

ALASKA LEGISLATURE

2482

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

cannot be determined when covered or frozen . Unless visible evidence of damage or moisture is present at the time of the inspection how can anyone determine these things.

PG 2

Page 6 line 24. Continuing competency requirements. Again this could be good if industry standard as applicable to Alaska are used and not political maneuvering. What is the definition of continuing competency activities?

Pg 7 line 5. ICBO is now part of ICC. International Code Council, Inc.

Page 8 line 27 thru 31 and Pg 9 line 1 thru 5. Posting a surety Bond. This again I find offensive in regards to existing housing as it attempts to place liability on the wrong party. A home inspector for existing housing should not be held responsible for faults not visible caused by inadequate construction in the past, but only for deliberate incompetence or unethical practices, such as writing off items to help someone ,perhaps a realtor or relative.

Page 9 lines 7 thru 11. The home inspection business for existing housing is not all that big a deal financially. I might make between \$1500 and \$2000 dollars a year which I do as a supplement to retirement to enable me to stay in Alaska as a senior. Am 43 yr resident. To put up \$5000.00 to make available for someone to attempt to take in court will be self fulfilling. As soon as there are any monitors in government control for these type actions some unethical persons or their lawyers will try to find a way to get it and it does not seem to matter who is or is not at fault if court track records on these type of cases is any indication.

Page 10 line 17 thru 21. This states (2) received the home inspection report with the written consent of the party for whom the home inspection was originally performed. -The buyer of that service cannot turn around and provide or sell that service to another for their use for fee or not ,because as an example that would be the same as making copies of someone elses recordings of music and selling or giving them to another or an unethical seller could buy an inspection and then provide copies to all the realtors in his area and all interested parties . If the original party uses it for his own negotiations or his agent does then that is O.K.

Pg 10 line 25 (d) Contractual provisions that purport to limit the liability of a home inspection to the cost of the home inspection report are contrary to public policy and Void.

Just where did this come from? This again is a suspicious attempt to place liability on the wrong party. Most all home inspection businesses across the country use this provision and is common in software for Home Inspection reports. What authority of public policy !! creates such a legal "void" status? This sounds much like the kind of spin speech Bill Clinton would use to lie to the public. Is it automatically "public policy" to set legal standards of responsibility without legal basis?

Page 14 line 9 thru 14. Is the DCED going to be persons trained to the point of being at least as competent as the home inspectors training or will they be political appointees or just someone whos had seniority around the dept for a while that may or may not know Jack about the business.

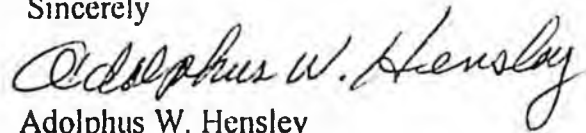
The SEC 44. on Pg 23 TRANSITIONAL LICENSING PROVISIONS, and all Sections 45 thru 48 on Pg 24 also ,need clarification .

The dates and stages of this transition need to be clearly stated in lay terms.

SUMMARY: I'm am in contact with realtors and home inspectors and am not aware of any significant problem with the process of home inspections so am wondering where the ideas of posting a high bond and insinuating responsibilities on the wrong party is generated from and why.

I am in favor of technical competence, training and ethics but with all the questions I have brought out about this bill I would suggest delaying this for about a year until any one who sponsors or votes on this type measure has done research and legal review before passing something half baked that may not stand a legal challenge.

Sincerely



Adolphus W. Hensley

AAA-Alaskan Home Inspector

P.O. BOX 3589
PALMER, ALASKA 99645



TEL: (907) 746-5471
FAX: (907) 746-5476

DAVID R. OWENS

CERTIFIED INSPECTOR

March 7, 2003

Twenty-Third Alaska State Legislatures
Alaska State Senate
Labor and Commerce Committee
Judiciary Committee
Finance Committee

This testimony is my own. However, it represents the consensus of the majority of building inspector groups that I am involved with.

I support House Bill No. 9 (23-LS0029\S.A) with the following amendments;

1. Remove the language from title page 1, line 6 thru 8, that states "repealing a law that limits liability for damages based on a duty to inspect a residential unit to damages caused by gross negligence or intentional misconduct".
2. Remove the word "two" on page 10, line 6 and replace it with the word "one".
3. Remove the language from section 41 page 22 line ²¹ ~~18~~ that states "AS 18.56.300 (C) is repealed".
4/4/03

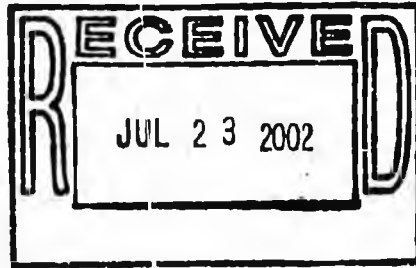
After five years of working on this house bill, we feel the above mentioned amendments are a reasonable compromise to represent all people involved. It is time to move forward with this house bill as quickly as possible.

Code consolidation, Creation of an Alaska State Residential Building Code and Regulation of Commercial Building Inspectors are issues that are important to our group and can be addressed with future legislation.

I want to thank you for your consideration in this matter. If there are any questions or concerns that I may address, please contact me at the following location.

A handwritten signature in black ink, appearing to read "D. R. Owens", written over a horizontal line.

David R. Owens
Owens Inspections Services



Richard F. Gaver
3050 Lore Road, C2
Anchorage, AK 99507
July 22, 2002

Representative Norman Rokeberg
715 West 4th Avenue, Suite 640
Anchorage, AK 99501-2133

Re: Home inspector licensing

Dear Sir:

From an Anchorage Daily News article by Rosemary Shinohara (This house is no home sweet home) published last month, I learned of your efforts to enact a state law requiring home inspectors to be licensed. I am rather surprised this is not already required of inspectors, and firmly believe anybody involved in the home buying process ought to be licensed and regulated.

As evidenced by Ms. Shinohara's story about Hope Prehn, I think it irrefutable there is plenty of fault and blame in this pitiful and woeful situation, in which all these "experts" failed, collectively and selfishly, to provide this poor woman even a modicum of fairness and decency. How could so many participants be involved in this abomination without even one putting a stop to it? I would object to anyone involved being referred to as a professional.

As Ms. Prehn did, I also attended a first-time home buyers class. It did not prepare me for what was to come. I came through the process much better than she did, but it all left me disgusted and quite angry at all I endured to get through it. Deceit, lies, misinformation, obfuscation and condescension were my experience. I've used this opportunity to convey my thoughts on the subject to AHFC, sponsor of Home Choice, the first-time home buyers class I went to (and still endorse). The class ought to begin with "caveat emptor" (let the buyer beware).

Sincerely,

Richard F. Gaver

Enclosure: letter to AHFC



Municipality of Anchorage

Office of the Mayor

George P. Wuerch, Mayor



February 4, 2003

Representative Norman Rokeberg
Alaska State Legislature
State Capitol
Juneau, AK 99801

Re: House Bill 9

Dear Representative Rokeberg,

Purchasing a home is, for most families, the largest single investment they will make. Before making that investment, many people are now turning to home inspectors to assist them in making their purchase decision. Unfortunately, anyone can call himself or herself a home inspector and there is no oversight of this growing industry.

A faulty inspection could have serious consequences for consumers when selling or purchasing a home. Consumers should have the peace of mind of knowing that the home inspector they are hiring is qualified to do the inspection and that they can be held accountable for their work.

The Municipality of Anchorage supports your efforts, through HB 9 to provide protection to Alaskans by establishing proof of competency for home inspectors as well as registration, identification, bonding and insurance requirements.

Sincerely,

Tim Rogers
Legislative Program Coordinator

Subject: House Bill No. 9 Home Inspector Bill

Date: Wed, 12 Feb 2003 09:01:51 -0900

From: Don Sheppard <dsheppard@alaska.com>

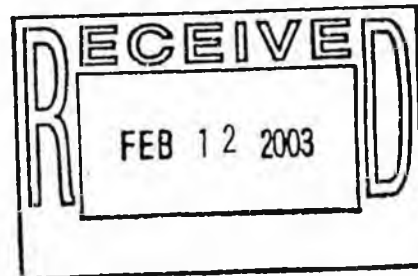
To: Representative_Norman_Rokeberg@legis.state.ak.us

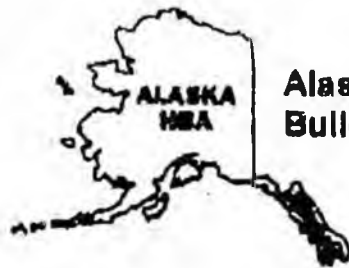
This e mail message is in way of offering support for the passage of HB 9 concerning the requirement for regulation of home inspectors. We have tried unsuccessfully for several years in getting this regulation in place.

Sincerely,

Don Sheppard
Frank Sobottka
Mark Crawford

HouseMaster Home Inspection Service
6000 Yukon Rd.
Anchorage, AK 99507
ASHI





**Alaska State Home
Building Association**

POSITION STATEMENT
House Bill 9, Home Inspector Licensure

The Alaska State Home Building Association (ASHBA) supports the establishment of a state licensure system for home inspectors as provided in HB9.

ASHBA is a statewide organization. Our mission is to provide an organization wherein building contractors and persons engaged in a trade, industry or profession related to housing may meet to discuss various problems of common interest, particularly those related to labor, production and finance. To maintain high standards in the building industry, to support building contractors in efforts to rectify conditions of an unsatisfactory nature, to encourage those methods of contracting work which reduce the building contractors risks and to encourage sound business methods. We are an aggressive, service oriented Association run by and for the membership.

