

Leg. Finance-House & Senate Finance Comte Files (1991-1992) 870

The Health Benefits
of
SMOKING CESSATION

*a report of the
Surgeon General*

1990

Executive Summary



U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
Public Health Service
Centers for Disease Control
Center for Chronic Disease Prevention and Health Promotion
Office on Smoking and Health
Rockville, Maryland 20857

CDC
CENTERS FOR DISEASE CONTROL

SB204

SENATE FINANCE COMMITTEE REPORT

DATE: 3/15/91

FURTHER:

Date of 5-Day Notice: 3-15-91
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3/22/91

Finance Committee considered SB 204

Dept. of Revenue to purchase either guaranteed investment contracts held by the supplemental benefits system or the underlying securities; efd.

and recommended:

- replace with _____ CS SB 204 (Fin) same title
- or adopt _____ CS _____ new title
- attached amendment(s) technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

APPROVES PREVIOUS:

fiscal note(s) 3/22/91 DOR (10,560.0) rev Dept/Date: _____
Indeterminate

zero fiscal note(s) 3/19/91 DOR Dept/Date: _____
Indeterminate

appropriation-no fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

[Signature]
[Signature]

Al Adams - NO Rec.
[Signature]
[Signature] (NO REC)

[Signature]

1. [Signature] 2. [Signature] No Rec.
Co-Chairs: Signatures and Recommendations

FISCAL NOTE

**STATE OF ALASKA
1991 LEGISLATIVE SESSION**

BILL NO. CSSB 204 (Finance)

Revision Date: March 22, 1991
 Title: DOR purchase of GIC contracts held by SBS or the underlying securities
 Sponsor: Senate Rules Committee by Request
 Requestor: Senate Finance

Department Affected: Department of Revenue
 BRU: Revenue Operations
 Component: Treasury Management

COMPONENT SERIAL NO. | 1 | 2 | 1 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE	(10560.0)	(11404.8)	(12317.2)	(13302.6)	(14366.8)	(15516.1)

FUNDING: (Thousands of Dollars)

GENERAL FUND	(10560.0)	(11404.8)	(12317.2)	(13302.6)	(14366.8)	(15516.1)
FEDERAL FUNDS						
OTHER						
TOTAL	(10560.0)	(11404.8)	(12317.2)	(13302.6)	(14366.8)	(15516.1)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: From \$0 to \$132 million reduction in unrestricted revenues.

ANALYSIS:

Reduction is based on 8% interest compounded annually. Assumes the entire \$132 million is non-performing and no cash will be realized at GIC maturity or sale of underlying securities. This is a worst case scenario.

Prepared By: Darrel Rexwinkel
 Division: Treasury

Phone: 465-2300
 Date: March 22, 1991

Approved by Commissioner: Lee E. Fisher *by Darrel Rexwinkel*
 Agency: Department of Revenue

Date: 3/22/91

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

FISCAL NOTE

BILL NO. SB 204

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____
Title: An Act authorizing Department of Revenue to purchase GICs held by the Supplemental Benefits System
Sponsor: Senate Rules Committee for LB & A
Requestor: _____

Department Affected: Administration
BRU: Retirement and Benefits
Component: Retirement and Benefits
COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
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
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REVENUE	0	0	0	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	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

Estimate of current year impact: _____

ANALYSIS: (attach a separate page if necessary.) The Supplemental Benefits System Annuity Plan holds "guaranteed investment contracts" (GIC's) with a present value of approximately \$450 million. Of the \$450 million, approximately \$132 million are from contracts issued by Executive Life Insurance Company. An exchange of general fund cash for GIC's (or underlying securities) could result in a complete loss if the GIC's (or underlying securities) become worthless.

Prepared By: Gary Bader *Gary M. Bader* Phone: 465-4460
Division: Retirement and Benefits Date: _____

Approved by Commissioner: Millett Keller *Millett Keller* Date: 3/19/91
Agency: Department of Administration

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

Changes in CS SB 204 (F:11)
have no fiscal impact. This
fiscal note is appropriate.

3/22/91 *William*
date Comte Aide (initial)

CS FOR SENATE BILL NO. 204 (FINANCE)**IN THE LEGISLATURE OF THE STATE OF ALASKA****SEVENTEENTH LEGISLATURE - FIRST SESSION****BY THE SENATE FINANCE COMMITTEE**

Offered:

Referred:

Sponsor(s): **SENATE RULES/LEGISLATIVE BUDGET AND AUDIT COMMITTEE****A BILL****FOR AN ACT ENTITLED**

1 "An Act authorizing the Department of Revenue to purchase either the Executive Life
2 Insurance Company guaranteed investment contracts held by the supplemental benefits
3 system or the underlying securities; and providing for an effective date."

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

5 * Section 1. (a) The commissioner of revenue may use the residual money deposited in the state
6 treasury and described in AS 37.10.070(a) to purchase either the Executive Life Insurance Company
7 guaranteed investment contracts that are held by the Department of Administration for the supplemental
8 benefits system established under AS 39.30.150 - 39.30.180 or the underlying securities. The amounts
9 received by the supplemental benefits system under this subsection shall be invested as provided in
10 AS 37.10.071.

11 (b) A purchase authorized in (a) of this section is not subject to AS 37.10.071(c).

12 (c) The commissioner of revenue shall notify the chair of the Legislative Budget and Audit
13 Committee at least 2 days before the commissioner agrees to a purchase under (a) of this section.

14 * Sec. 2. Section 1 of this Act is repealed December 31, 1992.

1 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SB 204

Revision Date: March 21, 1991
 Title: An Act authorizing DOR to purchase either the GIC contracts held by SBS or the underlying securities...
 Sponsor: Senate Rules Committee by Request
 Requestor: _____

Department Affected: Revenue
 BRU: Revenue Operations
 Component: Treasury Management

Component Serial No.

	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: The General Fund would incur a loss of unrestricted revenue if the G.I.C.'s acquired at book value from SBS had suffered a permanent impairment in value.

Prepared by: Brian C. Andrews Phone: 465-2350
 Division: Treasury Date: March 21, 1991
 Approved by Commissioner: *[Signature]*
 Agency: Revenue

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

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

3/22/91
SFC
WALTER J. HICKEL, GOVERNOR

P.O. BOX 5
JUNEAU, ALASKA 99811-0400
PHONE: (907) 465-2300
TELEFAX: (907) 465-2389

March 21, 1991

The Honorable Pat Pourchot
Alaska State Legislature
P.O. Box V
Juneau AK 99811

Dear Senator Pourchot:

The following is in response to your letter of March 19, 1991 asking certain questions about the possible purchase of Executive Life Insurance Company guaranteed investment contracts ("GICs") by the General Investment Fund ("GIF") as proposed by ~~SB 204~~ SB 204.

1. How will the GICs be accounted for on the general fund financial statements?

The recording of the GICs onto GIF books of record will be in compliance with Generally Accepted Accounting Principles ("GAAP"). GAAP mandates that marketable securities be recorded at the lower of aggregate cost or market. Non-current investments such as the Executive Life GICs should be written down to net realizable value if the asset has suffered permanent impairment in value.

There may be a question as to when any permanent impairment in value occurred and whether that loss should have been recorded by the SBS.

- a. Will the value of the assets be written down to reflect an estimated or known loss?

When it is determined that an asset of a long-term nature incurs a permanent impairment of value, an allowance for the anticipated loss should be recognized.

- b. How would the estimated loss be determined?

Any loss would be the difference between purchase price (in this case SBS's book value) and the market value of the GICs on the date of acquisition if it is determined that permanent impairment has occurred. The loss allowance would be adjusted thereafter to reflect any downward permanent impairment changes in market value. The market value of the GICs will be determined based on the best evidential matter available and practical to obtain. This determination may be of a direct or indirect nature in that there is not an established market for GICs

The Honorable Pat Pourchot
March 21, 1991
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- c. Would the income statement show as a loss the amount written off?

Investment earnings of the GIF would be reduced by any established loss of the GICs.

- d. When would these accounting entries be made?

The purchase would be recorded on the transaction date and any loss would be recorded when it was determined there was permanent impairment of value.

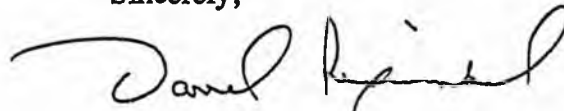
2. What would be the charge to estimated unrestricted revenues for FY 91, FY 92, or FY 93 from:
- losses written off; and
 - reduced general fund investment earnings?

The allowance would be whatever market conditions are at the time of the proposed transaction. Further impairment of the assets value over time would further reduce investment earnings.

3. Will the Governor's budget proposals for FY 92 be reduced to offset the loss and the reduced investment earnings?

The Office of Management and Budget needs to make recommendations with respect to budgetary considerations. Any loss would reduce unrestricted revenues which would reduce amounts available for appropriation. However, this does not necessarily mean that other budget items will have to be reduced. It may be that there are sufficient projected revenues, appropriation lapses, or fund balance to cover any loss.

