

LEGISLATIVE FINANCE-HOUSE / SENATE FINANCE COMM. FILES 8879

HB 138 cont. - HB 141 467 58

The IBM Suggestion Plan

Evaluator Responsibilities

Read suggestions immediately

Be knowledgeable – refer to:

- “Evaluator’s Guide to the IBM Suggestion Plan”
- “Your Ideas Have Value”

Respond *promptly* – suggestions are current business

- 2-day turnaround for safety, health, security
- 10-day turnaround for all others

Analyze carefully

- Contact suggester for clarification
- Identify all areas/locations suggestion may benefit
- Review with areas affected
- Establish implementation date
- Calculate savings or intangible benefit
- If not adopted, provide reasons

***Be positive! Look for ideas that will benefit IBM!
Be the advocate of the suggester!***

**The IBM
Suggestion Plan**

**Coordinator
Responsibilities**

Determine correct evaluator

Track and monitor evaluation status

Assure timely evaluations

**Notify Suggestion Department of changes in
responsibilities of your area**

**Review evaluations for completeness and
proper approvals**

***You are the key interface between the
Suggestion Department and the evaluator***

The IBM Suggestion Plan

Management Responsibilities

Be knowledgeable about the plan

- Read "Your Ideas Have Value"
- Refer to Managers Manual, Section 2-24
- Consult with your Suggestion Department

Encourage participation

Assist employees in developing their ideas

Provide training for:

- Coordinators
- Evaluators
- Suggesters

Approve evaluations

Determine employee eligibility

Recognize and reward employees

The IBM Suggestion Plan

Employee Eligibility

Participation

- All regular and supplemental employees, including management
- Employees on approved leaves of absence
- Retirees under the IBM Retirement Plan
- Employees on Medical Disability Income Plan

Awards

- Determined by management based on suggester's performance plan and position description at time of submission
- Program managers without people responsibilities are eligible

Note: Managers with people reporting to them and employees assigned to Suggestion Departments are NOT eligible for awards.

The IBM Suggestion Plan

Subject Eligibility

Subjects to consider:

Ideas that reduce, eliminate, simplify:

- Waste
- Repairs
- Equipment downtime
- Paperwork
- Administrative procedures
- Reports
- Materials
- Efforts
- Energy consumption

Ideas that improve or increase:

- Operating procedures
- Methods, processes
- Packaging, handling, distribution
- Product quality
- Customer satisfaction
- Efficiency, productivity
- Safety, health, security

***Note: Please refer to "Your Ideas Have Value"
for more examples of eligible subjects.***

The IBM Suggestion Plan

Subject Eligibility

Subjects to avoid:

Subjects not awardable

- No savings or value to IBM
- Ideas unrelated to IBM or not within IBM's control

Subjects not normally awarded

- Routine corrections/updates to printed data
- Routine matters with established procedures under periodic review

Predated suggestions not awardable

- Ideas presented by earlier active suggestion
- Ideas already considered by IBM

Subjects in the maturing process not awardable

Aspects of the business in state-of-change, such as:

- Improvements to products prior to release
- Changes to information systems under development
- Ideas related to pilot production

***Note: Please refer to "Your Ideas Have Value"
for Plan provisions on subject eligibility.***

The IBM Suggestion Plan

60th Anniversary!

60 years of corporate commitment

- 1928 Plan established/award \$1
- 1948 Minimum award \$10/maximum award \$2,500
- 1959 Minimum award \$25/maximum award \$25,000
15 percent of first year's savings
- 1978 Maximum award \$100,000
25 percent of first year's savings
10 percent of second year's savings
- 1982 Minimum award \$50
25 percent of second year's savings
- 1985 Maximum award \$150,000!

Tangible benefits (past 3 years)

- To IBM: over \$300 million in savings
- To employees: over \$50 million in awards

Intangible benefits

- A better, more productive company
- A safer, more secure work environment

***The IBM Suggestion Plan.
It's worth thinking about!***

FISCAL NOTE

REQUEST:

Revision Date: 3/15/89
Title: An act establishing a state employee incentive award
Sponsor: Ulmer, Koponen, Ellis,
Requestor: _____

Agency Affected: Dept. of Administration
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	8.1	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	3.0	3.0	3.0	3.0	3.0
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	11.1	3.0	3.0	3.0	3.0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	11.1	3.0	3.0	3.0	3.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	11.1	3.0	3.0	3.0	3.0

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

See attached

House Finance Committee
Rep. Hoffman, Rep. Larson, Co-Chairs

Prepared by: [Signature] Phone: _____
Division: [Signature] Date: 3/20/89

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CONTINUATION OF FISCAL NOTE ANALYSIS

For CS House Bill 138 (FIN)

The specific cost of the program for years covered by this fiscal note are outlined below:

FY 90

PERSONAL SERVICES

Regulations Specialist, Range 16A, 3 months, Juneau. (42,702 x 3)	8.1
--	-----

CONTRACTUAL

Legal Services--Hearing Officer	3.0
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Costs for FY 91-94 are the same less the one time FY 90 cost for a Regulations Specialist. Total cost per these years \$ 3.0.

HB

139

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 17, 1989

FURTHER REFERRALS:

Date of Committee Action: 3/29/89

The FINANCE Committee considered:

HB 139

HOUSE BILL NO. 139

[PAYMENT FOR PURCHASES; SCHOOLS/MUNICIP.'S]

"An Act relating to payments for purchases by school districts and municipalities; and providing for an effective date."

RECOMMENDATIONS:

be replaced with CSHB 139 (Fin.) the same title
 a new title

have attached amendment(s)

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 _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) _____

zero with analysis _____

zero fn/analysis Educ. & CRA

SIGNING DO PASS:

SIGNING:
 (Check approp. column)

Dick Strutz SHULTZ
Ronald L. Larson LARSON
Bernice Barnes BARNES
Roll E. Phillips PHILLIPS
Steve Rieger RIEGER

	Do Not Pass	No Rec	Amend
<u>Frank Hoff</u> HOFFMAN	X		
<u>Ed Swack</u> SWACK		X	
<u>Jim Brown</u> BROWN		X	
<u>John Koronen</u> KORONEN		X	
<u>Karl Wallis</u> WALLIS			
<u>John Wilmer</u>			*

Frank Hoff
 Chairman's signature
 Ronald L. Larson

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSHB 139 (C&RA)
PUBLISH DATE: HOUSE 2/17/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act..payments for purchases by school districts & municipalities.."
Sponsor: Labor & Commerce Committee
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: _____
Components: _____

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						
---------	--	--	--	--	--	--

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

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
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)

Prepared by: Jim Plasman, Deputy Director
Division: Municipal & Regional Assistance

Phone: 465-4750
Date: 2-15-89

Approved by Commissioner: [Signature]
Agency: Community & Regional Affairs

Date: _____

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

Adopted

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSHB 139 (C&RA)
PUBLISH DATE: HOUSE 2/7/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Payments For Purchases By School
Districts and Municipalities
Sponsor: House L & C
Requestor: House C & RA

Agency Affected: Education
BRU: K-12 Support
Components: Foundation

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						
---------	--	--	--	--	--	--

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Mary Hakala Phone: 465-2800
Division: Commissioner's Office Date: 2/13/89
Approved by Commissioner: William G. Demmert Date: 2/13/89
Agency: Education

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

Adopted

Original sponsor: Labor and Commerce
Committee

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 139 (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 relating to payments for purchases by school
7 districts and municipalities; and providing for an
8 effective date."

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

10 * Section 1. PURPOSE. The purpose of this bill is to require munic-
11 ipalities and school districts to pay for their purchases of goods and
12 services in a timely manner.

13 * Sec. 2. AS 14.03 is amended by adding a new section to read:

14 Sec. 14.03.087. PAYMENTS FOR PURCHASES. (a) Payment for pur-
15 chases of goods or services provided to a school district must be made
16 by a required payment date that is

17 (1) the date on which payment is due under the terms of a
18 contract; or

19 (2) 30 days after the goods or services are received and
20 the school district that is responsible for paying for the purchase
21 receives a proper billing for the amount of the payment due, if a date
22 on which payment is due is not established by contract and if the
23 billing contains or is accompanied by documents required by the con-
24 tract or purchase order.

