

ALASKA LEGISLATURE

1685

HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998

HB

290

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: February 25, 1998

FURTHER REFERRALS:

Date of Committee Action: 3/5/98

The **FINANCE** Committee considered:

HB 290

HOUSE BILL NO. 290

LICENSE PLATES: RANCHES, FARMS, AND DAIRY

"An Act relating to motor vehicle license plates for ranchers, farmers, and dairymen."

recommends it be replaced with the following committee substitute

CS HB 290 (TRA)

the same title
 a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) _____

fiscal note(s) Admin 2/25/98

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Tom Theriault</i>	Therianult	X			
<i>Mark Hanley</i>	Hanley			X	
<i>Edon Mulvan</i>	Mulvan			X	
<i>Tony Martin</i>	Martin	X			
<i>Rich Kohring</i>	Kohring	X			
<i>John J. Davies</i>	J. Davies			X	
<i>Ben Grussendorf</i>	Grussendorf			X	
<i>Charles E. Moses</i>	Moses			X	
<i>John G. Davis</i>	G. Davis			X	
<i>John Foster</i>	Foster	X			
<i>John Kelly</i>	Kelly				

CO

CHAIN'S SIGNATURE

Tom Theriault *Mark Hanley*

FISCAL NOTE

No: 1

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL Bill Version: CSHB 290
(H) Publish Date: 2/25/98

Revision Date: _____ Dept. Affected: Administration
 Title: "An Act relating to motor vehicle license plates for ranchers, farmers, and dairymen" BRU: Motor Vehicles
 Component: Field Services
 Sponsor: Representative Green
 Requestor: (H) TRANS COMPONENT SERIAL NO. 2151

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

CHANGE IN REVENUES () Revenue Code	(*)	(*)	(*)	(*)	(*)	(*)
--	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GE Match						
1004 GE						
1005 GE/Program Receipts						
1006 GE/MHTIA						
Other						
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 98) impact: \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary) This bill will allow corporations to register a vehicle using the farm and dairymen exemption. Currently farm vehicle registration fees are \$68 00 biennially. The fee for a corporation to register a vehicle is \$100 to \$400 biennially. This bill has the potential of loss of general fund revenue. DMV is not able to determine the loss of revenue as it is not determined how many vehicles will meet the exemption and qualify for farm vehicle status under this bill.

Prepared By Juanita M Hensley Phone 465-5648
 Division Motor Vehicles Date 2/19/98
 Approved by Commissioner *Mark Boyer* Date 2/18/98
 Agency Mark Boyer Des: of Administration

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Representative Joe Green
District 10

CHAIRMAN JUDICIARY COMMITTEE
VICE CHAIRMAN HEALTH, EDUCATION
& SOCIAL SERVICES COMMITTEE
MEMBER RESOURCES COMMITTEE
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DEPT OF COMMERCE & ECONOMIC
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ALASKA COURT SYSTEM

Sponsor Statement

HB 290 - License plates for farmers, ranchers, and dairymen

HB 290 clarifies that a person - defined in AS 01.10.060 to include a corporation, company, partnership, firm, association, organization, business trust, or society, as well as a natural person - is eligible for agricultural plates issued by DMV.

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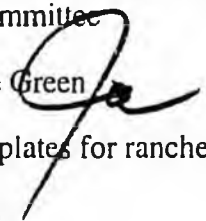


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VICE CHAIRMAN HEALTH EDUCATION
& SOCIAL SERVICES COMMITTEE
MEMBER RESOURCES COMMITTEE

FINANCE SUBCOMMITTEES
DEPT OF COMMERCE & ECONOMIC
DEVELOPMENT
ALASKA COURT SYSTEM

Representative Joe Green
District 10

TO: Representative Gene Therriault, Co-Chairman
Representative Mark Hanley, Co-Chairman
House Finance Committee

FR: Representative Joe Green 

RE: HB 290 - License plates for ranchers, farmer, and dairymen

DATE: February 24, 1998

By request, I have introduced HB 290, which has been referred to your committee. HB 290 clarifies the definition of a person.

I would appreciate a hearing on HB 290 at the earliest convenience.

Thank you.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

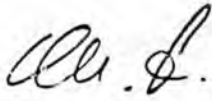
130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

February 12, 1997

SUBJECT: Farm vehicle license plates - (Work Order No. 20-LS0567)

TO: Representative Joe Green
Attn: Kristy

FROM: Michael F. Ford 
Legislative Counsel

You have asked if a vehicle registered to a corporation or company would qualify for farm plates under AS 28.10.181. By registering as a commercial vehicle (either corporate or company) as opposed to registration to an individual, I believe you would not qualify for farm plates under existing law. Under AS 28.10.181, the person seeking the farm plates must "reside full-time" on the farm. The use of the term "person" in this context would indicate that "person" is limited to an individual and would not include a corporation or a company owned vehicle.

Please contact me if you have further questions.

MFF:glc
97-094.glc

STATE OF ALASKA

201 242 2242 T. 02

DEPARTMENT OF PUBLIC SAFETY

DIVISION OF MOTOR VEHICLES

TONY KNOWLES, GOVERNOR

Ronald L. Otto, Commissioner

2150 East Dowling Road
Anchorage, Alaska 99507-1997
PHONE: (907) 269-5551

January 7, 1997

Mosesian Farms of Alaska Inc
13700 Specking Rd
Anchorage AK 99515

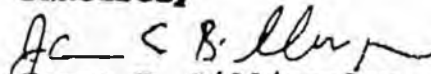
Plate #: 3828FA
SERIAL #: 1GCGG39Y9SF226686
RE: PLATE ERROR

Our records show that you were issued Farm Plates in error. Vehicle(s) titled in a business or company name are considered commercial vehicle(s) and are to be register commercially.

You will need to return your plates to one of the DMV offices or mail them to the above address and the correct plates will be issued. The correct fee for renewal is \$86 registration and \$88 MVRT for a total of \$174, since you have paid \$35 the amount due came to \$139. If returning plates by mail please enclosed a check for \$139, if you come into one of the DMV offices the additional fee will be collected at that time.

I'm enclosing a 30 day temporary permit to allow you use the vehicle will this matter is being taken care of.

Sincerely



James E. Billingsley, MVR IV/AFO

circumstances that are inconsistent with the intent required under (a) of this section to remain a resident of this state. (§ 1 ch 67 SLA 1983)

NOTES TO DECISIONS

Jurisdiction over divorce action. — This section does not affect the common-law rule that Alaska courts have jurisdiction over a divorce action when one of the parties is domiciled in Alaska, where

"domicile" is defined as physical presence plus an intent to remain permanently *Perito v. Perito*, 756 P.2d 895 (Alaska 1988).

Sec. 01.10.060. Definitions. In the laws of the state, unless the context otherwise requires,

- (1) "action" includes any matter or proceeding in a court, civil or criminal;
- (2) "daytime" means the period between sunrise and sunset;
- (3) "month" means a calendar month unless otherwise expressed;
- (4) "municipality" means a political subdivision incorporated under the laws of the state that is a home rule or general law city, a home rule or general law borough, or a unified municipality;
- (5) "nighttime" means the period between sunset and sunrise;
- (6) "oath" includes affirmation or declaration;
- (7) "peace officer" means
 - (A) an officer of the state troopers;
 - (B) a member of the police force of a municipality;
 - (C) a village public safety officer;
 - (D) a United States marshal or deputy marshal; and
 - (E) an officer whose duty it is to enforce and preserve the public peace;
- (8) "person" includes a corporation, company, partnership, firm, association, organization, business trust, or society, as well as a natural person;
- (9) "personal property" includes money, goods, chattels, things in action, and evidences of debt;
- (10) "property" includes real and personal property;
- (11) "real property" is coextensive with land, tenements, and hereditaments;
- (12) "signature" or "subscription" includes the mark of a person who cannot write, with the name of that person written near the mark by a witness who writes the witness's own name near the name of the person who cannot write; but a signature or subscription by mark can be acknowledged or can serve as a signature or subscription to a sworn statement only when two witnesses so sign their own names to the sworn statement;
- (13) "state" means the State of Alaska unless applied to the different parts of the United States and in the latter case it includes the District of Columbia and the territories;
- (14) "writing" includes printing. (§ 4 ch 62 SLA 1962; am § 2 ch 66 SLA 1965; am § 10 ch 117 SLA 1968; am § 19 ch 74 SLA 1985; am § 1 ch 60 SLA 1990)

Revisor's notes. — Reorganized in 1985 to alphabetize the defined terms.

Cross references. — For additional definition of "peace officer", see AS 11.81.900(b); for listing of peace officers for purposes of the Fish and Game Code, see AS 16.06.150; for a definition of "police officer", see AS 18.65.290.

Effect of amendments. — The 1990 amendment rewrote paragraph (7).

Opinions of attorney general. — The statutory framework of the Alaska Statutes viewed as a whole contemplates that for any publicly employed law enforcement officer to be considered a peace officer within the meaning of present paragraph (7), he or she must be empowered with a full range of police duties and authority and must be currently function-

ing on essentially a full-time basis in that role. September 18, 1977, Op. Att'y Gen.

Law enforcement officers within the category "peace officers" as used in present paragraph (7) include, but are not limited to, state troopers, fish and wildlife protection officers and police officers employed by police departments of incorporated municipalities. September 18, 1977, Op. Att'y Gen.

Law enforcement officers with limited police authority with respect to specific statutes or ordinances are not police officers and are not necessarily peace officers either, at least within the meaning of present paragraph (7). September 18, 1977, Op. Att'y Gen.

