

**ALASKA LEGISLATURE**

**2672**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004**

238

## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 3/6/03

FURTHER: Finance

Date of 5-Day Notice: 4/3/03  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 4.08.03

Health, Education and Social Services Committee considered

SENATE BILL NO. 104

### SB 104 REPEAL CHARTER SCHOOL GRANTS

"An Act repealing the charter school grant program; and providing for an effective date."

and recommends:

be replaced with \_\_\_\_\_ CS SB 104 (HES)

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#
EEO	3/05	X		1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Lutchen</i> Guess			✓	
<i>Linda Green</i> Green	✓			
<i>Tom Dyson</i> *Dyson	✓			
<i>Wilken</i> Wilken	✓			
<i>Bettye Davis</i> Davis			X	
CHAIR				

**SB**

**105**

**HFIN**

**FILE**



# FISCAL NOTE

**STATE OF ALASKA**  
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HCS SB105 (HES)  
 ( ) Publish Date: \_\_\_\_\_  
 Dept. Aff. cted: Health & Social Services  
 BRU Medical Assistance  
 Component Medicaid Services

Revision Date/Time (Note if correction): \_\_\_\_\_  
 Title ELIMINATE CERTAIN COST-OF-LIVING  
ADJUSTMENTS IN MEDICAID

Sponsor HOUSE (RLS) BY REQUEST OF  
THE GOVERNOR

Requester \_\_\_\_\_ Component No. 2077

**Expenditures/Revenues** (Thousands of Dollars)

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

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Personal Services						
Travel						
Contractual						
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Equipment						
Land & Structures						
Grants & Claims	( 716.8)	( 2,671.8)	( 4,378.5)	( 6,166.2)	( 8,072.1)	( 10,132.6)
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>( 716.8)</b>	<b>( 2,671.8)</b>	<b>( 4,378.5)</b>	<b>( 6,166.2)</b>	<b>( 8,072.1)</b>	<b>( 10,132.6)</b>
<b>CAPITAL EXPENDITURES</b>						
<b>CHANGE IN REVENUES (0)</b>						

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	( 458.5)	( 1,702.9)	( 2,792.4)	( 3,935.4)	( 5,151.0)	( 6,462.8)
1003 GF Match	( 258.3)	( 968.9)	( 1,586.1)	( 2,230.8)	( 2,921.1)	( 3,669.8)
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
<b>TOTAL</b>	<b>( 716.8)</b>	<b>( 2,671.8)</b>	<b>( 4,378.5)</b>	<b>( 6,166.2)</b>	<b>( 8,072.1)</b>	<b>( 10,132.6)</b>

Estimate of any current year (FY2003) cost: \_\_\_\_\_  
 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 is intended to reduce Medicaid spending by freezing the income eligibility standard at the 2003 level for individuals whose Medicaid eligibility is determined under the 300% Special Income eligibility category for nursing home or HCB waiver recipients and by freezing the income eligibility standard at what is essentially the 2002 Federal Poverty Guidelines (FPG) for Alaska for the Denali KidCare program for children and pregnant women. See assumptions on the next page.  
  
 The Governor's FY2004 budget includes a decrement of \$223.0 general fund match.

Prepared by: Jon Sherwood Phone 465-5820  
 Division: Medical Assistance Date/Time: \_\_\_\_\_  
 Approved by: Elmer A. Lindstrom, Special Assistant to the Commissioner Date 04/29/2003  
 Agency: Department of Health and Social Services

FISCAL NOTE

FN #

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

BILL NO. HCS SB105 (HES)

**ANALYSIS CONTINUATION**

**ASSUMPTIONS**

The number of individuals potentially eligible in future years will be significantly reduced. Many will remain eligible in the first year, but since much of the nursing home and waiver population relies heavily on Social Security retirement income, Social Security Disability Insurance payments, and pension programs that use an annual COLA increase, more will lose eligibility in future years as their countable income eventually exceeds the frozen 2003 standard.

FY 2004 savings will be limited by the fact that as we phase in implementation pregnant women who are already eligible continue to be eligible through their pregnancy and post-partum period. Children on DKC will continue to be eligible through their 6 months continuous eligibility period. The impact on the nursing home and HCB waiver populations will not take effect until January 2004.

Annually we anticipate both the FPG and the SSI standard to grow at an average of 2.24%. Assuming an equal distribution of income within each eligibility category, we determined the number of individuals whose income would be expected to be above the frozen standard. This results in the number of eligibles who would no longer be eligible for Medicaid or Denali KidCare.

The following table shows the total REDUCTION OF ELIGIBLES:

	FY04	FY05	FY06	FY07	FY08	FY09
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SAVINGS (in thousands):

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Total	\$ 716.8	\$ 2,671.8	\$ 4,378.5	\$ 6,166.2	\$ 8,072.1	\$ 10,132.6

A federal match rate of 58.39% was used for Pregnant Women and Nursing Home recipients; 70.87% was used for DKC children.

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES



# ALASKA PUBLIC HEALTH ASSOCIATION

Committed To Advancing Alaska's Public Health Since 1978

## ALPHA

April 30, 2003 (H) Finance re: SB 105

Mr. Chairman, members of the Committee, thank you for the opportunity to testify today. For the record, my name is Marie Lavigne and I am the Executive Director of the Alaska Public Health Association. I am honored to be here today representing close to two hundred public health professionals from across Alaska who are deeply committed to developing sound public health policy to improve the health of all Alaskan's, including assuring all Alaskan's have access to health care.

The Alaska Public Health Association applauds the success of Denali Kid Care Program in improving the health of pregnant women and children in Alaska and we urge you to continue eligibility for this program at the fullest level possible.

Public health research on the health impact of uninsured children is noteworthy:

- Uninsured children who need medical and surgical care are 4 times more likely to go without the care they need than insured children with the same health needs. And when they do get care, they are sicker and more likely to be seen in the emergency room.
- Uninsured children are 4½ times more likely to do without needed prescriptions and eye glasses, and 5 times more likely to be unable to receive needed dental care.
- Uninsured children are 1 1/2 times more likely to arrive to kindergarten without their required immunizations. They're 8 times more likely to not have had well child check up.
- Uninsured pregnant women are less likely to receive prenatal care, placing them at risk to deliver early, low-birth weight babies; and at the greatest risk for fetal/maternal death.

The Governor's transmittal letter accompanying SB 105 states "While the cost savings associated with this bill are modest in the short-term, this measure will significantly reduce future year costs." From a public health perspective, any short term savings does not compare to the greater long term costs to the health and well-being of pregnant women and children.

To succeed in lowering the enrollment in the Medical assistance programs, consider this issue from a different perspective. SB 105 is seeking to lower the enrollment in medical assistance programs by reducing eligibility for the pregnant women and children who qualify at the upper levels of the income eligibility – up to 200% of the poverty level. Yet the most effective approach the legislature can take is to assist employers and working families to get affordable health insurance, reducing the number of pregnant women and children needing coverage by Denali Kid Care.