25 (b) If a seller offers a discount from the amount otherwise due
26 for property or services in exchange for payment within a specified
27 period of time, the school district may make payment in an amount
28 equal to the discounted price only if payment is made within the
29 specified period of time.

1 (c) If payment for goods or services purchased by the school
2 district is not made on or before a required payment date under (a) of
3 this section, the school district shall pay interest on the unpaid
4 balance from the required payment date at the rate of 1.5 percent a
5 month, unless an agreement exists between the seller and the school
6 district that establishes a lower rate of interest or precludes the
7 charging of interest. If the interest-bearing period of time is
8 either (1) a fraction of a month, or (2) one or more full months plus
9 a fraction of a month, the school district shall pay the same amount
10 of interest for the fraction of a month as it would pay for a full
11 month.

12 (d) Except as provided in (f) of this section, this section does
13 not apply

14 (1) if the cost of the goods or services purchased exceeds
15 \$500,000;

16 (2) to payment for specific goods or services in dispute
17 after a seller of goods or services receives notice from the school
18 district official responsible for authorizing payment for goods and
19 services that the amount of the invoice or quality of specific goods
20 or services is in dispute and stating the reasons for the dispute; the
21 school district shall pay for the specific goods or services in dis-
22 pute within 30 days after the resolution of the dispute;

23 (3) to a contract covered by AS 36.90.010; or

24 (4) to a payment for which reimbursement is available to
25 the school district under an insurance contract.

26 (e) In this section, payment is considered made on the date when
27 the payment is personally delivered to the seller or agent of the
28 seller or on the date the payment is mailed.

29 (f) If a dispute under (d)(2) of this section is resolved in

1 favor of the seller, (c) of this section applies to the payment for
2 the goods or services involved in the dispute.

3 (g) In this section,

4 (1) "dispute" means a determination by the school district
5 official responsible for authorizing the payments for the purchase of
6 goods or services that the performance or price charged is not in
7 compliance with the terms of the contract or purchase order;

8 (2) "school district" means a borough or city school dis-
9 trict and a regional educational attendance area.

10 * Sec. 3. AS 29.10.200 is amended by adding a new paragraph to read:

11 (51) AS 29.71.060 (payments for purchases).

12 * Sec. 4. AS 29.71 is amended by adding a new section to read:

13 Sec. 29.71.060. PAYMENTS FOR PURCHASES. (a) Payment for pur-
14 chases of goods or services provided to a municipality must be made by
15 a required payment date that is

16 (1) the date on which payment is due under the terms of a
17 contract; or

18 (2) 30 days after the goods or services are received and
19 the municipality that is responsible for paying for the purchase
20 receives a proper billing for the amount of the payment due, if a date
21 on which payment is due is not established by contract and if the
22 billing contains or is accompanied by documents required by the con-
23 tract or purchase order.

24 (b) If a seller offers a discount from the amount otherwise due
25 for property or services in exchange for payment within a specified
26 period of time, the municipality may make payment in an amount equal
27 to the discounted price only if payment is made within the specified
28 period of time.

29 (c) If payment for goods or services purchased by the

1 municipality is not made on or before a required payment date under
2 (a) of this section, the municipality shall pay interest on the unpaid
3 balance from the required payment date at the rate of 1.5 percent a
4 month, unless an agreement exists between the seller and the munic-
5 ipality that establishes a lower rate of interest or precludes the
6 charging of interest. If the interest-bearing period of time is
7 either (1) a fraction of a month, or (2) one or more full months plus
8 a fraction of a month, the municipality shall pay the same amount of
9 interest for the fraction of a month as it would pay for a full month.

10 (d) Except as provided in (f) of this section, this section does
11 not apply

12 (1) if the municipality has adopted by ordinance substan-
13 tially similar procedures governing the payment of its purchases;

14 (2) if the cost of the goods or services purchased exceeds
15 \$500,000;

16 (3) to payment for specific goods or services in dispute
17 after a seller of goods or services receives notice from the municipal
18 official responsible for authorizing payment for goods and services
19 that the amount of the invoice or quality of specific goods or ser-
20 vices is in dispute and stating the reasons for the dispute; the
21 municipality shall pay for the specific goods or services in dispute
22 within 30 days after the resolution of the dispute;

23 (4) to a contract covered by AS 36.90.010; or

24 (5) to a payment for which reimbursement is available to
25 the municipality under an insurance contract.

26 (e) In this section, payment is considered made on the date when
27 the payment is personally delivered to the seller or agent of the
28 seller or on the date the payment is mailed.

29 (f) If a dispute under (d)(3) of this section is resolved in

1 favor of the seller, (c) of this section applies to the payment for
2 the goods or services involved in the dispute.

3 (g) In this section, "dispute" means a determination by the
4 municipal official responsible for authorizing the payments for the
5 purchase of goods or services that the performance or price charged is
6 not in compliance with the terms of the contract or purchase order.

7 * Sec. 5. This Act does not apply to purchase contracts entered into
8 before July 1, 1989.

9 * Sec. 6. This Act takes effect July 1, 1989.

6-0553Jd
Bannister

fails on roll call vote 3/19.

AMENDMENT #1

rescinded & adopted as amend.

OFFERED IN THE HOUSE

BY THE FINANCE COMMITTEE

TO: CSHB 139(Finance)

Page 4, following line 11:

Insert a new paragraph to read:

Substant. Similar

"(1) if the municipality has adopted by ordinance/procedures governing the payment of its purchases;"

Renumber the following paragraphs accordingly.

A M E N D M E N T #2

OFFERED IN THE HOUSE

BY THE FINANCE COMMITTEE

TO: CSHB 139(Finance)

Page 2, lines 4 - 5:

Delete "1.5 percent a month"

Insert "10.5 percent a year"

Page 4, lines 3 - 4:

Delete "1.5 percent a month"

Insert "10.5 percent a year"

A M E N D M E N T #3

OFFERED IN THE HOUSE

BY THE FINANCE COMMITTEE

TO: CS#2 139(Finance)

Page 1, line 7, following "districts":

Delete "and"

Insert ","

Page 1, line 7, following "municipalities":

Insert ", and state agencies"

Page 2, lines 4 - 5:

Delete "1.5 percent a month"

Insert "10.5 percent a year"

Page 4, lines 3 - 4:

Delete "1.5 percent a month"

Insert "10.5 percent a year"

Page 5, following line 4:

Insert new bill sections to read:

"* Sec. 5. AS 37.05.285(c) is amended to read:

(c) If payment for goods or services purchased by the state is not made on or before a required payment date under (a) of this section, the state shall pay interest on the unpaid balance from the

required payment date at the rate of 10.5 [1.5] percent a year [MONTH], unless an agreement exists between the seller and the state that establishes a lower rate of interest or precludes the charging of interest. If the interest-bearing period of time is either (1) a fraction of a month or (2) one or more full months plus a fraction of a month, the state agency shall pay the same amount of interest for the fraction of a month as it would pay for a full month.

* Sec. 6. AS 37.05.285(d) is amended to read:

(d) Except as provided in (g) of this section, this [THIS] section does not apply

(1) if the cost of the goods or services purchased exceeds \$500,000;

(2) to payment for specific goods or services in dispute after a seller of goods or services receives notice from the state official responsible for authorizing payment for goods and services that the amount of the invoice or quality of specific goods or services is in dispute and stating the reasons for the dispute; the state agency shall pay for the specific goods or services in dispute within 30 days after resolution of the dispute; or

(3) to a contract covered by AS 36.90.010.

* Sec. 7. AS 37.05.285 is amended by adding a new subsection to read:

(g) If a dispute under (d)(2) of this section is resolved in favor of the seller, (c) of this section applies to the payment for the goods or services involved in the dispute."

Renumber the following bill sections accordingly.