This bill has been written to make home inspectors a specialty contractor with a \$5,000 bond. The thought behind this path was to use an existing license without creating a new license for fee setting, insurance, and bonding, but to create a module under the specialty contractor specifically for home inspectors to deal with education, limitations, examinations, pre-inspection documents, and prohibitions, to name a few.

Representative Rokeberg has worked hard over the past five years to refine this legislation into language that will;

- recognize different standards for both new and existing construction;
- provide options for insuring inspection availability in small and rural communities;
- insure better consumer protection for home-buying families.

Sincerely,

Thom Antonovich
President
Alaska State Home Building Association



**ANCHORAGE BOARD
OF REALTORS, INC.**

REALTOR® *The Voice for Real Estate™* In Anchorage

741 Sesame Street
Suite #100
Anchorage, Alaska 99503
(907) 561-2338
(907) 563-8476 Fax

January 24, 2003

Representative Rokeberg
State Capitol
Juneau, Alaska 99801-1182

RE: HB 9 – Relating to the licensing of home inspectors

Dear Representative Rokeberg,

The Anchorage Board of REALTORS with over 600 members statewide supports House Bill 9 relating to the licensing of home inspector.

The Anchorage Board is in agreement with the Alaska Association of REALTORS that there should be minimum standards set forth for home inspectors to protect the consumer.

The Board encourages the passage of HB 9.

Sincerely,

Bert Dozark, CRS, GRI
President





REALTOR®

ALASKA ASSOCIATION OF REALTORS, INC.
741 Sesame Street, Suite 100 • Anchorage, Alaska 99503
Telephone 907-563-7133 • Fax 907-563-8476

January 24, 2003

Representative Rokeberg
State Capitol
Juneau, Alaska 99801-1182

RE: Relating to the licensing of home inspectors

Dear Representative Rokeberg,

The Alaska Association of REALTORS with over 1,100 members statewide supports House Bill 9 relating to the licensing of home inspectors.

We agree that there should be some minimum standards set forth in this bill to protect the consumer. Minimum standards should include but are not limited to testing, education and the forming of a home inspector board.

The Association encourages the passage of HB 9 during this first session. We are available as a resource to pass this bill. Please feel free to contact the Alaska Association at (907) 563-7133.

Sincerely,

Carole Winton
President



LESSMEIER & WINTERS

LAWYERS - LLC

431 NORTH FRANKLIN STREET
SUITE 400
JUNEAU, ALASKA 99801-1186

MICHAEL L. LESSMEIER
GREGORY W. LESSMEIER
SHELDON E. WINTERS
COLBY J. SMITH

TELEPHONE: (907) 586-5912
FACSIMILE: (907) 463-3020
E-MAIL: lw@gcl.net

February 2, 2001

Representative Norman Rokeberg
State Capitol
Juneau, Alaska 99801-1182

FEB 02 2001

Re: CSHB 27

Dear Representative Rokeberg:

I am writing to you on behalf of State Farm Insurance Companies. State Farm insures roughly 75,000 homes in Alaska. Creating a board of home inspectors and requiring licensure, registration and oversight of home inspectors will in a variety of ways only benefit home owners, prospective home purchasers, qualified home inspectors and the public in general. State Farm supports CSHB 27 and encourages its passage.

Sincerely,

LESSMEIER & WINTERS

By: 
Sheldon E. Winters



WARD

Development
& Construction Management
INCORPORATED

April 18, 2002

Dear Legislator: *Tom*

It is my understanding that HB 27, licensing of home inspectors, will be heard on the House Floor today.

I would like to urge my support for this bill, given it's broad support within the affected industries. This piece of legislation has been in the works for several years and the version you see today is the product of hard work and compromise by the many parties involved.

Some may ask; is this a union issue? It is not. Labor should not be affected.

Others may ask; how will this affect the Third Party Alternative Inspector ordinance that is being introduced at the Anchorage Assembly? It will enhance it. If the Anchorage ordinance were adopted, those inspectors would be licensed and certified, which is good public policy.

I would be available to answer any questions on my cell phone at 229-8403.

Thank you for your support!

Robin

Robin E. Ward

1 **Approved**

2 Date: 3/19/02

3 Submitted by: Assemblymembers Von Gemmingen,
4 Tesche, Taylor, Van Etten, Traini
5 Prepared by: Department of Assembly
6 For reading: March 19, 2002

7 **ANCHORAGE, ALASKA**
8 **AR NO. 2002-93**

9 **A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING CS FOR**
10 **HOUSE BILL NO. 27(JUD), "AN ACT RELATING TO THE LICENSURE AND REGISTRATION**
11 **OF INDIVIDUALS WHO PERFORM HOME INSPECTIONS; RELATING TO HOME INSPECTION**
12 **REQUIREMENTS FOR RESIDENTIAL LOANS PURCHASED OR APPROVED BY THE ALASKA**
13 **HOUSING FINANCE CORPORATION; RELATING TO CIVIL ACTIONS BY AND AGAINST**
14 **HOME INSPECTORS; AND PROVIDING FOR AN EFFECTIVE DATE."**

15 _____
16
17 WHEREAS, currently there is no State agency that oversees the home inspector industry
18 and anyone can determine that he/she is a home inspector; and

19
20 WHEREAS, consumers throughout the State of Alaska desire and should have assurance
21 that the home inspector they hire is competent, and that they have recourse against inspectors who
22 are not; and

23
24 WHEREAS, faulty inspections could have serious consequences for consumers when
25 purchasing or selling a home, and inspectors should and must be held accountable for their work;
26 and

27
28 WHEREAS, representatives within the industry agree licensure for home inspectors is a
29 worthwhile goal to establish a competency level that will protect the name of the profession and
30 protect consumers from faulty inspections; and

31
32 WHEREAS, CSHB 27 (JUD) accomplishes this by establishing licensing qualifications such
33 as registration, insurance, and proof of competency through the administration of a written and
34 practical examination.

35
36 NOW, THEREFORE, the Anchorage Assembly resolves:

37
38 **Section 1:** That the Anchorage Assembly supports and urges passage of CSHB 27 (JUD)
39 which will provide protection to consumers and the home inspection industry.

40
41 **Section 2:** That copies of this resolution be forwarded to the Governor and the Alaska State
42 Legislature immediately upon passage and approval.

43
44 PASSED AND APPROVED by the Anchorage Assembly this _____ day of _____,
45 2002.

46
47 _____
48 Chair

49 ATTEST:

50
51 _____
52 Municipal Clerk

MAR 21 2002

Subject: House Bill 27 - Home Inspection Licensing

Date: Mon, 06 May 2002 16:14:53 -0800

From: Karen Crawford <housemaster@alaska.com>

Organization: HouseMaster

To: Representative Norman Rokeberg <Representative_Norrmnan_Rokeberg@legis.state.ak.us>

Representative Rokeberg:

As an active ASHI member and a long term home inspector I wish to add my encouragement for the passage of HB 27. We have waited too long to provide for inspector certification by the state. While the vocal minority will always find something in the bill to complain about it is my feeling that we must proceed with passage of the bill and work out the kinks should any arise. State certification is ongoing throughout the rest of the country and sooner or later will encompass the entire 50 states.

Only through a well thought out certification bill will we be able to achieve minimum standards for those people calling themselves home inspectors and thereby provide the home buying public with assurance of professional inspections.

The following ASHI members/ candidates support the passage of this legislation.

Don Sheppard Owner/President HouseMaster Home Inspection Service
ASHI #118913, NIBI #65495RT, ICBO#0865225-55

Frank Sobottka Inspector ASHI #204775, NIBI135700RT, ICBO#5071485-55
Mark Crawford Inspector ASHI Candidate, NIBI #141601RT

Gregg Russo Inspector ASHI Candidate

Sincerely,

Don Sheppard

Subject: HB27

Date: Tue, 7 May 2002 02:33:01 EDT

From: Qualhome@aol.com

To: Representative_Norman_Rokeberg@legis.state.ak.us

Representative Rokeburg,

My name is Kevin Jones and I am the owner operator of Quality Home Inspection Service in Anchorage. I wish to express my support for HB27 and would ask for your assistance and support in getting this very important consumer protection bill into law. It appears that only the negative responses are reaching the senates ears when the majority of home inspectors are supportive of this bill.

Currently in Alaska anyone with a 50 dollar business license can advertise themselves as home inspectors to the buying public, without any background or experience in the principles of construction and building safety. I am a member of the American Society of Home Inspectors and currently hold the position of Alaska ASHI President. I am also a Certified Combination Dwelling Inspector through the International Conference of Building Officials (ICBO). In the state we have 19 members or candidates in the local Alaska ASHI chapter. Our organization requires passing the national home inspectors examination and having performed at least 250 fee paid inspections that conform to the Standards and Practice set forth by the organization. Additionally membership requires 20 continuing education credits for renewal every year. Certification from the ICBO required passing an examination on the knowledge of the Uniform Building Code, Uniform Mechanical Code, Uniform Plumbing Code, National Electric Code, International Residential Code, International Mechanical Code and the International Plumbing Code. The ICBO requires recertification by examination every three years.

As you can see the knowledge required to adequately and responsibly perform home inspections cannot be obtained with a 50 dollar bill and a business license. Home purchasing will likely be the single most important and costly decision the majority of consumers will ever make. In that regard the homebuying public deserves to have qualified and knowledgeable individuals representing them in the process of their home buying experience. With the price of homes today few people can ill afford to find costly defects existed after the fact, when a professional inspector could identify them prior to moving into the new home and allow the homebuyer to make knowledgeable decisions. It is only natural then that some sort of protection be in place to ensure that the individuals performing the inspections meet some established minimum standard/requirement of knowledge and experience.