Sincerely,



Darrel J. Rexwinkel
Deputy Commissioner

DJR/mem

cc: Lee E. Fisher, Commissioner of Revenue

91-38

Legislative Budget and Audit
Committee Meeting
March 12, 1991

Issues and Questions
regarding the
Supplemental Benefits System ("SBS")

1. Ability to sell GIC's
 - does contract allow sale
 - is issuer willing to allow sale
 - are there any tax or ERISA implications for issuer or SBS
 - if issuer files bankruptcy prior to sale, can sale be consummated
2. Use of Legislative Authorization
 - is a purchase expected in the near future
 - is speedy action required by the Legislature
 - what is the reason for the December 31, 1992 repeal
3. Cash Flow
 - would State's payment for purchase be paid in lump sum or over time, at or toward the front or back of any time period, or on same schedule as GIC's mature
 - what would be the projected monthly liquid general fund balances through FY 93, given the expected payment schedule and updated revenue forecasts
4. Management of Purchased GIC's
 - would the State expect to hold the GIC's to maturity, barring default
 - if not,
 - what would the State attempt to negotiate to shorten or cash out GIC's
 - what would be the expected cost to the State
 - how would this compare to expected value of GIC's in bankruptcy liquidation or workout

- who would negotiate for State, including legal or investment counsel
- would results of negotiation be placed before the Legislature or Budget and Audit

5. Budget

- would the Governor's budget for FY 92 be reduced by either
 - cash paid for GIC purchases
 - cost to the State if GIC shortening or surrender is negotiated

6. Alternatives

- what sureties or collateral could be negotiated from issuers to reinforce their guarantee under GIC's (see page labelled "Alternatives" attached to enclosed memorandum of March 8, 1990)
- what would happen if the State enacted a law requiring amendment or rescission of GIC contracts, allowing withdrawal of funds (see paragraph 5 of enclosed memorandum of March 8, 1990)
- could the potential purchase of a non-investment grade, illiquid asset for the State's operating account (general fund) set a precedent for allowing other uses of the State treasury requiring waiver of the statutory rule of prudence
- would it be preferable to make an appropriation, contingent upon a GIC loss to the State--either as a result of negotiated surrender or bankruptcy settlement--that would avoid waiver of prudence and the holding of a much larger non-investment grade, illiquid asset in the general fund

7. Issuer Creditworthiness

- what is the financial condition and outlook for GIC issuers, including Executive Life and Great Western (Deferred Compensation GIC issuer)
- what rating changes have occurred recently for GIC issuers
- what are the trends in policy and contract surrenders for issuers

HELLER, EHRMAN, WHITE & MCAULIFFE

ATTORNEYS

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March 8, 1990

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PAUL W. BUGARMAN
DIRECT DIAL (415) 772-6817

VIA TELECOPY

The Hon. Frank Baxter, Commissioner
The Department of Administration
P.O. Box C
Juneau, Alaska 99811

Executive Life Insurance Company

Dear Commissioner Baxter:

In anticipation of tomorrow's meeting with Executive Life, I suggest the following overall negotiating position be presented. (Based on our telephone conversation earlier this week, I have assumed that your immediate objective is to terminate the most recent contract and not to address the earlier contracts at this time.)

- (1) The State of Alaska's purchase of Guaranteed Investment Contracts from Executive Life using retirement fund contributions of state employees has become a heated political issue in Alaska. Executive Life must understand and appreciate the political realities. The State of Alaska cannot, and will not, accept any result which is politically untenable.
- (2) Whatever the true state of Executive Life's finances -- a matter about which Alaska currently lacks sufficient information -- it has become politically impossible for the State to invest additional funds in any contract issued by Executive Life.

- (3) For the moment Alaska is willing to leave the three earlier, paid-in-full contracts in place, at least until such time as circumstances (whether political in Alaska, or financial at Executive Life) dictate otherwise. But the most recent contract, No. 26805, must be terminated effective immediately, with the full value of Alaska's account (principal and compound interest) transferred to a carrier to be selected by Alaska for reinvestment.
- (4) Alaska has no desire to cause Executive Life any further negative publicity and proposes that the contract be terminated in a consensual, low-key fashion, without public relations fanfare.
- (5) If Executive Life refuses to consent to contract termination, then Alaska will be forced -- politically -- to pursue other actions. At a minimum, in all likelihood these would entail exercising Alaska's right to audit Executive Life, a right available to Alaska both under contract and by virtue of Executive Life's insurance activities in Alaska. Alaska will also seek to achieve termination non-consensually. One likely scenario is that the Legislature, which is currently in session, will enact legislation forbidding the State or any of its agencies from investing public funds, or retirement plan funds, in instruments such as guaranteed investment contracts issued by an institution whose own assets are disproportionately invested -- for example, in excess of 20 percent -- in junk bonds. The existing contracts obligate Executive Life to remain in compliance with the laws of Alaska, and such a law would, in Alaska's view, entitle it to terminate the most recent contract, and the earlier contracts as well.
- (6) Another option, which Alaska is not anxious to utilize, would entail litigation. Several political leaders in Alaska have questioned how the State could have awarded a contract to Executive Life as late as December of last year. They suggest that Executive Life should have disclosed its imminent junk bond-related charge against earnings and that its failure to do so gives Alaska the right to rescind the contract. If necessary, Alaska will seek such a ruling from the Alaska Superior Court, which is the court specified to resolve disputes in connection with the contract.

The Hon. Frank Baxter
March 8, 1990

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An alternative approach would focus not on terminating the current contract, but on obtaining security for both existing funds held by and future contributions to Executive Life. Alaska could also try to negotiate an arrangement whereby future contributions are segregated into a trust account. It is difficult to assess the advisability of these approaches, however, in the absence of more information than we now have about Executive Life's financial condition and overall stability. The absence of that information also makes it difficult for us to formulate a credible negotiating position which is likely to persuade Executive Life to agree to change the status quo.

Obviously, Alaska's opening negotiating position can be softened or hardened as circumstances and judgment warrant. I understand that I will be joining you in your meeting on Friday, and I look forward to discussing these suggestions beforehand when we meet at the Radisson Hotel in Manhattan Beach. I am flying to LAX on Friday morning and, unless delayed by weather conditions, should arrive at your hotel by 9:00 A.M.

I look forward to meeting you tomorrow.

Very truly yours,



Paul W. Sugarman

cc: James Baldwin, Esq.

HELLER, EHRMAN, WHITE & MCAULIFFE
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March 22, 1990

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PAUL W. SUGARMAN
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The Hon. Frank Baxter, Commissioner
The Department of Administration
P.O. Box C
Juneau, Alaska 99811

Executive Life Insurance Company
Contract Award No. 26805

Dear Frank:

You have asked that I summarize my views concerning the modification of the above-referenced agreement (the "Agreement") which is memorialized in your letter of March 16, 1990 to Allan Chapman, Senior Vice President of Executive Life Insurance Company. Briefly, the proposed modification:

1. Relieves the State of Alaska ("Alaska") of any obligation to remit further payments to Executive Life Insurance Company ("Executive Life") under the Agreement, leaving only January's initial net contribution of \$1,377,375.90 to be retained by Executive Life until the end of the contract period (January 2, 1996);
2. Reduces the interest to be earned by Alaska on the \$1,377,375.90 by approximately \$160,770, which sum has a present value of \$100,000 discounted at the existing contract rate;
3. Enables Alaska to select an alternative investment medium for the approximately \$34,000,000 of SBS funds to be invested in 1990, which sum otherwise would have to be invested with Executive Life in accordance with the terms of the Agreement. I understand from you that you believe that, because of the recent

The Hon. Frank Baxter
March 22, 1990

Page 2

upward movement in interest rates, Alaska will be able to negotiate an interest rate of approximately 9.1% per annum for SBS funds to be invested in 1990; and

4. Precludes Alaska from seeking withdrawal of funds previously invested with Executive Life under Contract Awards Nos. 25980, 25992 and 26681 until maturity of those contracts, and from seeking to amend, rescind or otherwise modify those contracts, unless (a) Alaska is precluded by law from so refraining to act or (b) Alaska discovers facts of which it is currently unaware entitling it to relief (i.e., on the grounds of fraud, misrepresentation or material omission).

Whether one views the modification of the Agreement from a business or legal perspective, it appears to be a prudent and reasonable deal for Alaska. Although the proposed modification will entail a "cost" of \$100,000 (in present value terms) to be paid to Executive Life in the form of a reduced interest rate, that cost will be recouped several times over as a result of Alaska's ability to place 1990 SBS funds in another investment vehicle earning a significantly higher rate of interest. This situation is thus analogous to an investor who purchases a six year certificate of deposit at the rate of 8.46%, only to discover that interest rates move sharply higher after the CD is purchased. Although withdrawal of the funds prior to maturity of the CD would entail payment of a penalty, as long as the additional interest to be earned from an alternative investment more than offsets the penalty, it is prudent for the investor to withdraw the funds, pay the penalty and invest elsewhere.

An additional factor militating in favor of the modification, again from the business perspective, is that Alaska may well be able to negotiate more favorable terms for investment of its 1990 SBS funds if it has succeeded in resolving the uncertainty concerning its obligations to Executive Life. Otherwise, Alaska might need to negotiate an "out" in any substitute investment contract to protect Alaska in the event it must, for whatever reason, resume sending payments to Executive Life under the Agreement. Such an escape clause would no doubt come at a cost.

I also believe that the modification is prudent from a legal perspective. As you know, I have not researched Alaska's rights and obligations under the Agreement and therefore am unable to express any opinion concerning the likelihood of success on the merits should Alaska and Executive Life litigate their respective rights and obligations under the Agreement. I have been able to conceive of several legal arguments which Alaska might consider advancing -- whether asserted affirmatively in litigation initiated

The Hon. Frank Baxter
March 22, 1990

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by Alaska or in defense in response to claims brought by Executive Life -- in support of a claim that it is entitled to rescind the Agreement or at least terminate its future performance. (For example, Alaska might claim that Executive Life misrepresented and/or failed to disclose material facts at the time that the contract was awarded or that the laws of Alaska (in particular, the prudent investor rule) preclude Alaska from investing further funds with Executive Life.) Were these arguments successful, Alaska would be entitled to walk away from the contract and perhaps even to obtain return of the \$1,377,375.90 currently held by Executive Life. But I believe it unlikely that Alaska would be able to establish that it is entitled to affirmative damages beyond return of the January payment, with accumulated interest.

On the other hand, were Alaska's arguments to fail -- i.e., were Executive Life able to prove that Alaska breached its contractual obligations by discontinuing payments under the Agreement -- Alaska would have significant damage exposure. Executive Life would no doubt claim that it was damaged in an amount calculated as the difference between the Agreement's rate of interest (8.46%) and the amount Executive Life would have been able to earn on investment of those funds. (Executive Life claims that it has historically earned more than 11% on its investments.) A spread of 2.5% on approximately \$34,000,000 for 5-plus years would yield damages in excess of \$4,000,000. In addition, Executive Life would claim consequential damages, including damage to its reputation and, perhaps, damages resulting from further erosion of public confidence occasioned by Alaska's default. In short, litigation with Executive Life offers Alaska little upside potential and significant downside risk.

