Care Financing Administration. This plan amendment shall be submitted to HCFA by the Department of Health and Social Services as soon as practical (but no later than three months) after formal HCFA approval of the Medicaid plan amendments submitted March 31, 1989.

It is the intent of the legislature that the Department of Health and Social Services work with Alaska pharmacists to minimize problems which may exist with adequate reimbursement for "expensive drugs".

The Department of Health and Social Services shall report to the legislature by the 10th day of 16th Alaska State Legislature on the Department's progress in implementing the pharmaceutical Medicaid option.

ALASKA STATE SENATE



SENATOR DICK ELIASON
SITKA
CHAIRMAN

SENATOR PAT RODEY
ANCHORAGE
VICE-CHAIRMAN

LABOR AND COMMERCE COMMITTEE

MEMBERS
SENATOR JAN FAIKS
ANCHORAGE

SENATOR JACK COGHILL
NENANA

SENATOR JALMAR KERTTULA
PALMER

It is the intent of the Senate that the Department of Health and Social Services will submit to the Health Care Financing Administration (HCFA) for its approval a Medicaid state plan amendment, which incorporates Alaska data and which is based upon the Texas reimbursement methodology for pharmacy services as approved by HCFA, including a dispensing fee which varies by ingredient cost.

The Department of Health and Social services will work with Alaska pharmacists to prepare this plan amendment and vigorously promote its approval by the Health Care Financing Administration. This plan amendment shall be submitted to HCFA by the Department of Health and Social Services as soon as practical (but no later than three months) after formal HCFA approval of the Medicaid plan amendments submitted March 31, 1989. The Department of Health and Social Services shall report to the legislature by the 10th day of Sixteenth Alaska State Legislature on the Department's progress in implementing the pharmaceutical Medicaid option.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

cc
14B70

January 9, 1989

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Cotten:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to pharmaceutical medical assistance for needy persons in the medicaid program. The bill would add prescribed drugs as a covered medicaid service under that program. Chapter 120, SLA 1988 added prescribed drug services for fiscal year 1989 only. Passage of the attached bill will allow the state to continue to receive federal financial participation for these services.

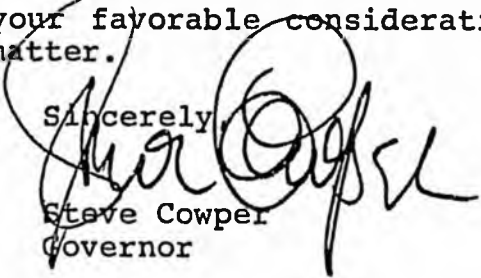
The bill has two main components: the authorization of prescribed drugs as a covered service under medicaid and the establishment of a priority for deletion of prescribed drugs if a funding shortfall occurs. Additionally, the bill adopts the federal medicaid standards of reimbursement for prescribed drugs, and the federal definition of prescribed drugs under the medicaid program.

With regard to the first of the two main components, the Department of Health and Social Services would continue to be required to cover prescribed drugs under the medicaid program after ch. 120, SLA 1988's temporary authorization expires. (Section 1 of the bill.) Before the temporary authorization (July 1, 1988), the department provided this service under the state-funded general relief medical program for medicaid recipients. While the change in program will not increase service to medicaid recipients, the bill will allow the State to continue to collect the federal funding that it collected under ch. 120, SLA 1988.

As to the second main component, sec. 2 of the bill would add prescribed drugs to the priority scheme in AS 47.07.035 that provides for elimination of services if a medicaid budget shortfall occurs. The bill would require that prescribed drugs be eliminated as a covered service under medicaid after personal care services in a recipient's home were eliminated, but before long-term care noninstitutional services were eliminated.

The Department of Health and Social Services (DHSS) views this bill as a critical step forward in continuing to maximize federal financial participation under the medicaid program. Without the federal financial participation that this bill would provide, a DHSS general fund budget shortfall of approximately \$2,500,000 will occur in FY 90 and prescribed drugs would be eliminated from medicaid coverage. Therefore, I urge your favorable consideration of, and prompt action on, this matter.

Sincerely,



Steve Cowper
Governor

THE FOLLOWING DOCUMENT HAS
NOT BEEN FILMED BUT IS
AVAILABLE IN THE ORIGINAL
FILE

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BB 10

A FOLLOW-UP REVIEW ON THE
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
BOARD OF PHARMACY

July 1, 1985 - June 30, 1988

Audit Control Number

08-1341-89-R

Summit

Commissioner, Department of Commerce
and Economic Development

Larry Mercurieff

Deputy Commissioner, Department of
Commerce and Economic Development

Vacant

Members of the
Board of Pharmacy

Chair
Secretary
Member
Member
Member
Member

William P. Larson
Margaret D. Soden
Emil L. Cekada
Christy C. Nielsen
Gerald W. Race
Claire Strand

STATE OF ALASKA

THE LEGISLATURE BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
P.O. BOX W
JUNEAU, ALASKA 99811-3300

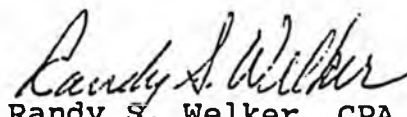
November 30, 1988

Members of the Legislative Budget
and Audit Committee:

According to the provisions of Titles 24 and 44 of the Alaska Statutes, the Division of Legislative Audit is required to conduct a "sunset" review of the Board of Pharmacy.

At the request of the Chairman, during Fiscal Year 1988 budget deliberations, the Audit Division's budget was revised to reflect certain changes in the organization of the Committee's two Divisions. The revised budget of the Audit Division reflected efficiencies that might be obtained by utilizing the staff of the Legislative Finance Division on selected audit assignments during the interim.

As a result, the audit of the Board of Pharmacy was conducted and this report has been prepared by the Legislative Finance Division. We feel this report discharges our responsibility under Titles 24 and 44. The report is submitted for your review.



Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
P.O. BOX WF
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

November 30, 1988

Members of the
Legislative Budget and Audit Committee:

In accordance with the provisions of Title 24 and 44 of the Alaska Statutes (sunset legislation), the attached report is submitted for your review.

A PERFORMANCE REPORT
ON THE BOARD OF
BOARD OF PHARMACY

July 1, 1985 - June 30, 1988

Audit Control Number

08-1341-89-R



Mike Greany, Director
Legislative Finance Division

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PURPOSE AND SCOPE OF THE REPORT

PURPOSE

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes (sunset legislation), we have examined the activities of the Board of Pharmacy for the past three fiscal years to determine if the Board has been operating in an efficient and effective manner.

Legislative intent requires consideration of this report during legislative oversight hearings to determine whether the Board of Pharmacy should be reestablished. The law now specifies that the Board will terminate June 30, 1989, and has one year from that date to conclude its affairs.

SCOPE

The major areas of our examination were the licensing, examination, administration, complaint, and affirmative action functions of the Board. We reviewed and evaluated the following:

1. Applicable statutes and regulations.
2. Tests of files and documents of licensee.
3. Interviews with the license examiner.
4. Complaints filed with the Division of Occupational Licensing, Human Rights Commission, Equal Employment Opportunity Offices, Attorney General's Office, and the Ombudsman's Office.
5. Discussions with Board members.
6. Minutes of Board meetings and Division correspondence files.
7. Attorney General's opinions applicable to the professional Board.