This is where HB27 comes into effect. This bill has been around for almost two years and provides the consumer protection that everyone is entitled to. Again I would appreciate your help and support in gaining passage of this bill during the 2nd session. Thanks so much for your time.

Sincerely,

Kevin D Jones
Quality Home Inspection Service
333-1719
Owner

Subject: [Fwd: hb27 reply]

Date: Tue, 30 Apr 2002 10:12:08 -0800

From: Heather Nobrega <Heather_Nobrega@legis.state.ak.us>

Organization: Representative Norman Rokeberg, Alaska State House

To: Janet Seitz <Janet_Seitz@legis.state.ak.us>

Ryan wrote:

> Dear Mr. Rokeberg,
> I am a former professional builder, former consultant on codes and
> energy codes in Wash, state. I am currently living in Homer, Alaska and
> have become aware of hb27 and would like to give some feedback, as I'm
> disabled and can't go to the phone office. Thank you so much for this
> bill, a real necessity in the "assumed wild west." People are coming
> into the State at record numbers, all thinking they can do anything they
> want to, "they've got money". Inspectors and appraisers have for years
> merely provided the reports that the person paying them requires. There
> has been a total disregard for our energy codes, state building codes,
> or federal law. Inspectors are telling sellers they have a choice
> whether to disclose anything at all. We recently saw an example where
> the seller paid for the inspection, didn't like it, hired another
> inspector, didn't like that one and hired another. Inspectors need to be
> hired by the borough, or state or totally private and independent. If
> reports are truly written to meet the needs of the highest bidder, then
> what's the use of a law. The bill addresses much of this and is really a
> good bill, in my thinking. I do feel though that the criminal side of
> this kind of "bait and switch" is not addressed adequately, penalties
> need to be higher, liability carried should be much higher. The limits
> you proposed would not cover errors that could literally be in the
> hundreds of thousands. The home I mentioned is a good example, the older
> folks buying it were gullible and too believing, but the owner when
> asked why they didn't disclose, simply stated, "they didn't ask". They
> shouldn't have to. They would have purchased the home, then discovered
> how much did not meet code, needed to be repaired or completely rebuilt
> . I know your bill is intended to address this, just thank you so much
> from all in Alaska. I think this will be a very good bill for the people
> of this state.
> If I can be of any further help or provide you any other feedback,
> please write back. Thank you again.
> Jerry Migdal
> Homer, Alaska 99603

Committee Aide Alaska State House Judiciary Committee

Email:

Non Constituent Supports

BILL#: HB 9 HOME INSPECTORS/CONTRACTORS

SUBJECT:

MESSAGE: I feel home inspectors should be licensed and bonded in some form that protects both sellers and buyers.

DISTRIBUTION: 60

□□

Stephanie J Bradford
100 10th Ave #2a7

Fairbanks AK, 99701

SENATE COMMITTEE REPORT

DATE: 3/3/03

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 3/31/03

Labor and Commerce Committee considered CS FOR HOUSE BILL NO. 9(FIN) am

HB 9 HOME INSPECTORS/CONTRACTORS

"An Act relating to the registration of individuals who perform home inspections; relating to regulation of contractors; relating to registration fees for specialty contractors, home inspectors, and associate home inspectors; relating to home inspection requirements for residential loans purchased or approved by the Alaska Housing Finance Corporation; relating to civil actions by and against home inspectors and to civil actions arising from residential unit inspections; repealing a law that limits liability for damages based on a duty to inspect a residential unit to damages caused by gross negligence or intentional misconduct; and providing for an effective date."

and recommends:

- be replaced with S CS CSHB 9 (LEC)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

- further referral to _____ Committee

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS ^{HOUSE} FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
REV	1/28/03		✓	1
LAW	1/29/03		✓	2
LWF	1/29/03		✓	3
CEO	1/29/03	✓		4

- APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		DO PASS	DO NOT PASS	NO REC	AMEND
Davis	<i>Betty Davis</i>			✓	
French	<i>[Signature]</i>			✓	
Seekins	<i>Taem Seekins</i>	✓			
G. Stevens	<i>[Signature]</i>			✓	
Bunde	CHAIR: <i>[Signature]</i>	✓			

SITE: MAT-LIO

SUBJECT OF MEETING:

COMMITTEE: SFIN

HB9

UPDATE#:

DATE: 05/05/03

PLEASE SIGN IN

P R I N T YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

**DO YOU WANT
TO TESTIFY?
Y OR N**

P R I N T YOUR NAME	ADDRESS (MAILING & ZIP)	REPRESENTING	DO YOU WANT TO TESTIFY? Y OR N
David Owens		Self	HB9 Y
Email address:			
Email address:			
Email address:			

SITE: MAT-LIO

SUBJECT OF MEETING:

COMMITTEE: SFIN

HB9

UPDATE#:

DATE: 04/22/03

PLEASE SIGN IN

P R I N T YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

**DO YOU WANT
TO TESTIFY?
Y or N**

<input checked="" type="checkbox"/> William Bruu		Self	HB9 Y
Email address:			
<input checked="" type="checkbox"/> David Owens		Self	HB9 Y
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			

SENATE FINANCE COMMITTEE

SIGN-IN

HB 9-HOME INSPECTORS/CONTRACTORS

NAME: Rick Union Subject/Bill No: HB9

Co./Dept./Title: Director Occupational Licensing Phone: _____

Address: _____ Zip: _____

Do you wish to testify? ___Yes ___No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? ___Yes ___No ___ Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? ___Yes ___No ___ Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? ___Yes ___No ___ Respond To Questions

SITE: MAT-SU LIO

COMMITTEE: SFIN

DATE: 0408 /03

SUBJECT OF MEETING

HB 9

UPDATE: 2

PLEASE SIGN IN

P R I N T YOUR NAME	ADDRESS (MAILING & ZIP)	REPRESENTING	DO YOU WANT to testify? Y or N
✓ David Owens Email address:		Owens inspection	Y
✓ Bernie Schuyler Email address:		Arctic sky ent	Y
✓ Bob Milby Email address:		Milby construction	Y
Email address:			
Email address:			
Email address:			

SITE: Kenai LIO

COMMITTEE: Senate Finance

DATE: 4-8-03

SUBJECT OF MEETING:

HB 9 Home Inspectors / Contractors

UPDATE #:

PLEASE SIGN IN

P R I N T YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

**TESTIFYING?
Y or N**

✓ Rocky Smith	335 Main St Lp	Kenai, AK 99611	Preferred	Y
Email address:	rocky@pphak.com		Plumbing & Heating	HB 9
✓ Steve Wisdom	PO Box 3413	Kenai, AK 99611	Wisdom	Y
Email address:	wisdom@alaska.com		& Associates	HB 9
Email address:				
Email address:				
Email address:				
Email address:				
Email address:				

HB

10

SFIN

FILE

REPORTED OUT
 May 05 2004
 SENATE FINANCE
 COMMITTEE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/19/03

FURTHER:

DATE TURNED IN TO OFFICE: 5 May 2004

Finance Committee considered CS FOR HOUSE BILL NO. 10(HES)

HB 10 GROUP HEALTH INSURANCE FOR PRIVATE GROUPS

"An Act relating to pooling by employers and self-employed individuals for purposes of group health insurance; and providing for an effective date."

and recommends:

- be replaced with S CS CS HB 10 (FIN)
- adopt previous _____ CS CS forthcoming (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Admin	4/14/03		✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Frank Brown</i>	✓			
<i>Robert Hoff</i>		✓		
<i>Mike Chen</i>	✓			
<i>Chris...</i>	✓			
<i>Ben Stevens</i>	✗			
COCHAIR: <i>Lynne Green</i>			✓	
COCHAIR: <i>Gary Keller</i>			✓	

FISCAL NOTE

REPORTED OUT
MAY 05 2004
SENATE FINANCE
COMMITTEE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 10(L&C)
(H) Publish Date: 4/14/2003

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title: An Act relating to health insurance BRU: Centralized Admin Services
for small businesses and non profits Component: Retirement & Benefits
Sponsor: Rep. Heinze and Rokeberg
Requester: House Labor & Commerce Component No. 64

Expenditures/Revenues (Thousands of Dollars)
Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
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--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Due to the adoption of a committee substitute by the House Labor & Commerce Committee, which no longer requires the involvement of the Commissioner of Administration, this bill will now have a zero fiscal impact.