Furthermore, one cannot overlook the cost that such litigation would entail. Particularly if Alaska sought to establish misrepresentation on the part of Executive Life, a lawsuit would be fact-intensive and thus expensive to litigate. Executive Life might itself decide that such litigation involves a question of principle, because it could not afford to be perceived as a "soft touch" by any contract holder who wanted to terminate the relationship. It would thus be prudent for Executive Life to commit substantial resources to the litigation in the hope of obtaining a high profile victory.

The principal consideration Executive Life demanded for modifying the Agreement was Alaska's assurance that it would not seek rescission, amendment or modification of the three earlier, fully-funded contracts, or withdrawal of funds already invested, except under certain circumstances. Ideally, Alaska would not have had to give any undertakings with respect to those earlier contracts. From a practical perspective, however, Executive Life

The Hon. Frank Baxter
March 22, 1990

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apparently made it clear during your negotiations that it would not agree to forgive \$34,000,000 of future investments, only to be confronted down the road with a further demand from Alaska that funds already invested be returned.

I do not, however, think that Alaska gave up much by agreeing to this term, although again, I have not had the opportunity to research the law, nor have I investigated Executive Life's financial condition. However, some of the same factors which militated in favor of payment of \$100,000 to Executive Life in the form of a lower interest rate also support Alaska's decision to leave the earlier contracts in place.

First, whatever the merits of Alaska's arguments in support of a claim that it is entitled to rescind the most recent contract -- i.e., to decline to invest additional funds with Executive Life -- those arguments are weaker when directed to the earlier contracts, which were entered into 6 to 24 months ago and which Alaska has fully performed. I think it highly unlikely, for example, that Alaska could successfully rescind the contracts based on misrepresentation, given the passage of time and the fact that Executive Life's investments in junk bonds were public knowledge. And even if Alaska law (e.g., the prudent investor rule) precluded further investment of funds with Executive Life, it is more difficult to argue that that law entitles Alaska to withdraw funds already invested and avoid compensating the injured party for its damages.

Second, any effort by Alaska to seek return of the funds would in all likelihood require protracted, and expensive, litigation, which Executive Life would have every incentive to resist strenuously. While the litigation was pending Executive Life would continue to retain Alaska's funds. Moreover, even a final judgment in Alaska's favor might well prove either unnecessary (because in the meantime Executive Life would have successfully weathered the current storm) or Pyrrhic (because Executive Life would in the meantime have become insolvent, rendering enforcement of Alaska's judgment at full value impossible).

Third, and perhaps most importantly, the agreed-to modification contains two "outs" for Alaska: (1) it enables Alaska to seek to withdraw funds or to amend, rescind or otherwise modify the contracts, if required by law to do so; and (2) it permits such action on the basis of newly discovered facts of which Alaska is not now aware, or should not reasonably be aware. Thus, if the law of Alaska (including, presumably, laws enacted in the future by a cooperative legislature), should require Alaska to seek contract modification, Alaska is free so to act; similarly, Alaska is free

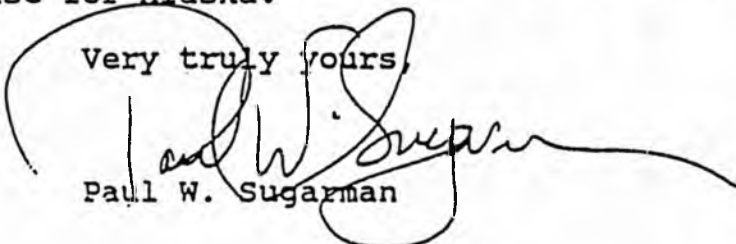
The Hon. Frank Baxter
March 22, 1990

Page 5

to bring an action based on fraud or misrepresentation if new facts are discovered. These provisions should give Alaska sufficient future flexibility with respect to the earlier contracts.

For all of these reasons, I believe that the modification to the Agreement makes sense for Alaska.

Very truly yours,



Paul W. Sugarman

cc: James Baldwin, Esq.

ALTERNATIVES

1. Obtain domestic or non-domestic LC.

BENEFIT: Guarantee financial viability of contract.

OBSTACLE: Given state of banking worldwide, extremely doubtful.

2. Assign proceeds of each Executive contract to a single or series of U. S. Trust(s).

- o Identify Pacific Rim investor(s) willing to purchase assignment value.

- o Equalize loss in future.

BENEFIT: No book value loss.

OBSTACLE: Find assignment buyer(s).
Length of time to amortize loss and yield.
What if Executive does not default?

3. Transfer proportionate share of underlying assets to stronger issuer in return for principal guarantee.

BENEFIT: Stronger Issuer surplus.
Principal guaranteed.
Investment experience pass-through
if Executive Life Survives.

OBSTACLE: No incentive to Executive Life.
If Executive Life does not default, what
is the cost?

4. Master Issuers(s).

BENEFIT: One or more issuers guarantees principal
without assignment.

OBSTACLE: Assembling appropriate group of issuers.
Cost to plan absent Executive Life failure.

5. Assignment of contracts to another plan and equalize smaller loss.

BENEFIT: No book value loss.

OBSTACLE: Determination of appropriate cost.
Identifying buyer that views such a
transaction as prudent.
If sale is intra-state, various potential
legal and fiduciary issues.

First Executive Insurance Units Still Face Woes

Year-End Filings Indicate Drop in Capital Reserves, Large Outflows of Cash

By FREDERICK ROSE

Staff Reporter of THE WALL STREET JOURNAL
LOS ANGELES — First Executive Corp.'s insurance operations remain heavily reliant on low-grade corporate bonds despite major sales of such securities last year, indicating that the units' major problems are not over.

The information is contained in year-end filings with the California Insurance Department. Insurance units of First Executive also reported sharply lower capital reserves and large cash outflows despite improved net income.

Analysts, apprised of the information, said the detailed regulatory filings suggest continued bad news for the insurance units. "The companies appear to be under considerable financial pressure," said Frederick Townsend, a partner in Townsend & Schupp, Hartford-based insurance analysts.

Insurance operations depend on accumulated capital as an underpinning for their obligations to policyholders. Investment losses, policy redemptions and underwriting pressures all can chip away at that financial foundation.

According to the First Executive filings, the combined capital reserves of its principal units tumbled 44% last year, to \$739.7 million. Combined assets dwindled by 22%, to \$13.34 billion.

Combined net income in these regulatory accounts was \$128.7 million last year compared with a net loss of \$6.6 million a year earlier. But, on a cash basis, the operations produced a combined \$2.87 billion outflow last year compared with a \$360 million inflow in 1989.

As with all such regulatory filings, the First Executive units' year-end reports are based on statutory accounting, which differs somewhat from the generally accepted accounting principles of shareholder reports. Statutory accounting, among other things, treats the costs of writing new business more onerously.

First Executive's consolidated results for shareholders are expected to be reported in a few weeks. In the meantime, details of the so-called statutory filings show some of the weaknesses of insurance portfolio valuations.

Junk-bond holdings in the two units rose to 79% of total bond holdings at year-end compared with 55% at Dec. 31, 1989. Although the increase may reflect in part stiffer regulatory definitions of investment-grade securities, it also suggests that better-quality bonds were sold last year to meet a torrent of policy surrenders and redemptions.

The two units, Executive Life Insurance Co. and Executive Life Insurance Co. of New York, overall reflect the strains of a combined \$3.97 billion in payouts for policy redemptions, more than double the 1989 payout, as well as \$908.3 million in realized and unrealized investment losses, a 71% widening from 1989 losses.

A spokesman for First Executive said that most such redemptions occurred early last year. William C. Adams, senior vice president, said the outflow has slowed since. He added that the company may benefit by a recent upsurge in junk-bond markets, which he said have climbed 12% since Dec. 31, the date of the statements. "If the economy stabilizes, we will have recouped the losses," Mr. Adams said.

First Executive, once one of the nation's largest life insurers, burgeoned in the 1960s on a combination of aggressive new products and junk bond investments. Executive Life Insurance, the larger of the parent company's main units, had \$10.17 billion in assets at Dec. 31. Executive Life Insurance Co. of New York, with \$3.17 billion in assets, has had operations sharply curtailed by New York state regulators for several years.

3/8/91

WSJ

First Executive Corp. Units Get Ratings Lowered by A.M. Best

By a WALL STREET JOURNAL Staff Reporter
OLDWICK, N.J.—A.M. Best Co. said it lowered ratings on First Executive Corp.'s main insurance units two notches to a "contingent single-B-plus" from "contingent single-A."

The insurance rating concern attributed the change to deterioration in high-yield bond holdings that it said have caused

losses for the fourth quarter and for 1990.

A.M. Best added that "uncertainties regarding the insurers' operating results are compounded by regulatory and accounting issues that may exacerbate current problems."

The ratings apply to First Executive's Executive Life Insurance Co. and Executive Life Insurance Co. of New York. Recent regulatory filings show the companies' combined capital surplus at the end of last year, to \$739.7 million at Dec. 31, 1990, from a year earlier.

A spokesman for First Executive said: "It's unfortunate that [A.M. Best] made this decision, because the high-yield bond market has improved in the last two months and is up 14% from year-end—more than recovering what it had lost."

A.M. Best's single-B-plus rating means "very good," a spokeswoman for the company said. The "contingent" status means that it remains under review, she said.

The First Executive units carried a single-A-plus, or "superior," rating from A.M. Best until Jan. 23 last year, when they were downgraded to an single-A, or "excellent," rating. The "contingent" status was added on July 2.

Feb 10 WSJ

First Executive's Main Insurance Unit Agrees to Withdraw From Massachusetts

By **FREDERICK ROSS**
Staff Reporter of THE WALL STREET JOURNAL

First Executive Corp.'s major insurance unit agreed to stop writing new policies in Massachusetts, the second major state from which it has withdrawn following pressure from regulators.

The Massachusetts Division of Insurance said the "voluntary" action by Executive Life Insurance Co. is effective today. The withdrawal follows a similar accord with New Jersey in December, where regulators also pressured the troubled insurer.

The Massachusetts step appears a further blow to state insurance regulators, who have tried to forge a common front in dealing with the woes of junk-bond-laden Executive Life and a smaller First Executive unit, Executive Life Insurance Co. of New York.