ORGANIZATION AND FUNCTION

The Board of Pharmacy is a regulatory Board with seven members; two public members having no direct financial interest in the health care industry and five professional members with three years practical experience and licensed in Alaska. Whenever possible, each judicial district should be represented by a Board member.

The Board regulates five types of licenses: pharmacists, retail pharmacies, wholesale pharmacies, hospital pharmacies, and drug rooms. The Board sets the minimum standards to practice in Alaska by:

1. Examining and issuing licenses to qualified applicants.
2. Establishing, amending, or eliminating regulations controlling pharmacy practices.
3. Revoking, annulling, or suspending licenses in accordance with the Administrative Procedures Act when a person has violated pharmacy statutes or regulations.

Applicants for registration as a pharmacist are required to pass the National Association of the Boards of Pharmacy Licensing Examination and a jurisprudence exam covering Alaska pharmacy law and the Federal Controlled Substance Act.

Pharmacists licensed to practice in another state who apply for licensure in Alaska can be licensed by credentials, except for those applicants from California or Louisiana. These two states require applicants to pass a state exam, not the national exam. Consequently, these applicants must take the national exam when applying in Alaska.

The Board may also issue temporary or emergency permits. Temporary permits allow qualified applicants to practice until the Board can formally license them; emergency permits allow pharmacists licensed in another state to practice in Alaska in an emergency. Both permits are limited in their duration and application.

REPORT CONCLUSION

POLICY ISSUES

This review contains policy and/or procedural issues raised as a result of our evaluation of various Board practices. The final decisions affecting the practices are not within the scope of this report, but required legislative consideration. In debating these issues, the oversight committees should take into consideration the findings and recommendations presented in this report so that the potential impact on changes can be evaluated.

REPORT CONCLUSION

In our opinion, the Board of Pharmacy should be reestablished. The regulation and licensing of qualified professionals is necessary to protect the public's health, safety, and welfare. The Board provides this service by establishing minimum educational and experience requirements that provide reasonable assurance that persons licensed are qualified. Assurance that licensed professionals act in a competent manner is provided by active investigation of complaints and revocation of suspension of licenses where appropriate.

The Findings and Recommendations Section (see page 7), describe areas where weaknesses or conflicts exist. Therefore, we have made recommendations which, if implemented, will improve the efficiency and effectiveness of the Board.

FINDINGS AND RECOMMENDATION

Recommendation No. 1

The Board of Pharmacy should comply with AS 08.80.460(b) which requires the Board to establish a schedule of fines for violation of AS 08.80.295, the generic drug substitution law.

During our review of Board's statutes and regulations we found the Board has not established regulations mandated by AS 08.80.460. AS 08.80.460(b) requires the Board to establish a schedule of fines for violation of AS 08.80.295, the generic drug substitution law.

The Attorney General has taken a similar position in a memorandum dated February 20, 1985. The Attorney General stated AS 08.80.460(b) imposes civil penalties through a schedule of fines for violation of AS 08.80.295. Further, the Board is mandated to adopt these regulations.

We recommend that the Board adopt these regulations as soon as possible.

ANALYSIS OF PUBLIC NEED

Limited Analysis

The following analyses indicate both positive and negative factors as they relate to the public need defined in the "sunset" law. These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

I. The extent to which the board, commission, or program has operated the public interest.

- A. The Board has held meetings and administered examinations in accordance with statutory requirements.
- B. The Board has promulgated regulations governing its duties and licensure requirements. Specifically, the Board has updated and revised regulations pertaining to lapsed licenses, continuing education and hospital pharmacies.

II. The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices which it has adopted, and any other matter, including budgetary, resource, and personnel matters.

The Board has not adopted regulations required to enforce the generic drug substitution law (see Recommendation No. 1).

III. The extent to which the board, commission, or agency has recommended statutory changes which are generally of benefit to the public interest.

The Board has proposed various statutory changes regarding the number of Board meetings per year, temporary license requirements, grading and content of examinations and miscellaneous housekeeping changes.

IV. The extent to which the board, commission, or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service which it has provided.

The Board has published public notices of all examination, meetings, and regulation changes.

V. The extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

The Board has announced proposed regulation changes or additions in newspapers according to the Administrative Procedures Act.

- VI. The efficiency with which public inquires or complaints regarding the activities of the board, commission, or agency filed with it, with the department to which a board or commission is administratively assigned, or with the Office of the Ombudsman have been processed and resolved.

According to the Division of Occupational Licensing's files, there have been 17 investigations in the past three fiscal years with 5 cases still open. Open cases are in litigation or under investigation. No complaints have been filed against the Board with the Attorney General's Office or the Ombudsman Office.

- VII. The extent to which a board or commission which regulated entry into an occupation or profession has presented qualified applicants to serve the public.

As of June 30, 1988, there were 262 current licensed Alaskan Pharmacists. We found no instances where the Board had licensed unqualified practitioners.

- VIII. The extent to which State personnel practices, including affirmative action requirements, have been complied with by the board, commission, or agency to its own activities and the area or activity or interest.

The Human Rights Commission and the Equal Employment Opportunity Office have received no complaints related to the Board's activities.

- IX. The extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency, board, or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection.

Please refer to the previous section, Findings and Recommendations.

APPENDIX

APPENDIX A

BOARD OF PHARMACY
SCHEDULE OF REVENUES COMPARED WITH EXPENDITURES
For Fiscal Year 1988
(Unaudited)
(Note 1)

Average Revenue (Note 2)		\$42,156
Expenditures (Note 3)		
Personal Services	\$25,592	
Travel	7,587	
Contractual Services	4,894	
Supplies	435	
Equipment	<u>476</u>	<u>\$38,984</u>
Excess of Revenues Over Expenditures (Note 5)		<u>\$ 3,172</u>

Schedule 1
Types of Revenues
(Note 4)

<u>REVENUES</u>	<u>AMOUNT</u>	<u>COLLECTION TIME</u>
License Application Fee	\$ 30	With Application
Examination Fee	\$150	With Application
Temporary License Fee	\$ 20	With Application
Emergency Permit Fee	\$ 90	With Application
Pharmacy Intern License Fee	\$ 20	With Application
Pharmacist License	\$180	With Initial Licensing
Pharmacist License Renewal	\$180	Biennially
Wholesale Drug Dealer	\$180	With Initial Licensing
Wholesale Drug Dealer Renewal	\$180	Biennially
Retail Pharmacy	\$180	With Initial Licensing
Retail Pharmacy Renewal	\$180	Biennially
Hospital Pharmacy	\$180	With Initial Licensing
Hospital Pharmacy Renewal	\$180	Biennially
Hospital Drug Room	\$180	With Initial Licensing
Hospital Drug Room Renewal	\$180	Biennially
Nursing Home Drug Room	\$180	With Initial Licensing
Nursing Home Drug Room Renewal	\$180	Biennially

Note 1

The Schedule of Revenues Compared with Expenditures was prepared from available records and discussions with the Division of Occupational Licensing (DOL) personnel. The records were not audited by us and, accordingly, we do not express an opinion on the Board's Schedule of Revenues Compared with Expenditures.