While there are many factors contributing to 1 in 5 Alaskans lacking health insurance coverage, one of the greatest barriers is access to affordable health insurance. A study by the Anchorage Access to Health Care Coalition released this fall indicates of the 16,000 adults in Anchorage who are uninsured – 71% are working adults, the majority in business with less than 10 employees. We need the legislature to take to join with businesses in addressing the issue of affordable health care insurance. In the meantime we urge you to keep the eligibility for the medical assistance programs at the full 200% of the federal poverty level to maximize the health of pregnant women and children. Thank you.

  
Marie J. Lavigne, Executive Director

# STATE OF ALASKA

## DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110601  
JUNEAU, ALASKA 99811-0601  
PHONE: (907) 465-3030  
FAX: (907) 465-3068

April 23, 2003

Honorable Bill Williams  
Co-Chair  
House Finance Committee  
Alaska State Capitol, Rm. 511  
Juneau, AK 99811

RE: Hearing request for HCS CSSB 105(HES)

Dear Representative Williams,

The Department of Health and Social Services respectfully requests a hearing in the House Finance Committee on HCS CSSB105(HES) "An Act relating to eligibility requirements for medical assistance for certain children, pregnant women, and persons in a medical or intermediate care facility; and providing for an effective date."

This would lower and "freeze" income levels for eligibility for Denali Kid Care and would "freeze" income levels for Medicaid under the special income limit for nursing homes and home and community based waiver services.

Under current law, income standards for these eligibility categories increase every year by the amount of cost-of-living adjustments to the Supplemental Security Income (SSI) program or the federal poverty guidelines for Alaska. This bill will eliminate these annual cost-of-living adjustments and put in statute fixed dollar income levels for these programs based on the SSI standard that became effective on January 1, 2003 or the federal poverty guideline for Alaska that became effective on April 1, 2002.

The Senate reduced these fixed income levels for the Denali Kid Care program at 175% of the federal poverty guideline, and the H-HES Committee amended the bill back to the Governor's originally proposal. The version before the House keeps the Denali Kid Care income eligibility limit at 200%. Setting this program income standard at 200% will allow the department to maintain current Medicaid benefits to over 26,000 beneficiaries while fixing levels to realize significant cost savings in subsequent years.


Pregnant women who establish eligibility before June 30, 2003 will remain eligible for nine months notwithstanding the passage of this legislation. Likewise, children who

establish eligibility before June 30, 2003 are protected for a period of 6 months under existing continuous eligibility rules.

A fiscal note on for HCS CSSB105(HES) is being prepared now and will be to your committee by Friday morning. I am including a copy of the bill and a copy of the Governor's transmittal letter for your review.

Your favorable consideration of this request is appreciated.

Sincerely,

A handwritten signature in black ink that reads "Robert Buttane". The signature is written in a cursive style with a large initial "R".

Robert Buttane  
Acting Assistant to the Commissioner

Cc: Representative Pete Kott  
Speaker of the House

Mike Tibbles, Legislative Director  
Office of the Governor

Joel Gilbertson  
Commissioner

John Gaisford, Director  
Division of Medical Assistance

23-GS1128VH  
Lauterbach  
4/17/03

**HOUSE CS FOR CS FOR SENATE BILL NO. 105(HES)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-THIRD LEGISLATURE - FIRST SESSION**

**BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to eligibility requirements for medical assistance for certain children,  
2 pregnant women, and persons in a medical or intermediate care facility; and providing  
3 for an effective date."

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

5 \* **Section 1.** AS 47.07.020(b) is amended to read:

6 (b) In addition to the persons specified in (a) of this section, the following  
7 optional groups of persons for whom the state may claim federal financial  
8 participation are eligible for medical assistance:

9 (1) persons eligible for but not receiving assistance under any plan of  
10 the state approved under 42 U.S.C. 1381 - 1383c (Title XVI, Social Security Act,  
11 Supplemental Security Income) or a federal program designated as the successor to the  
12 aid to families with dependent children program;

13 (2) persons in a general hospital, skilled nursing facility, or  
14 intermediate care facility, who, if they left the facility, would be eligible for assistance

1 under one of the federal programs specified in (1) of this subsection;

2 (3) persons under age 21 who are under supervision of the department,  
3 for whom maintenance is being paid in whole or in part from public funds, and who  
4 are in foster homes or private child-care institutions;

5 (4) aged, blind, or disabled persons, who, because they do not meet  
6 income and resources requirements, do not receive supplemental security income  
7 under 42 U.S.C. 1381 - 1383c (Title XVI, Social Security Act), and who do not  
8 receive a mandatory state supplement, but who are eligible, or would be eligible if  
9 they were not in a skilled nursing facility or intermediate care facility to receive an  
10 optional state supplementary payment;

11 (5) persons under age 21 who are in an institution designated as an  
12 intermediate care facility for the mentally retarded and who are financially eligible as  
13 determined by the standards of the federal program designated as the successor to the  
14 aid to families with dependent children program;

15 (6) persons in a medical or intermediate care facility whose income  
16 while in the facility does not exceed \$1.656 a month [300 PERCENT OF THE  
17 SUPPLEMENTAL SECURITY INCOME BENEFIT RATE UNDER 42 U.S.C. 1381  
18 - 1383c (TITLE XVI, SOCIAL SECURITY ACT)] but who would not be eligible for  
19 an optional state supplementary payment if they left the hospital or other facility;

20 (7) persons under age 21 who are receiving active treatment in a  
21 psychiatric hospital and who are financially eligible as determined by the standards of  
22 the federal program designated as the successor to the Aid to Families with Dependent  
23 Children program;

24 (8) persons under age 21 and not covered under (a) of this section, who  
25 would be eligible for benefits under the federal program designated as the successor to  
26 the aid to families with dependent children program, except that they have the care and  
27 support of both their natural and adoptive parents;

28 (9) pregnant women not covered under (a) of this section and who  
29 meet the income and resource requirements of the federal program designated as the  
30 successor to the aid to families with dependent children program;

31 (10) persons under age 21 not covered under (a) of this section who the

1 department has determined cannot be placed for adoption without medical assistance  
2 because of a special need for medical or rehabilitative care and who the department  
3 has determined are hard-to-place children eligible for subsidy under AS 25.23.190 -  
4 25.23.220;

5 (11) persons who can be considered under 42 U.S.C. 1396a(e)(3) (Title  
6 XIX, Social Security Act, Medical Assistance) to be individuals with respect to whom  
7 a supplemental security income is being paid under 42 U.S.C. 1381 - 1383c (Title  
8 XVI, Social Security Act) because they meet all of the following criteria:

9 (A) they are 18 years of age or younger and qualify as disabled  
10 individuals under 42 U.S.C. 1382c(a) (Title XVI, Social Security Act);

11 (B) the department has determined that

12 (i) they require a level of care provided in a hospital,  
13 nursing facility, or intermediate care facility for the mentally retarded;

14 (ii) it is appropriate to provide their care outside of an  
15 institution; and