As part of that support effort, regulators across the country have urged each other not to demand special deposits, a common practice in the past. While the deposits are intended to protect residents of one state in case a company becomes insolvent, they impose cash strains on a company that can hasten its demise and, in effect, favor residents of one state over another.

Regulatory reformers have pointed to state coordination efforts as evidence that the nation's often disjointed patchwork of insurance oversight is being improved.

But, even as regulators succeed in their coordination efforts, it now emerges that Massachusetts secretly demanded a \$500 million deposit from Executive Life last July.

In early October, the state's Division of Insurance complained that the company hadn't responded to the demand and insisted on a deposit by Oct. 16.

Executive Life replied by letter that it thought Massachusetts had been persuaded at an Aug. 3 meeting that a deposit wasn't necessary and noted that it had written less than \$1 million in new business in Massachusetts during the first nine months of 1990.

Moreover, California regulators refused to allow Executive Life to make the \$500 million deposit.

In a curt, Feb. 8 letter to the Massachusetts insurance commissioner, Executive Life said it "has decided to review its entire marketing strategy" and would, effective Feb. 15, no longer write new policies in Massachusetts.

Executive Life didn't say that the marketing review would result in its withdrawal from other states. A company official didn't return calls yesterday seeking elaboration.

The Massachusetts case parallels New Jersey's insistence in December on a \$500 million deposit. That demand prompted angry reaction, notably from regulators in California, New York, and Illinois, who have spearheaded the coordinated action. The National Association of Insurance Commissioners, the guiding body for state insurance agencies, at the time blasted New Jersey's action as "irresponsible."

New Jersey persisted, however, and, as a last resort, Executive Life agreed to stop writing new business in the state.

SB2007

SENATE FINANCE COMMITTEE REPORT

DATE: 5/9/92

FURTHER:

DATE TURNED INTO OFFICE: _____

The Finance Committee considered CS FOR SENATE BILL NO. 207 (L&C)
GAMES OF CHANCE; LICENSED OPERATORS

DIED

and recommends:

- replace with _____ CS _____ (FINANCE)
or adopt previous _____ CS _____
 attaches amendment(s)

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

- adopts _____ Letter of Intent
 further referral to the _____

- do pass
 do not pass
 no recommendation
 individual recommendations

NEW FISCAL NOTES: Dept/Date

zero fiscal notes _____

fiscal notes _____

appropriation--no fiscal note

DO PASS:

1. _____

Co-Chair: Signature/Recommendation

PREVIOUS FISCAL NOTES: Dept/Date

zero fiscal notes _____

fiscal notes _____

OTHER RECOMMENDATIONS:

2. _____

Co-Chair: Signature/Recommendation

STATE OF ALASKA

FISCAL NOTE

No. 2

Bill Version: CSSB 207(a+c)

1992 LEGISLATIVE SESSION

(S) Publish Date: 4-30-92

Revision Date: _____ Department Affected: Commerce & Economic Development
 Title: An Act relating to multiple-beneficiary BRU: Occupational Licensing
permitting of charitable gaming... Component: Administration
 Sponsor: Senator Zharoff
 Requestor: Senate Labor & Commerce COMPONENT SERIAL NO.

0	3	5	6
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	155.3	155.3	155.3	155.3	155.3	155.3
TRAVEL	10.0	10.0	10.0	10.0	10.0	10.0
CONTRACTUAL	45.0	45.0	45.0	45.0	45.0	45.0
SUPPLIES	5.0	5.0	5.0	5.0	5.0	5.0
EQUIPMENT	30.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	245.3	215.3	215.3	215.3	215.3	215.3

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE	245.3	215.3	215.3	215.3	215.3	215.3
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS	0.0	0.0	0.0	0.0	0.0	0.0
OTHER - GF/PR	245.3	215.3	215.3	215.3	215.3	215.3
TOTAL	245.3	215.3	215.3	215.3	215.3	215.3

POSITIONS:

FULL-TIME	3.0	3.0	3.0	3.0	3.0	3.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)
SEE ATTACHED

Changes in CSSB 207 (SUD) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.
2/9/92 date C. Olds Comte Aide (initial)

Prepared By: John N. Hansen, Jr., Gaming Program Manager Phone: 465-2581
 Division: Occupational Licensing Date: 04/29/92
 Approved by Commissioner: Glenn A. Olds
 Agency: Commerce & Economic Development Date: 4.29.92

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

**FISCAL NOTE ANALYSIS
CSSB 207(L&C)**

OPERATING EXPENDITURES

<u>Position</u>	<u>Range</u>	<u>Cost</u>	<u>Subtotal</u>
<u>Personal Services:</u>			
Investigator III	18	\$ 57.7	
Revenue Auditor III	18	\$ 57.7	
Occupational Licensing Examiner I	12	\$ 39.9	
			\$ 155.3
<u>Travel:</u>			
Investigator III		\$ 5.0	
Revenue Auditor III		\$ 5.0	
			\$ 10.0
<u>Contractual:</u>			
Office Lease Space		\$ 20.0	
Printing and Communications		\$ 25.0	
			\$ 45.0
<u>Supplies:</u>			
Daily operating supplies		\$ 2.0	
Investigator III		\$ 1.0	
Revenue Auditor III		\$ 1.0	
Occupational Licensing Examiner I		\$ 1.0	
			\$ 5.0
<u>Equipment:</u> (One-time costs)			
Investigator III		\$ 10.0	
Revenue Auditor III		\$ 10.0	
Occupational Licensing Examiner I		\$ 10.0	
			\$ 30.0
TOTAL COST			<u>\$ 245.3</u>

CS FOR SENATE BILL NO. 207 (JUDICIARY)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE JUDICIARY COMMITTEE

Offered: 5/9/92
Referred: Finance

Sponsor(s): SENATOR ZHAROFF

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to multiple-beneficiary permitting of charitable gaming and designation
2 of an applicant's member in charge; excluding persons and spouses of persons convicted
3 of felonies, crimes involving theft or dishonesty, or violations of municipal, state, or federal
4 gambling laws from participation in charitable gaming as permittees, licensees, or employees
5 of permittees or licensees; prohibiting contribution of net proceeds of bingo or pull-tab
6 activity to candidates for public office of the state or a political subdivision of the state;
7 requiring disbursement to permittees of at least 40 percent of adjusted gross income of
8 pull-tab activities and at least 15 percent of adjusted gross income of bingo activity;
9 defining 'managerial and supervisory capacity' and 'permittee'; requiring revocation of
10 charitable gaming permits issued to permittees, including multiple-beneficiary permittees, that
11 conduct bingo games and do not report a profit on the bingo games for each quarter;
12 and amending the definition of 'net proceeds' to include state, federal, and municipal taxes

1 paid or owed on account of the activity within the allowable expenses."

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

3 * Section 1. AS 05.15.020(a) is amended to read:

4 (a) A municipality or qualified organization may conduct an activity permitted under this
5 chapter, if the municipality or qualified organization pays the appropriate permit fee and receives
6 an annual permit issued by the department. The annual permit fee is

- 7 (1) \$20 for an applicant that did not hold a permit during the preceding year;
8 (2) \$20 for an applicant that had gross receipts of less than \$20,000 from
9 activities conducted under this chapter during the preceding year;
10 (3) \$50 for an applicant that had gross receipts of \$20,000 or more but not
11 exceeding \$100,000 from activities conducted under this chapter during the preceding year; [OR]
12 (4) \$100 for an applicant that had gross receipts exceeding \$100,000 from
13 activities conducted under this chapter during the preceding year; or
14 (5) \$250 for an applicant for a multiple-beneficiary permit under
15 AS 05.15.100(d).

16 * Sec. 2. AS 05.15.060 is amended to read:

17 Sec. 05.15.060. REGULATIONS. The department shall adopt regulations under the
18 Administrative Procedure Act (AS 44.62) necessary to carry out this chapter covering, but not
19 limited to,

- 20 (1) the issuance, renewal, and revocation of permits and licenses;
21 (2) a method of ascertaining net proceeds, the determination of items of expense
22 that may be incurred or paid, and the limitation of the amount of the items of expense to prevent
23 the proceeds from the activity permitted from being diverted to noncharitable, noneducational,
24 nonreligious, or profit-making organizations, individuals, or groups;
25 (3) the immediate revocation of permits and licenses authorized under this chapter
26 if this chapter or regulations adopted under it are violated;
27 (4) the requiring of detailed, sworn, financial reports of operations from permittees
28 and licensees including detailed statements of receipts and payments;
29 (5) the investigation of permittees, licensees, and their employees, including the
30 fingerprinting of those permittees, licensees, and employees whom the commissioner considers
31 it advisable to fingerprint;

1 (6) exclusion from participation as a permittee, licensee, or employee of a
2 permittee or licensee, of a person or the spouse of a person convicted of [, IN PRISON FOR,
3 OR ON PAROLE FOR] a felony, [WITHIN THE PRECEDING FIVE YEARS, OR
4 CONVICTED OF] a crime involving theft or dishonesty, or [OF] a violation of a municipal,
5 state, or federal gambling law;

6 (7) the method and manner of conducting authorized activities and awarding of
7 prizes or awards, and the equipment that may be used;

8 (8) the number of activities that may be held, operated, or conducted under a
9 permit during a specified period; however, the department may not allow more than 14 bingo
10 sessions a month and 35 bingo games a session to be conducted under a permit; the holders of
11 a multiple-beneficiary permit under AS 05.15.100(d) may hold, operate, or conduct the
12 number of sessions and games a month equal to the number allowed an individual permittee
13 per month multiplied by the number of holders of the multiple-beneficiary permit;

14 (9) a method of accounting for receipts and disbursements by operators, including
15 the keeping of records and requirements for the deposit of all receipts in a bank;

16 (10) the disposition of funds in possession of a permittee or a person,
17 municipality, or qualified organization that possesses an operator's license at the time a permit
18 or a license is surrendered, revoked, or invalidated;

19 (11) restrictions on the participation by employees of the Department of Fish and
20 Game in salmon classics and in king salmon classics, and by employees of Douglas Island Pink
21 and Chum in king salmon classics;

22 (12) other matters the commissioner considers necessary to carry out this chapter
23 or protect the best interest of the public.