A M E N D M E N T #1

OFFERED IN THE HOUSE

BY THE FINANCE COMMITTEE

TO: CSHB 139(Finance)

Page 1, line 7, following "districts":

Delete "and"

Insert ", "

Page 1, line 7, following "municipalities":

Insert ", and state agencies"

Page 5, following line 4:

Insert new bill sections to read:

"* Sec. 5. AS 37.05.285(d) is amended to read:

(d) Except as provided in (g) of this section, this [THIS]
section does not apply

(1) if the cost of the goods or services purchased exceeds
\$500,000;

(2) to payment for specific goods or services in dispute
after a seller of goods or services receives notice from the state
official responsible for authorizing payment for goods and services
that the amount of the invoice or quality of specific goods or ser-
vices is in dispute and stating the reasons for the dispute; the state
agency shall pay for the specific goods or services in dispute within
30 days after resolution of the dispute; or

(3) to a contract covered by AS 36.90.010.

* Sec. 6. AS 37.05.285 is amended by adding a new subsection to read:

(g) If a dispute under (d)(2) of this section is resolved in favor of the seller, (c) of this section applies to the payment for the goods or services involved in the dispute."

Renumber the following bill sections accordingly.



KENAI PENINSULA BOROUGH

144 N. BINKLEY • SOLDOTNA, ALASKA 99669
PHONE (907) 262-4441

DON GILMA
MAYOR

MEMORANDUM

TO: Crystal Smith, Alaska Municipal League

FROM: *DM* Dolly Farnsworth, Mayor, City of Soldotna
Chair Taxation Finance Subcommittee

FROM: *TRB* Thomas R. Boedeker, Kenai Peninsula Borough Attorney
Member Taxation & Finance Subcommittee

DATE: February 16, 1989

SUBJECT: Position or Testimony Regarding House Bill 139.

1. The rate for any late payments should not be at the one and one-half percent per month with a fraction of a month counting as an entire month. AS 36.09.010 dealing with construction contracts charges retainage interest at 10.5% per annum. That is a more appropriate rate for any delinquent payment. AS 36.09.010 does not use the fractional months which can be a problem and serious penalty.

2. The penalty aspect arises in that the bill does not address differences between the operation of State government and local government. State government separates the legislative body from the administrative role and at the State level all decisions are made by departments on approving payment of bills. However, local government often has the local council or service area board approving payment of bills. Until this approval occurs the bill cannot be paid. Often these bodies only meet twice a month or once a month and have publishing deadlines for their agendas which would preclude an item from being included on the agenda and would require consideration at the next meeting. These procedures and requirements are generally known to contractors who do business with those entities. However, House Bill 139 does not give recognition to this difference between State and local government.

An example would be where a fire service area board had to approve the purchase and the billing comes in a week after that board's monthly meeting. The board would not meet for another 23 or so days after the billing is received and the approved payment of that billing is then forwarded to the accounts payable department for the municipality which in some cases may take several days for mail. Because of personnel limitations municipalities often have a fixed schedule for payment of accounts receivable of every other week.

Testimony on House Bill 139
February 16, 1989
Page 2

put payment beyond the 30 days and thus invoke the interest provisions of the statute. Even if the payment were one day late the interest would apply back to the original billing date for the first month that is otherwise a grace period. Payment on the 31st day results in a charge of 3%. Given the context of the process for approval of payment of bills in local government, that would seem inappropriate.

3. We believe that the interest should not apply for the first month even if late. Typically, business provides payment within 30 days and the interest or service charges apply only for time subsequent to the original due date. House Bill 139 would make it retroactive to the original billing date which is not consistent with private business practice and is in the form of a penalty.

4. Municipalities often have ordinances governing purchases. School districts may have other purchasing policies. These have to be adopted in a written form and the public has an opportunity to participate. This bill gives no latitude for different procedures established by local bodies. The bill should not apply where such an ordinance or policy of the school district has been adopted. Persons entering into purchase agreements in light of locally established rules would know the rules of the game and are voluntarily entering into a relationship based on those ordinances or policies. There is no reason that those policies should not be given effect where they have been adopted.

5. The bill provides that the interest starts if payment is not made within 30 days of the billing. The bill does not define what is a "proper billing." House Bill 139 would apply even if the billing was received before the goods. Arguably one could say that would be a disputed billing, but why require a local government to notify a vendor of a "ostensible dispute" when it simply it is a matter of whether the goods have been delivered and accepted. It is true that the municipalities could enter into specific contracts which set other terms regarding acceptance test periods and establishing due dates other than just 30 days from the billing. However, this would be a very cumbersome requirement and does not make any sense to force local governments to enter into such arrangements to protect themselves against arbitrary interest charges that could be triggered by House Bill 139, if adopted. Clearly, provisions should be made that a proper billing is only one that is submitted after acceptance of the goods or services.

6. Although we believe that municipalities and school districts should be responsible and pay their bills promptly, we believe that the options for making prompt payment or arrangements for contracting are really the province of the local

Testimony on House Bill 139
February 16, 1989
Page 3

government in establishing its relationship to the community and its vendors. We can see some requirement that municipalities adopt provisions for prompt payment, however, a mandate of this type which imposes obligations on the municipalities without consideration of local choice and option is inappropriate. One reason for the establishment of local governments is to allow the flexibility needed for local conditions and circumstances. A statewide mandate of a particular policy and a cost imposed for noncompliance with a rather inflexible program is not good public policy and such a mandate should not be placed upon local governments. Insertion of provisions in the bill to allow for local options and have a general statutory requirement as a default in the absence of some local provision would be a more appropriate method.

TRB:b1



Matanuska-Susitna Borough

P.O. BOX 1606, PALMER, ALASKA 99645-1606 • PHONE 745-4801

DEPARTMENT OF FINANCE

February 16, 1989

Representative Eileen Maclean
Chairman, HCRA
Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

Dear Representative Maclean:

I have had an opportunity to review HB139. I foresee little or no impact in applying the State Procurement Code to Borough and School District activities. I believe that the Borough currently complies, voluntarily, with the requirements of AS 37.05.285. This issue, as presented in this bill, relates to the authority of local governments to manage their own affairs. It is not, in my view, sound public policy to have one governmental entity dictating the way another does business.

There are three issues which must be given some consideration:

1. Department of Labor - will disputes between the State Department of Labor and the contractor be considered disputes under AS 37.05.285(d)(2)? Often municipalities must withhold payment to contractors until a labor/wage issue is resolved. It is not reasonable to expect a municipality to pay interest when the monies are withheld because of levy under Title 23 of the Alaska Statutes.
2. Proper billing - this term, as used in AS 37.05.285(a)(2) must be defined. What constitutes a "proper billing"? How long does a municipality have to review records/work to determine a proper billing?
3. Interest rate - 1.5% per month (AS 37.05.285(c)) results in an 18% APR. This amount seems excessive in light of AS 45.45.010.

Please call me if I can be of further assistance.

Sincerely,

Robert R. Jansen
Finance Director

nm

cc: Representative Ronald Larson
Representative Curt Menard
Scott Burgess, Alaska Municipal League

ASSOCIATION OF ALASKA SCHOOL BOARDS

316 W. 11th St. • Juneau, Alaska 99801-1510 • (907) 586-1083

POSITION PAPER

HB 139

Payment for Purchases

The Association of Alaska School Boards encourages **opposition** to HB 139, "An Act relating to payments by school districts and municipalities; and providing for an effective date."

AASB has a number of concerns with the proposed legislation:

HISTORICAL PERSPECTIVE

There are various reasons why districts may not pay promptly, including (1) the procedure whereby a supplier/servicer may invoice the district before the district has actually received the merchandise, or (2) the district may be invoiced upon receiving only one-half of the order.

Another prevalent practice is that school districts may order supplies in the summer months and receive the merchandise soon thereafter, with the *agreement* that the bill will be paid in August/September when school starts.

Alternatives used by some districts include doing business with *larger suppliers* using an expanded credit line, or they may *delay the delivery* of supplies to August. These practices may, in some instances, preclude the use of local commerce.

ASSUMPTION

To entertain this bill is to suggest that Alaska's school districts are "poor pay" clients or that they don't pay their bills. This is simply not true. AASB is not aware of any problem in this regard. School districts pay their bills on time.