Note 2

Revenues are primarily composed of license renewal fees which are collected on a biennial basis. Because of the two year renewal cycle, revenues will increase substantially every second year. To obtain an average of annual revenues collected, we combined actual receipts collected in FY88 with the division's estimate of revenues to be collected in FY89. For the current fee structure, see Schedule 1 on the previous page.

Note 3

Expenditures consist of direct cost resulting from Board members activities, (i.e. travel and per diem) and an allocation of direct and indirect costs of DOL. The expenditures do not include expenses incurred by other Departments or other divisions of the Department of Commerce and Economic Development in assisting the Board.

Note 4

The Schedule reflects changes in licensing fees since the previous audit.

Note 5

The amount of revenue generated by a board's activity depends upon the number of licensee's that are regulated by the board. A small number of licensed professionals, generally lead to an excess of expenditures over revenues. Conversely, a large number of licensees generally results in an excess of revenues over expenditures.

The comparison of revenues and expenditures for all licensing boards indicates, that collectively, the licensing boards are substantially self supporting. The following schedule represents revenues and expenditures for all boards combined:

Average Revenue	\$2,130,834
Expenditures	<u>2,242,216</u>
Excess Expenditures	< <u>\$ 111,382</u> >

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P. O. BOX D
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2500

January 12, 1989

JAN 13 1989

Mr. Randy S. Welker
Legislative Audit
P.O. Box W
Juneau, AK 99811-3300

Dear Mr. Welker:

This is written in response to the Audit Division's (hereinafter "Audit") preliminary audit report of its sunset performance review of the Board of Pharmacy (hereinafter "Board"). Below is the Department of Commerce and Economic Development's (hereinafter "Department") comments on Audit's preliminary findings and recommendations.

Response to Recommendation No. 1

Audit recommends that the Board of Pharmacy should comply with AS 08.80.460(b) and establish a schedule of fines for violations of the generic drug substitution law (AS 08.80.295).

This is to advise that the Department has no objection to such a recommendation and, indeed, will support such a recommendation before the Board. I have asked the Division of Occupational Licensing (hereinafter the "Division") to place this matter before the Board at its next regularly scheduled meeting.

As your report points out, a February 20, 1985 memorandum from Diane T. Colvin, then an assistant attorney general, informed Harry Treager, then Director of Occupational Licensing, that the Board of Pharmacy had a responsibility under AS 08.80.460(b) to adopt a schedule of civil fines for violations of the generic drug substitution guidelines. This memorandum apparently resulted from a telephone conversation Ms. Colvin had with Mr. Treager. He was asked to remind the Board that they had not yet complied with this statute.

Unfortunately, we can find no evidence that this issue was ever subsequently brought to the Board's attention. It is important to remember that from 1984 through 1986, the Board was consumed with the issues of controlled substance registration and the marijuana therapeutic research program and it may simply not have been deemed a priority.

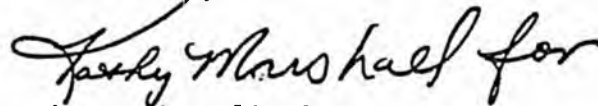
January 12, 1989

This does not mean, however, that the Board turned the other cheek on this matter. Over the last few years, the Division has conducted a number of cases involving pharmacists suspected of violating AS 08.80.295. In each case, the pharmacist was asked to stop the offending practice and, following compliance, no further disciplinary action was taken. These types of cases have never been a high priority of the Board, nor has evidence of a repeat violation ever been found.

At the present time, we see no reason why the Board of Pharmacy cannot establish civil fines for violations of the generic substitution requirements of AS 08.80.295. The Board is tentatively scheduled to meet April 5-7, 1989 in Anchorage. The Division of Occupational Licensing will present regulations to the Board at that time to resolve this matter.

Thank you for this opportunity to respond. If you have any additional questions or comments, or if my department can assist you in any other way, please do not hesitate to let me know.

Sincerely,



Larry Mercurieff
Commissioner

LM/djd9502W
011289b

cc: Randall P. Burns, Director
Division of Occupational Licensing

BO

BE

RO

RE

HOUSE COMMITTEE REPORT

(11)

Date Referred: April 12, 1989

FURTHER REFERRALS:

Date of Committee Action: 4/24/89

The FINANCE Committee considered:

HB 72

HOUSE BILL NO. 72

[EXTEND PUBLIC UTILITIES COMM.]

"An Act continuing the existence of the Alaska Public Utilities Commission; and providing for an effective date."

RECOMMENDATIONS:

- [] be replaced with _____ [] the same title
- [] have attached amendment(s) [] a new title
- [✓] do pass
- [] do not pass
- [] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- [] fiscal impact _____
- [] zero fiscal note _____
- [] zero with analysis _____

- [] fiscal note(s) _____
- [] zero fiscal note(s) _____
- [✓] zero fn/analysis CED 1/9/89

SIGNING DO PASS:

[Signature] Larson
[Signature] Swackhammer
[Signature] Brown
[Signature] Koponen
[Signature] Phillips
[Signature] Barnes
[Signature] Ulmer

SIGNING:

(Check approp. column)

Do Not
Pass
No Rec
Amend

	Do Not Pass	No Rec	Amend
<u>[Signature]</u> Hoffman			
<u>[Signature]</u> Rieger	✓		
<u>[Signature]</u> Wallis	✓		

co- [Signature]
 Chairman's Signature
 co- [Signature]

26
[Handwritten initials]

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act continuing the existence of APUC
Sponsor: Rules Committee
Requestor: Governor
Agency Affected: Commerce & Econ. Dev.
BRU: APUC
Components: Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

The proposed legislation referenced above continues the APUC as it is currently configured for an additional four years. As such, the bill has no direct incremental or decremental effect on the agency's operating budget.

Prepared by: T.S. Moninski II, Executive Director Phone: 276-6222
Division: Alaska Public Utilities Commission Date: _____

Approved by Commissioner: *[Signature]* Date: 1/2/88
Agency: Commerce & Economic Development

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Adopted

Introduced: 1/9/89
Referred: Labor & Commerce and
Finance

go00669h

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 72

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act continuing the existence of the Alaska Public
Utilities Commission; and providing for an effective
date."

7

8

9

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

10

* Section 1. AS 44.66.010(a)(4) is amended to read:

11

(4) Alaska Public Utilities Commission (AS 42.05.010) --

12

June 30, 1993 [1989];

13

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

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

14B72

January 9, 1989

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Cotten:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to continue the existence of the Alaska Public Utilities Commission for four years (AS 44.66.010(c)). Under current law, the commission is scheduled to "sunset" June 30, 1989 (AS 44.66.010(a)), and will go into its "wind-down" year under AS 44.66.010(b).