Comparing the classification of "peace officer" in present paragraph (7) with that of "police officer," it is apparent that police officers, as defined in AS

HB

299

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: February 11, 1998

FURTHER REFERRALS:

Date of Committee Action: 5/2/98 am

The FINANCE Committee considered:

SSHB 299

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 299

EXCISE TAX ON TOBACCO PRODUCTS

"An Act reducing excise tax rates for pipe tobacco and cigars; and relating to the definition of 'cigarettes' and 'tobacco products' for the purpose of taxation."

recommends it be replaced with the following committee substitute CS SS HB 299 (FIN) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) Revenue

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

** Vic counts a 3 votes, since he's so huge.*

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>[Signature]</i>	Therriault		X		
<i>[Signature]</i>	Kelly			✓	
<i>[Signature]</i>	Hankin				X
<i>[Signature]</i>	Mulder	✓			
<i>[Signature]</i>	Martin			X	
<i>[Signature]</i>	Kubring	✓			
<i>[Signature]</i>	G. Davis			X	

10 CHAIR'S SIGNATURE *[Signature]*

[Signature]

Revision Date: April 28, 1998 Dept. Affected: Revenue
 Title: Excise Tax on Tobacco Products BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Representative Williams
 Requestor: (H) FIN COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()	-782.7	-782.7	-782.7	-782.7	-782.7	-782.7

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1001 CBRF						
1048 University of AK receipts						
Other						
TOTAL						

Estimate of any current year cost 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(see attached analysis)

Prepared by: Brett Fried Phone: 465-3682
 Division: Income and Excise Audit Date: April 28, 1998
 Approved by Commissioner: Wilson L. Condon Date: April 28, 1998
 Agency: Revenue

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ALASKA DEPARTMENT OF REVENUE
Income and Excise Audit Division

Excise Tax on Tobacco Products
SSHB 299
April 28, 1998
Page 2 of 3

BILL ANALYSIS

Section 1 amends the definition of "cigarette."

Section 2 reduces the tax rate for cigars and pipe tobacco from 75% to 25% of the wholesale value.

Section 3 amends the definition of "tobacco product."

Section 4 adds a definition for "cigar."

OPERATING EXPENDITURES

The Department of Revenue does anticipate additional auditing and examination costs for administering the provisions of this bill. However, because these costs are relatively small and difficult to differentiate from existing cigarette and other tobacco products compliance work, the Department of Revenue is not requesting any additional funds.

REVENUE

The attached analysis details the amount of revenue loss due to the reduction in the excise tax on cigars and pipe tobacco as a result of this bill.

**Alaska Department of Revenue
Income and Excise Audit Division**

Excise Tax on Tobacco Products
SSHB 299
April 28, 1998
Page 3 of 3

	FY99	FY 00	FY 01	FY 02	FY 03	FY 04
TARGETED OTHER TOBACCO PRODUCTS (OTP) TAX						
Wholesale Value OTP	\$5,842,442	\$5,842,442	\$5,842,442	\$5,842,442	\$5,842,442	\$5,842,442
% Cigars & Pipe Tob.	29%	29%	29%	29%	29%	29%
Whole. Value Cigars & Pipe Tob.	\$1,694,308	\$1,694,308	\$1,694,308	\$1,694,308	\$1,694,308	\$1,694,308
Existing Tax Rate	75%	75%	75%	75%	75%	75%
Revenue from Targeted OTP at Existing Rate	1,270,731	1,270,731	1,270,731	1,270,731	1,270,731	1,270,731
Wholesale Value Cigars & Pipe Tob.	\$1,694,308	\$1,694,308	\$1,694,308	\$1,694,308	\$1,694,308	\$1,694,308
Increase in Consumption with Lower Tax Rate	\$257,660	\$257,660	\$257,660	\$257,660	\$257,660	\$257,660
Adjusted Wholesale Value Cigars & Pipe Tob.	\$1,951,968	\$1,951,968	\$1,951,968	\$1,951,968	\$1,951,968	\$1,951,968
Reduced Tax Rate	25%	25%	25%	25%	25%	25%
Revenue from Targeted OTP at Reduced Rate	487,992	487,992	487,992	487,992	487,992	487,992
Revenue Loss	\$782,739	\$782,739	\$782,739	\$782,739	\$782,739	\$782,739

Assumptions: (1) With the existing tax rate, there will be a 13.2% drop from the FY 97 total wholesale value (\$6,730,924 to \$5,842,442) because of lower consumption due to the rate change on October 1, 1997, (2) cigars and pipe tobacco constitute 29% of total other tobacco products and (3) no substitution between cigarettes and cigars and pipe tobacco as a result of this bill.

Adopted
5/1/98 pn
0-LS1212F
Glover
5/1/98

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 299()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES WILLIAMS, Dyson, Kohring

A BILL

FOR AN ACT ENTITLED

1 "An Act reducing excise tax rates for pipe tobacco and cigars; and relating to
2 the definition of 'cigarettes' and 'tobacco products' for the purpose of taxation."

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

4 * Section 1. AS 43.50.170(2) is amended to read:

5 (2) "cigarette" means

6 (A) a roll for smoking of any size or shape, made wholly or
7 partly of tobacco, whether the tobacco is flavored, adulterated, or mixed with
8 another ingredient, if the wrapper or cover of the roll is made of paper or a
9 material other than tobacco; or

10 (B) a roll of tobacco wrapped in any substance containing
11 tobacco which, because of its appearance, the type of tobacco used in the
12 filler, or its packaging and labeling, is likely to be offered to or purchased
13 by consumers as a cigarette described in (A) of this paragraph;

14 * Sec. 2. AS 43.50.300 is amended to read:

1 **Sec. 43.50.300. Excise tax levied.** (a) An excise tax is levied

2 (1) on the following tobacco products in the state at the rate of 25 [75]
3 percent of the wholesale price of the tobacco product:

4 (A) hand-rolled cigars; and

5 (B) tobacco in any form suitable for smoking in a pipe;

6 (2) on a tobacco product, except a product described in (1) of this
7 subsection, in the state at the rate of 75 percent of the wholesale price of the
8 tobacco product [PRODUCTS].

9 (b) The tax imposed under (a) of this section is levied when a person

10 (1) brings, or causes to be brought, a tobacco product into the state
11 from outside the state for sale;

12 (2) makes, manufactures, or fabricates a tobacco product in the state
13 for sale in the state; or

14 (3) ships or transports a tobacco product to a retailer in the state for
15 sale by the retailer.

16 * **Sec. 3.** AS 43.50.390(4) is amended to read:

17 (4) "tobacco product" means

18 A) a cigar.

19 (B) [A CHEROOT;

20 (C) A STOGIE;

21 (D) A PERIQUE;

22 (E)] snuff and snuff flour;

23 (C) [(F)] smoking tobacco, including granulated, plug-cut,
24 crimp-cut, ready-rubbed, and any form of tobacco suitable for smoking in a
25 pipe or cigarette;

26 (D) [(G)] chewing tobacco, including cavendish, twist, plug,
27 scrap, and tobacco suitable for chewing; or

28 (E) [(H)] an article or product made of tobacco or a tobacco
29 substitute, but not including a cigarette as defined in AS 43.50.170;

30 * **Sec. 4.** AS 43.50.390 is amended by adding a new paragraph to read:

31 (6) "cigar" means a roll of tobacco wrapped in leaf tobacco or a

- 1 substance containing tobacco, including a cheroot, a stogie, or a perique, but does not
- 2 include a cigarette as defined in AS 43.50.170.

Buff Buntis, M.D.

Providence Medical Office Bldg

Providence Medical Ctr, Anchorage AK

Opposed to HB 299

Represents hundreds of Alaskans suffering from ravages
of smoking tobacco: cigarettes, cigars and pipes

In Alaska in practice of Respiratory Disorders since
1973

I see people daily ill from bronchitis and emphysema.
All are smokers or have been smokers.

I hospitalize ~~at~~ or see as consultant ^{in the hospital} at least
one patient every day, a patient that has a tobacco related disease.
The cost of hospitalization
today is in the range of \$1000⁰⁰ per day
or more

I see and have seen in the past 24 yrs.
at least 1 new case every month of bronchogen
lung cancer. All have been smokers except
one who was a woman who's ~~husband~~ husband
smoked heavily.

All inhaled tobacco smoke has the same effect. I
believe all forms of tobacco must be suppressed.

5/10/98 PM
on f.u

HB 299-Reduce Excise Tax on Cigars and Pipe Tobacco

Product price information provided by:

Pete Switzer
Pete's Tobacco Shop
531 East 5th Avenue
Anchorage, Alaska

Effect of new tax on price of cigars/pipe tobacco

A \$2.00 cigar in 1996 now sells for \$4.15

A \$100 dollar box of cigars in 1996 now costs \$200 dollars.
(75% state tax + 15% municipal tax + 10% for freight)

With a 60% decrease in sales, shipping prices increase because the volume is much lower. This also adds to the final price. He is selling less so to maintain his profits he must raise his margins or go out of business.

A pound of average grade of pipe tobacco cost \$23 dollars before the increase. Today that same pound is selling for \$33 dollars.

The good stuff costs \$44/lb, formerly \$34/lb.

All and all and average increase of about \$10/lb

Draft

Rep. Hanley, Rep. Therriault, and members of the Committee:

Good afternoon. My name is Anne Marie Holen and I'm here representing the coalition of Citizens To Protect Kids from Tobacco which includes the Heart Association, Lung Association, Cancer Society, and the Alaska Native Health Board, where I work.

The last time I testified before this committee was a year ago, in support of the tobacco tax increase. My colleagues and I were ecstatic that this committee passed the tobacco tax bill. Your action that day helped make public health history. This summer, the Robert Wood Johnson Foundation is holding its national SmokeLess States conference in Alaska, to honor us for the work we did in passing the tobacco tax. We've been an inspiration to people all over the country who are seeking to end the runaway epidemic of tobacco addiction that kills one out of five Americans.