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892



March 28, 1989

M E M O R A N D U M

To: Members, House Finance Committee

From: Representative Dave Donley, Chair
House Labor and Commerce Committee

Re: CS for HB 139 (HESS)

The House Labor and Commerce Committee introduced HB 139 at the request of the NFIB and other small Alaska businesses to assure prompt payment for the delivery of goods and services to municipalities and school districts.

The original version of HB 139 extended AS 37.05, a law requiring the state to pay for goods and services within 30 days of delivery, subject to a monthly interest penalty of 1.5 percent, to apply to municipalities and school districts.

The Community and Regional Affairs Committee CS recreates state procurement law as it pertains to "pay on time" provisions under Title 29 (Municipal Code) with two changes: exempts municipalities from "pay on time" requirements for reimbursable insurance payments and provides that the waiting period (30 days) does not begin until proper billings are received by the municipality actually responsible for payment.

The House HESS CS does the same thing for school districts that the C&RA CS does for municipalities. It recreates state procurement law language under Title 14 to apply directly to school districts with the same changes inserted for municipalities in the C&RA CS.


HB 139 is an important measure for Alaska's small business community. The state has experienced no difficulties in complying with the "pay on time" provisions adopted three years ago and, in fact, have saved money by avoiding various late charges and penalties. HB 139 should do the same for municipalities and school districts and it will help Alaska's small businesses in the process by assuring timely payment for the services they provide local government.

Alaska
MUNICIPAL
League

TELEPHONE
(907) 586-1325
FAX 463-5480

217 SECOND STREET, SUITE 200
JUNEAU, ALASKA 99801

TO: Representative Johnny Ellis, Chair
Members of the House Health, Education
and Social Services Committee

FROM: Scott A. Burgess, Executive Director 

DATE: March 15, 1989

SUBJECT: CSHB 139 (C&RA) - Payments for purchases by school districts and municipalities

The AML is opposed to CSHB 139 (C&RA) as an unnecessary and inappropriate intrusion by the State into local affairs. In opposing the legislation the AML is not opposing timely payment of valid bills for purchases of goods and services. Municipalities handle their business affairs in a manner that is distinctly different than that of the State. The State mandating purchasing and payment procedures adopted by the State on municipalities not recognize the differences between the two levels of government and among the various local entities.

Municipalities and school districts range in size, access, staffing, hours of operation, and procurement sophistication; therefore, a blanket requirement of 18% annual interest on bills due over thirty days does not recognize these differences, as well as how the entities purchase, receive and pay for goods and services. Some municipalities and school districts do not operate even five days a week, 12 months of the year. Other municipalities and school districts have very sophisticated procurement policies or ordinances.

On the specifics of the bill, an interest rate of 18 percent a year seems excessive, especially on a 1.5 percent per month or fraction of the month basis. The rate of interest in the state is 10.5 percent a year under AS 45.45.010(a). This is the rate of interest required of municipalities by the State (unfortunately) for funds retained on public construction projects by reference under AS 36.90.010.

Again, AML does not support CSHB 139; however, if the Committee decides CSHB 139 is an appropriate mandate on local government, AML would request, at a minimum, amending the bill as follows:

On page 3, amend Section 5, Sec.29.71.060 as follows:

(c) If payment for goods or services purchased by the municipality is not made on or before a required payment date under (a) of this section, the municipality shall pay interest on the unpaid balance from the required

CORRECTION

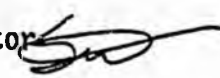
**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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AML Testimony on CSHB 139
March 15, 1989
Page 2

payment date at the rate of 10.5 [1.5] percent a year [MONTH], unless an agreement exists between the seller and the municipality that establishes a lower rate of interest or precludes the charging of interest. [IF THE INTEREST-BEARING PERIOD OF TIME IS EITHER (1) A FRACTION OF A MONTH, OR (2) ONE OR MORE FULL MONTHS PLUS A FRACTION OF A MONTH, THE MUNICIPALITY SHALL PAY THE SAME AMOUNT OF INTEREST FOR THE FRACTION OF A MONTH AS IT WOULD PAY FOR A FULL MONTH.]

(d) This section does not apply

(1) if the municipality has adopted by ordinance a procedure addressing payments for purchases;

(2 [1]) if the cost of the goods or services purchased exceeds \$500,000;...

Thank you for your consideration.

HB

139

SENATE FINANCE COMMITTEE REPORT

DATE: 5/1/90

FURTHER:

NO ACTION TAKEN BY SFC

DATE TURNED INTO OFFICE: _____

The Finance Committee considered

CSHB 139 (Finance)

"An Act relating to payments for purchases by school districts and municipalities; and providing for an effective date."

and recommended:

- replace with _____ CS _____
- or adopt _____ CS _____
- attached amendment(s)
- _____ letter of intent adopted

- same title
- new title
- technical title change (HB only)

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

ATTACHES NEW FISCAL NOTE(S):

APPROVES PREVIOUS:

- fiscal note(s) Dept/Date: _____
- _____
- _____
- zero fiscal note(s) _____
- _____
- _____

- fiscal note(s) Dept/Date: _____
- _____
- _____
- zero fiscal note(s) _____
- _____
- _____

appropriation-no fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

1. _____ 2. _____

Co-Chairs: Signatures and Recommendations

Original sponsor(s): Labor & Commerce Committee

1 IN THE HOUSE

BY THE HESS COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 139 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to payments for purchases by school
7 districts and municipalities; and providing for an
8 effective date."

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

10 * Section 1. PURPOSE. The purpose of this bill is to require munic-
11 ipalities and school districts to pay for their purchases of goods and
12 services in a timely manner.

13 * Sec. 2. AS 14.03 is amended by adding a new section to read:

14 Sec. 14.03.087. PAYMENTS FOR PURCHASES. (a) Payment for pur-
15 chases of goods or services provided to a school district must be made
16 by a required payment date that is

17 (1) the date on which payment is due under the terms of a
18 contract; or

19 (2) 30 days after the goods or services are received and
20 the school district that is responsible for paying for the purchase
21 receives a proper billing for the amount of the payment due, if a date
22 on which payment is due is not established by contract and if the
23 billing contains or is accompanied by documents required by the con-
24 tract or purchase order.

25 (b) If a seller offers a discount from the amount otherwise due
26 for property or services in exchange for payment within a specified
27 period of time, the school district may make payment in an amount
28 equal to the discounted price only if payment is made within the
29 specified period of time.

1 (c) If payment for goods or services purchased by the school
2 district is not made on or before a required payment date under (a) of
3 this section, the school district shall pay interest on the unpaid
4 balance from the required payment date at the rate of 1.25 percent a
5 month, unless an agreement exists between the seller and the school
6 district that establishes a lower rate of interest or precludes the
7 charging of interest. If the interest-bearing period of time is
8 either (1) a fraction of a month, or (2) one or more full months plus
9 a fraction of a month, the school district shall pay the same amount
10 of interest for the fraction of a month as it would pay for a full
11 month.

12 (d) Except as provided in (f) of this section, this section does
13 not apply

14 (1) if the cost of the goods or services purchased exceeds
15 \$500,000;

16 (2) to payment for specific goods or services in dispute
17 after a seller of goods or services receives notice from the school
18 district official responsible for authorizing payment for goods and
19 services that the amount of the invoice or quality of specific goods
20 or services is in dispute and stating the reasons for the dispute; the
21 school district shall pay for the specific goods or services in dis-
22 pute within 30 days after the resolution of the dispute;

23 (3) to a contract covered by AS 36.90.010; or

24 (4) to a payment for which reimbursement is available to
25 the school district under an insurance contract.

26 (e) In this section, payment is considered made on the date when
27 the payment is personally delivered to the seller or agent of the
28 seller or on the date the payment is mailed.

29 (f) If a dispute under (d)(2) of this section is resolved in

1 favor of the seller, (c) of this section applies to the payment for
2 the goods or services involved in the dispute.

3 (g) In this section,

4 (1) "dispute" means a determination by the school district
5 official responsible for authorizing the payments for the purchase of
6 goods or services that the performance or price charged is not in
7 compliance with the terms of the contract or purchase order;

8 (2) "school district" means a borough or city school dis-
9 trict and a regional educational attendance area.