Prepared by: Representative Tom Anderson Phone _____
Division: Chair, House Labor & Commerce Committee Date/Time: 4/14/03 11:44 AM
Approved by: Representative Tom Anderson Date: 4/14/2003
Agency: House Labor & Commerce Committee

1 employees of members of the association, for the benefit of persons other than the
 2 employers or the unions or the association; in this paragraph, the term "employees"
 3 may include the officers, managers, and employees of the employer, and the individual
 4 proprietor or partners if the employer is an individual proprietor or partnership; in this
 5 paragraph, the term "employees" may include retired employees; the policy may
 6 provide that the term "employees" includes the trustees or their employees, or both, if
 7 their duties are principally connected with the trusteeship;

8 (4) under a policy issued to a person or organization to which a policy
 9 of group life insurance may be issued or delivered in this state to insure a class or
 10 classes of individuals that could be insured under the group life policy;

11 (5) under a policy issued to cover any other substantially similar group
 12 that, in the discretion of the director, may be subject to the issuance of a group health
 13 insurance policy or contract;

14 (6) a group health insurance policy that contains provisions for the
 15 payment by the insurer of benefits for expenses incurred on account of hospital,
 16 nursing, medical, or surgical services for members of the family or dependents of a
 17 person in the insured group may provide for the continuation of the benefit provisions,
 18 or a part or parts of them, after the death of the person in the insured group;

19 (7) under a policy issued to an association of employers covering
 20 the employees and dependents of the employees, or issued to an association of
 21 self-employed individuals covering self-employed individuals and dependents of
 22 the self-employed individuals, or issued to an association that includes a
 23 combination of employers and self-employed individuals; for purposes of this
 24 paragraph,

25 (A) an association described under this paragraph shall
 26 comply with the following requirements:

27 (i) the association shall have a constitution and
 28 bylaws;

29 (ii) the association shall be maintained in good faith
 30 for the benefit of persons other than the association or its officers
 31 or trustees;

Amend #1
adopted

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(iii) membership in the association shall be restricted to large or small employers, or self-employed individuals, who are residents of the state; however, an employer domiciled in another state may become a member of the association for purposes of obtaining coverage through the association only for the employees and dependents of the employees of that employer who are residents of this state;

(iv) except as provided under AS 21.54.015, the association may not condition membership in the association or coverage under a health insurance policy issued to the association on any of the factors listed under AS 21.54.100(a);

(B) "self-employed individual" means an individual who derives a substantial portion of the individual's income from a trade or business through which the individual has attempted to earn taxable income and for which the individual has filed the appropriate Internal Revenue Service form and schedule for the previous taxable year.

* Sec. 4 AS 21.56.120 is amended by adding a new subsection to read:

(e) In determining the premium rates for a small employer covered under an association health insurance policy authorized under AS 21.54.060(7), a small employer insurer may not use the claims experience of the small employer while the employer was covered under another health insurance policy and may use only that underwriting information obtained through the insurer's normal application process for new small employer groups that are not written under the association plan.

* Sec. 5. This Act takes effect July 1, ~~2003~~ 2004

SENATE FINANCE COMMITTEE
5/3/2004 COMMITTEE ACTION

Bill Number	HB 10		
Amendment	#1		
Motion	adpt		
<u>Motion by</u>	Stevens		
<u>Objection by</u>	none		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Stevens			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Co-Chair Green			
Co-Chair Wilken			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 5 May 2004 TIME: 9:39 am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 2

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Please
SCS CS HB 10 (FIN)
23-LS00301 B
Plus 1 amendment attached

Thx

Mindy

SENATE CS FOR CS FOR HOUSE BILL NO. 10(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES HEINZE AND ROKEBERG, Gara, McGuire, Hawker, Foster, Stevens, Wilson, Seaton, Weyhrauch, Moses, Kerttula, Gruenberg, Anderson, Wolf, Cissna, Crawford, Dahlstrom, Meyer, Lynn, Berkowitz

SENATORS Dyson, Bunde, Cowdery, Olson, Guess, Davis, Seekins, Ellis

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to pooling by employers and self-employed individuals for purposes of
2 group health insurance; and providing for an effective date."

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

4 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 INTENT. It is the intent of this Act to allow small and large employers, including
7 nonprofit employers, as well as self-employed individuals, to form an association for group
8 health insurance purposes.

9 * Sec. 2. AS 21.54.015 is amended by adding a new subsection to read:

10 (b) A health care insurer may decline to cover or may restrict the coverage
11 offered to a self-employed individual under an association plan authorized under
12 AS 21.54.060(7).

13 * Sec. 3. AS 21.54.060 is amended to read:

14 Sec. 21.54.060. Group health insurance defined. Group health insurance is

1 that form of health insurance covering groups of persons as defined below, with or
2 without one or more members of their families or one or more of their dependents, or
3 covering one or more members of the families or one or more dependents of the
4 groups of persons and issued upon the following basis:

5 (1) under a policy issued to an employer or trustees of a fund
6 established by an employer, who shall be considered the policyholder, insuring
7 employees of the employer for the benefit of persons other than the employer; in this
8 paragraph the term "employees" includes the officers, managers, and employees of the
9 employer, the individual proprietor or partner if the employer is an individual
10 proprietor or partnership, the officers, managers, and employees of subsidiary or
11 affiliated corporations, the individual proprietors, partners, and employees of
12 individuals and firms if the business of the employer and the individual or firm is
13 under common control through stock ownership, contract, or otherwise; in this
14 paragraph, "employees" may include retired employees; a policy issued to insure
15 employees of a public body may provide that the term "employees" includes elected or
16 appointed officials; the policy may provide that the term "employees" includes the
17 trustees or their employees, or both, if their duties are principally connected with the
18 trusteeship; a policy issued to insure employees of a corporation may provide that the
19 term "employees" includes directors of the corporation, whether or not the directors
20 receive compensation;

21 (2) under a policy issued to an association, including a labor union,
22 that has a constitution and bylaws and that has been organized and is maintained in
23 good faith for purposes other than that of obtaining insurance, insuring members,
24 employees, or employees of members of the association for the benefit of persons
25 other than the association or its officers or trustees; in this paragraph, the term
26 "employees" may include retired employees;

27 (3) under a policy issued to the trustees of a fund established by two or
28 more employers in the same or related industry or by one or more labor unions or by
29 one or more employers and one or more labor unions or by an association as defined
30 in (2) of this section, which trustees shall be considered the policyholder, to insure
31 employees of the employers or members of the unions or of the association, or

1 employees of members of the association, for the benefit of persons other than the
 2 employers or the unions or the association; in this paragraph, the term "employees"
 3 may include the officers, managers, and employees of the employer, and the individual
 4 proprietor or partners if the employer is an individual proprietor or partnership; in this
 5 paragraph, the term "employees" may include retired employees; the policy may
 6 provide that the term "employees" includes the trustees or their employees, or both, if
 7 their duties are principally connected with the trusteeship;

8 (4) under a policy issued to a person or organization to which a policy
 9 of group life insurance may be issued or delivered in this state to insure a class or
 10 classes of individuals that could be insured under the group life policy;

11 (5) under a policy issued to cover any other substantially similar group
 12 that, in the discretion of the director, may be subject to the issuance of a group health
 13 insurance policy or contract;

14 (6) a group health insurance policy that contains provisions for the
 15 payment by the insurer of benefits for expenses incurred on account of hospital,
 16 nursing, medical, or surgical services for members of the family or dependents of a
 17 person in the insured group may provide for the continuation of the benefit provisions,
 18 or a part or parts of them, after the death of the person in the insured group;

19 (7) under a policy issued to an association of employers covering
 20 the employees and dependents of the employees, or issued to an association of
 21 self-employed individuals covering self-employed individuals and dependents of
 22 the self-employed individuals, or issued to an association that includes a
 23 combination of employers and self-employed individuals; for purposes of this
 24 paragraph,

25 (A) an association described under this paragraph shall
 26 comply with the following requirements:

27 (i) the association shall have a constitution and
 28 bylaws;

29 (ii) the association shall be maintained in good faith
 30 for the benefit of persons other than the association or its officers
 31 or trustees;

1 (iii) membership in the association shall be restricted
 2 to large or small employers, or self-employed individuals, who are
 3 residents of the state; however, an employer domiciled in another
 4 state may become a member of the association for purposes of
 5 obtaining coverage through the association only for the employees
 6 and dependents of the employees of that employer who are
 7 residents of this state;

8 (iv) except as provided under AS 21.54.015, the
 9 association may not condition membership in the association or
 10 coverage under a health insurance policy issued to the association
 11 on any of the factors listed under AS 21.54.100(a);

12 (B) "self-employed individual" means an individual who
 13 derives a substantial portion of the individual's income from a trade or
 14 business through which the individual has attempted to earn taxable
 15 income and for which the individual has filed the appropriate Internal
 16 Revenue Service form and schedule for the previous taxable year.

17 * Sec. 4. AS 21.56.120 is amended by adding a new subsection to read:

18 (e) In determining the premium rates for a small employer covered under an
 19 association health insurance policy authorized under AS 21.54.060(7), a small
 20 employer insurer may not use the claims experience of the small employer while the
 21 employer was covered under another health insurance policy and may use only that
 22 underwriting information obtained through the insurer's normal application process for
 23 new small employer groups that are not written under the association plan.

24 * Sec. 5. This Act takes effect July 1, 2004.

Amend
#1

Alaska State Legislature

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Anchorage, AK 99501-2133

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Juneau, AK 99801-1182

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Toll Free: (800) 331-4930
Rep. Cheryl Heinze @ legis.state.ak.us

Representative Cheryl Heinze
District 24 - Anchorage

CSHB 10 (HESS)

SPONSOR STATEMENT

"An Act relating to pooling by employers and self-employed individuals for the purposes of group health insurance; and providing for an effective date."

In this legislation, small and large employers and self-employed individuals are allowed to form an association for the purpose of obtaining health insurance. Under HB 10, an insurer may offer a policy to an association of employers covering the employees and dependents of the employees, or to an association of self-employed individuals covering self-employed individuals and dependents of the self-employed individuals, or to an association that includes a combination of employers and self-employed individuals.

A self-employed individual is defined as an individual who derives a substantial portion of the individual's income from a trade or business through which the individual has attempted to earn taxable income and for which the individual has filed the appropriate Internal Revenue Service form and schedule for the previous year.

An association would be required to establish a constitution and bylaws. The association must be maintained for the benefit of persons other than the association or its officers or trustees. Membership in the association is restricted to large or small employers, or self-employed individuals, who are residents of the state. An employer, however, may reside in another state and may obtain coverage through an association for the employees and dependents of the employees of that employer who are residents of this state.