And now we're faced with a rollback in the tax on cigars and pipe tobacco. ^{AK} This is particularly ironic since it comes at a time of increasing public alarm over rising rates of cigar smoking and the astonishing popularity of cigars among kids.

Just last month the National Cancer Institute released its long-awaited monograph ~~on cigars~~, titled "Cigars: Health Effects and Trends." This month's issue of Consumer Reports includes an article titled "Seductive cigars: New ways to addict the next generation." Its concluding paragraph states, "Tobacco is tobacco, so any legislation or regulation that does not include all tobacco products will be far from complete." *Mathematica survey - 1996 74% 33%*

Among other things, the NCI report on cigars states that

- cigars cause cancer of the lip, tongue, mouth, throat, ^{and} esophagus, ~~and larynx~~ with a risk equal to that of cigarettes.
- cigars can cause lung cancer, even among those who supposedly don't inhale.
- secondhand cigar smoke is worse than secondhand cigarette smoke. The cigar events that have recently become so popular expose the poor waiters to dangerously high levels of carbon monoxide and some of the most potent human carcinogens known.
- And: Cigar use has increased dramatically in recent years—coinciding with a huge marketing effort by the cigar industry—and we see that most new cigar users are teenagers and young adults. ~~Even pre-teens are being sucked in by the "cigar craze."~~ In some states, cigar smoking now exceeds smokeless tobacco use among teens. As with any form of tobacco, kids who smoke cigars run a serious risk of becoming lifelong nicotine addicts.

2

A national survey conducted in 1996 found that 27% of high school students had smoked cigars in the past year. A separate survey conducted in California that same year found that the age group with the highest rate of cigar use was young men age

name
thanks to this amazingly successful effort by the cigar manufacturers
~~18 to 24. The next highest group was teenage males ages 12 to 17. The conclusion should be crystal clear! Cigars aren't just for old codgers any more.~~

And of course, these statistics are no accident. The launching of *Cigar Aficionado* magazine, paid placement of cigars in movies, and news releases about cigar bars and cigar events were all undertaken to boost sagging cigar sales. And it's been a spectacular success on the part of the tobacco industry. By the way, if you don't think the same thing could happen with pipe smoking, I have a recent picture of Elvis I'd like to sell you. Enough money poured into Madison Avenue ad agencies can create demand for almost anything. The cigar craze took everyone by surprise—except the folks who orchestrated it.

We don't have any data yet on cigar smoking in Alaska, but it's clear that the "cigar craze" has reached our state. One sign of this are the cigar displays you now see on almost every Quik Stop grocery counter.

As for the argument that cigars are expensive enough to deter youth smoking even without the recent tax increase, I have three exhibits to refute that statement. All of these were purchased at the same location in Anchorage.

Exhibit 1 is pack of 20 Marlboros: The cost was \$2.85

3

Exhibit 2 is a pack of 20 Winchester cigars. The price on these was \$2.00

Exhibit 3 is a pack of 5 Tiparillos: These were only \$1.69

And Exhibit 4 is a big hefty Garcia y Vega cigar in its own glass case, for \$2.09

These cigar products are already more affordable to kids and adults than are cigarettes. Why would we want to drop the price even further? And I mention adults here because our efforts have never been aimed solely at kids. Most adult smokers want to quit and high prices provide an incentive. I remember when my parents quit smoking cigarettes in the 1960s, partly because they wanted to save money to buy a truck and camper. Well guess what? My dad switched to a pipe and my sisters and I continued to breathe secondhand tobacco smoke all the years I was growing up. I won't tell you about all of our respiratory ailments because it would take too long. My dad finally quit the pipe about ten years ago and if he was here today ~~I know~~ he would tell you to keep the tax high.

4

I know the tobacco merchants are whining about the tax. Of course they hate it. It's doing exactly what it's supposed to do. And of course they're saying that this outrageously high tax has created a huge smuggling problem. They're hoping this argument, which is unsubstantiated, will lead to a tax rollback. I should mention that Washington State also has a 75% tax on cigars + pipe tobacco, and has since 1993. They haven't felt the need to repeal it. And there is no way such action can be justified here either.

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services
Department of Education
State of Alaska

Draft

Rep. Hanley, Rep. Therriault, and members of the Committee:

Good afternoon. My name is Anne Marie Holen and I'm here representing the coalition of Citizens To Protect Kids from Tobacco which includes the Heart Association, Lung Association, Cancer Society, and the Alaska Native Health Board, where I work.

The last time I testified before this committee was a year ago, in support of the tobacco tax increase. My colleagues and I were ecstatic that this committee passed the tobacco tax bill. Your action that day helped make public health history. This summer, the Robert Wood Johnson Foundation is holding its national SmokeLess States conference in Alaska, to honor us for the work we did in passing the tobacco tax. We've been an inspiration to people all over the country who are seeking to end the runaway epidemic of tobacco addiction that kills one out of five Americans.

And now we're faced with a rollback in the tax on cigars and pipe tobacco^{AK}. This is particularly ironic since it comes at a time of increasing public alarm over rising rates of cigar smoking and the astonishing popularity of cigars among kids.

Just last month the National Cancer Institute released its long-awaited monograph ~~on cigars~~, titled "Cigars: Health Effects and Trends." This month's issue of Consumer Reports includes an article titled "Seductive cigars: New ways to addict the next generation." Its concluding paragraph states, "Tobacco is tobacco, so any legislation or regulation that does not include all tobacco products will be far from complete." *Mathematica survey - 1996 74% 33%*

Among other things, the NCI report on cigars states that

- cigars cause cancer of the lip, tongue, mouth, throat, ^{and} esophagus, ~~and larynx~~ with a risk equal to that of cigarettes.
- cigars can cause lung cancer, even among those who supposedly don't inhale.
- secondhand cigar smoke is worse than secondhand cigarette smoke. The cigar events that have recently become so popular expose the poor waiters to dangerously high levels of carbon monoxide and some of the most potent human carcinogens known.
- And: Cigar use has increased dramatically in recent years—coinciding with a huge marketing effort by the cigar industry—and we see that most new cigar users are teenagers and young adults. ~~Even pre-teens are being sucked in by the "cigar craze."~~ In some states, cigar smoking now exceeds smokeless tobacco use among teens. As with any form of tobacco, kids who smoke cigars run a serious risk of becoming lifelong nicotine addicts. 2

A national survey conducted in 1996 found that 27% of high school students had smoked cigars in the past year. A separate survey conducted in California that same year found that the age group with the highest rate of cigar use was young men age

I think you also need to understand what's really going on here. First, we have 5 tobacco industry industry lobbyists making a lot of money and they want to deliver something ~~back~~ to their bosses in North Carolina.

Second, the camel is trying to get his nose under the tent. If the smuggling argument works for cigars, they'll go after the cigarettes tax next.

Third & most important, the industry desperately wants to counteract all the damaging publicity about the Alaska tobacco tax increase. They want to be able to go to legislators and reporter in other states that are ~~looking at~~ considering a tobacco tax increase and say - Don't do it - it's a mess - look what happened in Alaska - it created such a smuggling problem that they had to repeal the tax a year later.

Alaska has a lot to be proud of in our efforts to fight tobacco. Please don't allow those who profit from the sale of tobacco to take us backward.

4:45 min

thanks to this amazingly successful effort by the cigar manufacturers
~~18 to 24. The next highest group was teenage males ages 12 to 17. The conclusion should be crystal clear! Cigars aren't just for old codgers any more.~~

And of course, these statistics are no accident. The launching of *Cigar Aficionado* magazine, paid placement of cigars in movies, and news releases about cigar bars and cigar events were all undertaken to boost sagging cigar sales. And it's been a spectacular success on the part of the tobacco industry. By the way, if you don't think the same thing could happen with pipe smoking, I have a recent picture of Elvis I'd like to sell you. Enough money poured into Madison Avenue ad agencies can create demand for almost anything. The cigar craze took everyone by surprise—except the folks who orchestrated it.

We don't have any data yet on cigar smoking in Alaska, but it's clear that the "cigar craze" has reached our state. One sign of this are the cigar displays you now see on almost every Quik Stop grocery counter.

As for the argument that cigars are expensive enough to deter youth smoking even without the recent tax increase, I have three exhibits to refute that statement. All of these were purchased at the same location in Anchorage.

Exhibit 1 is pack of 20 Marlboros: The cost was \$2.85

3

Exhibit 2 is a pack of 20 Winchester cigars. The price on these was \$2.00

Exhibit 3 is a pack of 5 Tiparillos: These were only \$1.69

And Exhibit 4 is a big hefty Garcia y Vega cigar in its own glass case, for \$2.09

These cigar products are already more affordable to kids and adults than are cigarettes. Why would we want to drop the price even further? And I mention adults here because our efforts have never been aimed solely at kids. Most adult smokers want to quit and high prices provide an incentive. I remember when my parents quit smoking cigarettes in the 1960s, partly because they wanted to save money to buy a truck and camper. Well guess what? My dad switched to a pipe and my sisters and I continued to breathe secondhand tobacco smoke all the years I was growing up. I won't tell you about all of our respiratory ailments because it would take too long. My dad finally quit the pipe about ten years ago and if he was here today I know he would tell you to keep the tax high.

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Author: Representative Gene Therriault at LAA_HTHR
Date: 3/6/98 10:14 AM
Priority: Normal
TO: Representative Bill Williams at LAA_CAP
BCC: Mike Tibbles
Subject: tobacco tax

Forwarded message to Rep. Williams

Forward Header

Subject: tobacco tax
Author: pdevine@alaska.net (Patty Devine) at CC2MHS1
Date: 3/6/98 6:33 AM

Hello,

In reference to House Bill 299:

I supported the tobacco tax last year and do NOT want to see the tobacco tax rolled back. I OPPOSE this bill.