10 * Sec. 3. AS 29.10.200 is amended by adding a new paragraph to read:

11 (51) AS 29.71.060 (payments for purchases).

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4 municipal official responsible for authorizing the payments for the
5 purchase of goods or services that the performance or price charged is
6 not in compliance with the terms of the contract or purchase order.

7 * Sec. 5. This Act does not apply to purchase contracts entered into
8 before July 1, 1990.

9 * Sec. 6. This Act takes effect July 1, 1990.
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Original sponsor(s): Labor & Commerce Committee

1 IN THE HOUSE

BY THE C&RA COMMITTEE

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Offered: 3/31/89
Referred: Rules

Original sponsor: Labor and Commerce
Committee

2 zero 7n - Ed - CRA 2/17

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1 favor of the seller, (c) of this section applies to the payment for
2 the goods or services involved in the dispute.

3 (g) In this section, "dispute" means a determination by the
4 municipal official responsible for authorizing the payments for the
5 purchase of goods or services that the performance or price charged is
6 not in compliance with the terms of the contract or purchase order.

7 * Sec. 5. This Act does not apply to purchase contracts entered into
8 before July 1, 1989.

9 * Sec. 6. This Act takes effect July 1, 1989.
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FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Payments For Purchases By School
 Districts and Municipalities
 Sponsor: House L & C
 Requestor: House C & RA

Agency Affected: Education
 BRU: K-12 Support
 Components: Foundation

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						
---------	--	--	--	--	--	--

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Mary Hakala Phone: 465-2800
 Division: Commissioner's Office Date: 2/13/89
 Approved by Commissioner: William G. Demmert Date: 2/13/89
 Agency: Education

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

Changes in SCS CSHB 139 (HESS)
 have no fiscal impact. This
 fiscal note is appropriate.
 Projections of no fiscal impact
 would continue through 1996.

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "An Act..payments for purchases by school districts & municipalities.."
 Sponsor: House Finance Committee
 Requestor: _____

Agency Affected: Community & Regional Affairs
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
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)

There is no fiscal effect for FY 90.

Prepared by: Jim Plasman, Deputy Director

Phone: 465-4750

Division: Municipal & Regional Assistance

Date: 3/23/90

Approved by Commissioner: [Signature] DC, CAA

Date: 22 June 90

Agency: Community & Regional Affairs

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Changes in SCSCS HB 139 (HESS)
 have no fiscal impact.
 This fiscal note is
 appropriate.

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "An Act..payments for purchases
 by school districts & municipalities.."
 Sponsor: House Finance Committee
 Requestor: _____

Agency Affected: Community & Regional Affairs
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
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)

There is no fiscal effect for FY 90.

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750
 Division: Municipal & Regional Assistance Date: 3/22/90
 Approved by Commissioner: [Signature] Date: 22 March 90
 Agency: Community & Regional Affairs

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act..payments for purchases by school districts & municipalities.."
Sponsor: Labor & Commerce Committee
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: _____
Components: _____

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						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
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)

Prepared by: Jim Plasman, Deputy Director
Division: Municipal & Regional Assistance

Phone: 465-4750
Date: 2-15-89

Approved by Commissioner: [Signature]
Agency: Community & Regional Affairs

Date: _____

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

de

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Payments For Purchases By School
Districts and Municipalities
Sponsor: House L & C
Requestor: House C & RA

Agency Affected: Education
BRU: K-12 Support
Components: Foundation

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						
----------------	--	--	--	--	--	--

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Mary Hekal Phone: 465-2800
Division: Commissioner's Office Date: 2/13/89
Approved by Commissioner: William G. Demmert Date: 2/13/89
Agency: Education

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

HB

B

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4

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HOUSE COMMITTEE REPORT

(11)

Date Referred: March 20, 1989

FURTHER REFERRALS:

Date of Committee Action: 4/7/89

The FINANCE Committee considered:

HB 141

HOUSE BILL NO. 141 [LICENSING RETAIL TOBACCO SALES]
"An Act relating to retail sale of tobacco, tobacco products, and devices for smoking tobacco."

RECOMMENDATIONS:

- [] be replaced with CS HB 141 (Finance) [] 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) CED 3/20/89
- [] zero fiscal note(s) _____
- [2] zero fn/analysis Rev. 3/3/89 Ak. Ct. Syst. 3/20/89

SIGNING DO PASS:

SIGNING:
(Check approp. column)

Do Not Pass No Rec Amend

Hoffman

Larson

Brown

Koponen

Ulmer

Phillips

Wallis

	Do Not Pass	No Rec	Amend
_____ Barner	<input checked="" type="checkbox"/>		
_____ Shultz	<input checked="" type="checkbox"/>		
_____ Rieger	<input checked="" type="checkbox"/>		

co- _____
co- _____
Chairman's Signature

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to tobacco and products containing tobacco.
Sponsor: House HESS Committee
Requestor: House HESS Committee

Agency Affected: Commerce and Economic Dev.
BRU: Occupational Licensing
Components: Administration

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
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REVENUE:	0	32.5	0	32.5	0	32.5
-----------------	---	------	---	------	---	------

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	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

The bill creates an endorsement requirement to be placed on business licenses for manufacturers and distributors who sell tobacco or products containing tobacco. No additional costs are anticipated to apply the endorsement to a business license. Revenues are based on approximately 1300 licensees paying a \$25.00 endorsement fee.

Prepared by: Jennifer Strickler, Administrative Officer
Division: Occupational Licensing

Phone: 465-2144
Date: March 7, 1989

Approved by Commissioner: Larry Mercurieff
Agency: Commerce and Economic Development

Date: 3/8/89

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Adopted

Adopted

STATE OF ALASKA 1989 LEGISLATIVE SESSION
FISCAL NOTE

No. 3

REQUEST:

Bill Version: CSHB 141 (JUD)
Publish Date: HOUSE 3/20/89

Revision Date:
Title: An act relating to tobacco and products containing tobacco
Sponsor: Brown, Menard, Hudson...
Requestor: Judiciary

Agency Affected: Alaska Court System
BRU: Trial Courts
Components:

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
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL

REVENUE

FUNDING:	(Thousands of Dollars)					
General Funds	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	.	.	.	.	.	.
Other	.	.	.	.	.	.
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:						
Full-time	.	.	.	.	.	.
Part-time	.	.	.	.	.	.
Temporary	.	.	.	.	.	.

ANALYSIS: (Attach a separate page if necessary)

No fiscal impact.

Prepared by: *Jan Strandberg*
Jan Strandberg, General Counsel
Division: Alaska Court System

Phone: 264-8228
Date: 03/16/89

Approved by: *Arthur H. Snowden, II*
Arthur H. Snowden, II, Administrative Director
Agency: Alaska Court System

Date: 03/16/89

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

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSHB141 (HESS)
PUBLISH DATE: 2/23/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An act relating to tobacco
and products containing tobacco
Sponsor: Brown
Requestor: H. E & S

Agency Affected: Revenue
BRU: Income & Excise Audit
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
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: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel *Steven E. Kettel*
Division: Income and Excise Audit

Phone: (907) 465-2320
Date: February 27, 1989

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: February 27, 1989

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

RECEIVED
FEB 27 1989

LEGISLATIVE FINANCE

Adopted

Original sponsors: Brown, Menard,
Hudson, et al.

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 141 (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 relating to tobacco and products containing
7 tobacco."

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

9 * Section 1. AS 11.76.100 is amended by adding a new subsection to
10 read:

11 (e) The court shall forward a record of each person convicted
12 under this section who holds a business license endorsement under
13 AS 43.70.075, to the Department of Commerce and Economic Development.