The association may not condition membership in the association or coverage under a health insurance policy issued to the association. An exception is provided for a self-employed individual where a health care insurer may decline to cover or may restrict coverage offered to that individual under the association plan.

An intent section has been added to the bill to clarify that non-profits are included in those covered by this bill. Specifically, large and small non-profit employers and non-profit self-employed individuals would be allowed to form an association for group health insurance purposes.

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Representative Cheryll Heinze

District 24 - Anchorage

- "An Act relating to pooling by employers and self-employed individuals for the purposes of group health insurance, and providing for an effective date"
- Current estimates show that more than 100,000 Alaskans are without health insurance coverage.
- HB 10 attempts to help our citizens obtain affordable health insurance
- Current statute (AS 21.54.060), defines the eligible groups for which an insurance company can offer coverage. Currently AS 21.54.060 does not include a group formed for insurance purposes. If a group type is not included in AS 21.54.060, then an insurance company can not offer coverage to that group type.
- HB 10 amends this statute by allowing self-employed individuals and groups of employers, both small and large including non-profits to pool for the purpose of obtaining health insurance.
- Incorporating self-employed individuals into the group associations is a key component of this bill. To make this provision workable, some conditions have been incorporated into the bill.
- Under HB 10, a health care insurer **may decline to cover or may restrict the coverage** offered to a self-employed individual under an association plan. This applies **only** to a **self-employed individual** who joins a group but **not for employees** of either large or small employers.
- The State's Division of Insurance recommended these restrictions to prevent high risk individuals from flocking to these association plans thereby driving up the premiums for the groups.
- Under current statute (AS 21.54.100), a health care insurer may not establish rules for eligibility based on health status, medical history, disability etc., nor may they charge a higher fee for coverage of such an individual. Except in the case of a self-employed individual attempting to join an association for the purpose of obtaining insurance, this statute remains intact.
- **Another key feature of this bill is the inclusion of non-profits in the bill's language.** Non-profit groups have been amongst those having the most difficulty in obtaining affordable health insurance for their members. Allowing non-profit groups to form associations with other non-profit groups or self-employed non-profit individuals or with any other association may help them to negotiate for more affordable health insurance.
- In addition, in this **The Mental Health Trust Authority has committed to assisting the non-profits effort and are currently working with Dennis McMillan of the Foraker Group, a group providing management and organizational training to non-profit staff, to find affordable health options.**

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Representative Cheryl Heinze

District 24 - Anchorage

CSHB 10 (HESS)

SECTIONAL

Section 1. This is a section of uncodified law which expresses the intent to include non-profits .

Section 2. This section amends AS 21.54.015 by adding a new subsection to allow an insurer to decline to cover or restrict coverage to a self-employed individual under AS 21.54.060.

Section 3. This section amends AS 21.54.060 defining group health insurance to include as association of employers and their dependents and self-employed individuals and their employers.

Subsection (A) Sets out requirements for the association.

Subsection (B) Defines "self-employed individual"

Section 4. This section amends AS 21.56.120 by adding a new subsection describing how premium rates may be determined .

Section 5. This section provides for an effective date.



ALASKA

May 3, 2004

Senator Gary Wilken
Co-Chairman, Senate Finance Committee
State Capitol Room 518
Juneau, Alaska 99801-1182

Dear Senator Wilken,

Attached is an NFIB/Alaska statement of support of HB 10 based on the original bill. The bill before the Senate Finance Committee is quite different from the original proposal but is still supported by NFIB. The original bill had a large fiscal note for the Department of Administration to assist in forming a health insurance group. The bill no longer involves the department and there is no cost to the state. The bill has amended the current definition of group health insurance to provide for insurance pooling by an association of employers, including self-employed individuals with some restrictions.

This legislation provides a tool not currently available for small businesses to gain access to health insurance coverage. While not a guarantee for cheaper health insurance, it is reasonable to expect to see a reduction in rates when a business is able to join a pool that spreads the risk in comparison to getting an individual policy. In some cases the only way to have access to insurance at all is through a pool.

NFIB is actively involved at the federal level in support of legislation creating Association Health Plans (AHP's) that can cross state lines. This would significantly help in creating a larger insurance pool for Alaska businesses. In the mean time, NFIB Alaska feels that House Bill 10 is a step in the right direction.

Please support House Bill 10.

Sincerely,

Thyes J. Shaub
NFIB/Alaska



ALASKA

Statement of Support

House Bill 10

Small Business Group Health Insurance

February 22, 2003

The Alaska Chapter of the National Federation of Independent Business has 2,500 members, making it the largest small-business advocacy group in the state.

The legislative agenda of NFIB is determined by ballot. The ballot is our poll of members on a series of legislative and regulatory issues. NFIB/Alaska ballot results for 2003 showed strong support passage of legislation like House Bill 10. Following are the ballot results on this issue:

Should legislation be passed to allow the state of Alaska to assist in forming a group of Alaskan small businesses and non-profits in order to obtain health insurance for employees?

74% YES

21% NO

5% Undecided

NFIB members who are proponents of this legislation feel that forming a large insurance group will help spread the risk and bring down the cost of health insurance for small businesses and non-profits. Although the state would assist in creating the group, the legislation provides for private insurance companies, agents and brokers to bid on the policy or policies to be issued. The private sector is an important part of this proposal.

Since 1986, the cost of providing health insurance for employees has been the number one problem faced by small businesses. These businesses desperately want to offer health insurance to their employees but it is financially out of their reach. All efforts to bring down the cost of health insurance are important to small business.

NFIB/Alaska urges support for HB 10.

Submitted by Thyas Shaub on behalf of NFIB/Alaska.

SESSION

State Capitol, Room 416
Juneau, Alaska 99801-1182
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INTERIM

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Alaska State Legislature
REPRESENTATIVE CHERYLL BOREN HEINZE
Chair: Economic Development; International Trade & Tourism

May 3rd, 2004

To: Sen. Gary Wilken and Sen. Lyda Green

Cc: Sen. Con Bunde
Sen. Ben Stevens
Sen. Fred Dyson
Sen. Lyman Hoffman
Sen. Donny Olson

Re: HB 10

Sen. Wilken and Green,

Enclosed is a packet of information that addresses the issues raised the Senate Finance Committee hearing this morning. Included in this packet is a list of bullet points regarding the questions that arose in the committee hearing, a legal opinion explaining section 4 (page four lines 17-23) of HB 10 and letters of support including letters from the National Federation of Independent Businesses (NFIB), the Anchorage Small Business Development Center and AETNA.

If you have any further questions or concerns please contact my staff at 529-1103 any time. My office will be more than happy to assist you in any way. I look forward to hearing from you all at the next hearing.

Sincerely,

Representative Cheryll Boren Heinze

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Chair: Economic Development; International Trade & Tourism

Answers to questions asked by the Sen. FIN committee

- 1) What does section 4 on page 4 of HB 10 do?
 - Legal is drafting a legal memo explaining this section. Basically it keeps insurers from relying on previous insurance rates of employers in an insurance pool and states that the members be held **as a group** to the provider's regular application procedures. This is to ensure that pooled co-ops are treated in the same way as any large group interested in purchasing insurance instead of as .

- 2) Is Sec. 4 of the bill drafted along the lines of the Health Insurance Portability and Accountability Act (HIPAA)?
 - The attorney that drafted this legislation has since retired and is unavailable to address this issue. Legislative Legal is drafting a memo explaining this section and is looking into the origin of the draft language.

- 3) How does insurance pooling impact rates?
 - In the Task Force on the Future of Health Insurance Issue Brief of November 2002 Elliot Wicks states:

"If, by aggregating their purchasing power, small employers were able to buy coverage at lower cost, firms not previously offering health coverage might be encouraged to do so, thus reducing the numbers of uninsured."

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Chair: Economic Development; International Trade & Tourism

“When insurers serve hundreds of small employers, they incur higher administrative costs than when they serve a single large employer with the same number of employees. It is expensive to send insurance agents to each small employer to explain coverage, handle sales, and service accounts once the coverage is in place.”

While we cannot make the claim that passage of HB 10 will automatically ensure lower insurance rates for the employer pools, it does offer them a better chance at receiving rates similar to larger businesses. Also, passage of an insurance pooling law has been shown to result in a wider range of insurance options being made available to the pool members. Since the passage of HB 10 costs the state nothing, is supported by small business groups and health care providers and will result in a wider range of insurance options for small businesses and possibly lower premiums, we feel it is a necessary and worthwhile piece of legislation.

List of some successful co-ops in the country:

- COSE – Cleveland, Ohio
- HIPC – Health Insurance Plan of California
- CBIA – Connecticut Business and Industry Association
- NYBC - The New York Business Group

4) Who supports this bill?

- We have letters of support from
 - i. AETNA
 - ii. The AARP
 - iii. Municipality of Anchorage Health and Human Services Commission
 - iv. The Alaska Nurses Association

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Chair: Economic Development; International Trade & Tourism

- v. The State of Alaska Advisory Board on Alcoholism and Drug Abuse
 - vi. The Alaska Small Business Development Center
- Further support has come from the Foraker Group and the Alaska Mental Health Trust Authority
- 5) Will the insurance Company that wins the bid to implement HB 10's pooling program be required to contribute an assessment to the ACHIA high-risk pool?
- Yes. All insurance providers who offer major medical insurance pay the ACHIA assessment.