The purpose of the commission is to protect the public; its continuation is fundamental to the welfare of the people of our state. This protection involves overseeing the availability, cost, and quality of the utility services that are essential to daily life and of the pipeline services that are essential to the state's economy. Furthermore, the presence of a vigilant, competent regulatory commission is especially critical given the adverse economic conditions currently facing so many of our citizens, businesses, and public institutions.

I urge your early and favorable consideration of this bill so that the commission can continue to serve the public interest.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name.

Steve Cowper
Governor

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В

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3

STATE OF ALASKA
1989 LEGISLATIVE SESSION

Bill Version: HB 73
Publish Date: HOUSE 1/9/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Relating to Public Employee
Benefits _____
Sponsor: Rules
Requestor: Governor

Agency Affected: Department of Revenue
BRU: Treasury Division
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS:

Prepared By: Milt Barker MB
Division: Treasury
Approved by Commissioner: [Signature]
Agency: Department of Revenue

Phone: 465-2350
Date: 12-19-88
Date: 12/19/88

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Adopted

27
cc

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: An Act Relating To BRU: Retirement and Benefits
 Public Employee Benefits . . .
 Sponsor: Rules Components: Retirement and Benefits
 Requestor: Governor Comper

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:	0	0	0	0	0	0
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This bill provides for technical corrections to the Teachers' Retirement System, Judicial Retirement System and the Supplemental Benefits System. There is no fiscal impact anticipated resulting from these changes.

Prepared By: Sally Smith *Sally Smith* Phone: 465-4470
Division: Retirement and Benefits Date: _____

Approved by Commissioner: John M. Andrews *J.M.A.* Date: 12/21/88
Agency: Department of Administration

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Adopted

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 73

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act making technical amendments to public employ-
7 ee benefits statutes; and providing for an effective
8 date."

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

10 * Section 1. AS 14.25.220(35) is amended to read:

11 (35) "retirement fund" or "fund" means the fund in which the
12 assets of the system, including income and interest derived from the
13 investment of money, are deposited and held;

14 * Sec. 2. AS 22.25.041(b) is amended to read:

15 (b) A justice or judge whose contributions have been involuntar-
16 ily refunded because of a levy may repay the amount levied together
17 with accrued interest whether or not the justice or judge is on active
18 service. Repayments shall be made under (a) of this section, except
19 that a judge or justice who does not return to active service may
20 repay the contributions at any time before appointment to retirement.

21 * Sec. 3. AS 39.30.150(a) is amended to read:

22 (a) In place of contributions to the federal social security
23 system that would have been required on behalf of an employee had the
24 participating employer belonged to the social security system, the
25 participating employer shall contribute an amount equal to 6.13 per-
26 cent of the wages of the employee up to the taxable wage base then in
27 effect in the social security system. This contribution must be paid
28 into an individual employee annuity account in the Department of
29 Administration under the terms of the State of Alaska Supplemental

1 Annuity Plan. The employer [DEPARTMENT] shall pay 6.13 percent of the
2 wages of the employee up to the taxable wage base then in effect in
3 the social security system into the individual employee annuity ac-
4 count established under this subsection. This wage reduction must be
5 treated as an employer contribution under 26 U.S.C. 414(h)(2). All
6 costs of establishing and administering the programs established under
7 AS 39.30.150 -- 39.30.180 must be paid from the contributions made to
8 the individual employee annuity accounts under this section.

9 * Sec. 4. Section 1 of this Act is retroactive to June 5, 1988.

10 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).



Alaska Court System
State of Alaska

OFFICE OF ADMINISTRATIVE DIRECTOR

JANALEE R. STRANDBERG
Staff Counsel

February 15, 1989

303 K Street
Anchorage, AK 99501
(907) 264-8228

Representative Lyman Hoffman
Representative Ron Larson
House Finance Committee
P.O. Box V
Juneau, Alaska 99811

Re: House Bill 73

Dear Representatives Hoffman and Larson:

The court system would like you to include the enclosed amendment to AS 09.38.015 in your consideration of HB 73 on February 22. The amendment adds judicial retirement to the public employee and teacher retirement exemptions.

The present exemption statute, AS 09.38.015(b), provides that amounts held in the teachers' and public employees' retirement systems are exempt from execution. Individual retirement plans are also exempt from execution under AS 09.38.017(a). However, judicial retirement is not made exempt from execution by either of these statutes.

Because HB 73 is a technical bill which deals generally with employee benefits, including judicial retirement, we believe it is appropriate to include within it an exemption for judicial retirement. We have discussed this proposed amendment with the Director of Retirement and Benefits, Sally Smith, who has no objection to its inclusion.

Thank you for your consideration. I will be happy to answer any questions you may have about this proposed amendment.

Very truly yours,

Janalee R. Strandberg
Janalee R. Strandberg
Staff Counsel

Enclosure

cc: Carol Collins, House Finance Committee

Section AS 09.38.015 is amended to read:

Sec. 09.38.015. Property exempt without limitation. (a) An individual is entitled to exemption of the following property:

(1) a burial plot for the individual and the individual's family;

(2) health aids reasonably necessary to enable the individual or a dependent to work or to sustain health;

(3) benefits paid or payable for medical, surgical, or hospital care to the extent they are or will be used to pay for the care;

(4) an award under AS 18.67 (Violent Crimes Compensation Board) or a crime victim's reparations Act of another jurisdiction;

(5) benefits paid or payable as a longevity bonus under AS 47.45;

(6) compensation or benefits paid or payable and exempt under federal law;

(7) liquor licenses granted under AS 04;

(8) limited entry permits granted under AS 16.43, except as provided in that chapter.

(b) The right to benefits held by the state on behalf of an individual which may become payable by reason of disability, unemployment or illness, amounts held in the teachers', [OR] public employees', or judicial retirement system, and child support collections made by the child support enforcement agency are exempt.

(c) Property of the state, a general law or home rule

municipality, the Alaska State Building Authority, the Alaska Municipal Bond Bank Authority, or other state public corporation is exempt.

(d) Real property held by a cemetery association establish under AS 10.30 for the purpose of a cemetery and not exceeding 80 acres is exempt.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 9, 1989

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Cotten:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to public employee benefits. The bill amends provisions of the teachers' retirement, judicial retirement, and supplemental benefits systems.

Section 1 of the bill amends the definition of "retirement fund" in the teachers' retirement system statutes to correct the inadvertent deletion last session of two provisions that provided specific statutory authority for dedication, to the fund, of income and interest earned on assets of the fund. Section 4, ch. 141, SLA 1988 deleted a provision allowing the commissioner of revenue to collect the interest and deposit it in the fund. Section 19, ch. 106, SLA 1988 deleted from the definition of "retirement fund" a pre-statehood provision that the fund includes "income and interest derived from the investment" of money. The bill's amendment reinstating that language is retroactive to June 5, 1988, the effective date of ch. 106, SLA 1988. Section 4 of the bill.