14 * Sec. 2. AS 43.50.070 is amended to read:

15 Sec. 43.50.070. REVOCATION OF LICENSES. The department may
16 suspend or revoke a license issued under AS 43.50.010 - 43.50.180 (1)
17 for violation of AS 11.76.100, AS 43.50.010 - 43.50.180, or a regula-
18 tion of the department adopted under AS 43.50.010 - 43.50.180; [, OR]
19 (2) if a licensee ceases to act in the capacity for which the license
20 was issued; or (3) if a manufacturer, distributor, or wholesale dis-
21 tributor negligently sells tobacco or products containing tobacco to a
22 nonlicensed retailer or a retailer whose license endorsement under
23 AS 43.70.075 has been suspended or revoked. A [. NO] person whose
24 license is suspended or revoked may not [SHALL] sell cigarettes or
25 permit cigarettes to be sold during the period of the suspension or
26 revocation on the premises occupied or controlled by that person. A
27 [NO] disciplinary proceeding or action is not barred or abated by the
28 expiration, transfer, surrender, renewal, or extension of a license
29 issued under AS 43.50.010 - 43.50.180. The department shall comply

1 with the provisions of the Administrative Procedure Act (AS 44.62).

2 * Sec. 3. AS 43.70 is amended by adding a new section to read:

3 Sec. 43.70.075. LICENSE ENDORSEMENT. (a) Unless a person has a
4 business license endorsement issued under this section, a person may
5 not sell cigarettes, cigars, tobacco, or products containing tobacco
6 as a retailer. An endorsement required under this section is in
7 addition to any other license or endorsement required by law.

8 (b) The department, upon payment of a fee of \$25, shall issue a
9 business license endorsement to a person who applies for a business
10 license under this chapter, and may renew the endorsement issued under
11 this subsection for a fee of \$25. The endorsement expires at the same
12 time as the license to which it attaches.

13 (c) The department may refuse to issue an endorsement under this
14 section if there is reasonable cause to believe that the information
15 submitted in the application is false or misleading and is not made in
16 good faith.

17 (d) If a person who holds an endorsement issued under this
18 section has been convicted of violating AS 11.76.100, or violates a
19 provision of this section or a regulation implementing this section
20 adopted under AS 43.70.090, the department shall suspend the endorse-
21 ment for a period of

22 (1) 45 days; or

23 (2) 90 days, if within the past 24 months the person has
24 been previously convicted of violating AS 11.76.100, or a provision of
25 this section or a regulation implementing this section adopted under
26 AS 43.70.090.

27 * Sec. 4. APPLICABILITY. The business license endorsement requirement
28 imposed under AS 43.70.075(a), added by sec. 3 of this Act, applies only
29 upon issuance or renewal of a business license required under AS 43.70.020.



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Official Business

REPRESENTATIVE RANDY PHILLIPS
HOUSE DISTRICT 15
(907) 465-4949

P.O. Box V
State Capitol
Juneau, Alaska 99811

AMENDMENT #1

By Phillips

Proposed CS HB 141 (Finance)

Page 2, Line 23

Delete "one year"

Insert "Ninety days"

Prepared by:
Rep. Kay Brown
March 30, 1989

By: Brown, Menard, Hudson,
Koponen, Gruenberg,
Ellis and M. Davis

CS HB 141 (JUD): "An Act relating to tobacco, and products containing tobacco."

The Committee Substitute would:

- require a business license endorsement for retail sales of cigarettes, cigars, tobacco, or products containing tobacco;
- designate the Department of Commerce as the licensing authority for tobacco retailers;
- require a separate fee of \$25 to be issued a license endorsement or to renew the endorsement, which expires at the same time the business license expires;
- require the Court to notify the Department of Commerce of all convictions of violations of AS 11.76.100, selling tobacco to a minor, by persons holding a business license endorsement;
- provide the Department of Revenue authority to suspend or revoke license endorsements if distributors, wholesalers or manufacturers *negligently* sell tobacco or tobacco products to non-licensed or suspended retailers;
- prohibit the sale of a product for which the license was issued during the period of the suspension or revocation of the license endorsement;
- provide the Department of Commerce authority to suspend or revoke license endorsements for a violation of the provisions of Section 3 of the bill, or of a regulation adopted by the Department;
and
- provide for suspension of the license endorsement for a period of one year for convictions of selling tobacco to a minor.

Government must kick the nicotine habit

BOSTON — Those who recognize the symptoms of withdrawal watched Bill Bennett closely. Did he fiddle a bit desperately with his pen? Did he seem just a touch cranky? Had he added a pound or two around the middle?

After more than 20 years as a two-pack-a-day smoker, Bennett had gone through a six-day crash program to kick the habit. He'd done the long walks through the woods. He'd done the aerobics. He'd done the meditation. He'd had the ashtray on his desk replaced by a bowl of fruit and some lollipops.

Now in his second drug-free week, he was under the stress of a Senate confirmation hearing. But not to worry. The new drug czar has to be one of the most highly motivated smokers to ever go to a clinic. When he was chosen for the job in January, he swore he'd quit. It's better than even money that he'll stay clean.

Indeed, Bennett's pledge made a contemporary case study of changed attitudes toward cigarettes. It has be-

come obvious, at last, that cigarettes are addictive. No drug czar could head up an anti-drug operation while chained to nicotine.

If that is true for Bennett, it's true for the rest of the government. One of the other sticky questions to be asked about our drug policy is this one: Can the United States credibly pressure countries that export drugs to us while we push cigarettes?

As a nicotine-free Bennett was being approved for his new post, the State Department released a report on international drug trafficking. It cited worldwide increases in marijuana, opium and coca. It listed countries that are and aren't helping us in the effort. The report didn't list our own tobacco cartels or the worldwide increase in the use of nicotine.

The comparisons are not pure. Tobacco is legal and cocaine is illegal. People are not being mugged by desperate smokers in pursuit of money for their next hit. Nor are there gun battles in the urban streets between corporate executives from



**ellen
goodman**

RJR and Philip Morris.

But in the scheme of things, tobacco is far more deadly. An estimated 395,000 Americans die annually because of smoking. That's easily 10 times the number who die from illegal drugs, even if you include those addicts who die from AIDS. In foreign policy, we threaten governments that don't inhibit the flow of drugs. We also threaten governments that don't permit the flow of cigarettes. What's wrong with this picture?

American companies made 600 billion cigarettes last year, the highest number on record. Of these, 100 billion went overseas, half

to the Far East. It's no longer news that the one trade breakthrough there has been cigarettes.

The tobacco companies are not, to put it mildly, a goodwill ambassador for other American products. "We've created a poisonous environment for trade," says Rep. Chester Atkins (D-Mass.).

Atkins, along with Democratic California congressmen Henry Waxman and Mel Levine and Kansas Republican Bob Whittaker, has introduced a bill that would at least restrain our role as nicotine pushers. American companies would be forbidden from advertising overseas in ways that are prohibited here.

The tobacco leaf is as imbedded in American history and culture as the coca leaf is in Latin America. It is a tangled part of our political life. But if Bill Bennett can break his addiction to the evil weed, so can this government.

□ Ellen Goodman is a Boston Globe columnist.

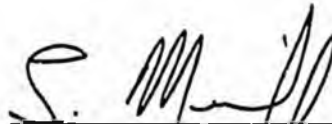
CSHB 141 (HESS): An Act relating to tobacco and products containing tobacco.

CSHB 141 (HESS) requires any retail business in Alaska interested in selling cigarettes, cigars, tobacco, or products containing tobacco to first possess an endorsement on its business license authorizing the sale of these products. A retail business without such an endorsement is prohibited from the sale of tobacco and tobacco-containing products. To reinforce this requirement, the bill provides that the Department of Revenue may suspend or revoke the license of a manufacturer, distributor, or wholesaler who sells tobacco or tobacco-containing products to retail businesses who do not have the requisite endorsement on their business licenses.

The endorsement may be issued or renewed after payment of a \$25.00 fee that is in addition to the (biennial) business license fee of \$50.00.

The bill also provides, following a conviction under AS 43.70.090 of selling tobacco or tobacco products to minors, that the Department of Commerce and Economic Development shall suspend the endorsement for a period of one year. This would prohibit the retailer who violated the law to sell tobacco products for one year.

The department does not oppose HB 141 in its present form and, as a matter of public policy, supports the intent of the bill.