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

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

May 3, 2004

SUBJECT: Premium rates for small employers in CSHB 10(HES)
(Work Order 23-LS0030\B)

TO: Representative Cheryll Heinze
Attn: Jon Bittner

FROM: Barbara R. Craver *BRC*
Legislative Counsel

You have asked for an explanation of section 4 of CSHB 10(HES) which adds a new subsection (e) to AS 21.56.120 (Premium rate restrictions disclosures; reports; confidentiality):

(c) In determining the premium rates for a small employer covered under an association health insurance policy authorized under AS 21.54.060(7), a small employer insurer may not use the claims experience of the small employer while the employer was covered under another health insurance policy and may use only that underwriting information obtained through the insurer's normal application process for new small employer groups that are not written under the association plan.

This section requires that an insurer use its standard application process for small employer groups when determining the policy premium for a small employer member in an association insured under AS 21.54.060(7), and may not use the history of that employer under another policy when setting premium rates.

If I may be of further assistance, please advise.

BRC:mdr
04-205.mdr



ALASKA

Statement of Support

House Bill 10

Small Business Group Health Insurance

February 22, 2003

The Alaska Chapter of the National Federation of Independent Business has 2,500 members, making it the largest small-business advocacy group in the state.

The legislative agenda of NFIB is determined by ballot. The ballot is our poll of members on a series of legislative and regulatory issues. NFIB/Alaska ballot results for 2003 showed strong support passage of legislation like House Bill 10. Following are the ballot results on this issue:

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21% NO

5% Undecided

NFIB members who are proponents of this legislation feel that forming a large insurance group will help spread the risk and bring down the cost of health insurance for small businesses and non-profits. Although the state would assist in creating the group, the legislation provides for private insurance companies, agents and brokers to bid on the policy or policies to be issued. The private sector is an important part of this proposal.

Since 1986, the cost of providing health insurance for employees has been the number one problem faced by small businesses. These businesses desperately want to offer health insurance to their employees but it is financially out of their reach. All efforts to bring down the cost of health insurance are important to small business.

NFIB/Alaska urges support for HB 10.

Submitted by Thyes Shaub on behalf of NFIB/Alaska.



ALASKA

May 3, 2004

Senator Gary Wilken
Co-Chairman, Senate Finance Committee
State Capitol Room 518
Juneau, Alaska 99801-1182

Dear Senator Wilken,

Attached is an NFIB/Alaska statement of support of HB 10 based on the original bill. The bill before the Senate Finance Committee is quite different from the original proposal but is still supported by NFIB. The original bill had a large fiscal note for the Department of Administration to assist in forming a health insurance group. The bill no longer involves the department and there is no cost to the state. The bill has amended the current definition of group health insurance to provide for insurance pooling by an association of employers, including self-employed individuals with some restrictions.

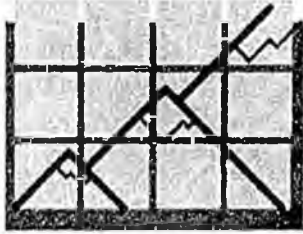
This legislation provides a tool not currently available for small businesses to gain access to health insurance coverage. While not a guarantee for cheaper health insurance, it is reasonable to expect to see a reduction in rates when a business is able to join a pool that spreads the risk in comparison to getting an individual policy. In some cases the only way to have access to insurance at all is through a pool.

NFIB is actively involved at the federal level in support of legislation creating Association Health Plans (AHP's) that can cross state lines. This would significantly help in creating a larger insurance pool for Alaska businesses. In the mean time, NFIB Alaska feels that House Bill 10 is a step in the right direction.

Please support House Bill 10.

Sincerely,

Thyes J. Shaub
NFIB/Alaska



Anchorage Small Business Development Center

May 3, 2004

RE: Small Business Group Insurance Legislation

To Whom It May Concern:

The UAA Small Business Development Center in Anchorage works closely with entrepreneurs and owners of existing businesses both in seminar settings as well as one-on-one confidential counseling on a daily basis. Our mission is to foster and promote growth in small businesses here and part of our job is to help business people solve problems which may arise during the course of normal business operations.

During these processes, we hear complaints common to all types of business and one of those is the concern over the rising costs of insurance for small business owners, both in property liability, workman's compensation and personal medical/dental coverage.

While each type of business has a differing rate of inflating percentages of cost, it has been a common statement that costs appear to have risen between 10 and 25 percent over the past two to three years. This is significant when viewed against dwindling profit margins due to decreased consumer spending in this recessionary period.

While the Anchorage SBDC is not familiar with pending legislation and therefore cannot advocate its content, our clients would welcome a chance to join in a cooperative insurance program, especially if the quality of coverage is adequate and rates would conceivably be lower than those our clients are paying now.

Please keep us informed as to the status of legislation so that we may pass the information along to our clients.

Sincerely,

Deborah Daisy
Anchorage Director

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COPIES



Municipality of Anchorage

P.O. Box 196650 Anchorage, Alaska 99519-6650 • (907) 343-6730
http://www.muni.org



Health and Human Services Commission

Mayor Mark Begich

April 27, 2004

Senator Lyda Green, Finance Co-Chair
Senator Gary Wilken, Finance Co-Chair
State Capitol
Juneau, AK 99801-1182

Post-It™ brand fax transmittal memo 7671		# of pages > 1
To REP CHERYL HEINZE	From CORRINE E. EILO	
Co. STATE CAPITOL, JUNEAU	Co. HHS COMMISSION	
Dept. 1-800-331-4936	Phone # (907) 271-1414	
Fax # (907) 465-3834	Fax # (907) 271-1415	

Dear Senators Green and Wilken,

I am writing to you as the chair of the Anchorage Health and Human Services Commission on behalf of our 15 members and the many health organizations we represent.

We would like to thank you for all of your hard work. We know the end of session is very difficult. So, out of respect for you and your limited time, we will be brief. There is currently a bill in Senate Finance, **HB 10** – Group health insurance for private groups, that is very important to many health and human services providers in the state.

In response to legislative cuts in health and human services, non-profits and small service providers are attempting to expand their capacity to deal with the resulting increase in caseloads. These providers must find any cost savings possible if they are to stretch their current dollars to accommodate this increase. One significant financial obstacle for these organizations is the difficulty and expense of obtaining insurance. By passing **HB 10**, the legislature has an opportunity to partner with non-profits and small service providers in their effort to obtain affordable insurance, and thus stretch their dollars to accommodate greater caseloads.

HB 10 has a zero fiscal note and promises a real and tangible benefit to the community. We understand there are increased risks associated with insurance pools such as this, but **HB 10** offers a compromise by allowing insurers to decline self-employed borrowers on a case by case basis. We are very sensitive to the fact that the insurance industry must remain profitable for this partnership to work. This measure helps mitigate risk to insurers while still allowing the affordable insurance benefits of pooling.

As you work to do more with less in these difficult budgetary times, please consider helping our small service providers do the same. Again, thank you for your time and consideration. I would appreciate the opportunity to talk with you on this matter at your convenience. My number is (907) 271-1414.

Sincerely,

Corrine E. Eilo

Corrine E. Eilo
Chair, Anchorage Health and Human Services Commission

Cc. Mayor Mark Begich
Beverly K. Wooley, Director, Dept. of Health & Human Services
Kenneth Takakuwa, Division Manager, Social Services, DHHS
HHS Commissioners

Community, Security, Prosperity

Aetna
601 Union St., Suite 810
Seattle, WA 98101



Mike Wiggins
National Accounts
(206) 701-8106
Fax: (206) 701-8175

May 5, 2003

Representative Cheryl Heinze
House of Representatives
Alaska Legislature
Pouch V
Juneau, Alaska 99801

Dear Representative Heinze:

Aetna has reviewed CS HB10, which would allow the pooling of small businesses and nonprofit corporations for the purpose of procuring health insurance.

Any organization for pooling would be done privately and independent brokers may have the opportunity to procure insurance for any groups which might be formed.

Aetna does not have any objection to the creation of this additional option to allow businesses an alternate means to find the best possible private health insurance that will fit their needs.

Sinc *Mike*

Mike Wiggins

Mike Wiggins 

Cc: Nicole Salinas
Jeff Beck
Reed Stoops



Honorable Tom Anderson, Chair
House Labor and Commerce Committee
Alaska Capital, Room 432
Juneau, AK 99801-1182

February 15, 2003

RE: HB 10 (Heinze & Rokeberg)-Support

Dear Chair Anderson:

On behalf of the AARP members in Alaska, we encourage you and your colleagues on the House Labor and Commerce Committee to support HB 10, authored by Representatives Cheryl Heinze and Norman Rokeberg, one of your Committee members, and co-sponsored by nine of your other House colleagues.

Alaska has good reason to be concerned about its uninsured. Almost one of every five Alaskans between the ages of 50 and 64 has no health insurance coverage. These same statistics hold true for younger Alaskans. HB 10 will offer some opportunity for coverage for employees of small businesses, non-profit organizations and agencies and organizations that band together to form a group pool. AARP is very supportive of such efforts. Indeed, AARP was founded by retired educators in the 1940's and 1950's who were unable to secure any form of health insurance once they left the workforce. This was several years before the enactment of Medicare and AARP pool coverage was often the only health insurance our members could find.

AARP believes that all Alaskans should have access to health insurance coverage. We know that the uninsured often postpone preventive care and end up in emergency rooms, receiving the most expensive and often most serious care. We are also well aware that the health care costs of the uninsured are often shifted to those who do have insurance. Obviously, state government often picks up some of the costs of the uninsured because the State does provide coverage to its employees and retirees. If we could reduce the number of uninsured, we would also reduce the health costs unfortunately being shifted to the State as well as other employers that cover their employees (including AARP).