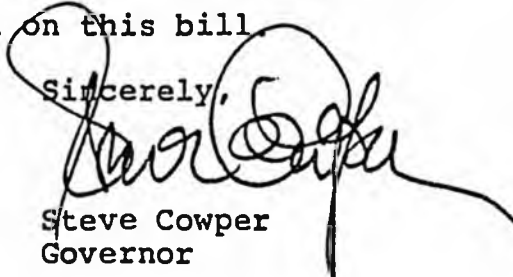
Section 2 of the bill amends a provision enacted last session by sec. 3, ch. 89, SLA 1988, which allows a former judge or justice whose judicial retirement system contribution account has been involuntarily refunded due to a levy, to repay his or her contribution account, whether or not the judge or justice returns to active service. Under AS 22.25.041(b), a former judge or justice may repay an involuntarily refunded contribution account under AS 22.25.041(a), which requires repayment to be made within one year after return to active service. The amendment made by sec. 2 of the bill clarifies that judges and justices who do not return to active service are not subject to the requirement that repayment of an involuntarily withdrawn contribution account be made within one year.

Section 3 of the bill amends AS 39.30.150(a) to clarify that, because municipal as well as state employees can be members of the system, the employer of a supplemental benefits system member, not the Department of Administration, is required to make payments to the member's individual annuity account.

Section 5 provides for an immediate effective date.

I urge your favorable action on this bill.

Sincerely,



Steve Cowper
Governor

SENATE COMMITTEE REPORT

No Action taken by SFC

FURTHER

4/6/89

DATE TURNED INTO OFFICE _____

Mr. President:

FINANCE Committee considered HB 73

technical amendments to public employee benefits statutes; efd

and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new updated previous
 same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Chairman signature and recommendation

Committee Backup attached

SENATE COMMITTEE REPORT

FURTHER

FINANCE

2/28/89

DATE TURNED INTO OFFICE

4-5-89

Mr. President:

STATE AFFAIRS

HB 73

Committee considered

technical amendments to public employee benefits statutes; efd

and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and _____) technical title change (HB only)

_____ letter of intent adopted

majority
 do pass

do not pass

no recommendation

individual recommendations

further referral to _____

*previous
of FN*

- FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new updated previous
 same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Tom Kelly

Al Adams

Rich Uey

Pat Tompkins do pass

 Chairman signature and recommendation

Committee Backup attached

Introduced: 1/9/89
Referred: State Affairs,
Judiciary and Finance

Leller
2300 7M

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 73

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making technical amendments to public employ-
7 ee benefits statutes; and providing for an effective
8 date."

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

10 * Section 1. AS 14.25.220(35) is amended to read:

11 (35) "retirement fund" or "fund" means the fund in which the
12 assets of the system, including income and interest derived from the
13 investment of money, are deposited and held;

14 * Sec. 2. AS 22.25.041(b) is amended to read:

15 (b) A justice or judge whose contributions have been involuntar-
16 ily refunded because of a levy may repay the amount levied together
17 with accrued interest whether or not the justice or judge is on active
18 service. Repayments shall be made under (a) of this section, except
19 that a judge or justice who does not return to active service may
20 repay the contributions at any time before appointment to retirement.

21 * Sec. 3. AS 39.30.150(a) is amended to read:

22 (a) In place of contributions to the federal social security
23 system that would have been required on behalf of an employee had the
24 participating employer belonged to the social security system, the
25 participating employer shall contribute an amount equal to 6.13 per-
26 cent of the wages of the employee up to the taxable wage base then in
27 effect in the social security system. This contribution must be paid
28 into an individual employee activity account in the Department of
29 Administration under the terms of the State of Alaska Supplemental

HB 0073A
COMMITTEE COPY

ENGROSSED

1 Annuity Plan. The employer [DEPARTMENT] shall pay 6.13 percent of the
2 wages of the employee up to the taxable wage base then in effect in
3 the social security system into the individual employee annuity ac-
4 count established under this subsection. This wage reduction must be
5 treated as an employer contribution under 26 U.S.C. 414(h)(2). All
6 costs of establishing and administering the programs established under
7 AS 39.30.150 -- 39.30.180 must be paid from the contributions made to
8 the individual employee annuity accounts under this section.

9 * Sec. 4. Section 1 of this Act is retroactive to June 5, 1988.

10 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

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HB 73 ENGROSSED

STEVE COMPER
GOVERNOR



cc
21673

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 9, 1989

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Cotten:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to public employee benefits. The bill amends provisions of the teachers' retirement, judicial retirement, and supplemental benefits systems.

Section 1 of the bill amends the definition of "retirement fund" in the teachers' retirement system statutes to correct the inadvertent deletion last session of two provisions that provided specific statutory authority for dedication, to the fund, of income and interest earned on assets of the fund. Section 4, ch. 141, SLA 1988 deleted a provision allowing the commissioner of revenue to collect the interest and deposit it in the fund. Section 19, ch. 106, SLA 1988 deleted from the definition of "retirement fund" a pre-statehood provision that the fund includes "income and interest derived from the investment" of money. The bill's amendment reinstating that language is retroactive to June 5, 1988, the effective date of ch. 106, SLA 1988. Section 4 of the bill.

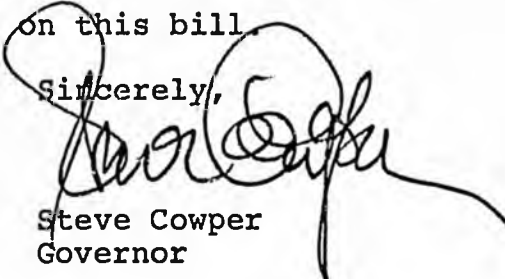
Section 2 of the bill amends a provision enacted last session by sec. 3, ch. 89, SLA 1988, which allows a former judge or justice whose judicial retirement system contribution account has been involuntarily refunded due to a levy, to repay his or her contribution account, whether or not the judge or justice returns to active service. Under AS 22.25.041(b), a former judge or justice may repay an involuntarily refunded contribution account under AS 22.25.041(a), which requires repayment to be made within one year after return to active service. The amendment made by sec. 2 of the bill clarifies that judges and justices who do not return to active service are not subject to the requirement that repayment of an involuntarily withdrawn contribution account be made within one year.

Section 3 of the bill amends AS 39.30.150(a) to clarify that, because municipal as well as state employees can be members of the system, the employer of a supplemental benefits system member, not the Department of Administration, is required to make payments to the member's individual annuity account.

Section 5 provides for an immediate effective date.

I urge your favorable action on this bill.

Sincerely,



Steve Cowper
Governor

27.

el

B

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: An Act Relating To BRU: Retirement and Benefits
 Public Employee Benefits . . .
 Sponsor: Rules Components: Retirement and Benefits
 Requestor: Governor Comper

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

This bill provides for technical corrections to the Teachers' Retirement System, Judicial Retirement System and the Supplemental Benefits System. There is no fiscal impact anticipated resulting from these changes.