16 (iii) the estimated amount that would be spent for  
17 medical assistance for their individual care outside an institution is not  
18 greater than the estimated amount that would otherwise be expended  
19 individually for medical assistance within an appropriate institution;

20 (C) if they were in a medical institution, they would be eligible  
21 for medical assistance under other provisions of this chapter; and

22 (D) home and community-based services under a waiver  
23 approved by the federal government are either not available to them under this  
24 chapter or would be inappropriate for them;

25 (12) disabled persons, as described in 42 U.S.C.  
26 1396a(a)(10)(A)(ii)(XIII), who are in families whose income, as determined under  
27 applicable federal regulations or guidelines, is less than 250 percent of the official  
28 poverty line applicable to a family of that size according to the federal Office of  
29 Management and Budget, and who, but for earnings in excess of the limit established  
30 under 42 U.S.C. 1396d(q)(2)(B), would be considered to be individuals with respect to  
31 whom a supplemental security income is being paid under 42 U.S.C. 1381 - 1383c; a

1 person eligible for assistance under this paragraph who is not eligible under another  
2 provision of this section shall pay a premium or other cost-sharing charges according  
3 to a sliding fee scale that is based on income as established by the department in  
4 regulations;

5 (13) persons under age 19 who are not covered under (a) of this section  
6 and whose household income does not exceed

7 (A) \$1,847 a month if the household consists of one person;

8 (B) \$2,489 a month if the household consists of two persons;

9 (C) \$3,130 a month if the household consists of three

10 persons;

11 (D) \$3,772 a month if the household consists of four

12 persons;

13 (E) \$4,414 a month if the household consists of five persons;

14 (F) \$5,055 a month if the household consists of six persons;

15 (G) \$5,697 a month if the household consists of seven

16 persons;

17 (H) \$6,339 a month if the household consists of eight

18 persons;

19 (I) \$6,339 a month, plus an additional \$642 a month for  
20 each extra person above eight persons who is in the household if the  
21 household consists of nine persons or more [200 PERCENT OF THE  
22 FEDERAL POVERTY GUIDELINE AS DEFINED BY THE FEDERAL  
23 OFFICE OF MANAGEMENT AND BUDGET AND REVISED UNDER 42  
24 U.S.C. 9902(2)];

25 (14) pregnant women who are not covered under (a) of this section and  
26 whose household income does not exceed

27 (A) \$2,489 a month if the household consists of two persons;

28 a pregnant woman in a household alone is considered to be a household of  
29 two persons;

30 (B) \$3,130 a month if the household consists of three

31 persons;

1 (C) \$3.772 a month if the household consists of four

2 persons;

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9 (H) \$6.339 a month, plus an additional \$642 a month for

10 each extra person above eight persons who is in the household if the

11 household consists of nine persons or more [200 PERCENT OF THE

12 FEDERAL POVERTY LINE AS DEFINED BY THE FEDERAL OFFICE OF

13 MANAGEMENT AND BUDGET AND REVISED UNDER 42 U.S.C.

14 9902(2)].

15 \* Sec. 2. AS 47.07.042(d) is amended to read:

16 (d) In addition to the requirements established under (a) and (b) of this section,  
17 the department may require premiums or cost-sharing contributions from recipients  
18 who are eligible for benefits under AS 47.07.020(b)(13) and whose household income  
19 is greater than the applicable amount set out in (e) of this section [BETWEEN 150  
20 AND 200 PERCENT OF THE FEDERAL POVERTY GUIDELINE]. If the  
21 department requires premiums or cost-sharing contributions under this subsection, the  
22 department

23 (1) shall adopt in regulation a sliding scale for those premiums or  
24 contributions based on household income;

25 (2) may not exceed the maximums allowed under federal law; and

26 (3) shall implement a system by which the department or its designee  
27 collects those premiums or contributions.

28 \* Sec. 3. AS 47.07.042 is amended by adding a new subsection to read:

29 (e) In (d) of this section, the term "applicable amount" means

30 (1) \$1,385 a month if the household consists of one person;

31 (2) \$1,867 a month if the household consists of two persons; a

1 pregnant woman in a household alone is considered to be a household of two persons;  
2 (3) \$2,348 a month if the household consists of three persons;  
3 (4) \$2,829 a month if the household consists of four persons;  
4 (5) \$3,310 a month if the household consists of five persons;  
5 (6) \$3,792 a month if the household consists of six persons;  
6 (7) \$4,273 a month if the household consists of seven persons;  
7 (8) \$4,754 a month if the household consists of eight persons;  
8 (9) \$4,754 a month, plus an additional \$482 a month for each extra  
9 person above eight persons who is in the household if the household consists of nine  
10 persons or more.

11 \* Sec. 4. This Act takes effect July 1, 2003.

# FISCAL NOTE

**STATE OF ALASKA**  
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HCS SB105 (HES)  
 ( ) Publish Date: \_\_\_\_\_  
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction): \_\_\_\_\_  
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The Governor's FY2004 budget includes a decrement of \$223.0 general fund match.

Prepared by: Jon Sherwood  
 Division: Medical Assistance  
 Approved by: Elmer A. Lindstrom, Special Assistant to the Commissioner  
 Agency: Department of Health and Social Services

Phone 465-5820  
 Date/Time \_\_\_\_\_  
 Date 04/29/2003

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

BILL NO. HCS SB105 (HES)**ANALYSIS CONTINUATION****ASSUMPTIONS**

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OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
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Equipment						
Land & Structures						
Grants & Claims	( 7,151.3)	( 11,930.0)	( 14,351.5)	( 16,848.3)	( 19,480.8)	( 22,269.1)
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>( 7,151.3)</b>	<b>( 11,930.0)</b>	<b>( 14,351.5)</b>	<b>( 16,848.3)</b>	<b>( 19,480.8)</b>	<b>( 22,269.1)</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES (0)</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	( 4,972.6)	( 8,220.5)	( 9,836.6)	( 11,506.6)	( 13,264.5)	( 15,123.3)
1003 GF Match	( 2,178.7)	( 3,709.5)	( 4,514.9)	( 5,341.7)	( 6,216.3)	( 7,145.8)
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
<b>TOTAL</b>	<b>( 7,151.3)</b>	<b>( 11,930.0)</b>	<b>( 14,351.5)</b>	<b>( 16,848.3)</b>	<b>( 19,480.8)</b>	<b>( 22,269.1)</b>

Estimate of any current year (FY2003) cost: \_\_\_\_\_

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 is intended to reduce Medicaid spending by freezing the income eligibility standard at the 2003 level for nursing home or HCB waiver recipients whose Medicaid eligibility is determined under the 300% Special Income eligibility category and, for the Denali KidCare program for children and pregnant women, by reducing the income eligibility standard from 200% to 175% of the 2003 Federal Poverty Guidelines (FPG) for Alaska and freezing it there. See assumptions on the next page.

The Governor's FY2004 budget includes a decrement of \$223.0 general fund match.