Patricia Devine
1500 Elcadore Circle
Anchorage, AK 99507

pdevine@alaska.net



Alaska Native Health Board

4201 Tudor Centre Dr., Suite 105
Anchorage, Alaska 99508

Phone: (907) 562-6006
FAX: (907) 563-2001

March 5, 1998

Letters Editor
Anchorage Daily News
P.O. Box 149001
Anchorage, AK 99508

FAX: 258-2157

Dear Editor:

The fact that five tobacco industry lobbyists are pushing the proposal to repeal the tax on cigars and pipe tobacco should make it obvious that this is a bad idea.

To quote a nicotine researcher at Johns Hopkins University: "Tobacco smoke is tobacco smoke. It's deadly and addictive." It is poor public policy to send any other message to the people of Alaska. As for the contention that kids don't smoke cigars or pipes, it definitely isn't true in regard to cigars and as soon as the tobacco industry decides to change the way it markets pipe tobacco, it won't be true for pipes either. The current "cigar phenomenon" was no accident, folks, and recent news about the popularity of cigars with teenagers should come as no surprise.

Once again, we need to ask our legislators to just say no to the tobacco lobby.

Sincerely,

Anne P. Lanier

Anne P. Lanier, MD

CC: Rep Mark Hanley
Rep Gene Theriault
Rep Eldon Moulder
Rep Gary Davis
Rep Richard Foster
Rep Carl Moses

Rep. Pete Kelly
Rep Vic Kohring
Rep Terry Martin
Rep John Davies
Rep Ben Gussendorf

ALEUTIAN/PRIIBILOF ISLANDS ASSOCIATION
BRISTOL BAY AREA HEALTH CORPORATION
CHUGACHMIUT
COPPER RIVER NATIVE ASSOCIATION
EASTERN ALEUTIAN TRIBES
KODIAK AREA NATIVE ASSOCIATION
MANILAO ASSOCIATION

METLAKATLA INDIAN COMMUNITY
MT SANFORD TRIBAL CONSORTIUM
NATIVE VILLAGE OF EKLUTNA
NATIVE VILLAGE OF TYONEK
NINILCHIK TRADITIONAL COUNCIL
NORTH SLOPE BOROUGH

NORTON SOUND HEALTH CORPORATION
SELDOVIA VILLAGE TRIBE
SOUTHCENTRAL FOUNDATION
SOUTHEAST ALASKA REGIONAL HEALTH CONSORTIUM
TANANA CHIEFS CONFERENCE
YUKON-KUSKOKWIM HEALTH CORPORATION
VALDEZ NATIVE TRIBE



SOUTH EAST ALASKA REGIONAL HEALTH CONSORTIUM
MT. EDGE CUMBE HOSPITAL • 222 TONGASS DRIVE • SITKA, ALASKA 99886 • (907) 968-2411

March 10, 1998

Representative Gene Therriault
State Capitol
Juneau, AK 99801-1182

Dear Representative Therriault,

Last year the Southeast Alaska Regional Health Consortium Health Promotion Department supported the tobacco tax on ALL tobacco products. This year we greatly oppose a cigar and pipe tobacco tax rollback.

The goal of the tobacco tax campaign was to reduce tobacco use among all Alaskans, with emphasis on curbing youth access. It should not be assumed that youth do not smoke cigars or pipe tobacco. Cigar smoking is gaining popularity among teenagers as a result of a sophisticated marketing campaign by the cigar industry. In 1996, 26.7% of 14-19-year-olds smoked a cigar in the past year. Furthermore, cigars and pipe tobacco are NOT a healthy alternative to cigarettes. All forms of tobacco cause health problems.

Please reconsider the House Bill 299 and decide not to schedule this bill for a hearing. Thank you.

Sincerely,

Roz Jenkins
Health Educator

Stephanie Aird
PATCH Program Coordinator

Nancy Knapp
Community Health Planning and Statistical Coordinator

Alaska State Legislature

Committees:
Transportation, Chairman
Resources
Economic Development
Rules



Representative William K. Williams

During Session:
State Capitol
Juneau, AK 99801-1182
(907) 465-3424
Fax (907) 465-3793

In Ketchikan:
50 Front Street, Suite 203
Ketchikan, AK 99901
(907) 247-4672
Fax (907) 225-7157

House Bill 299

Sectional Analysis

- Section 1: Strengthens the definition of a cigarette to include those tobacco products that, because packaging or labeling, could be considered by consumers to be a cigarette.
- Section 2: Reduces the excise tax on cigars and pipe tobacco from 75% of the wholesale price to 25% of the wholesale price.
- Section 3: Adjusts the definition of "tobacco product" in conjunction with section 4.
- Section 4: Defines a cigar.

Alaska State Legislature

Committees:
Transportation, Chairman
Resources
Economic Development
Rules



Representative William K. Williams

During Session:
State Capitol
Juneau, AK 99801-1182
(907) 465-3424
Fax (907) 465-3793

In Ketchikan:
50 Front Street, Suite 203
Ketchikan, AK 99901
(907) 247-4672
Fax (907) 225-7157

Sponsor Statement

House Bill 299

Last session Senate Bill 13 was passed in an effort to reduce the use of cigarettes by minors. Included in the legislation was the little publicized tripling of the wholesale tax on "other tobacco products." While I supported the tax increase on cigarettes, chewing tobacco and snuff I have seen the negative effects of SB 13 on small businesses dealing with cigars and pipe tobacco.

To fix the problem I introduced House Bill 299 to lower the tax rate on cigars and pipe tobacco. Currently the state taxes the wholesale price of cigars and pipe tobacco at 75%. Since the implementation of the tax increase (from 25%) on October 1, 1997 businesses that sell cigars and pipe tobacco have seen a large drop in sales. Consequently, many small businesses are struggling to stay profitable under the new tax structure.

In my district, cigars and pipe tobacco are generally sold in tobacco shops, liquor stores and bars. These establishments are closely monitored by their proprietors or are already off limits to minors. In addition, AS 11.76.100 and AS 11.76.107 prohibit the sale to or possession of tobacco by a person under the age of 19.

The revenues derived from taxes on cigars and pipe tobacco are deposited into the state general fund. The 75% tax rate is an extreme contribution to the general fund by these particular businesses in Alaska.

I urge your support of this legislation.

Clearing the air...

**on the issue of
cigs and pipe
smoking**



*An information booklet prepared by the
Alaska Division of the American Cancer
Society, the Alaska Heart Association,
and the Alaska Lung Association,
and the Alaska State Health Board*

February 1992

“There’s some incredible myths out there, that cigars are safe and that they’re not addictive. As far as we know, tobacco smoke is tobacco smoke. It’s deadly and addictive. People can quibble about differences, but basically both [cigars and cigarettes] are highly toxic compounds and contain a lot of nicotine.”

—Jack Henningfield, MD, Johns Hopkins University

HEALTH EFFECTS OF CIGAR AND PIPE SMOKING

The health effects of cigar smoking and pipe smoking are discussed less frequently than the effects of cigarette smoking, mainly because many more people smoke cigarettes. Nonetheless, the detrimental health effects of cigars and pipe smoking are well established. Cigars and pipes are nicotine delivery devices that lead to addiction. Like all tobacco products, they deliver known carcinogens (cancer causing agents).

Cigars

- The U.S. Public Health Service has determined that cigar smoking causes laryngeal cancer, oral cancer, esophageal cancer, and lung cancer. (1982 Surgeon General's Report)
- Overall cancer death rates among men who smoke cigars have been observed to be 34% higher than cancer death rates among nonsmokers. (1982 Surgeon General's Report)
- Epidemiologic studies have shown that cigar smokers have 4 to 10 times the risk of dying from laryngeal, oral, and esophageal cancers as nonsmokers. Little difference exists between the rates of these three cancers among smokers of cigars, pipes, or cigarettes. (1982 Surgeon General's Report)
- In combination with heavy drinking, smoking in any form results in especially high rates of laryngeal, oral, and esophageal cancers. (1982 Surgeon General's Report)
- Cigar smoking elevates one's risk for lung cancer, with death rates two to three times higher than among nonsmokers. The risk increases with the number of cigars smoked per day and the degree of inhalation. Many cigar smokers knowingly or unknowingly inhale cigar smoke, especially if they are current or former cigarette smokers. (1982 Surgeon General's Report)
- Cigar smokers experience up to 3.6 times the mortality from chronic obstructive lung disease compared with nonsmokers. (1984 Surgeon General's Report)

(continued)

"A waiter [breathing cigar smoke] faces carbon monoxide levels that could exceed what a tunnel worker would be allowed to be exposed to."

—James Repace, U.S. Environmental Protection Agency

Cigars (continued)

- Cigars contain substantial levels of nicotine, an addictive drug. A single cigar contains 10 milligrams to 400 milligrams of nicotine. A cigarette contains 10 milligrams on average. In cigars, the nicotine is absorbed through the lining of the mouth and pharynx. (Henningfield, et al., "Nicotine content and health risks of cigars," *Journal of the American Medical Association*, 1996; 276:1857-8)
- Cigar smoke poses a risk to nonsmokers who are exposed secondhand. A medium-sized cigar contains as much respirable tar pollution as five cigarettes and as much carbon monoxide as 25 cigarettes. (James L. Repace, "Cigar smoking: The hot new trend in indoor air pollution accelerates," presented at the 125th American Public Health Association annual meeting, Indianapolis, IN, Nov. 9-13, 1997)

Pipe smoking

- Pipe smokers have increased risks of chronic obstructive lung disease, oral cancer, laryngeal cancer, esophageal cancer, and lung cancer. These risks range from 50-250% greater than for nonsmokers. (D.E. Nelson, et al., "Pipe smoking in the United States, 1965-1991: Prevalence and attributable mortality," *Preventive Medicine*, 1996;25:91-99)
- An estimated 1,095 deaths were attributable to pipe smoking in the U.S. in 1991. The relatively low number of deaths as compared to cigarette smoking-related deaths is not because pipe smoking is safe, but because so few people smoke only pipes (only 2% of men in 1991, down from 14.1% in 1965). (D.E. Nelson, et al., "Pipe smoking in the United States, 1965-1991: Prevalence and attributable mortality," *Preventive Medicine*, 1996;25:91-99)
- As with cigarettes and cigars, secondhand pipe tobacco smoke is a health hazard for nonsmokers, with tar emissions being similar to those from high tar cigarettes. (James L. Repace, "Cigar smoking: The hot new trend in indoor air pollution accelerates," presented at the 125th American Public Health Association annual meeting, Indianapolis, IN, Nov. 9-13, 1997)

"We're shocked by the magnitude of cigar smoking among America's kids. It's clearly an outgrowth of the glamorization of cigar smoking among adults."