HB 10 will not solve all our problems with the uninsured. However, it has already focused attention in the media on this issue. These are most often our small businesses, farmers, college students, and workers in the non-profit sector. As the authors point out in the bill, expensive turnover for these organizations often eliminates the opportunity for them to retain an experienced workforce. Small business is the future of Alaska. Non-profit organizations, as the bill points out, often provide needed services that the State simply cannot afford to supply.

HB 10 is a very good first effort at addressing this serious problem. AARP encourages you and your colleagues on the House Labor and Commerce Committee to vote "AYE" when HB 10 is heard before you.

Should you have any questions about our position, please feel free to contact Marie Darlin (907.586.3837), Coordinator of the AARP Capitol City Task Force; Patrick Luby (907.762.3314), AARP Legislative Representative; or me (907.245.5259).

Thank you for your consideration.

Sincerely,

Marguerite Stetson

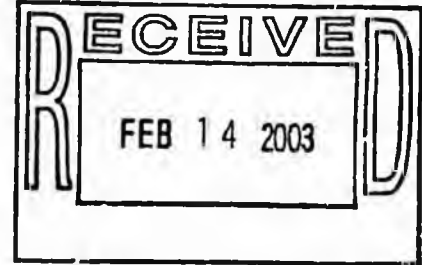
Marguerite Stetson
AARP Alaska
Executive Council Member for Advocacy
3009 Northwood Street
Anchorage, AK 99517-1871
907.245.5259 voice
907.245.5279 fax
ffmas@aurora.uaf.edu

cc: Vice-Chair Bob Lynn
Representative Nancy Dahlstrom
Representative Carl Gatto
Representative Nonnan Rokeberg
Representative Harry Crawford
Representative David Guttenberg
Representative Cheryl Heinze
Marie Darlin
Patrick Luby

Representative Les Gara
Representative Lesli McGuire
Representative Mike Hawker
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STATE OF ALASKA*Frank H. Murkowski, Governor***ADVISORY BOARD
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ALCOHOLISM AND DRUG ABUSE**P.O. Box 110608
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Phone: (907) 465-8920
Fax: (907) 465-4410

February 13, 2003

Representative Tom Anderson, Chair, and Members
House Labor and Commerce Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182**RE: HB 10 Group Health Insurance for Private Groups**

Dear Representative Anderson:

Small businesses and non-profits are facing continually rising costs and decreasing availability of health insurance. This adds seriously to an already existing workforce recruitment and retention crisis in the chemical dependency treatment field.

Treatment programs that were already hanging on by a thread due to flat funding for over a decade, are taking a serious look at whether they can keep their doors open. Some have reduced health insurance benefits, increased rates to employees, dropped benefits altogether, cut staff, or cut services. Many of these programs have already lost staff to other disciplines that pay better and offer better benefits.

Alaska ranks at or near the top of all states in alcohol-related problems including Fetal Alcohol Syndrome, Child Abuse and Neglect, Domestic Violence, Sexual Assault, to name a few. Access to appropriate treatment is critical to lowering those ratings. We need well-trained, quality staff to provide needed services and effect successful outcomes for Alaskans, statewide.

HB10 could help provide the kind of relief needed by non-profits such as these treatment programs and other small businesses and non-profits that are unable to afford this benefit that is critical to recruiting and retaining a qualified, stable workforce.

Please give this legislation your full support. If you have any questions regarding this issue as it related to chemical dependency services, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Pamela L. Watts".

Pamela L. Watts
Executive Director
Governor's Advisory Board on Alcoholism and Drug Abuse



t/ 907-274-0827
f/ 907-272-0292

2207 East Tudor Rd, Suite 34
Anchorage, AK 99507-1069
www.aknurse.org
aknurse@aknurse.org

February 24, 2003

Representative Cheryl Heinze
Representative Norman Rokeberg
Alaska State House of Representatives
State Capitol
Juneau, AK 99801-1182

Dear Ms. Heinze and Mr. Rokeberg:

We wish to commend your efforts and the efforts of other Legislators in addressing the need for group health insurance for persons employed by small businesses, nonprofit organizations, special service organizations, and/or small associations (HB 10).

The Alaska Nurses Association is particularly sensitive to the health care needs of the uninsured – such as our very own members, the Registered Nurses of the state who upon retirement after 20 to 30 years of service have no health care benefits for themselves or their dependents.

We are not speaking of those Registered Nurses employed by public employers. These nurses do have access to retiree health care. We are speaking of those Registered Nurses employed by private employers, such as Providence Alaska Medical Center and other private (but often “non-profit”) and quasi-private health care providers in the state.

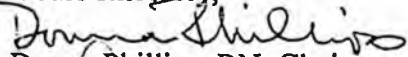
The above Registered Nurses are provided health care coverage during the term of their employment, but not following retirement. A nurse entering the profession at age 22 who works for 30 years is age 52 upon possible retirement. He/she often has sustained back injuries or other job-related medical conditions during his/her career making 30 years about the extent of his/her professional endurance.

Between the age of 52 and 63, this nurse has NO medical coverage for either himself or his family. Once a nurse realizes that this is the case – and that he/she has no other coverage through an insured spouse – he/she begins looking for another employer or another profession. As you can imagine, this situation contributes greatly to the retention of the experienced nurse and the overall resulting nursing shortage.

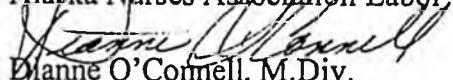
What we are asking you to consider is the possibility of including in HB 10 a retiree health care provision for nurses for this “bridge” period between retirement and Medicare eligibility. We believe that such a provision would keep men and women in the profession longer. The specifics of employer contributions and employee premiums would also need to be addressed.

We would, of course, provide you additional information upon request. Thank you for your consideration.

Yours sincerely,



Donna Phillips, RN, Chair
Alaska Nurses Association Labor Council



Dianne O'Connell, M.Div.
AaNA Labor Program Director

Frank H. Murkowski, Governor

Alaska Department of Community
and Economic Development

Division of Insurance

P.O. Box 110805, Juneau, AK 99811-0805

Telephone: (907) 465-2515 • Fax: (907) 465-3422 • Text Telephone: (907) 465-5437

Email: Insurance@dced.state.ak.us • Website: www.dced.state.ak.us/insurance/

April 22, 2004

Sheila Peterson
State Capitol, Room 518
Juneau, AK 99801-1882

Dear Ms. Peterson:

Re: Your request for information regarding CSHB 10(HES)

Under current Alaska insurance laws insurers would not be permitted to offer health insurance coverage to a group formed for purposes of purchasing insurance. One of the primary reasons for this prohibition is that such a group could establish membership based on health status. This pulls the healthy groups and individuals out of the general insurance market. Segmenting the insurance market in this manner would result in increased premiums for the less healthy, more uninsured and ultimately a fractured health insurance market. A viable health insurance market depends upon sharing risk, with the healthy subsidizing the less healthy.

CSHB 10(HES) would allow association groups to form for purposes of insurance with specific restrictions that prohibit conditioning membership on health status. An insurer would still be allowed to underwrite and not cover individual members consistent with the current Alaska insurance market. This will help prevent adverse selection by individuals. Note that high-risk individuals are already guaranteed coverage under the Alaska Comprehensive Health Insurance Association.

The primary proponents of CSHB 10(HES) were the non-profit employers. These employers are typically higher risk than other employer groups. Under Alaska insurance laws insurers in the small group market must offer insurance to small groups (2-50 employees). However, many non-profit employers (as well as other employers) are unable to afford the premiums. The non-profit employers' felt that if they could pool together to purchase insurance they could achieve some economies of scale and would perhaps have more benefit options than are currently available. In 2001 the Foraker Group formed, which is an association for these non-profit employers. The Foraker Group is a legitimate association group under AS 21.54.060 and insurers may offer insurance coverage to the association. The Foraker Group has been working for the last couple of years with the largest health insurer in the state to develop a successful health plan for its members. Therefore, with the formation of the Foraker Group, the need for CSHB 10(HES) has clearly diminished.

Sincerely,



Linda S Hall

Director

"Promoting a healthy economy and strong communities"



Honorable Tom Anderson, Chair
House Labor and Commerce Committee
Alaska Capital, Room 432
Juneau, AK 99801-1182

February 15, 2003

RE: HB 10 (Heinze & Rokeberg)-Support

Dear Chair Anderson:

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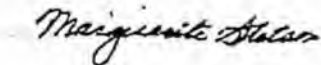
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HB 10 is a very good first effort at addressing this serious problem. AARP encourages you and your colleagues on the House Labor and Commerce Committee to vote "AYE" when HB 10 is heard before you.

Should you have any questions about our position, please feel free to contact Marie Darlin (907.586.3637), Coordinator of the AARP Capitol City Task Force; Patrick Luby (907.762.3314), AARP Legislative Representative; or me (907.245.5259).

Thank you for your consideration.

Sincerely,



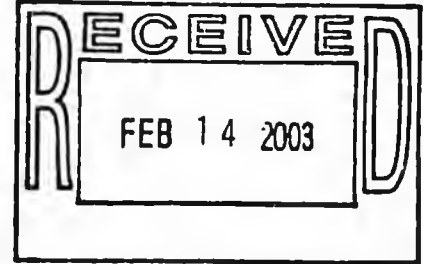
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cc: Vice-Chair Bob Lynn
Representative Nancy Dahlstrom
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House Labor and Commerce Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182**RE: HB 10 Group Health Insurance for Private Groups**

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Sincerely,

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Pamela L. Watts
Executive Director
Governor's Advisory Board on Alcoholism and Drug Abuse



t/ 907-274-0827
f/ 907-272-0292

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Anchorage, AK 99507-1069
www.aknurse.org
aknurse@aknurse.org

February 24, 2003

Representative Cheryl Heinze
Representative Norman Rokeberg
Alaska State House of Representatives
State Capitol
Juneau, AK 99801-1182

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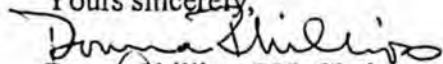
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What we are asking you to consider is the possibility of including in HB 10 a retiree health care provision for nurses for this “bridge” period between retirement and Medicare eligibility. We believe that such a provision would keep men and women in the profession longer. The specifics of employer contributions and employee premiums would also need to be addressed.