24 * Sec. 3. AS 05.15.100 is amended by adding new subsections to read:

25 (d) The commissioner may issue a multiple-beneficiary permit to two to six
26 municipalities or qualified organizations or to a combination of two to six municipalities and
27 qualified organizations that apply jointly for a permit. The permit gives the permit holders the
28 privilege of jointly conducting the activities specified in (a) and (b) of this section, subject to the
29 restrictions set out in (b) of this section.

30 (e) The department shall revoke the permit of a permittee, including a multiple-
31 beneficiary permittee, that conducts bingo games and does not report a profit on the bingo games

1 for each quarter.

2 * Sec. 4. AS 05.15.112(a) is amended to read:

3 (a) Each municipality or qualified organization that applies for [RECEIVES] a permit
4 under this chapter shall designate a member in charge. Municipalities and qualified
5 organizations that jointly apply for a multiple-beneficiary permit under AS 05.15.145 shall
6 establish a board consisting of one member from each municipality and qualified
7 organization, and the board shall designate one of its members as the member in charge for
8 the multiple-beneficiary permittee.

9 * Sec. 5. AS 05.15.112(b) is amended to read:

10 (b) The member in charge is responsible for preparation, maintenance, and transmittal
11 of all records and reports required of the permittee. The member in charge shall be a member
12 of the qualified organization or the board of directors of the qualified organization or an
13 employee of the municipality. In the case of a multiple-beneficiary permit, the member in
14 charge and the alternate members in charge shall be members of one or more of the
15 qualified organizations or the board of directors of one or more of the qualified
16 organizations or employees of one or more of the municipalities.

17 * Sec. 6. AS 05.15.112(d) is amended to read:

18 (d) The municipality or qualified organization, or the holders of a multiple-beneficiary
19 permit, shall designate alternate members in charge who are responsible for the duties of the
20 member in charge in the absence of the member in charge.

21 * Sec. 7. AS 05.15.122(c) is amended to read:

22 (c) The department may not issue an operator's license to an applicant if the applicant,
23 the spouse of the applicant, or a person employed by the applicant in a managerial or
24 supervisory capacity, has been convicted of [, IN PRISON FOR, OR ON PAROLE FOR] a
25 felony₁ [WITHIN THE PRECEDING FIVE YEARS, OR CONVICTED OF] a crime involving
26 theft or dishonesty₁ or [OF] a violation of a municipal, state, or federal gambling law.

27 * Sec. 8. AS 05.15.122(d) is amended to read:

28 (d) A licensee may not employ a person in a managerial or supervisory capacity if the
29 person or the spouse of the person has been convicted of [, IN PRISON FOR, OR ON
30 PAROLE FOR] a felony₁ [WITHIN THE PRECEDING FIVE YEARS, OR CONVICTED OF]
31 a crime involving theft or dishonesty₁ or [OF] a violation of a municipal, state, or federal

1 gambling law.

2 * Sec. 9. AS 05.15.140(b) is amended to read:

3 (b) In an application for a permit, a municipality or qualified organization shall disclose
4 the name and address of each person responsible for the operation of the activity and whether
5 any person named or the person's spouse (1) has been convicted of [, IN PRISON FOR, OR
6 ON PAROLE FOR] a felony₂ [WITHIN THE PRECEDING FIVE YEARS, OR CONVICTED
7 OF] a crime involving theft or dishonesty₂ or [OF] a violation of a municipal, state, or federal
8 gambling law; or (2) has a prohibited financial interest, as defined in regulations adopted by the
9 commissioner, in the operation of the activity. In this subsection, "person responsible for the
10 operation of the activity" means a person who acts in a managerial or supervisory capacity
11 with regard to the activity.

12 * Sec. 10. AS 05.15.140(c) is amended to read:

13 (c) The commissioner may not issue a permit for an activity operated by a person or the
14 spouse of a person who has been convicted of [, IN PRISON FOR, OR ON PAROLE FOR] a
15 felony₂ [WITHIN THE PRECEDING FIVE YEARS, OR CONVICTED OF] a crime involving
16 theft or dishonesty₂ or [OF] a violation of a municipal, state, or federal gambling law.

17 * Sec. 11. AS 05.15 is amended by adding a new section to read:

18 Sec. 05.15.145. MULTIPLE-BENEFICIARY PERMITS. (a) Two to six municipalities
19 or qualified organizations, or a combination of two to six municipalities and qualified
20 organizations, may jointly apply for a multiple-beneficiary permit under AS 05.15.100(d). The
21 commissioner may not issue or renew a permit except upon satisfactory proof that each joint
22 applicant is a municipality or qualified organization, the activity may be permitted under this
23 chapter, and the issuance of a permit is not detrimental to the best interests of the public. Upon
24 request of the commissioner, the joint applicants shall prove conclusively each of these
25 requirements before a permit may be issued or renewed.

26 (b) The provisions of AS 05.15.140(b) - (d) apply to multiple-beneficiary permits and
27 applications for them.

28 (c) A municipality or qualified organization that is among the holders of a multiple-
29 beneficiary permit may not hold another permit under this chapter.

30 (d) A municipality or qualified organization that is among the holders of a multiple-
31 beneficiary permit may withdraw from the permit by giving written notice of intent to withdraw

1 to the department and to the other holders of the permit. The effective date of the withdrawal
2 is 30 days after the department receives written notice of intent. A municipality or qualified
3 organization that withdraws from a multiple-beneficiary permit may apply for a permit under
4 AS 05.15.100(a), but the total of its share of the prizes awarded under the multiple-beneficiary
5 permit and the prizes it awards under its own permit are subject to the maximums established in
6 AS 05.15.180(g).

7 (e) The holders of a multiple-beneficiary permit shall jointly file reports with the
8 department that comply with the reporting requirements imposed on operators under
9 AS 05.15.083.

10 (f) The department shall revoke a multiple-beneficiary permit if the permittee does not

11 (1) meet the requirements of AS 05.15.100(e); or

12 (2) pay each quarter to each holder of the multiple-beneficiary permit an equal
13 share of the amount of the adjusted gross income remaining after expenses are deducted; if a
14 holder withdraws from the multiple-beneficiary permit during a quarter, that holder is entitled to
15 a pro rata share based on the percentage of the quarter that the withdrawing entity was a holder.

16 (g) No more than six municipalities, qualified organizations, or a combination of
17 municipalities and qualified organizations may be holders of a multiple-beneficiary permit during
18 the year for which the permit is issued.

19 * Sec. 12. AS 05.15.150(a) is amended to read:

20 (a) The authority to conduct the activity authorized by this chapter is contingent upon
21 the dedication of the net proceeds of the raffles or contests to the awarding of prizes to
22 contestants or participants and to political, educational, civic, public, charitable, patriotic or
23 religious uses in the state. "Political, educational, civic, public, charitable, patriotic, or religious
24 uses" means uses benefiting persons either by bringing them under the influence of education or
25 religion or relieving them from disease, suffering, or constraint, or by assisting them in
26 establishing themselves in life, or by providing for the promotion of the welfare and well-being
27 of the membership of the organization within their own community, or through aiding candidates
28 for public office or groups that support candidates for public office, or by erecting or maintaining
29 public buildings or works, or lessening the burden on government, but does not include

30 (1) contribution of net proceeds of bingo or pull-tab activity to a candidate
31 for a public office of the state or a political subdivision of the state; or

1 (2) the erection, acquisition, improvement, maintenance, or repair of real,
2 personal, or mixed property unless it is used exclusively for one or more of the uses stated.

3 * Sec. 13. AS 05.15.160 is amended by adding new subsections to read:

4 (c) The total amount of authorized expenses that may be incurred under (a) of this
5 section in connection with a pull-tab activity may not exceed 60 percent of the adjusted gross
6 income from that pull-tab activity.

7 (d) The total amount of authorized expenses that may be incurred under (a) of this
8 section in connection with a bingo activity may not exceed 85 percent of the adjusted gross
9 income from that bingo activity.

10 * Sec. 14. AS 05.15.180(d) is amended to read:

11 (d) The total value of door prizes offered or awarded under authority of a permit issued
12 to a municipality or qualified organization under this chapter or under authority of a multiple-
13 beneficiary permit may not exceed \$20,000 a month or \$240,000 a year.

14 * Sec. 15. AS 05.15.180(g) is amended to read:

15 (g) A municipality or a qualified organization may award a maximum of \$1,000,000 in
16 prizes each year in activities authorized under this chapter. The holders of a multiple-
17 beneficiary permit under AS 05.15.145 may award a maximum in prizes each calendar year
18 of \$1,000,000 times the number of holders of the permit for activities authorized under this
19 chapter; however, if a municipality or a qualified organization contracts with an operator to
20 conduct on its behalf activities authorized under this chapter, the municipality or qualified
21 organization may award a maximum of \$500,000 in prizes each year. In this subsection
22 "activities authorized under this chapter" means all activities subject to this chapter other than
23 bingo.

24 * Sec. 16. AS 05.15.187(f) is amended to read:

25 (f) Each permittee [MUNICIPALITY OR QUALIFIED ORGANIZATION] that had
26 gross receipts exceeding \$100,000 during the preceding year from activities conducted under this
27 chapter or that is required to report under AS 05.15.080(a), that conducts a pull-tab game shall
28 maintain records for two years of each prize of \$50 or more, the first day and last day that each
29 series was distributed, the serial number of each series, and the distributor from whom each series
30 was purchased. In this section, "permittee" includes municipalities and qualified
31 organizations that jointly hold a multiple-beneficiary permit.