Larry Mercurieff, Commissioner

Date: 3/16/89

LM/RPB/dgl3576D
031589a

Prepared by:
Rep. Kay Brown
April 5, 1989

By: Brown, Menard, Hudson,
Koponen, Gruenberg, Ellis
and M. Davis

Proposed CS HB 141 (), "An Act relating to tobacco and products containing tobacco."

The proposed Committee Substitute would delete all material on lines 17-22, Page 2, Section 3, and insert new language that would provide:

- 1) 45 days' suspension of the license endorsement for a conviction of a violation of a provision of this section, or a regulation adopted by the department, or a violation of AS 11.76.100 (selling tobacco to a minor); or
- 2) a one year suspension of the license endorsement if within the past 24 months the person has been previously convicted of violating AS 11.76.100, or a provision of this section, or a regulation implementing this section.

The penalties suspending a tobacco license endorsement do not affect a business owner's ability to continue to sell other products that do not contain tobacco during the period of suspension.

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: SCS CS HB 141
PUBLISH DATE: _____

FISCAL NOTE

REQUEST: _____

Revision Date: _____
Title: An act relating to tobacco and products containing tobacco
Sponsor: Brown
Requestor: Finance

Agency Affected: Revenue
BRU: Income & Excise Audit
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
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: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel *Steven E. Kettel* Phone: (907) 465-2320
Division: Income and Excise Audit Date: March 1, 1990

Approved by Commissioner: Hugh Malone *Hugh Malone* Date: March 1, 1990
Agency: Department of Revenue

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

Prepared by:
Steven E. Kettel
Income and Excise Audit Division

Analysis

Sec. 4 of this legislation gives the Department of Revenue authority to revoke a tobacco manufacturer or distributors license if they sell tobacco products to a non-licensed retailer or a retailer whose license has been suspended or revoked.

The Department does not believe this legislation will greatly impact its operation and estimates no increase in administrative costs to collect tobacco taxes.

The Department takes no position on the legislation and refers the committee to the Department of Commerce and Economic Development concerning the other provisions of this legislation.

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SENATE COMMITTEE REPORT

FURTHER

4/28/89

DATE TURNED INTO OFFICE 5/6/90

Mr. President:

Finance Committee considered CSHB 141 (Finance)

tobacco and products containing tobacco

and recommended

replace with \$ CS CSHB 141 (Fin)) same title
 or adopt _____) new title
 attached amendment(s) and technical title change (HB only)
 _____ letter of intent adopted

do pass

do not pass

no recommendation

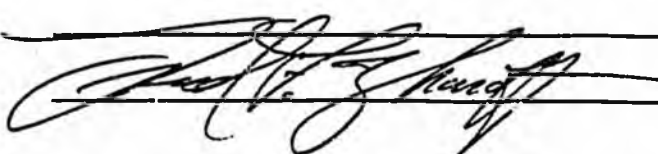
individual recommendations

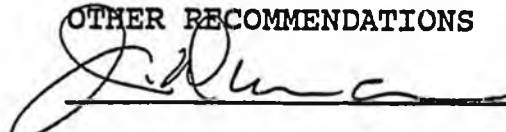
further referral to _____

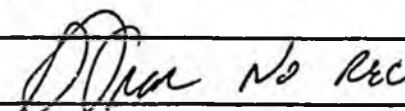
FISCAL NOTE(S) zero ^{DC&ED 32.5 revenue} fiscal impact appropriation no FN
 new updated previous
 same as previous fiscal note(s) published _____

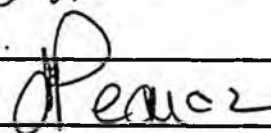
MEMBERS SIGNING DO PASS

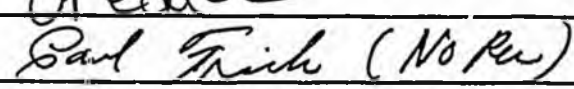
OTHER RECOMMENDATIONS

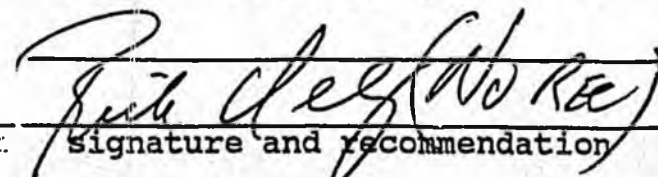


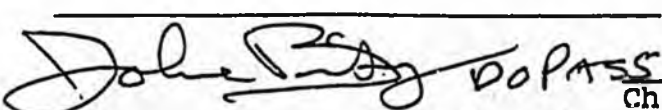












Chair: _____ signature and recommendation

Committee Backup attached

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to tobacco and products containing tobacco
Sponsor: Brown
Requestor: Senate Finance Committee

Agency Affected: Commerce & Economic Dev.
BRIJ: Occupational Licensing
Components: Administration

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
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	32.5	0	32.5	0	32.5

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 bill creates an endorsement requirement to be placed on business licenses of retailers who sell tobacco or products containing tobacco. No additional costs are anticipated to apply the endorsement to a business license. Revenues are based on approximately 1,300 licensees paying a \$25 endorsement fee.

Prepared by: Jennifer Strickler, Administrative Officer Phone: 465-2144
Division: Occupational Licensing Date: 2/27/90

Approved by Commissioner: Larry Mercurieff Date: 2/27/90
Agency: Department of Commerce & Economic Development

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
LW/dg16395D/22890a

Changes in SCS CSHB 141 (Fin) have no fiscal impact. This fiscal note is appropriate. 5/6/90

Adopted

Original sponsor(s): REP. BROWN, Menard, Hudson, Koponen, Gruenberg,
Ellis, M.Davis

IN THE HOUSE

BY THE FINANCE COMMITTEE

SENATE CS FOR CS FOR HOUSE BILL NO. 141 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to tobacco and products containing
tobacco."

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

* Section 1. AS 11.76.100(a) is amended to read:

(a) Except as provided in (f) of this section, a [A] person
commits the offense of selling or giving tobacco to a minor if the
person is 19 years of age or older and

(1) knowingly sells, exchanges, or gives a cigarette, a
cigar, tobacco, or a product containing tobacco to a person under 19
years of age; or

(2) maintains a vending machine that dispenses cigarettes,
cigars, tobacco, or products containing tobacco and that is accessible
to persons under 19 years of age.

* Sec. 2. AS 11.76.100 is amended by adding new subsections to read:

(e) The court shall forward a record of each person convicted
under this section who holds a business license endorsement under
AS 43.70.075, or who is an employee or agent of a person who holds a
license endorsement under AS 43.70.075 to the Department of Commerce
and Economic Development.

(f) The provisions of (a) of this section do not apply to a
person who sells or gives tobacco to a minor, if the minor is a
prisoner at an adult correctional facility.

* Sec. 3. AS 11.76.105 is amended to read:

Sec. 11.76.105. POSSESSION [PURCHASE] OF TOBACCO BY A MINOR.

(a) A person under 19 years of age may not knowingly possess [PURCHASE] a cigarette, a cigar, tobacco, or a product containing tobacco in this state. This subsection does not apply to a person who is a prisoner at an adult correctional facility.

(b) Possession [PURCHASE] of tobacco by a minor is a violation.

* Sec. 4. AS 43.50.070 is amended to read:

Sec. 43.50.070. REVOCATION OF LICENSES. The department may suspend or revoke a license issued under AS 43.50.010 - 43.50.180 (1) for violation of AS 11.76.100, AS 43.50.010 - 43.50.180, or a regulation of the department adopted under AS 43.50.010 - 43.50.180; [, OR] (2) if a licensee ceases to act in the capacity for which the license was issued; or (3) if a manufacturer, distributor, or wholesale distributor negligently sells tobacco or products containing tobacco to a nonlicensed retailer or a retailer whose license endorsement under AS 43.70.075 has been suspended. A [. NO] person whose license is suspended or revoked may not [SHALL] sell cigarettes or permit cigarettes to be sold during the period of the suspension or revocation on the premises occupied or controlled by that person. A [NO] disciplinary proceeding or action is not barred or abated by the expiration, transfer, surrender, renewal, or extension of a license issued under AS 43.50.010 - 43.50.180. The department shall comply with the provisions of the Administrative Procedure Act (AS 44.62).