We would, of course, provide you additional information upon request. Thank you for your consideration.

Yours sincerely,



Donna Phillips, RN, Chair
Alaska Nurses Association Labor Council



Dianne O'Connell, M.Div.
AaNA Labor Program Director

SENATE FINANCE COMMITTEE

SIGN-IN

HB 10-GROUP HEALTH INSURANCE FOR PRIVATE GROUPS

NAME: PAT LUBY Subject/Bill No: HB 10
Co./Dept./Title: AARP ADVOCACY DIRECTOR Phone: 907-762-3314
Address: 3601 C ST # 1420 A/A Zip: 99503
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

SENATE COMMITTEE REPORT

DATE: 5/17/03

FURTHER: Finance

DATE TURNED IN TO OFFICE: 5/19/03

Labor and Commerce Committee considered CS FOR HOUSE BILL NO. 10(HES)

HB 10 GROUP HEALTH INSURANCE FOR PRIVATE GROUPS

"An Act relating to pooling by employers and self-employed individuals for purposes of group health insurance; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
H.LIC/ADM	7/14		✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		DO PASS	DO NOT PASS	NO REC	AMEND
French				X	
Seekins		✓			
G.Stevens		✓			
Bunde	CHAIR:	✓			

SENATE COMMITTEE REPORT

DATE: 5/3/03

FURTHER: Labor and Commerce
Finance

DATE TURNED
IN TO OFFICE: 5/17/03

State Affairs Committee considered CS FOR HOUSE BILL NO. 10(HES)

HB 10 GROUP HEALTH INSURANCE FOR PRIVATE GROUPS

"An Act relating to pooling by employers and self-employed individuals for purposes of group health insurance; and providing for an effective date."

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS _____ (_____)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

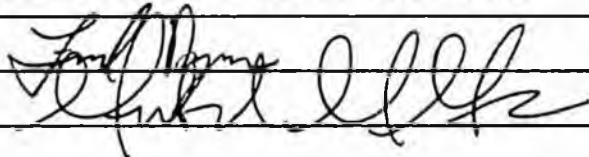

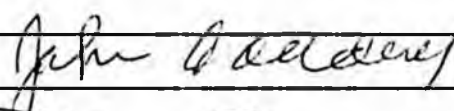
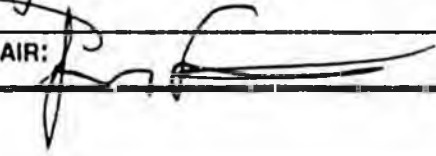
NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
H.L.C / ADM	4/14/03		✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		DO PASS	DO NOT PASS	NO REC	AMEND
Dyson		✓			
Gness		✓			
Cowdery		✓			
G. Stevens	CHAIR: 				

HB

11

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
Version: HB 11
(H) Publish Date: 3/14/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Deposits to the Permanent Fund BRU: Revenue Operations
Sponsor: Representative Rokeberg Component: Permanent Fund Dividend
Requester: House Resources Committee Component No.: 981

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See Page 2 for analysis.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469
Division: Department of Revenue Date/Time 3/11/03 10:35 AM
Approved by: Larry Persily, Deputy Commissioner Date 3/11/2003
Agency: Department of Revenue

FISCAL NOTE #1

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. HB11

ANALYSIS CONTINUATION

This legislation would, over time, result in slightly reduced Permanent Fund dividends as less money is deposited into the fund from royalty payments. With the reduced royalty deposits into the fund, there would be less money to invest and fewer investment earnings to distribute through the dividend program.

Based on the Permanent Fund Corporation's December 2002 earnings projections, and the Department of Revenue's Fall 2002 Forecast, we project the following change in dividends under this legislation:

	October 2005	2006	2007	2008	2009	2010	2011	2012
Status Quo	\$719	\$780	\$1,062	\$1,314	\$1,529	\$1,691	\$1,841	\$1,962
HB11	\$718	\$778	\$1,058	\$1,307	\$1,519	\$1,677	\$1,824	\$1,942

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: HB 11
 (H) Publish Date: 3/14/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title: Deposits to the Permanent Fund BRU: Permanent Fund Corp.
 Component: Permanent Fund Corp.
 Sponsor: Representative Rokeberg
 Requester: House Resources Committee Component No. 109

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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 ()	(54,232.9)	(45,828.8)	(45,291.9)	(43,050.5)	(37,682.9)	(38,520.0)
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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—Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The legislation would reduce oil royalty contributions to the Permanent Fund principal.

The bill would have no effect on the operating budget of the Alaska Permanent Fund Corporation.

Prepared by: Robert D. Storer, Executive Director Phone (907)465-2047
 Division: Alaska Permanent Fund Corporation Date/Time 3/10/2003 1:00: PM
 Approved by: Larry Persily, Deputy Commissioner Date 3/11/2003
 Agency: Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: HB 11
(H) Publish Date: 3/14/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Deposits to the Permanent Fund BRU Revenue Operations
Component Tax Division
Sponsor Representative Rokeberg
Requester House Resources Committee Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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 ()	54,232.9	45,828.8	45,291.9	43,050.5	37,682.8	38,520.0
-------------------------------	-----------------	-----------------	-----------------	-----------------	-----------------	-----------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would set all royalty contributions to the Permanent Fund at the constitutionally mandated 25%. This would reduce the contribution rate to the Permanent Fund on royalties from leases issued on or before February 15, 1980 from 50% to 25%.

Based on the Department of Revenue Fall 2002 production and price assumptions, this would increase deposits to the General Fund by approximately \$40 million to \$55 million annually. This legislation would reduce royalty deposits to the Permanent Fund by the same amount.

Prepared by: Chuck Logsdon, Chief Petroleum Economist Phone 269-1019
Division Tax Division Date/Time 3/11/03 9:10 AM
Approved by: Larry Parsily, Deputy Commissioner Date 3/11/2003
Agency Department of Revenue

Passed

House Finance Committee Vote Sheet

DATE: 3/27

SUBJECT: HB 11

MEMBER YES NO

MOSES		✓
STOLTZE		✓
WHITAKER	✓	
CHENAULT	—	
CROFT		✓
FOSTER	✓	
HAWKER	✓	
JOULE	✓	
MEYER	✓	
HARRIS	✓	
WILLIAMS	✓	
TOTAL:		

PASSED: 7-3

FAILED: _____

Failed 4-6

AMENDMENT

#1

TO BE OFFERED IN THE HOUSE FINANCE COMMITTEE

OFFERED BY REPRESENTATIVE CROFT

TO: HB 11

Page 1, line 6, after "Alaska" insert:

"and relating to the disposition of permanent fund income;"

Page 2, after line 19, a new subsection is added to AS 37.13.145:

"(e) AS 37.13.140 and AS 37.13.145(b) may not be amended unless the amendment is approved a majority of the voters voting on the question."

Renumber the following bill section accordingly.

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS

RULES COMMITTEE, CHAIRMAN
LABOR & COMMERCE COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON OIL & GAS, MEMBER
LEGISLATIVE ETHICS COMMITTEE, MEMBER

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FAX: (907) 465-2040

Representative Norman Rokeberg

e-mail: Representative_Norman_Rokeberg@legis.state.ak.us

SPONSOR STATEMENT FOR HB 11

BY: Representative Norman Rokeberg

Title: An Act relating to deposits to the Alaska permanent fund from mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), federal mineral revenue sharing payments received by the state from mineral leases, and bonuses received by the state from mineral leases, and limiting deposits from those sources to the 25 percent required under art IX, sec. 15, Constitution of the State of Alaska; and providing for an effective date.

This legislation returns the percentage of all mineral lease royalties and bonuses deposited into the Permanent Fund to the constitutionally mandated 25 per cent.

HB 11 proposes changes to a statute -- not the Constitution. Article IX, Section 15 of Alaska's Constitution states that "at least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state shall be placed in a permanent fund." In 1980, the Legislature recognized excess revenues existed (GF revenues for FY 81 totaled \$4.07 billion) and wisely decided to raise the amount of royalties and bonuses deposited into the Permanent Fund to 50 percent. This surplus situation with state revenues no longer exists today.

It is time for the State to redirect the extra 25% to the General Fund. Passage of this bill would generate an estimated \$43.3 million (average) per year over the next seven years, and \$54.1 million in FY 2004 at an estimate \$23.25 per barrel average.

As the Prudhoe Bay and Kuparuk fields - which currently contribute to the General Fund at a 25 percent rate - diminish, we need to replace that production with the new, smaller satellite fields (for example, Alpine, and North Star) contributing at the same 25 percent rate not at a larger 50 percent rate.

While we can and should continue to make budget reductions, we would be foolish to ignore this source of General Fund revenue in solving our budget problem, as well as planning for the future development of Alaska's resources. Prudent fiscal management requires this statutory change. HB 11 is a small step in the right direction.

I strongly urge you to support this much needed, fiscally-prudent legislation.