Prepared by: Jon Sherwood  
 Division: Medical Assistance  
 Approved by: Elmer A. Lindstrom, Special Assistant to the Commissioner  
 Agency: Department of Health and Social Services

Phone 465-5820  
 Date/Time 04/07/2003  
 Date 04/08/2003

**ANALYSIS CONTINUATION**

**ASSUMPTIONS**

The number of individuals potentially eligible in future years will be significantly reduced. Many will remain eligible in the first year, but since much of the nursing home and waiver population relies heavily on Social Security retirement income, Social Security Disability Insurance payments, and pension programs that use an annual COLA increase, more will lose eligibility in future years as their countable income eventually exceeds the frozen 2003 standard.

FY 2004 savings will be limited by the fact that as we phase in implementation pregnant women who are already eligible continue to be eligible through their pregnancy and post-partum period. Children on DKC will continue to be eligible through their 6 months continuous eligibility period. After June 30, 2003 the number of new eligible children and pregnant women will be reduced because of the reduction to 175% of the FPG. The impact on the nursing home and HCB waiver populations will not take effect until January 2004.

Annually we anticipate both the FPG and the SSI standard to grow at an average of 2.24%. Assuming an equal distribution of income within each eligibility category, we determined the number of individuals whose income would be expected to be above the frozen standard. This results in the number of eligibles who would no longer be eligible for Medicaid or Denali KidCare because of the frozen standard. In addition, the number of new eligible children and pregnant women will be reduced because of the reduction to 175% of the FPG.

The following table shows the total REDUCTION OF ELIGIBLES:

	FY04	FY05	FY06	FY07	FY08	FY09
Pregnant Women	123	140	157	173	189	205
Title XXI Children	1213	1380	1544	1704	1861	2014
Special Income	9	17	26	34	42	50
Total	1345	1537	1727	1911	2092	2269

Final fiscal impact is determined by multiplying the number of eligibles by the following average annual expenditures per individual in that eligibility category. Resulting savings are:

**SAVINGS (in thousands):**

	FY04	FY05	FY06	FY07	FY08	FY09
PR Woman	\$493.7	\$816.5	\$996.6	\$1,195.8	\$1,422.0	\$1,680.2
Children	\$6,386.4	\$10,051.9	\$11,672.6	\$13,373.0	\$15,141.1	\$16,990.1
NH/HCB	\$271.2	\$1,061.6	\$1,682.3	\$2,279.5	\$2,917.7	\$3,598.8
Total	\$7,151.3	\$11,930.0	\$14,351.5	\$16,848.3	\$19,480.8	\$22,269.1

A federal match rate of 58.39% was used for Pregnant Women and Nursing Home recipients; 70.87% was used for DKC children.

FRANK H. MURKOWSKI  
GOVERNOR  
GOVERNOR@GOV.STATE.AK.US



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FAX (907) 465-3532  
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March 5, 2003

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 107  
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill to "freeze" income levels for eligibility for Denali Kid Care and for Medicaid under the special income limit for nursing homes and home and community based waiver services.

Under current law, income standards for these eligibility categories increase every year by the amount of cost-of-living adjustments to the Supplemental Security Income (SSI) program or the federal poverty guidelines. This bill will eliminate these annual cost-of-living adjustments and put in statute fixed dollar income levels for these programs based on the SSI standard that became effective on January 1, 2003 or the federal poverty guideline for Alaska that became effective on April 1, 2002.

The next cost-of-living adjustment for Denali KidCare is scheduled to become effective on April 1, 2003. Therefore upon the July 1, 2003 effective date of this bill eligibility levels will be rolled-back by the 1.4% cost-of-living allowance implemented on April 1, 2003. For example, income eligibility for a family of three with children on Denali Kid Care will decrease from \$3,179 per month to \$3,130 per month on July 1, 2003.

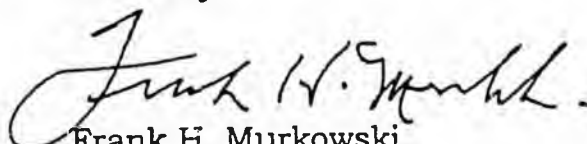
The number of persons who lose eligibility on July 1, 2003 by virtue of this provision cannot be estimated with precision; but should be very small. For example pregnant women who establish eligibility between April 1, 2003 and June 30, 2003 will remain eligible for nine months notwithstanding the passage of this legislation.

The Honorable Gene Merriault  
March 5, 2003  
Page 2

While the cost savings associated with this bill are modest in the short-term; this measure will significantly reduce future year costs. In this time of fiscal austerity, I believe this proposal strikes the appropriate balance between maintaining health care coverage for lower income Alaskans while also addressing our need for fiscal restraint.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script, appearing to read "Frank H. Murkowski".

Frank H. Murkowski  
Governor

**LEAGUE OF WOMEN VOTERS OF ALASKA**

**RESOLUTION 03-02**

**A RESOLUTION IN OPPOSITION TO SB 105 AND HB 172:  
MEDICAID: CHILDREN/PREGNANT WOMEN/FACILITY**

**WHEREAS**, the League of Women Voters of Alaska believes that a basic level of quality health care at an affordable cost should be available to all U.S. residents; and

**WHEREAS**, SB 105 and HB 172 propose to freeze eligibility for Denali Kid Care by changing the program need standard from a percentage of the Federal Poverty Level to a fixed dollar amount, thus eliminating inflation proofing of eligibility levels which results in a larger percentage of children becoming ineligible for Medicaid; and

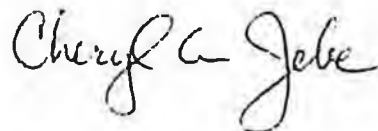
**WHEREAS**, uninsured children and uninsured pregnant women are less likely to receive timely and adequate health care and are placed at risk; and

**WHEREAS**, there is no affordable health care insurance available to small business where many uninsured people work; and

**WHEREAS**, other solutions are available, such as patient copayment; which can cut costs without cutting services,

**THEREFORE, BE IT RESOLVED** that the League of Women Voters of Alaska request the Alaska State Legislature vote against SB 105 and HB 172.

**PASSED AND APPROVED** by the delegates to the League of Women Voters 2003 Convention, Juneau, Alaska, this 13<sup>th</sup> day of April, 2003.



Cheryl Jebe, President  
League of Women Voters of Alaska

# 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

April 17, 2003

**SUBJECT:** Whether a concurrent resolution is needed to authorize a change in the bill title (HCS CSSB 105(HES))

**TO:** Representative Peggy Wilson  
Attn: Jean Ellis

**FROM:** Terri Lauterbach  
Legislative Counsel *TMLauterbach*

Enclosed is a draft HCS for SB 105.

The bill title is different than the bill title passed by the Senate. However, this change to the title of the bill is merely a technical change (recognizing that a special effective date is in the HCS) and would not require a concurrent resolution to suspend the Uniform Rules regarding changes to the title of a bill in the second house. The Uniform Rules specifically exempt technical title changes from the rule against title changes in the second house. See, Rule 41(b), Uniform Rules of the Alaska State Legislature.

If I may be of further assistance, please advise.