—Dr. Michael Eriksen, director, Office on Smoking and Health,
Centers for Disease Control and Prevention

TRENDS IN CIGAR MARKETING, PROMOTION, AND USE

The surge in popularity of cigar smoking in the last few years would be hard not to notice. Cigar smoking has been featured, in a positive light, in blockbuster movies such as "Independence Day" and "The First Wives Club." Upscale cigar events have become commonplace in Alaska and elsewhere. Stories about cigars—many with no information about health risks—have appeared in countless newspaper and magazine issues. Cigars can now be found on the checkout counter at virtually any quick-stop grocery store. Most alarming of all, teenagers appear to be taking up cigars in numbers that have caught the public health community by surprise.

Behind all of this is an industry that carefully plotted how to boost cigar sales—and succeeded spectacularly. "It's the most sophisticated campaign I've seen in a long time," says John Pierce, professor of cancer research at the University of California, San Diego. "It's so sophisticated that no one saw it coming."

- Cigar smoking reached its peak in 1964, after the first Surgeon General's report on smoking and health was released, as millions of Americans switched from cigarettes to supposedly safer cigar smoking. However, sales began dropping an average of 5% a year after that peak. (Alec Klein, "The Cigar Caper: The shaping of an illusion," *Baltimore Sun*, Jan. 11, 1998)
- A recent investigative report by the *Baltimore Sun* revealed that the cigar industry began planning the resurrection of cigar smoking two decades ago. According to the report, successful strategies have included manipulation of the media by planting news stories and letters to the editor, paid product placement in Hollywood films, the launching of *Cigar Aficionado* magazine, and other public relations and marketing efforts. (Alec Klein, "The Cigar Caper," *Baltimore Sun*, Jan. 11-15, 1998.)
- The Cigar Association of America estimates that sales in 1997 reached 5.2 billion units, a 53% jump over 1993 sales. (Beth Berselli, "Increase in Cigar Sales Prompts Federal Action," *Washington Post*, February 10, 1998.)
- From 1995 to 1996, cigar usage among 18 to 24-year-olds in the U.S. soared by nearly 37% to 1.13 million. (Alec Klein, "The Cigar Caper: The shaping of an illusion," *Baltimore Sun*, Jan. 11, 1998)

(continued)

"Smokeless tobacco caught us flat-footed in the 1970s and 1980s. We started to pay attention a decade later. We don't want this to happen again."

—Donald Shopland, director, Smoking and Tobacco Control Program, National Cancer Institute

Cigar trends (continued)

- In a 1996 survey, 26.7% of 14 to 19-year-olds (about 6 million) reported smoking a cigar in the previous year. Since this was the first national survey to look at cigar smoking among youth, no comparisons can be made to earlier data. However, the numbers have shocked the public health community. (Centers for Disease Control and Prevention, "Cigar Smoking Among Teenagers - United States, Massachusetts, and New York, 1996," Morbidity and Mortality Weekly Report, May 23, 1997)
- The cigar industry has specifically targeted young men and women with new brands. "Playboy by Don Diego" is a Consolidated Cigar Co. brand "aimed at younger adult smokers," according to the company's annual report to stockholders. The company is also planning to introduce a brand aimed at women, "The Cleopatra." (Alec Klein, "The Cigar Caper: The shaping of an illusion," Baltimore Sun, Jan. 11, 1998)
- Concerns about rising sales of cigars and their popularity among teenagers have led the Federal Trade Commission to order the country's five largest cigar makers to disclose how much they spend on advertising and promotion. The information is to be provided to the FTC by April 9, 1998. (Beth Berselli, "Increase in Cigar Sales Prompts Federal Action," Washington Post, February 10, 1998)

Pipe smoking trends

- While pipe tobacco companies have not yet launched a marketing campaign aimed at boosting pipe tobacco sales, public health experts have little doubt that the U.S. would see surge in popularity of pipe smoking if the industry undertook such an effort.

"The history of trying to control tobacco is that it has an extraordinary way of blossoming into new forms."

—Michael J. Thun, director of analytic epidemiology,
American Cancer Society

QUESTIONS AND ANSWERS ABOUT TAXING CIGARS AND PIPE TOBACCO

Q: Wasn't the tobacco tax increase aimed at curbing youth smoking? If that's the case, why should it apply to cigars and pipe tobacco?

A. While the goal of the tobacco tax campaign was to reduce tobacco use among all Alaskans, the effect of tobacco tax increases on youth smoking was emphasized because it is true that young people are more responsive to price increases and that if children and teenagers can be discouraged from starting to smoke, they will most likely remain nonsmokers for life.

However, price increases also reduce adult smoking, another major public health benefit. In addition, tobacco taxes help the state recover the costs associated with tobacco-related health problems. All forms of tobacco use cause health problems.

Finally, it should not be assumed that young people do not or will not smoke cigars or pipe tobacco. Cigar smoking appears to be gaining popularity among teenagers as a result of a sophisticated marketing campaign by the cigar industry. While it may be hard to imagine that kids would ever take up pipe smoking, public health experts once made that same assumption about chewing tobacco—only to be proved wrong when the tobacco companies came out with new ads and products that appealed to youth.

Q: Why is the tobacco industry working so hard to repeal the new state tax on cigars and pipe tobacco?

A. Health advocates in Alaska surmise that the tobacco industry has three goals in seeking to roll back the tax on cigars and pipe tobacco: 1) to prevent the state from collecting tax revenues that would likely be used to fund tobacco prevention and cessation efforts in Alaska; 2) to provide propaganda for use in anti-tax campaigns in other states; and 3) to encourage high rates of tobacco use in Alaska.

Five tobacco lobbyists working in Juneau this year are getting paid a total of \$222,000 to fight tobacco control legislation and push a pro-tobacco agenda. Part of their job will be to prevent any further tobacco control efforts that would be funded with new tax revenues.

While the tax increase on cigarettes was earmarked for school construction and maintenance, the new revenues from taxes on "other tobacco products," which

(continued)

"It's kind of like comparing poisonous snakes."

—Dr. H. Russell Wright Jr., otalaryngologist, Towson University,
comparing cigarette smoking to other forms of tobacco use

QUESTIONS AND ANSWERS (continued)

include smokeless tobacco, cigars, and pipe tobacco, could not be dedicated without violating provisions in the state constitution. However, Alaska's tobacco tax law contains intent language recommending that revenues from the tax on "other tobacco products" be used to fund health projects, and provides for separate accounting of these revenues.

A state-funded tobacco control program would be an obvious and popular choice for the new monies. Clearly, however, the tobacco industry will fight any such proposals, and reducing the available pot of money through a tax rollback will help prevent future efforts aimed at reducing tobacco use in Alaska.

Q: Didn't Alaskans overwhelmingly support the tobacco tax increase?

A: YES. In a statewide public opinion poll released in January 1996, 74% of Alaskans said they favored a \$1 per pack increase in the cigarette tax and 83% said they favored taxing other tobacco products, "such as chewing tobacco, snuff, and cigars," at about the same rate as cigarettes. Eight percent said that other tobacco products should be taxed at a higher rate than cigarettes and only 5% said they should be taxed at a lower rate.



Alaska Commission on Aging

RESOLUTION 98-3

In opposition to HB 299—the reduction of excise tax rates for pipe tobacco and certain cigars, cheroots, and stogies

WHEREAS, One out of five deaths in Alaska is tobacco related; and

WHEREAS, the projected annual revenue from taxes on the sale of tobacco and tobacco products is \$22,048,000; and

WHEREAS, imposing a high cost on tobacco products is one deterrent which assists in discouraging their use; and

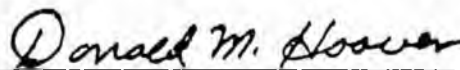
WHEREAS, pipe tobacco, cigars, cheroots, and stogies are tobacco products, contain nicotine, are addictive, and are factored into statistics which identify tobacco as a national epidemic causing almost 420,000 deaths per year and costing more than \$50 billion in direct health care costs each year, not including another \$50 billion in economic productivity losses; and

WHEREAS, emissions from one cigar exceed those from three cigarettes and carbon monoxide levels are 30 times as high, and cigars emit about 5 times as much tar as a cigarette; and

WHEREAS, cigars are smoked by children as well as adults. From 1995 to 1996, cigar usage among 18 to 24 year olds in the United States soared by nearly 37% to 1.13 million.

THEREFORE, BE IT RESOLVED that the Alaska Commission on Aging does not support HB 299.

Adopted this 17th day of February, 1998.