Prepared By: Sally Smith *Sally Smith* Phone: 465-4470
 Division: Retirement and Benefits Date: _____
 Approved by Commissioner: John M. Andrews Date: 12/21/88
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: An Act relating to public BRU: Retirement and Benefits
employee benefits
 Sponsor: Rules Components: Retirement and Benefits
 Requestor: Governor Cooper

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		52.0	53.8	55.7	57.7	59.7
TRAVEL		0	0	0	0	0
CONTRACTUAL		3.0	1.5	0	0	0
SUPPLIES		.2	.2	.2	.2	.2
EQUIPMENT		8.1	0	0	0	0
LAND & STRUCTURES		0	0	0	0	0
GRANTS, CLAIMS		0	0	0	0	0
MISCELLANEOUS		0	0	0	0	0
TOTAL OPERATING		63.3	55.5	57.4	59.4	61.4
CAPITAL		0	0	0	0	0
REVENUE		0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
OTHER	63.3	55.5	57.4	59.4	61.4
TOTAL	63.3	55.5	57.4	59.4	61.4

POSITIONS:

FULL-TIME	1	1	1	1	1
PART-TIME	0	0	0	0	0
TEMPORARY	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See page 2 for detailed explanation of fiscal note.

SEE PAGE 3 FOR DISCUSSION OF FISCAL IMPLICATIONS TO THE RETIREMENT FUNDS.

Prepared By: Sally Smith *Sally Smith* Phone: 465-4470
 Division: Retirement and Benefits Date: 5/21/89
 Approved by Commissioner: John M. Andrews *JM Andrews* Date: 5/16/89
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Senate Committee Substitute for House Bill 73 (FIN)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration
May 2, 1989

Analysis: This bill provides for 3 technical amendments: one each to the Teacher's Retirement System, Judicial Retirement System and the Supplemental Benefits System. The committee substitute allows:

- 1) members who served in the National Guard to claim their active duty as military service under the Public Employee' Retirement System, and
- 2) prior employees of the Alaska Development Corporation to claim service credit under the Public Employees' Retirement System. These people must pay the full actuarial cost for that service.

Passage of this bill will expand the division's workload by increasing the number of members who can claim additional service. Over the last 5 years there have been major and 14 minor legislative changes, a court decision affecting retirement calculations and a major federal tax change along with a staff reduction.

One Retirement Specialist III is requested to provide counseling and to process the additional requests which will result from the additional workload. Cost is estimated for FY 90 at \$63.3.

Senate Committee Substitute for House Bill 73 (FIN)
Analysis of the Fiscal Implications to the Retirement Fund
Prepared by Division of Retirement & Benefits
Department of Administration
May 5, 1989

Analysis: This bill provides for technical amendments to the Teacher's Retirement System, Judicial Retirement System and the Supplemental Benefits System. It will also allow prior employees of the Alaska Development Corporation to claim credit under the Public Employees' Retirement System (PERS) for service earned with that employer and pay the full actuarial cost for that service. It will also provide the opportunity for members who served in the National Guard to claim their active duty service as military service under the PERS.

There is no anticipated measurable financial impact to any of the retirement systems with passage of this bill.

Position Title		Retirement and Benefits Specialist III		No. of Positions	1	Range/Step	18A	Barg. Unit	G
Time Status	PE/FT	Staff Months	12.0	Location	AWA		Election District	4A	
				Justification					
				Under the general direction of the Retirement and Benefits Specialist IV, the Retirement and Benefits Specialist III is responsible for providing counseling and technical services to members and employers within an assigned geographic area in Alaska. As a field representative, the Retirement and Benefits Specialist III regularly works with all five retirement systems, the TRS, PERS, JRS, EPORS, and NGMRS as well as with other benefit areas such as SBS, Deferred Compensation, and group major medical and life insurance for active employees and retirees. This person must have a thorough knowledge of the division's interpretation of the retirement statutes, SOPs, Board Regulations and Attorney General's opinions and be able to use that knowledge to inform members of their various benefits options. The Retirement and Benefits Specialist III trains the retirement technician and oversees that position's daily work responsibilities.					
Type of Expenditure				Amount					
1		2		3					
Salary		37,356							
Benefits		14,601							
Premium Pay									
Other									
Total Personal Services				51,957					
Travel				0					
Contractual (data and phone lines)				3,000					
Commodities				200					
Equipment				8,149					
Other									
Total Cost				63,306					
Funding Source for Total Cost									
Federal Receipts		1002							
G. F. Match		1003							
General Fund		1004							
C-F Program Receipts		1005							
Other		1029 PERS 60%		37,984					
		1034 TRS 40%		25,322					

4/11B4/0505-89/1

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 4 of 4
 Revised Date _____

FY 90

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: An Act relating to a retirement
incentive program. BRU: Retirement and Benefits
 Sponsor: Duncan Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	42.0	318.8	228.1	0	0	0
TRAVEL	2.1	3.5	3.5	0	0	0
CONTRACTUAL	16.7	24.3	3.8	0	0	0
SUPPLIES	.3	2.6	1.7	0	0	0
EQUIPMENT	81.1	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	142.2	349.2	237.1	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	142.2	349.2	237.1	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	142.2	349.2	237.1	0	0	0
TOTAL	142.2	349.2	237.1	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	9	13	13	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See pages 2-9 for detailed discussion of Fiscal Note.

See Attached.

Prepared By: *K.2. Statnabe* Sally Smith, Director Phone: 465-4470
 Division: Retirement and Benefits Date: 4/10/89
 Approved by Commissioner: *John M. Andrews* John M. Andrews Date: 4/10/89
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

RECEIVED

APR 11 1989

Committee Substitute for Senate Bill 73 (FIN) am
 Fiscal Note Analysis
 Prepared by Division of Retirement & Benefits
 Department of Administration
 April 5, 1989

ANALYSIS: This bill would place a temporary retirement incentive provision in statute for the Public Employees' (PERS) and Teachers' Retirement Systems (TRS). Active PERS and TRS members could retire on an accelerated basis with an increased benefit under the following conditions: at age 47, if vested; with 17 years of service as a police officer, firefighter, or teacher; or with at least 27 years of credited service in the PERS. Before qualifying for an accelerated benefit, however, the member must pay a lump sum indebtedness payment or take an actuarial reduction for the indebtedness amount for the accelerated period.

The total estimated administrative cost to the division by fiscal year is as follows:

	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>
PERSONAL SERVICES COSTS			
FY 89			
1 Retirement Spec I (2 mo.)	\$ 5.0		
8 Retirement Tech. I/II (2 mo.)	<u>37.0</u>		
Total FY 89		\$42.0	
FY 90			
1 Retirement Spec I (12 mo.)	\$ 29.5		
8 Retirement Tech. I/II (12 mo)	222.0		
2 Accounting Clerk III (8 mo.)	32.8		
2 Clerk II (10 mo.)	<u>34.5</u>		
Total FY 90		\$318.8	
FY 91			
1 Retirement Spec I (8 mo.)	\$ 19.7		
8 Retirement Tech. I/II (8 mo.)	148.0		
2 Accounting Clerk III (8 mo.)	32.8		
2 Clerk II (8 mo.)	<u>27.6</u>		
Total FY 91			228.1
TRAVEL			
FY 89			
2 trips to ANCH/FBKS		2.1	
FY 90			
2 trips to ANCH/FBKS			
1 trip to Kenai			
1 trip to Ketchikan			3.5