TML:med  
03-410.med

Enclosure

**SB**

**105**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/8/03

REPORTED OUT  
  
APR 09 2003  
  
SENATE FINANCE  
COMMITTEE

FURTHER:

DATE TURNED  
IN TO OFFICE: 4/09/03

Finance Committee considered

SENATE BILL NO. 105

## SB 105 MEDICAID:CHILDREN/PREGNANT WOMEN/FACILITY

"An Act relating to eligibility requirements for medical assistance for certain children, pregnant women, and persons in a medical or intermediate care facility; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS SB 105 (HES)
- 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#
HSS	4/8/03	7,151.3		

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEN.)
<i>[Signature]</i>		✓		
<i>[Signature]</i>		✓		
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

ADAPTED

SENATE FINANCE COMMITTEE  
4 / 19 / 2003 COMMITTEE ACTION

<b>Bill Number:</b>	SB 105 (HES)		
<b>Amendment:</b>			
<b>Motion:</b>	Report from Committee		
<b>Motion by:</b>	GREEN		
<b>Objection by:</b>	Hoffman		
<b>Removed:</b>			
<b>Second Objection by:</b>			
<b>Committee Member</b>	<b>Y</b>	<b>Vote</b>	<b>N</b>
Senator Bunde	✓		
Senator Hoffman			✓
Senator Olson			✓
Senator Stevens	✓		
Senator Taylor			
Co-Chair Green	✓		
Co-Chair Wilken	✓		
<b>Tally</b>			
Yea	4		
Nay	2		
Absent	1		
<b>MOTION</b>	<b>PASSED</b>		

APR 09 2003

SENATE FINANCE  
COMMITTEE  
CS SB105 (HES)

# FISCAL NOTE

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

Fiscal Note Number:  
Bill Version:  
( ) Publish Date:

Revision Date/Time (Note if correction): 04/07/2003  
Title ELIMINATE CERTAIN COST-OF-LIVING  
ADJUSTMENTS IN MEDICAID

Dept. Affected: Health & Social Services

Sponsor HOUSE (RLS) BY REQUEST OF  
THE GOVERNOR

BRU Medical Assistance

Requester \_\_\_\_\_

Component Medicaid Services

Component No. 2077

**Expenditures/Revenues** (Thousands of Dollars)

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

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<b>CAPITAL EXPENDITURES</b>						
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Prepared by: Jon Sherwood  
Division Medical Assistance  
Approved by: Elmer A. Lindstrom, Soecial Assistant to the Commissioner  
Agency Department of Health and Social Services

Phone 465-5820  
Date/Time 04/07/2003  
Date 04/08/2003

FISCAL NOTE  
FN #

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

BILL NO. CS SB105 (HES)

ANALYSIS CONTINUATION  
ASSUMPTIONS

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A federal match rate of 58.39% was used for Pregnant Women and Nursing Home recipients; 70.87% was used for DKC children.

## 2003 Federal Poverty Guidelines for Alaska

Family Size	Annual Poverty Guidelines Effective April 1, 2003			
	100%	150%	185%	200%
1	\$11,210	\$16,815	\$20,739	\$22,420
2	15,140	\$22,710	\$28,009	\$30,280
3	19,070	\$28,605	\$35,280	\$38,140
4	23,000	\$34,500	\$42,550	\$46,000
5	26,930	\$40,395	\$49,821	\$53,860
6	30,860	\$46,290	\$57,091	\$61,720
7	34,790	\$52,185	\$64,362	\$69,580
8	38,720	\$58,080	\$71,632	\$77,440
Addl.	3,930	\$5,895	\$7,271	\$7,860

Family Size							
	100%	120%	133%	135%	150%	155%	160%
1	\$934	\$1,121	\$1,243	\$1,261	\$1,401	\$1,448	\$1,495
2	\$1,262	\$1,514	\$1,679	\$1,704	\$1,893	\$1,956	\$2,019
3	\$1,590	\$1,907	\$2,114	\$2,146	\$2,384	\$2,463	\$2,543
4	\$1,917	\$2,300	\$2,550	\$2,588	\$2,875	\$2,971	\$3,067
5	\$2,245	\$2,693	\$2,985	\$3,030	\$3,367	\$3,479	\$3,591
6	\$2,572	\$3,086	\$3,421	\$3,472	\$3,858	\$3,986	\$4,115
7	\$2,900	\$3,479	\$3,856	\$3,914	\$4,349	\$4,494	\$4,639
8	\$3,227	\$3,872	\$4,292	\$4,356	\$4,840	\$5,001	\$5,163
Addl.	\$328	\$393	\$436	\$443	\$492	\$508	\$524

Family Size							
	165%	170%	175%	180%	182%	184%	185%
1	\$1,541	\$1,588	\$1,635	\$1,682	\$1,700	\$1,719	\$1,728
2	\$2,082	\$2,145	\$2,208	\$2,271	\$2,296	\$2,322	\$2,334
3	\$2,622	\$2,702	\$2,782	\$2,861	\$2,892	\$2,924	\$2,940
4	\$3,163	\$3,258	\$3,355	\$3,450	\$3,488	\$3,527	\$3,546
5	\$3,703	\$3,815	\$3,928	\$4,040	\$4,084	\$4,129	\$4,152
6	\$4,243	\$4,372	\$4,501	\$4,629	\$4,681	\$4,732	\$4,758
7	\$4,784	\$4,929	\$5,074	\$5,219	\$5,277	\$5,335	\$5,364
8	\$5,324	\$5,485	\$5,647	\$5,808	\$5,873	\$5,937	\$5,969
Addl.	\$540	\$557	\$574	\$590	\$596	\$603	\$606

Family Size								
	186%	188%	190%	192%	194%	196%	198%	200%
1	\$1,738	\$1,756	\$1,775	\$1,794	\$1,812	\$1,831	\$1,850	\$1,868
2	\$2,347	\$2,372	\$2,397	\$2,422	\$2,448	\$2,473	\$2,498	\$2,523
3	\$2,956	\$2,988	\$3,020	\$3,051	\$3,083	\$3,115	\$3,147	\$3,178
4	\$3,565	\$3,604	\$3,642	\$3,680	\$3,718	\$3,757	\$3,795	\$3,833
5	\$4,175	\$4,220	\$4,264	\$4,309	\$4,354	\$4,399	\$4,444	\$4,488
6	\$4,784	\$4,835	\$4,886	\$4,938	\$4,989	\$5,041	\$5,092	\$5,143
7	\$5,393	\$5,451	\$5,509	\$5,566	\$5,624	\$5,682	\$5,740	\$5,798
8	\$6,002	\$6,067	\$6,131	\$6,195	\$6,260	\$6,324	\$6,389	\$6,453
Addl.	\$610	\$616	\$622	\$629	\$635	\$642	\$649	\$655

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President of the Senate  
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State Capitol, Room 107  
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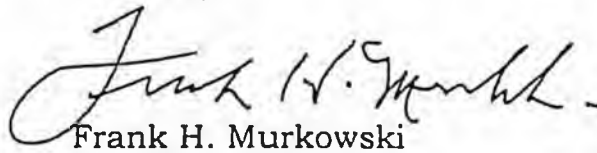
March 5, 2003

Page 2

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I urge your prompt and favorable action on this measure.