Donald Hoover, Chair

Cigars and Pipe Tobacco: Health Effects

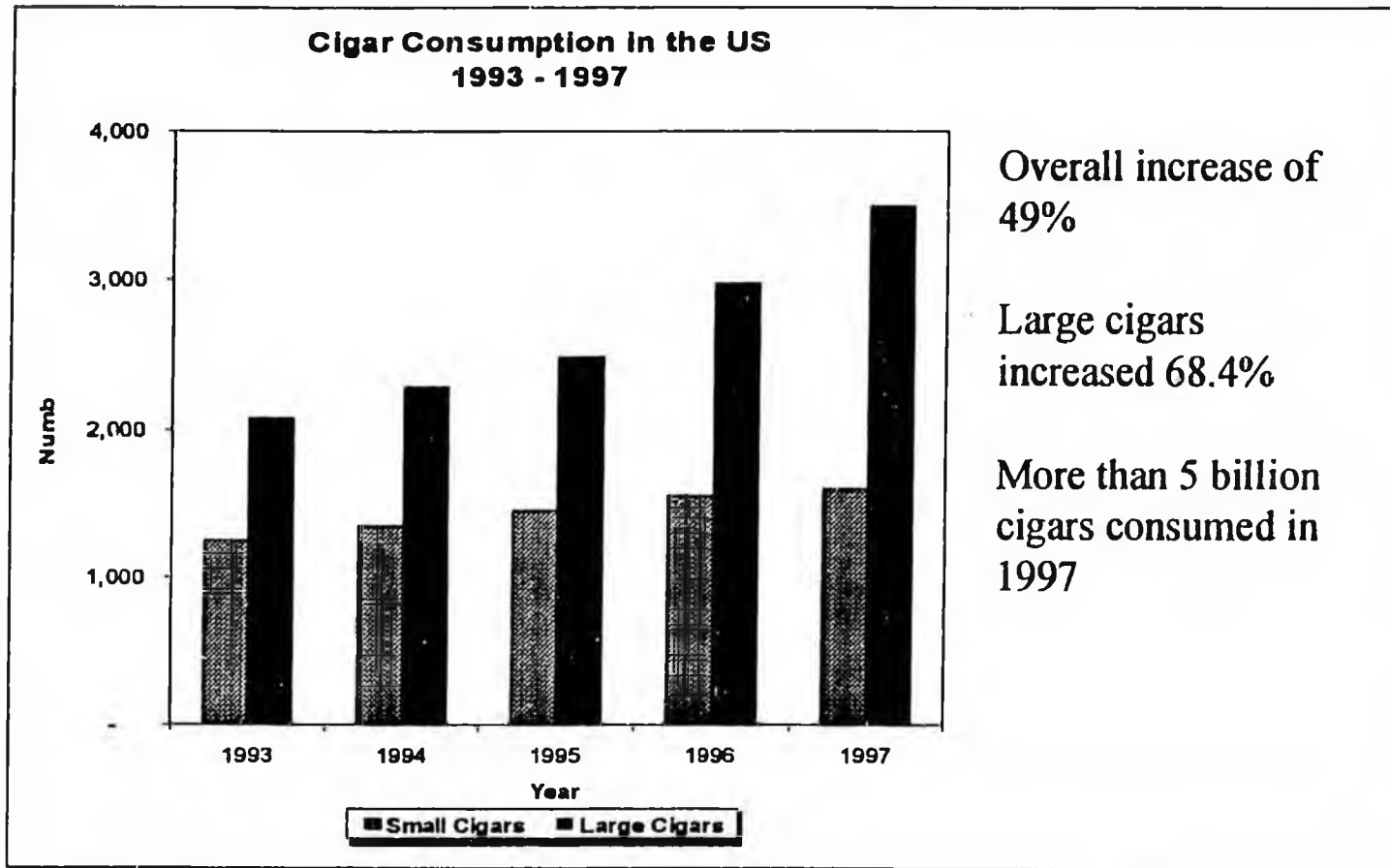
Presentation to the 20th Alaska Legislature



Patterns of Cigar Use

- Since 1993, cigar use has increased nearly **50%**. This coincides with an increase in promotional activities including: publishing ***Cigar Aficionado*** magazine, media coverage of cigar banquets and parties.
- According to the US Department of Agriculture, total cigar consumption in the US was 5 billion cigars in 1997.

Patterns of Cigar Use



Health Risks of Cigar Usage: *Myths and Facts*

- ***Myth:*** *Cigars are used primarily by men aged 40 and over.*
- **FACT:** Most new cigar users are teenagers and young adult males who smoke occasionally.

Myths and Facts

- **Myth:** *Cigars and pipe tobacco are safe alternatives to cigarette smoking.*
- **FACT:** Cigar smoking causes a variety of cancers: esophagus, oral cavity, larynx and lung. Pipe smoking increases the risks of developing lung disease and cancers of the lung, esophagus, oral cavity and larynx.

Myths and Facts

- **Myth:** *Cigar smoking is safe if you don't inhale.*
- **FACT:** Even if cigar smokers do not inhale, they have higher levels of risk for oral, throat, and esophageal cancers. Most former cigarette smokers continue to inhale smoke when they switch to cigars.

Myths and Facts

- ***Myth:*** *Cigar smoking doesn't lead to nicotine addiction.*
- **FACT:** The relapse rate of former cigarette smokers who smoke cigars was twice as great as those who did not smoke cigars. The nicotine from cigars is absorbed into the body through the blood vessels in the mouth. Cigar smokers are twice as likely to take up cigarette smoking for the first time than non cigar smokers.

Myths and Facts

- ***Myth:*** *Cigar smoke is not harmful to non-smokers.*
- **FACT:** A large cigar emits 20 times the ammonia, 5-10 times the cadmium, and up to 89-90 times the highly carcinogenic nitrosamines as a cigarette.

Teen Cigar Use

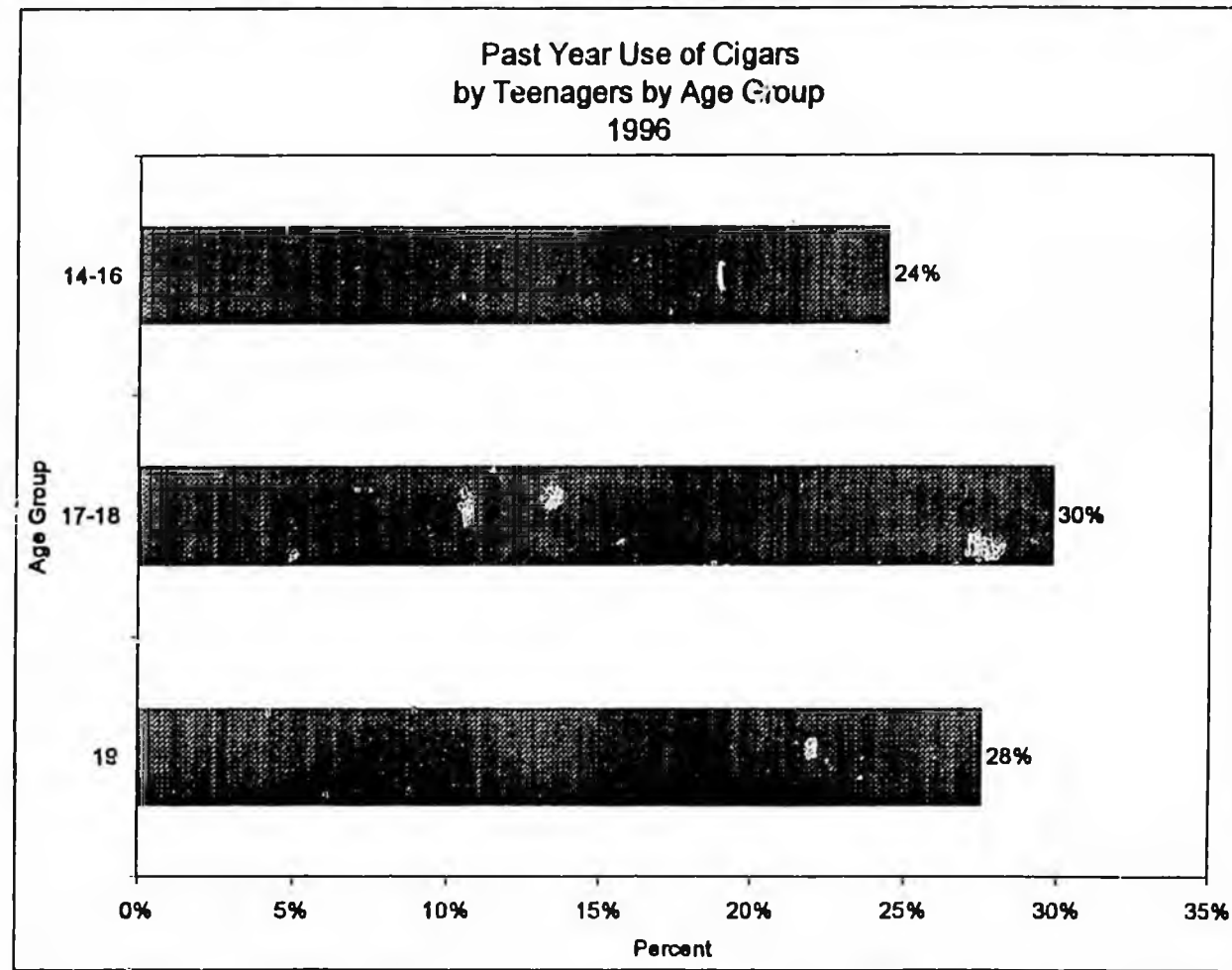
- o Michael Ericksen Director of CDC Office on Smoking and Health: *“Everyone’s been caught napping... We’re shocked by the magnitude of cigar smoking among America’s kids. It’s clearly an outgrowth of the glamorization of cigar smoking among adults.”*



Teen Cigar Use

- About 6 million US teenagers 14-19 years old smoked at least one cigar within the last year.
- According to a recent national survey, 1 of 4 high school students smoked at least one cigar with the past year.
- Some school-based studies report that adolescent boys use of cigars exceed their use of smokeless tobacco.