	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>
FY 91			
2 trips to ANCH/FBKS			
1 trip to Kenai			
1 trip to Ketchikan			3.5

CONTRACTUAL

FY 89			
Computer hook-up & service for additional 11 PC's.	15.7		
Additional telephone hook-up for 9 phones in current system.	.3		
Telephone service for 9 phones for 2 months.	.2		
Long distance calls.	<u>.5</u>		
Total FY 89		16.7	

FY 90			
RSA to the Division of Finance for 2 Accounting Clerk III for 5 months to provide service and salary verifications.	²⁶ \$20.5		
Telephone service for 9 phones.	1.4		
Long distance call expense based upon experience from the previous RIP.	<u>2.4</u>		
Total FY 90		24.3	

FY 91			
Telephone service for 9 phones.	1.4		
Long distance calls	<u>2.4</u>		
Total FY 91			3.8

SUPPLIES

FY 89			
(9 employees X \$200/yr X .17)	.3		
FY 90			
(13 employees x \$200/yr)		2.6	
FY 91			
(13 employees x \$200/yr x .66)			1.7

EQUIPEMENT	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>
FY 89			
11 Personal Computers	55.0		
8 Microfiche viewers	6.4		
11 Calculators	1.7		
1 Computer Output Printer	18.0		
Total Equipment	<u>81.1</u>	_____	_____
Total Bill Cost By Fiscal Year	<u>\$142.2</u>	<u>\$349.2</u>	<u>\$237.1</u>

The retirement technicians, retirement specialist, and accounting clerks need constant access to the PERS and TRS computer files. We do not have any excess terminals, microfiche viewers or calculators. Our equipment request will satisfy our equipment needs for the duration of this program. We propose the purchase of personal computers to be used as terminals because they will be compatible with the division's Local Area Network.

We are also proposing the purchase of an additional computer output printer. The previous RIP put great demand on our existing two printers and we were always in a state of backlog. Our current day-to-day printer needs maximize the capacity of our two printers. After comparing the cost of purchasing a new printer with leasing one for two and one-half years, we determined that with our current printer needs, purchasing would be more cost effective.

All administrative costs for this program will be paid in advance by the participating employers as required by Section 2, page 2, line 27.

Committee Substitute for Senate Bill 73 (FIN) am
Analysis of Financial Implications on the Retirement Systems
Prepared by Division of Retirement & Benefits
Department of Administration
April 5, 1989

Analysis: The retirement incentive program legislation requires state agencies and participating employers and employees to reimburse the PERS and TRS for the costs of participation in the program; it also requires a showing of a cost savings to participate in the program. There should be no long-term or short-term costs to the retirement systems' funds.

Position Title Accounting Clerk III		No. of Positions 2	Range/Step 10A	Barg. Unit GGU								
Type Status FT Nonpermanent	Staff Months 8.0 each = 16.0	Location AWA		Election District 4								
Type of Expenditure		Justification										
		The two nonpermanent Accounting Clerk III positions will handle the additional accounting duties related to a Retirement Incentive Program (RIP) as follows: member file research; file maintenance, including entering indebtedness, history, and retirement segments into the appropriate system; verification of system output; any adjusting vouchers that are necessary; in AKSAS; assisting with the deposits and coding of member indebtedness payments and employer RIP payments; assisting with the member account information that is needed in completing tax excludable statements for the Retirement Section; and any follow through that becomes necessary.										
Amount												
1	2	3										
Salary	29,360											
Benefits	3,416											
Premium Pay												
Other												
Total Personal Services		32,776										
Travel												
Contractual (Computer Hook-up fees)		3,280										
Commodities		528										
Equipment		11,876										
Other												
Total Cost		48,460										
Funding Source for Total Cost												
Federal Receipts	1002											
G. F. Match	1003											
General Fund	1004											
GF Program Receipts	1005											
Other	PERS 1029	29,076										
	TRS 1034	19,384										
		<p>The equipment needs are as follows:</p> <table border="0"> <tr> <td>2 personal computers</td> <td>\$10,000</td> </tr> <tr> <td>2 microfiche viewers</td> <td>1,600</td> </tr> <tr> <td>2 calculators</td> <td>276</td> </tr> <tr> <td></td> <td><u>\$11,876</u></td> </tr> </table> <p>Please refer to page 3 for justification.</p>			2 personal computers	\$10,000	2 microfiche viewers	1,600	2 calculators	276		<u>\$11,876</u>
2 personal computers	\$10,000											
2 microfiche viewers	1,600											
2 calculators	276											
	<u>\$11,876</u>											

4/6K2/012301-9/1&2

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

FY 90

Page 6 of 9
 Revised Date _____

Position Title Clerk II		No. of Positions 2	Range/Step 7A	Barg. Unit GGU																																													
Time Status FT Nonpermanent	Staff Months 10.0 each = 20.0	Location AWA		Election District 4																																													
<table border="1"> <thead> <tr> <th>Type of Expenditure</th> <th>1</th> <th>2</th> <th>3</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td></td> <td>30,900</td> <td rowspan="4" style="background-color: #cccccc;"></td> </tr> <tr> <td>Benefits</td> <td></td> <td>3,593</td> </tr> <tr> <td>Premium Pay</td> <td></td> <td></td> </tr> <tr> <td>Other</td> <td></td> <td></td> </tr> <tr> <td colspan="2">Total Personal Services</td> <td></td> <td>34,493</td> </tr> <tr> <td colspan="4">Travel</td> </tr> <tr> <td colspan="4">Contractual</td> </tr> <tr> <td colspan="2">Commodities</td> <td></td> <td>440</td> </tr> <tr> <td colspan="4">Equipment</td> </tr> <tr> <td colspan="4">Other</td> </tr> <tr> <td colspan="2">Total Cost</td> <td></td> <td>34,933</td> </tr> </tbody> </table>		Type of Expenditure	1	2	3	Salary		30,900		Benefits		3,593	Premium Pay			Other			Total Personal Services			34,493	Travel				Contractual				Commodities			440	Equipment				Other				Total Cost			34,933	<p>Justification These two Clerk II positions are required in the Microfiche Center for the day-to-day file/recordkeeping duties for these new retirees. Duties include: sanitizing and purging files, creating new microfiche files for these retirees from paper documents, creating duplicate microfiche files when requested for the use of division personnel, and filing and refiling all documents.</p> <p>Many calculations affecting members' retirement accounts depend on the files being accurate and up-to-date. The Microfiche Center is currently backlogged.</p>		
Type of Expenditure	1	2	3																																														
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Total Cost			34,933																																														
Funding Source for Total Cost																																																	
Federal Receipts	1002																																																
G. F. Match	1003																																																
General Fund	1004																																																
GF Program Receipts	1005																																																
Other	PERS 1029		20,960																																														
	TRS 1034		13,973																																														

4/6K2/012301-9/384

**Request For
New Position**

Agency Administration
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 Component Retirement and Benefits

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 Revised Date _____

FY 90

Position Title Retirement and Benefits Technician		No. of Positions 8	Range/Step 12A	Barg. Unit GGU
Type Status FT Nonpermanent	Staff Months 12.0 each = 96.0	Location AWA		Election District 4
Type of Expenditure		Amount		
1	2	3		
Salary	198,912			
Benefits	23,136			
Premium Pay				
Other				
Total Personal Services		222,048		
Travel				
Contractual (Computer Hook-up fees)		13,120		
Commodities		1,584		
Equipment		45,904		
Other				
Total Cost		282,656		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004			
GF Program Receipts	1005			
Other	PERS 1029	169,594		
	TRS 1034	113,062		

Justification
During the almost two years of managing the first RIP, PERS retirements increased 109%, TRS retirements increased by 151%, projections increased by 235%, correspondence increased by 126%, telephone calls increased by 134% and office visits increased by 147%.