1 * Sec. 17. AS 05.15.210(23) is amended to read:

2 (23) "net proceeds" means the gross receipts from an authorized activity less the
3 fee described in AS 05.15.020(b), the expenses authorized by AS 05.15.160, [AND] the prizes
4 awarded at the activity, and state, federal, and municipal taxes paid or owed on account of
5 the activity;

6 * Sec. 18. AS 05.15.210 is amended by adding new paragraphs to read:

7 (36) "managerial or supervisory capacity" means that the employee

8 (A) is responsible for gaming receipts;

9 (B) has the authority to hire employees or to dismiss or otherwise
10 discipline them;

11 (C) prepares financial reports required under this chapter;

12 (D) is responsible for keeping the accounts for activities under this
13 chapter;

14 (E) is responsible for conducting activities under this chapter, including
15 the arranging for locations at which those activities will occur; or

16 (F) is a fund-raiser or consultant;

17 (37) "permittee" means a municipality or a qualified organization that holds a
18 valid permit under AS 05.15.100, or a group of municipalities or qualified organizations that
19 holds a valid multiple-beneficiary permit under AS 05.15.145.

SENATE BILL NO. 207

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATOR ZHAROFF

Introduced: 3/15/91
Referred: L&C and Judiciary

A BILL

FOR AN ACT ENTITLED

1 "An Act prohibiting a licensed operator from conducting charitable gaming activity on
2 behalf of more than 10 permittees a year; and providing for an effective date."

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

4 * Section 1. AS 05.15.122 is amended by adding a new subsection to read:

5 (e) A licensee under this section may not conduct charitable gaming activity on behalf
6 of more than 10 permittees in a calendar year.


7 * Sec. 2. This Act takes effect January 1, 1992.

CSSB 207: "An Act relating to multiple-beneficiary permitting of charitable gaming and designation of an applicant's member in charge; excluding persons and spouses of persons convicted of felonies, crimes involving theft or dishonesty, or violations of municipal, state, or federal gambling laws from participation in charitable gaming as permittees, licensees, or employees of permittees or licensees; prohibiting contribution of net proceeds of bingo or pull-tab activity to candidates for public office of the state or a political subdivision of the state; requiring disbursement to permittees of at least 40 percent of adjusted gross income of pull-tab activities and at least 15 percent of adjusted gross income of bingo activity; defining 'managerial and supervisory capacity' and 'permittee'; requiring revocation of charitable gaming permits issued to permittees, including multiple-beneficiary permittees, that conduct bingo games and do not report a profit on the bingo games for each quarter; and amending the definition of 'net proceeds' to mean the gross receipts from an authorized activity less the fee described in AS 05.15.020(b), the expenses authorized by AS 05.15.160, the prizes awarded at the activity, and state, federal, and municipal taxes paid or owed on account of the activity."

The department strongly supports this bill. It contains language that would require a minimum return on bingo and pull-tabs and prohibit the use of net proceeds for political contributions. With these provisions, the net proceeds available for uses are expected to increase thereby benefitting more individuals and organizations throughout the state that use this as a method of fundraising.

Changes to current law would also further prohibit convicted felons and their spouses from conducting gaming activities.

The department has general comments addressed in our bill analysis. We have provided a fiscal note to reflect the minimum amount of administrative support to ensure compliance with the legislative provisions of this bill.



Glenn A. Olds, Commissioner
Date: 5.7.92

BILL ANALYSIS

Section 1: This section recognizes a new class of permittee, the Multiple Beneficiary Permittee (MBP) and establishes an annual permit fee.

The department supports the statutory recognition.

Section 2: This section directs the department to promulgate regulations to: (a) prohibit any felon and a spouse of a felon from being involved in charitable gaming; and (b) specify the number of bingo games an MBP may hold per session and month.

The department supports this section.

Section 3: This section adds specific statutory recognition of an MBP and provides for up to a total of six permittees in a calendar year to join together to conduct gaming activities and allows the department to revoke the permit of a permittee and an MBP if a profit on bingo games is not reported each quarter. The department currently recognizes the ability for permittees to conduct gaming jointly in regulation 12 AAC 34.200.

The department supports this section but feels specific language regarding how much profit should be included. We suggest amending this section to adopt the percentage requirements specified in Section 13 amending AS 05.15.160(c) and (d).

Section 4: This section provides for the establishment of a board consisting of a member from each of the permittees applying for an MBP and the appointment of one of the members as the member in charge.

The department supports this section.

Section 5: This section requires that the member in charge of the MBP be a member of one of the qualified organizations, or on the board of directors of one of the qualified organizations or an employee of the municipality.

The department supports this section.

Section 6: This section adds a requirement that the holders of an MBP shall designate an alternate member in the absence of the member in charge.

The department supports this section.

Section 7: This section amends AS 05.15.122 to include as a reason to not issue an operator license the felony provisions stated in Section 2 of this bill, including persons employed in a managerial or supervisory capacity.

The department supports this section.

BILL ANALYSIS

Page 2

Section 8: This section amends AS 05.15.122 to include language that would prohibit an operator from employing in a managerial or supervisory capacity the spouse of a person with the felony provisions found in Section 2.

The department supports this section.

Section 9: This section amends AS 05.15.140(b) to include a requirement that the permittee disclose whether the spouse of the person responsible for the operation of the activity has been convicted of a felony (Section 2 provisions), or whether a person's spouse has a prohibited financial interest and specifies that the term "person responsible for the operation of the activity" means a person who acts in a managerial or supervisory capacity with regard to the activity.

The department supports this section.

Section 10: This section amends AS 05.15.140(c) to include as a reason for not issuing a permit the felony provisions stated in Section 2.

The department supports this section.

Section 11: This section provides language to recognize an MBP, the sections of AS 05.15 that apply to them, and the requirements to be met when one of the permittees wish to withdraw from the MBP, reporting requirements, and the allocation of net proceeds between the holders of an MBP.

The department supports this section.

Section 12: This section amends AS 05.15.150 to prohibit the use of net proceeds from bingo or pull-tab activity for contributions to a candidate for a public office of the state or a political subdivision of the state.

The department supports this section.

Section 13: This section would limit pull-tab expenses to no more than 60% of the adjusted gross income from that pull-tab activity and limit bingo expenses to no more than 85% of the adjusted gross income from that bingo activity.

The department supports this section.

Section 14: This section amends AS 05.15.180(d) to include a provision that limits door prizes of an MBP.

The department supports this section.

BILL ANALYSIS
Page 3

Section 15: This section provides language to specify the prize limitations that apply to MBP.

The department supports this section.

Section 16: This section amends AS 05.15.187(f) to replace "municipality or qualified organization" with "permittee" and to specify that an MBP is considered a permittee for the purposes of this section.

The department supports this section.

Section 17: This section amends AS 05.15.210 to include as a deductible item to determine net proceeds, state, federal, and municipal taxes paid or owed on account of the activity.

The department supports this section.

Section 18: This section adds to the definitions found in AS 05.15.210 the meaning of "managerial and supervisory" and expands the definition of "permittee" to include those municipalities and qualified organizations that hold a multiple-beneficiary permit under AS 05.15.145.

PLEASE MICROFILM TOP PAGE ONLY

SB209

SENATE FINANCE COMMITTEE REPORT

DATE: 3/15/91

FURTHER:

Date of 5-Day Notice: 4-3-91
(in accordance with Uniform Rule 23)

DATE TURNED
INTO OFFICE: _____

Finance Committee considered SB 209

Supplemental appropriation to the Office of the Governor for an Arctic National Wildlife Refuge national education effort; efd.

DIED

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):
Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:
Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

SENATE BILL NO. 209

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/15/91

Referred: Finance

Funding Information:	General Fund	\$5,000,000
	Other Funds	<u>-0-</u>
		\$5,000,000

A BILL

FOR AN ACT ENTITLED

1 "An Act making a supplemental appropriation to the Office of the Governor for an Arctic
2 National Wildlife Refuge national education effort; and providing for an effective date."

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

4 * Section 1. The sum of \$5,000,000 is appropriated from the general fund to the
5 Office of the Governor for a national education effort to gain approval for the opening of
6 the Arctic National Wildlife Refuge to oil and gas development.

7 * Sec. 2. The unexpended and unobligated balance of the appropriation made by sec.
8 1 of this Act lapses into the general fund June 30, 1992.

9 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).



FACSIMILE TRANSMISSION

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4220 'F' Street
Anchorage, Alaska 99508
907-562-2266 Telex: 25-109

DESTINATION CITY & COUNTRY: ALASKA

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(Incl. this page)

COMPANY: HOUSE & SENATE FINANCE COMMITTEES ATTN/DEPT: MEMBERS OF THE AK ST LEGISLATURE

MESSAGE

SUBJECT: COASTAL PLAIN OF THE ARCTIC NATIONAL WILDLIFE REFUGE

To All Members of the Alaska State Legislature:

The time to open up the Coastal Plain of the Arctic National Wildlife
Refuge for oil and gas exploration is now! Please support SB209, a
supplemental budget request for a \$5 million ANWR public relations
and lobbying campaign.

Regards

Jack Good

President/CBO

SENDER: Eran Brunlow

CORROON & BLACK/ANCHORAGE
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
EDUCATIONAL CAMPAIGN STRATEGY FOR ANWR

THE PROGRAM

This highly focused and targeted information and education campaign is to be conducted by the State of Alaska through the Office of the Governor. It is designed to give an Alaska perspective and utilize the most effective communications tools to move the "Audience of One," the U.S. Congress, into passing favorable legislation to open and explore ANWR.

Working collectively and in harmony with other interested organizations, groups and associations, the Office of the Governor will spearhead the collective effort, serve as coordinating unit and deliver the basic themes and messages with a highly visible and active Governor.

The full details of the plan and its development will include not only the methodology to achieve success, but a timeline and checkpoint phases of the effort.

It is imperative that to achieve success in this venture all parties recognize the need to deliver "their portions" of the program and to work within their "strength" areas. Each brings desirable, achievable attributes that can aid in making this program succeed.

Flexibility will also be a key element to this plan. It will be important to recognize this is the plan, but if the targets change, the plan too must change.

Timing is of the utmost urgency. The program needs to commence immediately with proper staffing and outside strategists and contractors hired to commence work.

GOALS

- 1) Obtain the favorable vote of targeted U.S. Representatives and Senators on legislation to open the ANWR Coastal Plain for oil exploration and future development.
- 2) Present the correct perception of Alaska to the rest of the U.S. in terms of our commitment and experience in caring for the Alaska environment and the role Alaska plays in the development of a national energy plan and policy.