Teen Cigar Use



Recommendations

- Using tobacco in any form causes health problems. Tobacco taxes help states recover costs associated with tobacco-related health problems.
- Consumers tend to move to lower cost tobacco products. If the cost of cigars and pipe tobacco decreases, the use of these products can be expected to increase.
- Teenage cigar use is on the rise across the country. Lowering the price may make the product more accessible to our youth.

HB

308

HFIN

FILE

Supplemental Testimony

Thank you for considering the Board of Trustees' supplemental request for authority to pay Permanent Fund corporate receipts for increased manager fees so promptly this session. For the record, I am Jim Kelly, Director of Communications for the Alaska Permanent Fund Corporation and with me this morning is Peter A. Bushre, Chief Financial Officer.

The good news is that the Permanent Fund is performing better than expected so far this fiscal year.

Assets under management have grown from \$22.1 billion as of June 30 to \$23 billion as of December 31, and that growth is on top of the \$747 million dollars which the legislature appropriated and which the Fund paid out in dividends to all the residents of this state in October..

We don't yet have performance numbers for the Fund for the last quarter – although we are expecting them by the end of the week, but based on the performance of our capital market benchmarks, Fund total return has been flat to modestly positive the last three months.

However, for the first quarter of the fiscal year, which is where most of this year's growth was produced, the Fund earned a period return, not annualized, of 5.04%. The high performer during that period was the APFC's U.S. equities at 8.84%.

Annualized that is more than a 35% return, which is why we asked Legislative Budget Audit and Committee to introduce this supplemental for us 3 months ago when those were the returns we were looking at and, of course, manager fees are based on the value of assets under management so when the Fund goes up in value, the manager fees increase.

That is the general rule. There are some mitigating factors which the Board has put into place which have had the effect of reducing the growth of manager fees. One is the permanent movement of a greater percentage of equity assets into passive index accounts. Fees for passive management are just a fraction of active management fees.

The second is the temporary movement of literally billions of dollars of equity assets into a passive transition account during the Fund's restructuring. The restructuring was undertaken to accomplish the

Board-directed shift in asset allocation – more into passive management, more into international equities and more into emerging markets.

Most of this restructuring took place in the last quarter although a portion is still on-going.

The Fund has experienced a number of positive outcomes from the restructuring, but one which is surely good news for the people of Alaska is that significant capital gains have already been realized, so that net income for the Permanent Fund for the first half of the year is \$1.5 billion, and we are projecting net income for the year in excess of \$2.1 billion.

As good as this is, however, and this is excellent and unexpected news – a word of caution is in order. Expectations going forward do not support the kind of returns institutional and institutional investors have been earning these past few years.

You'll hear quite a bit more about it later this week in the Capital Markets Outlook we have arranged for the Finance Committees for later this week, on Thursday morning at 8:00 a.m. Suffice to say for now that the Fund is expecting single digit returns from all asset classes going forward, with the exception of small-cap U.S. stocks which our investment consultant, Callan Associates, is projecting at 10.1% on average for the next five years.

But, in addition to the lower returns, expectations are also for increased short-term volatility. Which brings me back to the supplemental and our request that you amend our original request, and reduce the amount to four million four hundred and ninety-four thousand dollars.

We think this will provide sufficient corporate receipts to pay our managers for the remainder of the year. Importantly, let me repeat what we told the LB&A committee: money budgeted for manager fees will be used solely for manager fees; if it turns out that we don't need this amount, unused corporate receipts will lapse.

Fees for the first six months total \$11,079,800. This supplemental will allow us to pay an additional \$14,106,200 for the last two quarters of the year. For perspective, that means that for every dollar of net income the Fund earns this year, manager fees cost 1.19 cents – that's nearly 99 cents profit per dollar of revenue. That's a positive ratio.

Peter and I would be happy to answer any questions.



Alaska Permanent Fund Corporation
P.O. Box 25500 Juneau, AK 99802-5500
Telephone (907) 465-2047
Facsimile (907) 586-2057

MEMORANDUM

DATE: January 23, 1998

TO: Byron I. Mallott
Executive Director

FROM: Peter A. Bushre *PAB*
Chief Financial Officer

SUBJECT: FY98 Supplemental Budget Request

At your direction, staff has reviewed the FY98 supplemental budget request for manager fees of \$8,145,000 to determine the current reasonableness of the amount. The request was prepared in September 1997 and the following subsequent events indicate the need for reanalysis:

- The Alaska Permanent Fund Corporation has incurred/expended external equity/fixed-income manager fee charges of \$11,079,800 through December 31, 1997 which represent 54% of the FY98 budget for manager fees.
- The rebalancing of Permanent Fund equity investments has/will reduce manager fees significantly.
- Equity investments have been reduced to the lower limit of the equity allocation range and proceeds have been reinvested in fixed income securities.

FY98 Supplemental Budget Request

January 23, 1998

Page 2

- Actively managed equity investments have been converted to cash/index funds and is being gradually reinvested in actively managed portfolios until year end.
- The growth of the S&P 500 index, the benchmark for most APFC equity investments, for the first half of FY98 is approximately the same as the growth of the S&P 500 index for the first half of FY97.
- The majority of FY97 growth occurred in the last quarter of the fiscal year.

We have prepared the following analysis of estimated manager fees for the remaining two quarters of FY98 for comparison with the budget assuming that equity values continue to appreciate at a rate comparable to FY97.

FY98 Budget for Manager Fees	\$20,692,000
Actual Fees July 1, 1997-December 31, 1997	<u>11,079,800</u>
Balance of FY98 Manager Fee Budget Remaining	9,612,200
Estimated Fees January 1, 1998-June 30, 1998	<u>14,106,200</u>
Projected Shortfall in FY98 Manager Fees	<u>(\$4,494,000)</u>

RECOMMENDATION

Original FY98 Supplemental Budget Request	\$8,145,000
Recommended Reduction of FY98 Supplemental	<u>3,651,000</u>
Revised FY98 Budget Shortfall in Manager Fees	<u>\$4,494,000</u>

НВ

313

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: February 25, 1998

FURTHER REFERRALS:

Date of Committee Action: 4/24/98

The FINANCE Committee considered:

HB 313

HOUSE BILL NO. 313

PREVENTATIVE MAINTENANCE REQUIREMENT

“An Act relating to preventive maintenance programs required for certain state grants; and providing for an effective date.”

recommends it be replaced with the following committee substitute CS HB 313 (FIN) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) DOE 2/25/98
 zero fiscal note(s) _____ zero fiscal note(s) GOR - 2/25/98

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
Therriault	X			
Martin	X			
G. Davis	X			
Gussendorf	X			
G. Davis	X			
Foster	X			
Mulder	X			
Hanley	X			

CHAIR'S SIGNATURE
 CO-Chairs Therriault Hanley

FISCAL NOTE

No: 2

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Bill Version: CSHB 313 (STA)
(H) Publish Date: 2/25/98

Revision Date _____	Dept. Affected <u>Education</u>
Title <u>Preventive Maintenance Programs</u>	BRU <u>School Finance</u>
	Component <u>Educational Facilities</u>
Sponsor <u>House Rules-Deferred Maintenance Task Force</u>	<u>Support</u>
Requester <u>House State Affairs</u>	Component Serial No. <u>1957</u>

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	75.7	37.9				
Travel	3.6	1.8				
Contractual	4.0					
Supplies	1.0					
Equipment	4.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	88.3	39.7	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts						
1003 GF Match						
1004 GF	88.3	39.7				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	88.3	39.7	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost:

POSITIONS

POSITIONS	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Full-time	1	1				
Part-time						
Temporary	1	1				

ANALYSIS: *(Attach a separate page if necessary)*

This legislation mandates additional preventive maintenance program requirements be required elements in determining project eligibility for funding. This fiscal note provides a new architect assistant position to provide for: evaluation of existing district programs, feedback, district training, and support in adapting to the the new requirements set forth by this bill. The position would also work through the necessary regulatory revisions needed to implement the statutes. The requirement for this results from the major shift in eligibility this bill mandates. Given the stringent nature of the requirements and the effect they would have on all projects being submitted by each district, transition assistance is needed.

Prepared by <u>Michael Morgan, PMP</u>	Phone <u>465-1858</u>
Division <u>Education Support Services, Education, Facilities Support</u>	Date <u>2/4/98</u>
Approved by <u>Shirley J. Holloway, Ph.D., Commissioner</u>	Date <u>2/4/98</u>
Agency <u>Department of Education</u>	

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FISCAL NOTE

No: 1

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Bill Version: CSHB 313 (STA)

(H) Publish Date: 2/25/98

Revision Date (Note if correction) _____	Dept. Affected	Education, Admin.
Title <u>An Act relating to preventive maintenance</u>	BRU	_____
<u>programs required for certain state grants.</u>	Component	_____
Sponsor <u>Rules Committee</u>	_____	_____
Requester <u>House State Affairs Committee</u>	Component Serial No.	_____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY98) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would not have a significant fiscal impact on any state agency.

Prepared by	Annalee McConnell, Director <i>Annalee McConnell</i>	Phone	465-4660
Division	Office of Management and Budget	Date	1/30/98
Approved by	Commissioner Jim Ayers, Chief of Staff <i>Jim Ayers</i>	Date	_____
Agency	Office of the Governor		

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Amended
Pg's
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CS FOR HOUSE BILL NO. 313(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered: 2/25/98
Referred: Finance

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE DEFERRED MAINTENANCE TASK FORCE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to preventive maintenance programs required for certain state
2 grants; and providing for an effective date."