The additional technical staff will be needed to assist our current staff research member files, prepare projections and retirements, add service that members are eligible to purchase and respond to the many inquiries that we will receive during the concentrated window period of the program.

Equipment needs are as follows:

8 personal computers	\$40,000
6 microfiche viewers	4,800
8 calculators	1,104
	<u>\$45,904</u>

Please refer to page 3 for detailed justification.

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Request For
New Position

Agency Administration
BRU Retirement and Benefits
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Revised Date

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Position Title Retirement and Benefits Specialist I		No. of Positions 1	Range/Step 13A	Barg. Unit GGU
Time Status FT Nonpermanent	Staff Months 12.0	Location AWA		Election District 4
Type of Expenditure		Justification		
		During the almost two years of managing the first RIP, PERS retirements increased 109%, TRS retirements increased by 151%, projections increased by 235%, correspondence increased by 126%, telephone calls increased by 134% and office visits increased by 147%.		
Amount		The Retirement Specialist will train and direct the daily activities of the eight additional retirement technicians. They will also be responsible for maintaining a listing of all employees who elect to participate in the RIP and a listing of all employees who are eligible to retire under the RIP. They will also be required to prepare data necessary to calculate actual cost billing information to participating employers.		
1	2	3		
Salary	26,460			
Benefits	3,078			
Premium Pay				
Other				
Total Personal Services		29,538		
Travel				
Contractual (Computer Hook-up fees)		1,640		
Commodities		732		
Equipment		5,138		
Other				
Total Cost		37,048		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004			
GF Program Receipts	1005			
Other	PERS 1029	22,229		
	TRS 1034	14,819		
		Equipment needs are as follows:		
		1 personal computer \$5,000		
		1 calculator 138		
		\$5,138		
		Please refer to page 3 for detailed equipment justification.		

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Request For
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BRU Retirement and Benefits
Component Retirement and BenefitsPage 9 of 9
Revised Date

FY 90

STATE OF ALASKA
1989 LEGISLATIVE SESSION

Bill Version: HB 73
Publish Date: HOUSE 1/9/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Relating to Public Employee
Benefits
Sponsor: Rules
Requestor: Governor

Agency Affected: Department of Revenue
BRU: Treasury Division
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS:

Prepared By: Milt Barker MB
Division: Treasury

Phone: 465-2350
Date: 12-19-88

Approved by Commissioner: [Signature]
Agency: Department of Revenue

Date: 12/19/88

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

5/2/89

STATEMENT ON DUNCAN'S AMENDMENTS TO HB 73

AMENDMENT #1

WOULD ALLOW VESTED MEMBERS OF PERS TO RECEIVE CREDITED SERVICE FOR EMPLOYMENT WITH THE FORMER ALASKA STATE DEVELOPMENT CORPORATION, THE PREDECESSOR OF THE ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY. THE CORPORATION EXISTED FROM 1961 THROUGH 1980 WHEN IT WAS PHASED OUT. THIS AMENDMENT WILL ALLOW EMPLOYEES OF THE CORPORATION WHO PAY THE FULL ACTUARIAL COST OF THAT SERVICE TIME TO CLAIM THE SERVICE.

AMENDMENT #2

WILL ALLOW PERS MEMBERS WHO HAD BASIC TRAINING WITH THE NATIONAL GUARD TO RETROACTIVELY CLAIM SERVICE CREDIT FOR THAT SIX MONTH TRAINING PERIOD PROVIDED THEY WERE HONORABLY DISCHARGED. THIS CONFORMS WITH CURRENT PRACTICE IN THE TEACHERS' RETIREMENT SYSTEM. THE EMPLOYEE WOULD PAY THE FULL ACTUARIAL COST OF THE SERVICE CREDIT AND WOULD NOT BE ELIGIBLE FOR IT IF THEY ARE ENTITLED TO RECEIVE BENEFITS FROM THE FEDERAL GOVERNMENT FOR THE SAME SERVICE.

A M E N D M E N T # 1

OFFERED IN THE SENATE

BY DUNCAN

TO: HB 73

Page 2, after line 8:

Insert a new bill section to read:

"* Sec. 4. AS 39.35.360 is amended by adding a new subsection to read:

(1) A vested member is eligible to receive credited service for employment before August 20, 1980, with the former Alaska State Development Corporation, established under former AS 44.59. To receive retroactive credited service, the member must claim the service. When the member claims retroactive credited service under this subsection, an indebtedness of the member to the system shall be established. The amount of this indebtedness is equal to the full actuarial cost of providing benefits for the service being claimed. Interest as established by regulation accrues on the indebtedness beginning January 1, 1991. Any outstanding indebtedness that exists at the time of retirement will require an actuarial adjustment to the benefits that are based on the retroactive credited service."

Renumber remaining bill sections accordingly.

A M E N D M E N T #2

OFFERED IN THE SENATE

BY DUNCAN

TO: HB 73

Page 2, after line 8:

Insert new bill sections to read:

"* Sec. 4. AS 39.35.340(i) is amended to read:

(i) Credited service under (a) of this section includes service as a

(1) foreign service officer, a foreign service reserve officer, or a limited foreign service reserve officer with the United States Department of State in Vietnam, Cambodia, or Laos from August 4, 1964, through November 7, 1975; [AND]

(2) member of the United States Merchant Marine Service from December 7, 1941, through September 30, 1945; and

(3) member of a national guard or national guard reserve unit as provided in (j) of this section.

* Sec. 5. AS 39.35.340 is amended by adding a new subsection to read:

(j) A vested employee is entitled to credited service for service in a national guard unit or in a national guard reserve unit if the employee received a discharge under honorable conditions and is not entitled to receive retirement benefits from the United States government for the same service. To obtain credited service for national guard service, the employee shall elect to do so and shall verify the period of service. When eligibility for credited service

for national guard service has been established, an indebtedness shall be determined. The indebtedness is equal to the full actuarial cost of providing benefits for the service being claimed. Interest at the rate prescribed by regulation shall be added to the indebtedness beginning on the date the actuarial cost is established and ending on the date of payment or the date of retirement, whichever occurs first. Any outstanding indebtedness that exists at the time a person is appointed to retirement will necessitate an actuarial adjustment to the benefits payable based upon that national guard service."

Renumber remaining bill sections accordingly.