Sincerely,

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Frank H. Murkowski  
Governor

## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 3/6/03

FURTHER: Finance

Date of 5-Day Notice: 3/20/03  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 4.08.03

Health, Education and Social Services Committee considered

SENATE BILL NO. 105

### SB 105 MEDICAID:CHILDREN/PREGNANT WOMEN/FACILITY

"An Act relating to eligibility requirements for medical assistance for certain children, pregnant women, and persons in a medical or intermediate care facility; and providing for an effective date."

and recommends:

be replaced with \_\_\_\_\_ CS SB 105 (HES)

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 # \_\_\_\_\_


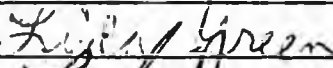
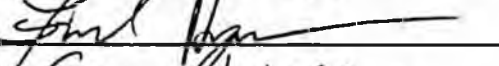


**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
HSS	3/05	✓		1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
 Guess		✓		
 Green	✓			
 *Dyson	✓			
 Wilken				
 Davis				
<b>CHAIR:</b>				

**SB**

**106**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSSB 106(FIN)  
(S) Publish Date: 4/9/03

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title Tire fee; studded tire fee BRU Revenue Operations  
Component Tax Division  
Sponsor Rules Committee  
Requester Senate Finance 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	47.7	47.7	47.7	47.7	47.7	47.7
Travel	5.0	2.0	2.0	2.0	2.0	2.0
Contractual	15.0	3.0	3.0	3.0	3.0	3.0
Supplies	2.0	1.0	1.0	1.0	1.0	1.0
Equipment	2.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>72.2</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>

CAPITAL EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
<b>CHANGE IN REVENUES ( )</b>	<b>2,350.0</b>	<b>3,325.0</b>	<b>3,325.0</b>	<b>3,325.0</b>	<b>3,325.0</b>	<b>3,325.0</b>

**FUND SOURCE** (Thousands of Dollars)

FUND SOURCE	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
1002 Federal Receipts						
1003 GF Match						
1004 GF	72.2	53.7	53.7	53.7	53.7	53.7
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>72.2</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>

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**

POSITIONS	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Full-time	1	1	1	1	1	1
Part-time						
Temporary						

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

This legislation would impose a \$2.50 fee per tire on all new tires sold in Alaska for motor vehicles, effective July 1, 2003. This legislation also would impose an additional \$5 fee per tire on all new tires with heavy studs, effective July 1, 2004. The fee would be imposed at the retail level, with the tire seller to collect the fee from the buyer and remit the money to the state.

The fee would be imposed on all tires sold for highway use.

Businesses would be required to file quarterly reports and remit payments to the Department of Revenue. Businesses would be allowed to retain 5% of the amount collected, not to exceed \$900 a quarter, to cover expenses in collecting and remitting the fee.

Based on projections from the Department of Transportation and Public Facilities, the fee would be collected on 1.25 million new motor vehicle tires sold each year in Alaska and an estimated 40,000 new tires sold each year with heavy studs. The first-year revenue would be for three fiscal quarters of tax collections.

The operating expense includes one Tax Technician III (Range 14) to administer and collect the fees. The Department expects several hundred businesses statewide will be included in this new program. The first-year costs include funding for an outreach effort to educate businesses.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469  
Division Department of Revenue Date/Time 4/9/03 11:09 AM  
Approved by: Larry Persily, Deputy Commissioner Date 4/9/2003  
Agency Department of Revenue

FRANK H. MURKOWSKI  
GOVERNOR

GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

P.O. Box 110001  
JUNEAU, ALASKA 99811-0001  
(907) 465-3500  
FAX (907) 465-3532  
WWW.GOV.STATE.AK.US

March 5, 2003

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 107  
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of art. III, sec 18, of the Alaska Constitution, I am transmitting a bill that would impose a fee on the purchase and use of studded tires in Alaska.

According to a 1996 report by the Alaska Department of Transportation and Public Facilities, the use of studded tires in Alaska causes approximately \$5 million damage to our roads per year. Most of this damage occurs in our high traffic urban centers in the form of rutting. It is a particular problem in our urban centers where rutting is often severe and causes unsafe driving conditions.

The worst of this damage is repaired by the department. Due to limited maintenance funding, much of it is added to the State's deferred maintenance backlog. This bill would impose a fee of \$10 for each studded tire sold, resulting in \$2 million in increased revenues. This proposal represents a modest, user-pays approach to paying for studded tire damage.

New tire technology has been developed in the last ten years to create studless winter tires. These tires use softer rubber compounds and specific tread patterns to improve their performance in snow and ice conditions. This technology has continued to improve and is widely available as an alternative to studded winter tires.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink that reads "Frank H. Murkowski".

Frank H. Murkowski  
Governor

passed (9-0)

23-GS1127\WA.1  
Crawford/Kurtz  
5/14/03

AMENDMENT \

OFFERED IN THE HOUSE

BY REPRESENTATIVE STOLTZE

TO: CSSB 106(FIN)(efd fld)

- 1 Page 2, line 4, following "studs":
- 2       Insert "That portion of the total price of the tire or service consisting of the fees
- 3 imposed by this section is not subject to a sales tax or a use tax imposed by the state or a
- 4 subdivision of the state."

Failed (1-9)

AMENDMENT 2

TO BE OFFERED IN THE HOUSE FINANCE COMMITTEE

BY REPRESENTATIVE KERTTULA

TO: CSSB 106 (FIN)(efd fld)

Page 2, after line 24:

Add a new section to read:

“Sec 3. This act takes effect upon 1) the repeal of the prohibition on dedicated funds; 2) a fund is created to receive the proceeds of the tire fees and dedicated to road and highway maintenance.”

replaced  
By #2

# FISCAL NOTE

ALASKA  
LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 106  
(S) Publish Date: 3/6/03

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title: Studded tire surcharge BRU: Revenue Operations  
Component: Tax Division  
Sponsor: Rules Committee  
Requester: Governor 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	43.9	43.9	43.9	43.9	43.9	43.9
Travel	5.0	2.0	2.0	2.0	2.0	2.0
Contractual	8.0	3.0	3.0	3.0	3.0	3.0
Supplies	2.0	1.0	1.0	1.0	1.0	1.0
Equipment	2.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>61.4</b>	<b>49.9</b>	<b>49.9</b>	<b>49.9</b>	<b>49.9</b>	<b>49.9</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )	1,950.0	1,950.0	1,950.0	1,950.0	1,950.0	1,950.0
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## FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
1002 Federal Receipts						
1003 GF Match						
1004 GF	61.4	49.9	49.9	49.9	49.9	49.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
<b>TOTAL</b>	<b>61.4</b>	<b>49.9</b>	<b>49.9</b>	<b>49.9</b>	<b>49.9</b>	<b>49.9</b>

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

Position Type	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Full-time	1	1	1	1	1	1
Part-time						
Temporary						

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

This legislation would impose a \$10 per tire surcharge on all studded tires sold in Alaska, effective July 1, 2003. Businesses would be required to file monthly reports and remit payments to the Department of Revenue. The surcharge would be collected by the seller of the studded tire, such as tire dealers, service stations, garages, etc. Businesses would be allowed to retain 5% of the amount collected, not to exceed \$1,000 in any calendar quarter, to cover expenses in collecting and remitting the surcharge.