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

4 * Section 1. AS 14.11.011(b) is amended to read:

5 (b) For a municipality that is a school district or a regional educational
6 attendance area to be eligible for a grant under this chapter, the district shall submit

7 (1) a six-year capital improvement plan that includes a description of
8 the district's fixed asset inventory system and preventive maintenance program no later
9 than September 1 of the fiscal year before the fiscal year for which the request is
10 made; the six-year plan must contain for each proposed project a detailed scope of
11 work, a project budget, and documentation of conditions justifying the project;

12 (2) evidence that the district has secured and will maintain adequate
13 property loss insurance for the replacement cost of all facilities for which state funds
14 are available under AS 14.11.005 or 14.11.007 or has a program of insurance

1 acceptable to the department; [AND]

2 (3) evidence acceptable to the department that the proposed project
3 should be a capital improvement project and not part of a preventive maintenance
4 program or regular custodial care program; and

5 (4) evidence acceptable to the department that the district

6 (A) has a preventive maintenance plan that

7 (i) includes a computerized maintenance management
8 program, cardex system, or other formal systematic means of
9 tracking the timing and costs associated with planned and
10 completed maintenance activities, including scheduled preventive
11 maintenance;

12 (ii) addresses energy management for buildings
13 owned or operated by the district;

14 (iii) includes a regular custodial care program for
15 buildings owned or operated by the district;

16 (iv) includes preventive maintenance training for
17 facility managers and maintenance employees;

18 (v) includes renewal and replacement schedules for
19 electrical, mechanical, structural, and other components of facilities
20 owned or operated by the district; and

21 (B) is adequately adhering to the preventive maintenance

22 plan.

23 * Sec. 2. AS 37.06.010 is amended by adding a new subsection to read:

24 (j) Before the department may pay a draw under this section to a municipality,
25 the department shall have evidence acceptable to the department that the municipality

26 (1) has a preventive maintenance plan that

27 (A) includes a computerized maintenance management program,
28 cardex system, or other formal systematic means of tracking the timing and
29 costs associated with planned and completed maintenance activities, including
30 scheduled preventive maintenance;

31 (B) addresses energy management for buildings owned or

1 operated by the municipality;

2 (C) includes a regular custodial care program for buildings
3 owned or operated by the municipality;

4 (D) includes preventive maintenance training for facility
5 managers and maintenance employees;

6 (E) includes renewal and replacement schedules for electrical,
7 mechanical, structural, and other components of facilities owned or operated by
8 the municipality; and

9 (2) is adequately adhering to the preventive maintenance plan.

10 * Sec. 3. AS 37.06.020 is amended by adding a new subsection to read:

11 (I) Before the department may pay a draw under this section to an entity, the
12 department shall have evidence acceptable to the department that the entity

13 (1) has a preventive maintenance plan that

14 (A) includes a computerized maintenance management program,
15 cardex system, or other formal systematic means of tracking the timing and
16 costs associated with planned and completed maintenance activities, including
17 scheduled preventative maintenance;

18 (B) addresses energy management for public buildings owned
19 or operated by the entity;

20 (C) includes a regular custodial care program for public
21 buildings owned or operated by the entity;

22 (D) includes preventive maintenance training for managers of
23 public facilities owned or operated by the entity and maintenance employees;

24 (E) includes renewal and replacement schedules for electrical,
25 mechanical, structural, and other components of public facilities owned or
26 operated by the entity; and

27 (2) is adequately adhering to the preventive maintenance plan.

28 * Sec. 4. This Act takes effect July 1, 1999.

ALASKA STATE LEGISLATURE

Rep. Eldon Mulder, Co-Chair
Rep. Kim Elton
Rep. Richard Foster
Rep. Jeannette James
Rep. Beverly Masek
Rep. Gail Phillips



Sen. Tim Kelly, Co-Chair
Sen. Loren Leman
Sen. Georgianna Lincoln
Sen. Robin Taylor
Sen. Gary Wilken
Sen. Mike Miller

DEFERRED MAINTENANCE TASK FORCE

Capitol Building, Room 501 • Juneau, Alaska 99801 • Phone (907) 465-2647 • FAX (907) 465-3518

Sponsor Statement

House Bill 313 *Proposed Committee Substitute*

Required Preventive Maintenance Programs

HB 313 requires that every agency and school district have in place a preventive maintenance program prior to it being able to receive any funding for deferred maintenance, renovation or replacement funds from the state.

The preventive maintenance plan would include:

- a computerized maintenance management program, *or other organized preventive maintenance program*
- energy management,
- custodial care,
- training of facility managers and employees, and
- renewal and replacement schedules.

The Deferred Maintenance Task Force determined that the best way to prevent a reoccurrence of deferred maintenance was be proactive in maintenance. It recommended that the carrot for accomplishing this goal was withholding funds identified as needed by the Task Force until the preventive maintenance programs are in place and working.

Section 1 requires school districts and regional education attendance areas must have preventive maintenance programs in place prior to receiving maintenance or construction funds. The district is required to provide evidence to the Department of Education that the plan is in place and operating

Section 2 requires that a municipality must have a preventive maintenance program in place before it draws any state funds. The

Sponsor Statement
House Bill 313

municipality is required to provide evidence of the preventive maintenance program to the Department of Administration.

Section 3 requires that an unincorporated community must have a preventive maintenance program in place before it can receive capital matching grant programs. The unincorporated community is required to provide evidence of the preventive maintenance program to the Department of Community and regional affairs.

Section 4 provides for an effective date of *July 1, 1999*.

HB

315

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: February 25, 1998

FURTHER REFERRALS:

Date of Committee Action: 4/24/98

The FINANCE Committee considered:

HB 315

HOUSE BILL NO. 315

OPERATING APPROPRIATIONS FOR MAINTENANCE

"An Act relating to operating appropriations for annual maintenance and repair and periodic renewal and replacement of public buildings and facilities; and providing for an effective date."

recommends it be replaced with the following committee substitute CSHB 315 (FIN) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) _____ APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) DOE, GOV. 2/25/98

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Gene Therriault</i> Therriault	X			
<i>Mark Hanley</i> Hanley	X			
<i>John Grossendort</i> Grossendort	X			
<i>Allen Mulder</i> Mulder	X			
<i>Terry Martin</i> Martin	X			
<i>John J. Davies</i> J. DAVIES	X			
<i>John G. Davis</i> G. DAVIS	X			
<i>John Foster</i> FOSTER	X			

CHAIR'S SIGNATURE *Gene Therriault* *Mark Hanley*
 CO-CHAIR Therriault HANLEY

FISCAL NOTE

No: 2

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Bill Version: CSHB 315 (STA)

(H) Publish Date: 2/25/98

Revision Date (Note if correction) _____ Dept. Affected All state agencies
 Title An Act relating to operating appropriations for BRU _____
annual maintenance and repair...of public buildings. Component _____
 Sponsor Rules Committee _____
 Requester House State Affairs Committee Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY98) cost: _____

POSITICNS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would not have a significant fiscal impact on any state agency.

Prepared by Annalee McConnell, Director *Annalee McConnell* Phone 465-4660
 Division Office of Management and Budget Date 1/30/98
 Approved by Commissioner Jim Ayers, Chief of Staff *Jim Ayers* Date _____
 Agency Office of the Governor

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FISCAL NOTE

No: 1

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Bill Version: CSHB 315 (STA)
(H) Publish Date: 2/25/98

Revision Date _____	Dept. Affected <u>Education</u>
Title <u>Operating Appropriations for Maintenance</u>	BRU <u>School Finance</u>
	Component <u>Educational Facilities</u>
Sponsor <u>House Rules-Deferred Maintenance Task Force</u>	<u>Support</u>
Requester <u>House State Affairs</u>	Component Serial No. <u>1957</u>

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost:

POSITIONS

Full-time					
Part-time					
Temporary					

ANALYSIS: *(Attach a separate page if necessary)*

As currently written, the bill does not require the department to fully fund maintenance and renovation and renewal. The current requirements of the bill would have little or no fiscal impact to the department. However, if required to fully fund both the maintenance and facility renovation and renewal requirements of all department facilities, there would be a significant increase over the current budget.

Prepared by <u>Michael Morgan, PMP</u>	Phone <u>465-1858</u>
Division <u>Education Support Services, Educational Facilities Support</u>	Date <u>2/4/98</u>
Approved by <u>Shirley J. Holloway, Ph.D., Commissioner</u>	Date <u>2/4/98</u>
Agency <u>Department of Education</u>	

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Sen. Loren Lemman
Sen. Georgianna Lincoln
Sen. Robin Taylor
Sen. Gary Wilken
Sen. Mike Miller

DEFERRED MAINTENANCE TASK FORCE

Capitol Building, Room 501 • Juneau, Alaska 99801 • Phone (907) 465-2647 • FAX (907) 465-3518

Sponsor Statement

House Bill 315 *Proposed Committee Substitute*

Separate Appropriation for Maintenance

The Deferred Maintenance Task Force repeatedly heard from facility managers that they felt the legislature had not adequately funded the maintenance component of the budget. It also heard from Finance Committee members and staff that agencies were moving funds intended for maintenance to increase program operations in defiance of legislative intent. As long as both facility maintenance and program operations are funded in the same line item appropriation, this debate will continue. This debate has resulted in poor maintenance of public assets.

This bill requires a separate appropriation for maintenance. That will limit the use of those funds to maintenance. Agencies will need to determine the need for maintenance funding. The budget subcommittees will need to consider and decide the amount of funding that will be allocated to maintenance.

This bill will require debate at the appropriation stage of funding. It will eliminate the current finger pointing exercise when assets are not cared for.

Section 1 amends the executive budget act to require the proposed budget will present, separately, the annual appropriation for maintenance, repair, renewal and replacement of public buildings and facilities.

Section 2 adds definitions of "maintenance and repair" and "renewal and replacement".

Section 3 provides an effective date of July 1, 1998.