* Sec. 5. AS 43.70 is amended by adding a new section to read:

Sec. 43.70.075. LICENSE ENDORSEMENT. (a) Unless a person has a business license endorsement issued under this section, a person may not sell cigarettes, cigars, tobacco, or products containing tobacco as a retailer. An endorsement required under this section is in addition to any other license or endorsement required by law.

(b) The department, upon payment of a fee of \$25, shall issue a

business license endorsement to a person who applies for a business license under this chapter, and may renew the endorsement issued under this subsection for a fee of \$25. The endorsement expires at the same time as the license to which it attaches.

(c) The department may refuse to issue an endorsement under this section if there is reasonable cause to believe that the information submitted in the application is false or misleading and is not made in good faith.

(d) If a person who holds an endorsement issued under this section, or an agent or an employee of a person who holds an endorsement issued under this section acting within the scope of the agency or employment, has been convicted of violating AS 11.76.100, or violates a provision of this section or a regulation implementing this section adopted under AS 43.70.090, the department shall suspend the endorsement for a period of

(1) 45 days; or

(2) 90 days, if within the past 24 months the person has been previously convicted of violating AS 11.76.100, or a provision of this section or a regulation implementing this section adopted under AS 43.70.090.

(e) If a person who receives an endorsement under this section has multiple retail outlets, a suspension imposed under (d) of this section applies only to the retail outlet in which the violation occurs.

* Sec. 6. AS 47.10.010(b) is amended to read:

(b) When a minor is accused of violating a traffic statute or regulation, a traffic ordinance or regulation of an incorporated municipality, AS 11.76.105 relating to the possession [PURCHASE] of tobacco by a minor, a fish and game statute or regulation under AS 16,

or a parks and recreational facilities statute or regulation under AS 41.21, excepting a statute the violation of which is a felony, the procedure prescribed in AS 47.10.020 - 47.10.090 may not be followed, except that a parent, guardian, or legal custodian shall be present at all proceedings. The minor accused of an offense specified in this subsection shall be charged, prosecuted, and sentenced in the district court in the same manner as an adult.

* Sec. 7. APPLICABILITY. The business license endorsement requirement imposed under AS 43.70.075(a), added by sec. 5 of this Act, applies only upon issuance or renewal of a business license required under AS 43.70.020.

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CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

or a parks and recreational facilities statute or regulation under AS 41.21, excepting a statute the violation of which is a felony, the procedure prescribed in AS 47.10.020 - 47.10.090 may not be followed, except that a parent, guardian, or legal custodian shall be present at all proceedings. The minor accused of an offense specified in this subsection shall be charged, prosecuted, and sentenced in the district court in the same manner as an adult.

* Sec. 7. APPLICABILITY. The business license endorsement requirement imposed under AS 43.70.075(a), added by sec. 5 of this Act, applies only upon issuance or renewal of a business license required under AS 43.70.020.

CSHB 141 (HESS): An Act relating to tobacco and products containing tobacco.

CSHB 141 (HESS) requires any retail business in Alaska interested in selling cigarettes, cigars, tobacco, or products containing tobacco to first possess an endorsement on its business license authorizing the sale of these products. A retail business without such an endorsement is prohibited from the sale of tobacco and tobacco-containing products. To reinforce this requirement, the bill provides that the Department of Revenue may suspend or revoke the license of a manufacturer, distributor, or wholesaler who sells tobacco or tobacco-containing products to retail businesses who do not have the requisite endorsement on their business licenses.

The endorsement may be issued or renewed after payment of a \$25.00 fee that is in addition to the (biennial) business license fee of \$50.00.

The bill also provides, following a conviction under AS 43.70.090 of selling tobacco or tobacco products to minors, that the Department of Commerce and Economic Development shall suspend the endorsement for a period of one year. This would prohibit the retailer who violated the law to sell tobacco products for one year.

The department does not oppose HB 141 in its present form and, as a matter of public policy, supports the intent of the bill.



Larry Mercurieff, Commissioner

Date: _____

3/16/89

LM/RPB/dgl3576D
031589a



Alaska State Legislature

Senator Mike Szymanski

While in Session:
P.O. Box V
Juneau, Alaska 99811
(907) 455-4978

Interim:
3111 C Street, Suite 510
Anchorage, Alaska 99503
(907) 561-7617
or
165 E. Parks Highway
Wasilla, Alaska 99687
(907) 376-6453

February 24, 1990

MEMORANDUM

TO: Senator Rick Uehling, Co-Chair Senate Finance Committee
FROM: Senator Mike Szymanski *Mike*
RE: Proposed Amendment to HB 141

The purpose of the attached amendment is to address a problem which was identified last year in the Senate C&RA hearing of HB 141 but not amended due to time constraints. Rather than returning the bill to C&RA for consideration of the amendment, I would hope that the Finance Committee would consider adopting it during their 2-28 hearing of HB 141.

This amendment would protect multiple store owners such as the Alaska Commercial Company, Carr's Foodcenters, and Safeway from losing their endorsement due to one of their retail outlets being found guilty of a violation.

Senate District E

Mat-Su Borough • Sitka Anchorage • Barrow/Indian • Girdwood • Nikiski • Cooper Landing • Hope • Seward • Prince William Sound

A M E N D M E N T

OFFERED IN THE SENATE

TO: CSHB 141 (Finance)

Page 2, after line 26:

Insert a new subsection to read:

"(e) If a person who receives an endorsement under this section has multiple retail outlets, a suspension imposed under (d) of this section applies only to the retail outlet in which the violation occurs."

✓

2/27/90
Rep. Kay Brown

Sectional Analysis

CS HB 141 (Finance) - Tobacco Product Sales

Section 1

Requires the court to notify the Department of Commerce and Economic Development of convictions under AS 11.76.100 (selling tobacco to a minor) by persons holding a business license endorsement.

Section 2

Provides that the Department of Revenue may suspend or revoke a wholesaler-distributor license issued under AS 43.50.010 - 43.50.180 for a violation of AS 11.76.100 (tobacco sales to minors) or negligent sales to a retailer whose license endorsement has been suspended;

Section 3

Establishes a license "endorsement" requirement for the retail sale of tobacco products. Establishes a fee of \$25 for a license endorsement or renewal; endorsements would expire at the same time the business license expires.

Provides the Department of Commerce and Economic Development the authority to suspend a license endorsement for a period of:

- 45 days for a conviction of a violation of AS 11.76.100 (selling tobacco to a minor); or
- 90 days, if, within the past 24 months, the person has been convicted of violating AS 11.76.100 (selling tobacco to a minor).

Section 4

Clarifies that the license endorsement requirement established by Section 3 applies only upon the issuance or renewal of a business license required under AS 43.70.020.



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

TO: Senator John Binkley, Co-Chair
 Senator Rick Uehling, Co-Chair
 Senate Finance Committee

FROM: Representative Kay Brown

DATE: February 27, 1990

SUBJ: CS HB 141 (Fin) - Licensing of Tobacco Product Sales

Thank you for scheduling of CS HB 141 (Fin), legislation that would establish a license endorsement for the sale of tobacco products.

With all the attention being devoted to the "war on drugs" it is important not to overlook the fact that smoking is responsible for the largest preventable cause of premature death and disability in the United States.

In 1988, the National Institute on Drug Abuse published a research monograph that included figures on annual deaths in the United States from various kinds of substance abuse. With 346,000 deaths per year, tobacco clearly led the way with nearly three times as many attributable deaths compared to the next closest substance (alcohol).

Tobacco	346,000
Alcohol	125,000
Alcohol & Drugs	4,000
Heroin/Morphine	4,000
Cocaine	2,000
Marijuana	75

(Statistics are estimates from Surgeon General's Office; the National Institute on Alcohol and Alcohol Abuse; and the Drug Abuse Warning Network.)

A recent study released by the federal Department of Health and Social Services indicates that smoking costs the nation about \$52 billion each year (about \$221 per capita). Because the cancers and respiratory illness associated