THEMES

- 1) Help develop a meaningful national energy policy with Alaska and ANWR as the cornerstone.
- 2) Show that Alaskans and the State of Alaska care about the environment. We live here and proudly point to an enviable, non-harmful record on Alaska's North Slope. We've done it right and can continue to do so, with natural resource production and a high regard for nature and environmental protection.

LOBBYING STRATEGY

Coordinate with advocacy groups to target key U.S. House and Senate committee members.

Hire a Washington lobbying organization and strategist to develop strategy and coordinate efforts to achieve the specific legislative checkpoints. The current contract with the present provider will be re-evaluated.

The thrust will be to focus effort on members of the committees of jurisdiction in Congress. The Governor's Washington, D.C. office will continue to be utilized to oversee these D.C. based efforts.

A coordinated communications/education effort will be made in each Congressman's home district through other program methods such as public relations efforts, including television placement and support from the Alaska people as they contact friends and associates. This phase will be carefully coordinated.

PUBLIC RELATIONS/EDUCATION

Targeted Media

The focus is to take advantage of a highly personable and knowledgeable Governor as well as an outstanding cabinet and other prominent Alaskans, making them available for key media interviews and highly visible opportunities to carry the State's ANWR message forward.

The task of the coordinator, with support from a public relations contractor, is to maximize opportunities in targeted regions of the nation, especially where there is a high degree of concern about national energy issues and Alaska's environment.

STATE OF ALASKA, EDUCATIONAL CAMPAIGN FOR ANWR

The next phase, and more detailed edition of the plan, will include:

- A) Scheduled meetings with key media outlets and editorial boards across the nation to present Alaska's record on the environment and the serious national need for domestic energy supplies. The meetings will be supported with appropriate graphic materials.
- B) Production of factual and objective supportive collateral material;
- C) Distribution of these materials through credible sources;
- D) Op/ed pieces will be written for other publications in selected areas that are still undecided as well as to publishers/editors who support ANWR development;
- E) Ongoing coordination with the Alaska congressional delegation;
- F) Targeted one-on-one meetings with CEOs and leaders of major corporations, organized labor and other opinion leaders.

An important part of the public relations effort will be effective timing of educational television and other video to be timed and keyed with high profile visits. The educational video will be utilized as a news backgrounder.

In addition, specifically targeted national media outlets will be utilized to carry the message designed to reach those in the nation's capital who must make the decisions.

Television Placement

Carry out the theme of Alaska's message:

- A) Any realistic national energy policy must include Alaska, with ANWR a major part.
- B) Alaska supports the preservation of the heart of ANWR in the Brooks Range. The area to be dedicated to energy development is only a small area, the size of N.W. Washington, D.C.
- C) Alaska has a clean, successful track record in natural resource development without harming the environment. This record will continue. The transportation lessons of the Exxon Valdez have been learned and are behind us. The oil production track record of the North Slope is excellent, the best of any oil field worldwide.
- D) Educate the American public in key targeted districts so that their Congressmen become aware of the above.

STATE OF ALASKA, EDUCATIONAL CAMPAIGN FOR ANWR

Production of TV material will be distinctly the state's version, different than that of industry and support groups. In addition to paid placement, all other avenues for broadcast will be explored including public TV, PSAs, the Discovery Channel, news features, etc.

PROJECT COORDINATOR

A person will be hired to handle coordination of the efforts of all interested organizations, groups and individuals. The primary task of this individual will be to spearhead ANWR activity to achieve the desired goals stated earlier. Effective monitoring of all efforts will be instrumental to the success envisioned.

THE ROLE OF THE ALASKA PEOPLE

Materials

Printed materials and perhaps brief videos will be produced that concerned Alaskans can send to contacts across the nation.

Spokesmen

Prominent Alaskans outside the administration including those who represent key segments of Alaska society will be approached to volunteer their time to represent the state's point of view throughout the nation.

Establishment of "Americans for ANWR"

A concerted effort will be made to enlist prominent, credible non-Alaskans who have either visited ANWR personally, or have a thorough understanding of Arctic development and how the environment can and will be cared for.

TIMELINE

Phase I	- Full development of Plan; coordination with advocacy groups; hiring of coordinator	April/May
Phase II	- Lobbying coordination; detailed plan procedures developed	April-October
Phase III	- Public relations education effort including establishment of support for the Alaska people, target media and TV placement	May-November

This timeline breaks the plan implementation into three phases. However, all must work cohesively with a simultaneous multi-level sequence of efforts.

STATE OF ALASKA, EDUCATIONAL CAMPAIGN FOR ANWR

RECOMMENDED BUDGET

Capitol Hill Lobbying firm and effort to target districts and key 100 Congressmen	\$750,000
Media Placement Campaign TV targeted districts	3,000,000
TV Production and duplication	250,000 - 350,000
Print Production Collateral pieces creative	85,000
PR materials for targeted districts, (printing and postage)	175,000
Other PR providers for top-level national media access	150,000
Travel expenses to key districts by governor, cabinet, etc for editorial boards	75,000
Coordinator with industry and all support groups (salary, benefits, travel, support)	130,000
Alaska public enlistment, using volunteer Alaska advocates (travel, materials, postage)	75,000
Contingency for unforeseen opportunities	210,000
Total	<u>5,000,000</u>

SB 209
4/11/91

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

M E M O R A N D U M

TO: The Honorable Jalmar Kerttula
Co-Chair, Senate Finance Committee

FROM: Malcolm B. Roberts
Deputy Chief of Staff *Malcolm B Roberts*

DATE: March 13, 1991

RE: Proposed National ANWR Campaign

Although there has been discussion in the Legislature for some years about launching a nationwide ANWR education campaign, those of us in the Hickel Administration who have been assigned to work on ANWR believe that now is the time to dedicate substantial funds to such an effort.

For this reason, as you know, the Governor submitted a \$5 million supplemental request March 6 for that purpose.

In a memorandum to the Senate and House Finance Committees (attached), the Governor detailed the rationale for committing a substantial amount of resources to reach the American people.

To insure that this money is spent wisely and effectively, we have contracted with Bruce Pozzi Public Relations of Anchorage to begin designing the education plan, and we are hoping to enlist a top national strategist out of Washington, D.C. within the next few days.

The assignment of these two individuals will be to prepare a thorough plan which will have at least five components:

- 1) Support for Governor Hickel and other state officials in their efforts with the national media to explain why opening ANWR is in the national interest and why and how it can be done in an environmentally sound manner. Further activities will most likely include briefings of editorial boards across the country, meetings with key Members of Congress and public appearances that will help tell the story to the American people.

March 13, 1991

- 2) A sophisticated lobbying campaign is needed on Capitol Hill to explain the state's position and why opening ANWR is in the national interest. This activity will be coordinated by John Katz, the Director of Alaska's Washington, D.C. office, in conjunction with our congressional delegation.
- 3) Coordination is needed with the Coalition for American Energy Security, the American Petroleum Institute and other national groups that share Alaska's conviction that opening ANWR is important for the national energy scene.
- 4) One-on-one meetings will be arranged with leaders of corporations, organized labor and other influential Americans who do business with Alaska, have their members working here, or benefit in some other direct way from a healthy Alaska economy.
- 5) An education campaign of the American people is needed in targeted areas of the country. Through the help of our consultants, we will identify those areas where ANWR development will either be of particular importance or where there is a serious lack of understanding of the how and why of ANWR. This will not be a scattershot program but will be carefully designed to generate quality constituent mail and local media support. A range of materials will be prepared for use with various media. Past campaigns by our Division of Tourism have been successful in attracting visitors to our state in large numbers. Our task now is to get out the message that Alaska's energy development is in the best interests of all Americans.

It is evident that this battle will not be won by focusing strictly on Capitol Hill. We must reach out to the people of America and help them understand the issue, particularly that this development can be done responsibly without harming the landscape or the wildlife populations on the Arctic Coastal Plain.

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

MEMORANDUM

TO: Senate and House Finance Committee DATE: March 11, 1991

FROM: The Honorable *Walter J. Hickel* Governor SUBJECT: A National ANWR
Education Campaign

The time has come for the State of Alaska to take the leadership in educating America about why it is in the national interest to open the Arctic Wildlife Refuge (ANWR) to responsible oil and gas development.

For that reason, I am recommending a \$5 million supplemental to the FY 1991 budget.

The rationale for dedicating a substantial amount of financial resources to this effort at this time is based on the unusual combination of:

- 1) The way the Persian Gulf War has made energy a life or death issue in the minds of Americans.
- 2) The fact that President George Bush has launched a National Energy Strategy last month which makes ANWR a key element in the overall picture.
- 3) The fact that Senator Bennett Johnston has introduced his national energy policy bill recently which also makes ANWR the keystone.
- 4) The fact that the American Petroleum Institute, for the first time, appears committed to dedicate substantial effort and resources to help explain this issue to the American people.

I believe that it is time for Alaska to make its case, and it's important that we do it at arms length from the oil industry and other interests who may share our desire to open ANWR but may have different agendas on issues important to the State, such as environmental requirements and the division of royalties.

Senate and House
Finance Committees

-2-

March 11, 1991

The \$5 million requested will be used to marshal a sophisticated and energetic campaign on Capitol Hill to explain the state's position and will go beyond the belt-way to tell the story directly to the American people.

My staff has begun work developing an educational plan which will explain to the American people why an ANWR development program is needed and why we, as Alaskans, have confidence that it can be done in an environmentally responsible manner.

I am aware that the Legislature for some years has felt the need for such a nationwide approach. I hope you will support this request for funding and lend your shoulders to the task of educating America on Alaska, our resources and our environmental record during this important window of opportunity.

WALTER J. HICKEL
GOVERNOR



209

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 15, 1991

The Honorable Richard I. Eliason
President of the Senate
P.O. Box V
Juneau, AK 99811

Dear President Eliason:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill appropriating \$5,000,000 to my office for an education effort to gain approval for the opening of the Arctic National Wildlife Refuge (ANWR) to oil and gas development. The appropriation will allow our state to mount a vigorous campaign to explain our position on this issue to Congress. Even beyond that, this appropriation will enable us to explain directly to the American people why opening ANWR is in the national interest, and how it can be done in an environmentally responsible manner.