Based on projections from the Department of Transportation and Public Facilities, the surcharge would raise an estimated \$2 million a year -- minus the 5% commission. This is based on the assumption that about 40% of all passenger vehicles and pickup trucks in the state use studded tires on all four wheels, and that vehicle owners replace their studded tires every five years.

The operations cost includes one Tax Technician II (Range 12) to administer and collect the surcharge. The Department expects several hundred businesses statewide will be included in this new program.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469  
Division: Department of Revenue Date/Time 3/3/03 4:03 PM  
Approved by: Larry Persily, Deputy Commissioner Date 3/3/2003  
Agency: Department of Revenue

**SB**

**106**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/12/03

REPORTED OUT  
  
APR 09 2003  
  
SENATE FINANCE  
COMMITTEE

FURTHER:

DATE TURNED  
IN TO OFFICE: 04/09/03

Finance Committee considered

SENATE BILL NO. 106

## SB 106 FEE FOR STUDDED TIRES

"An Act relating to a fee on studded tires; and providing for an effective date."

and recommends:

- be replaced with CS for SB 106 (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#
Rev	4/8/03	72.2		

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>		✓		
<i>[Signature]</i>		✓		
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

# FISCAL NOTE

REPORTED OUT

APR 09 2003

SENATE FINANCE  
COMMITTEE

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSSB106(FIN)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title: Tire fee; studded tire fee BRU: Revenue Operations  
Component: Tax Division  
Sponsor: Rules Committee  
Requester: Senate Finance 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	47.7	47.7	47.7	47.7	47.7	47.7
Travel	5.0	2.0	2.0	2.0	2.0	2.0
Contractual	15.0	3.0	3.0	3.0	3.0	3.0
Supplies	2.0	1.0	1.0	1.0	1.0	1.0
Equipment	2.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>72.2</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>2,350.0</b>	<b>3,325.0</b>	<b>3,325.0</b>	<b>3,325.0</b>	<b>3,325.0</b>	<b>3,325.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	72.2	53.7	53.7	53.7	53.7	53.7
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>72.2</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>

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	1	1	1	1	1	1
Part-time						
Temporary						

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

This legislation would impose a \$2.50 fee per tire on all new tires sold in Alaska for motor vehicles, effective July 1, 2003. This legislation also would impose an additional \$5 fee per tire on all new tires with heavy studs, effective July 1, 2004. The fee would be imposed at the retail level, with the tire seller to collect the fee from the buyer and remit the money to the state.

The fee would be imposed on all tires sold for highway use.

Businesses would be required to file quarterly reports and remit payments to the Department of Revenue. Businesses would be allowed to retain 5% of the amount collected, not to exceed \$900 a quarter, to cover expenses in collecting and remitting the fee.

Based on projections from the Department of Transportation and Public Facilities, the fee would be collected on 1.25 million new motor vehicle tires sold each year in Alaska and an estimated 40,000 new tires sold each year with heavy studs. The first-year revenue would be for three fiscal quarters of tax collections.

The operating expense includes one Tax Technician III (Range 14) to administer and collect the fees. The Department expects several hundred businesses statewide will be included in this new program. The first-year costs include funding for an outreach effort to educate businesses.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469  
Division: Department of Revenue Date/Time 4/8/03 2:40 PM  
Approved by: Larry Persily, Deputy Commissioner Date 4/8/2003  
Agency: Department of Revenue

Amend #5  
adopted

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(c) A seller shall add the amount of the fees imposed by this section to the total price of the tire or service subject to the fees, and the fees shall be stated separately on any sales receipt, invoice, or other record of the sale or other transfer or of the installation of studs.

(d) A seller shall collect the fees from the purchaser. A seller shall file a return on a form prescribed by the department and remit the fees collected to the department not later than 30 days following the last day of the calendar quarter of the sale or installation.

(e) A seller remitting the fees collected under this section to the department within 30 days after the last day of the preceding calendar quarter may retain five percent of the amount collected, not to exceed \$900 a quarter, to cover expenses associated with collecting and remitting the fees.

(f) The provisions of AS 43.05 and AS 43.10 apply to this section.

(g) The fees imposed in this section do not apply to tires or services sold to federal, state, or local government agencies for official use.

✓  
sold for  
resale

(h) In this section,

(1) "highway" has the meaning given in AS 28.40.100;

(2) "motor vehicle" has the meaning given in AS 28.40.100;

(3) "seller" means a seller of tires or a person who installs studs on motor vehicle tires for a fee.

\* Sec. 3. This Act takes effect July 1, 2003.

SENATE FINANCE COMMITTEE  
4/8/2003 COMMITTEE ACTION

<b>Bill Number</b>	SB 106		
<b>Amendment</b>	#5		
<b>Motion</b>	adpt		
<b><u>Motion by</u></b>	Green		
<b><u>Objection by</u></b>	Wilken		
<b><u>Removed</u></b>	✓		
<b><u>Second Objection by</u></b>			
<b><u>Committee Member</u></b>	<b>Y</b>	<b><u>Vote</u></b>	<b>N</b>
Senator Stevens			
Senator Taylor			
Senator Bunde			
Senator Hoffman			
Senator Olson			
Co-Chair Green			
Co-Chair Wilken			
<b><u>Tally</u></b>			
Yea			
Nay			
Absent			
<b><u>MOTION</u></b>	PASS		

Amend #4  
Withdrawn

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(c) A seller shall add the amount of the fees imposed by this section to the total price of the tire or service subject to the fees, and the fees shall be stated separately on any sales receipt, invoice, or other record of the sale or other transfer or of the installation of studs.

(d) A seller shall collect the fees from the purchaser. A seller shall file a return on a form prescribed by the department and remit the fees collected to the department not later than 30 days following the last day of the calendar quarter of the sale or installation.

(e) A seller <sup>timely</sup> remitting the fees collected under this section to the department within 30 days after the last day of the preceding calendar quarter may retain five percent of the amount collected, not to exceed \$900 a quarter, to cover expenses associated with collecting and remitting the fees.

(f) The provisions of AS 43.05 and AS 43.10 apply to this section.

(g) The fees imposed in this section do not apply to tires or services sold to federal, state, or local government agencies for official use.

(h) In this section,

(1) "highway" has the meaning given in AS 28.40.100;

(2) "motor vehicle" has the meaning given in AS 28.40.100;

(3) "seller" means a seller of tires or a person who installs studs on motor vehicle tires for a fee.

\* Sec. 3. This Act takes effect July 1, 2003.