The timing of our effort is critical. The president recently announced his national energy strategy, of which the opening of ANWR is a key element, and legislation to open the refuge to development has been introduced in the U.S. Senate.

It is also important that our efforts be independent of any similar efforts of the oil industry or others who, for their own reasons, share our desire to open ANWR but may differ from us on their views with respect to such issues as environmental protection and the state/federal split on royalties. This appropriation will allow that independence, and will allow us to proceed with our effort at a time when both Congress and the American people will be most receptive to the opening of ANWR. I urge your prompt and favorable consideration of this legislation.

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel".

Walter J. Hickel
Governor

SB210

SENATE FINANCE COMMITTEE REPORT

DATE: 3/26/91

FURTHER:

DATE TURNED INTO OFFICE: _____

The Finance Committee considered SENATE BILL NO. 210

"An Act making an appropriation for a long-term health care facility in Fairbanks; and providing for an effective date."

DIED

and recommended:

<input type="checkbox"/>	replace with _____ CS _____	<input type="checkbox"/>	same title
<input type="checkbox"/>	or adopt _____ CS _____	<input type="checkbox"/>	new title
<input type="checkbox"/>	attached amendment(s)	<input type="checkbox"/>	technical title change (HB only)
<input type="checkbox"/>	_____ letter of intent adopted		

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

SIGNING DO PASS:

APPROVES PREVIOUS:

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

OTHER RECOMMENDATIONS:

1. _____ 2. _____

Co-Chairs: Signatures and Recommendations

SENATE BILL NO. 210

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATORS FRANK, Fahrenkamp

Introduced: 3/15/91

Referred: HES and Finance

Funding Information:	General Fund	\$11,000,000
	Other Funds	<u>-0-</u>
		\$11,000,000

A BILL

FOR AN ACT ENTITLED

1 "An Act making an appropriation for a long-term health care facility in Fairbanks; and
 2 providing for an effective date."

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

4 * Section 1. The sum of \$11,000,000 is appropriated from the general fund to the Department of
 5 Health and Social Services for payment as a grant under AS 37.05.316 to the Greater Fairbanks
 6 Community Hospital Foundation, Inc., for the planning, design, engineering, and construction of a
 7 regional long-term health care facility in Fairbanks.

8 * Sec. 2. The appropriation made by this Act is for a capital project and is subject to AS 37.25.020.

9 * Sec. 3. This Act takes effect July 1, 1991.

SB211

SENATE FINANCE COMMITTEE REPORT

DATE: 4/24/91

FURTHER:

DATE TURNED INTO OFFICE: 5-18-91

The Finance Committee considered SENATE BILL NO. 211

"An Act providing for coverage of advanced nurse practitioner services under the Medicaid program; and reordering the priorities granted to optional services offered under the Medicaid program."

and recommended:

- replace with _____ CS SB 211 (FIN) same title
- or adopt _____ CS _____ new title
- attached amendment(s) technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):
Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

SIGNING DO PASS:

Rich Heil (DO PASS)

APPROVES PREVIOUS:

Dept/Date:

fiscal note(s) _____
57.8 DH+SS 4-18-91

zero fiscal note(s) _____

OTHER RECOMMENDATIONS:

John Curran No Rec
Al Adams - No Rec

[Signature]

1. *[Signature]*

2. *[Signature]*

Co-Chairs: Signatures and Recommendations

STATE OF ALASKA
1991 LEGISLATIVE SESSION

FISCAL NOTE

No. 1
Bill Version: SB 211
(S) Publish Date: 4/24/91

Revision Date: _____ Department Affected: Health & Social Services
Title: An Act Providing for Coverage of BRU: Medicaid
Advanced Nurse Practitioners... Component: Non-Facility
Sponsor: Senator Collins
Requestor: _____ COMPONENT SERIAL NO. 0 2 3 0

Expenditures/Revenues: Thousands of Dollars

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	17.4	14.1	16.7	19.9	23.5	28.0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS CLAIMS	40.4	99.7	123.0	151.8	187.3	231.1
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	57.8	113.8	139.7	171.7	210.8	259.1

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND	27.7	54.0	66.5	81.9	100.6	123.9
FEDERAL FUNDS	30.1	59.8	73.2	89.8	110.2	135.2
OTHER	0	0	0	0	0	0
TOTAL	57.8	113.8	139.7	171.7	210.8	259.1

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)
See attached analysis

Changes in SB 211 (Fin)
reflect NO FISCAL CHANGE from the original
fiscal note. This fiscal note is appropriate.
5-18-91 _____
date Comptroller (initial)

Prepared By: Andy Q... Phone: 465-3355
Division: Division of Medical Assistance Date: 4-18-91

Approved by Commissioner: [Signature]
Agency: Health and Social Services Date: 4-18-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impact Agency(ies)

Fiscal Note Analysis

SB 211

(1) We assume: full-time ANP works 40 hrs/week, 48 weeks/year, charges \$90/hour, and is likely to have a patient mix that is approximately 30% Medicaid-eligible. Medicaid pays ANPs 80% of the charges normally billed to the general public. Therefore, a full-time ANP is likely to bill Medicaid for \$41,472 per year (1920 hours x \$90/hr = \$172,800 x 30% x .80 = \$41,472)

(2) Part-time ANPs work, on average, 30% of full-time ANPs. \$41,472 x 30% = \$12,442 per year

(3) 6 full-time and 6 part-time ANPs will enroll in Medicaid.

$$6 \times \$41,472 = \$248,832$$

$$6 \times 12,442 = 74,652$$

\$323,484

(4) Of this theoretical maximum billing, we assume 75% will be for services which Medicaid recipients would have received from an array of other types of enrolled providers. Many of those providers would have billed Medicaid more for their services, so it is reasonable to posit some program savings will occur. However, we have no way to estimate how many recipients will leave each existing provider type (and payment level), so we cannot estimate the savings involved.

(5) The remaining 25% will be new services, of two types: services which eligible persons now receive from ANPs (and for which ANPs probably receive little or no compensation) and services which eligibles now either defer or do without. From the latter category, the increased access to services patients would experience by adding ANPs as providers may result in services which are more timely or even preventive, thus producing a savings of later, more expensive Medicaid costs. However, again, those savings cannot be quantified.

FY92

(a) A start date of January 1, 1992 is assumed, since time would be required to modify the Medicaid payment system and recruit, enroll, and train new providers. Benefits costs for FY92 would therefore be 40.4 (323.5 x .25 x .5)
Benefits are 50% federal (20.2), 50% state funds.

(b) A one-time FY92 cost is involved in modifying the payment system to accept this provider type. (A major portion of the cost of these changes are already budgeted for adding some ANPs under the OBRA '89 federal mandate.) Only 6 system edits will be required, at a cost of \$1080 per edit = \$6.5. (3.3 fed, 3.2 state)

(c) The systems contractor will travel to on-site-train new providers and provide them with service-specific manuals and materials, at a one time FY92 cost of 5.0 (2.5 fed, 2.5 state.)

(d) These providers are expected to generate 950 claims in FY92, (half-year) at a contracted processing cost of \$6.23 per claim. $950 \times \$6.23 = 5.9$. This cost is 70% federal (4.1), 30% state (1.8).

FY93 and following

(a) FY92 service costs are doubled for a full year of service, and this adjusted FY92 cost is increased by 23.4% (4.6% for price increases, 7.0% for increases in the number of eligible recipients, and 11.8% for utilization increases).

(b) Claims processing contractual costs are adjusted for a full FY92 year (1900 claims), then increased by 18.8% (7.0% for eligibles, 11.8% for utilization increases). The contract price per claim remains at \$6.23.

CS FOR SENATE BILL NO. 211 (FINANCE)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR COLLINS

A BILL

FOR AN ACT ENTITLED

1 "An Act providing for coverage of advanced nurse practitioner services under the Medicaid
2 program; and reordering the priorities granted to optional services offered under the
3 Medicaid program."

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

5 * Section 1. AS 47.07.030(b) is amended to read:

6 (b) In addition to the mandatory services specified in (a) of this section, the department
7 may offer only the following optional services: case management and nutrition services for
8 pregnant women; personal care services in a recipient's home; emergency hospital services;
9 long-term care noninstitutional services; medical supplies and equipment; advanced nurse
10 practitioner services; clinic services; inpatient psychiatric facility services for individuals age
11 65 or older and individuals under age 21; prescribed drugs; physical therapy; occupational
12 therapy; chiropractic services; treatment of speech, hearing, and language disorders; adult dental
13 services; prosthetic devices and eyeglasses; optometrists' services; intermediate care facility
14 services, including intermediate care facility services for the mentally retarded; skilled nursing

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1 facility services for individuals under age 21; and reasonable transportation to and from the point
2 of medical care.

3 * Sec. 2. AS 47.07.035 is amended to read:

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

- 9 (1) advanced nurse practitioner services;
- 10 (2) chiropractic services;
- 11 (3) [(2)] adult dental services;
- 12 (4) [(3)] emergency hospital services;
- 13 (5) [(4)] treatment of speech, hearing, and language disorders;
- 14 (6) [(5)] optometrists' services and eyeglasses;
- 15 (7) [(6)] occupational therapy;
- 16 (8) [(7)] prosthetic devices;
- 17 (9) [(8)] medical supplies and equipment;
- 18 (10) [(9)] clinic services;
- 19 (11) [(10)] physical therapy;
- 20 (12) [(11)] personal care services in a recipient's home;
- 21 (13) [(12)] prescribed drugs;
- 22 (14) [(13)] long-term care noninstitutional services;
- 23 (15) [(14)] inpatient psychiatric facility services;
- 24 (16) [(15)] intermediate care facility services for the mentally retarded;
- 25 (17) [(16)] intermediate care facility services;
- 26 [(17) REPEALED]
- 27 (18) individuals under age 21 who are not eligible for benefits under the federal
28 aid to families with dependent children program because they are not deprived of one or more
29 of their natural or adoptive parents;
- 30 (19) skilled nursing facility services for persons under age 21;
- 31 (20) aged, blind, and disabled individuals who, because they do not meet the