SENATE FINANCE COMMITTEE  
4/8/2003 COMMITTEE ACTION

<b>Bill Number</b>	SB 106		
<b>Amendment</b>	-# 4.		
<b>Motion</b>	=adpt		
<b><u>Motion by</u></b>	Green		
<b><u>Objection by</u></b>	Wilken		
<b><u>Removed</u></b>			
<b><u>Second Objection by</u></b>			
<b><u>Committee Member</u></b>	<b>Y</b>	<b><u>Vote</u></b>	<b>N</b>
Senator Olson			
Senator Stevens			
Senator Taylor			
Senator Bunde			
Senator Hoffman			
Co-Chair Green			
Co-Chair Wilken			
<b><u>Tally</u></b>			
Yea			
Nay			
Absent			
<b><u>MOTION</u></b>	WITH DRAWN		

**CS FOR SENATE BILL NO. 106(TRA)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE TRANSPORTATION COMMITTEE

Offered: 3/12/03  
Referred: Finance

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to studded tires; and providing for an effective date."

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

3 \* **Section 1.** AS 28.35.155 is amended by adding a new subsection to read:

4 (c) A person convicted of violating this section is punishable by a fine of not  
5 less than \$100, in addition to any other penalties imposed under AS 28.40.050.

6 \* **Sec. 2.** AS 43.98 is amended by adding a new section to read:

7 **Sec. 43.98.025. Studded tire fee.** (a) A fee of \$10 a tire is imposed on the  
8 retail sale of studded tires in the state.

9 (b) A fee of \$10 a tire is imposed on the installation of studs for a fee on a  
10 motor vehicle tire in the state.

11 (c) A seller shall add the amount of the fee imposed by this section to the total  
12 price of the tire or service subject to the fee, and the fee shall be stated separately on  
13 any sales receipt, invoice, or other record of the sale or other transfer or of the  
14 installation of studs.

15 (d) A seller shall collect the fee from the purchaser. A seller shall file a return

Amend #3  
(removed)

23-GS1127N

1 on a form prescribed by the department and remit the fee collected to the department  
2 on a quarterly basis  
~~not later than 30 days following the last day of the month of the sale or installation.~~

3 (e) A seller remitting the fee collected under this section to the department  
4 within 30 days after the last day of the preceding month may retain five percent of the  
5 amount collected, not to exceed \$300 a month, to cover expenses associated with  
6 collecting and remitting the fee.

7 (f) The provisions of AS 43.05 and AS 43.10 apply to this section.

8 (g) The fees imposed in this section do not apply to tires or services sold to  
9 federal, state, or local government agencies for official use.

10 (h) In this section,

11 (1) "seller" means a seller of studded tires or a person who installs  
12 studs on motor vehicle tires for a fee;

13 (2) "studded tire" means a motor vehicle tire with metal studs or spikes  
14 embedded in the periphery of the tire surface and protruding beyond the tread surface  
15 of the tire.

16 \* Sec. 3. This Act takes effect July 1, 2003.

CS

SENATE FINANCE COMMITTEE  
4/1/2003 COMMITTEE ACTION

<b>Bill Number</b>	SB 106		
<b>Amendment</b>	#3		
<b>Motion</b>	adpt		
<b><u>Motion by</u></b>	Bunde		
<b><u>Objection by</u></b>			
<b><u>Removed</u></b>			
<b><u>Second Objection by</u></b>			
<b><u>Committee Member</u></b>	<b>Y</b>	<b><u>Vote</u></b>	<b>N</b>
Senator Hoffman			
Senator Olson			
Senator Stevens			
Senator Taylor			
Senator Bunde			
Co-Chair Green			
Co-Chair Wilken			
<b><u>Tally</u></b>			
Yea			
Nay			
Absent			
<b><u>MOTION</u></b>	Withdrawn		

With drawn

AMENDMENT

OFFERED IN THE SENATE  
TO: CSSB 106(TRA)

BY SENATOR BUNDE

- 1 Page 1, line 1:  
2 Delete "studded"  
3  
4 Page 1, line 7:  
5 Delete "Studded tire fee"  
6 Insert "Tire fees"  
7 Delete "\$10"  
8 Insert "\$2.50"  
9  
10 Page 1, line 8:  
11 Delete "studded"  
12  
13 Page 1, lines 9 - 10:  
14 Delete all material and insert:  
15 "(b) In addition to the fee imposed under (a) of this section, a fee of \$5 a tire is  
16 imposed on the retail sale of tires studded with metal studs or spikes weighing more  
17 than 1.1 grams each embedded in the periphery of the tire surface and protruding  
18 beyond the tread surface of the tire, or on the installation for a fee of metal studs or  
19 spikes weighing more than 1.1 grams each on a motor vehicle tire in the state."  
20  
21 Page 1, line 11:  
22 Delete "fee"  
23 Insert "fees"

1

2 Page 1, line 12:

3 Delete "fee" in both places

4 Insert "fees" in both places

5

6 Page 1, line 15:

7 Delete "fee"

8 Insert "fees"

9

10 Page 2, line 1:

11 Delete "fee"

12 Insert "fees"

13

14 Page 2, line 3:

15 Delete "fee"

16 Insert "fees"

17

18 Page 2, line 6:

19 Delete "fee"

20 Insert "fees"

21

22 Page 2, line 11:

23 Delete "(1)"

24 Delete "studded"

25

26 Page 2, line 12:

27 Delete ";"

28 Insert "."

29

30 Page 2, lines 13 - 15:

31 Delete all material.

SENATE FINANCE COMMITTEE  
4/1/2003 COMMITTEE ACTION

<b>Bill Number</b>	SB 106		
<b>Amendment</b>	#2		
<b>Motion</b>	adpt		
<b><u>Motion by</u></b>	Bunde		
<b><u>Objection by</u></b>	Wilken		
<b><u>Removed</u></b>			
<b><u>Second Objection by</u></b>			
<b><u>Committee Member</u></b>	<b>Y</b>	<b><u>Vote</u></b>	<b>N</b>
Senator Bunde			
Senator Hoffman			
Senator Olson			
Senator Stevens			
Senator Taylor			
Co-Chair Green			
Co-Chair Wilken			
<b><u>Tally</u></b>			
Yea			
Nay			
Absent			
<b><u>MOTION</u></b>	Withdrawn		

FAIL

SENATE FINANCE  
COMMITTEE

Amendment Number: # 1  
Bill Number: SB 106  
Sponsor: Hoffman Date: 4/1/03  
Logged In By: Robin

23-GS11271.3  
Kurtz  
4/1/03

AMENDMENT

OFFERED IN THE SENATE  
TO: CSSB 106(TRA)

BY SENATOR OLSON

*H. Olson*

*H*

- 1 Page 2, line 8, following "do not apply to":
- 2       Insert "(1)"
- 3
- 4 Page 2, line 9, following "use":
- 5       Insert "; or
- 6                       (2) studded tires exclusively for use on a motor vehicle that meets the
- 7       qualifications under AS 28.22.011(a)(1) for exemption from the motor vehicle liability
- 8       insurance requirement of AS 28.22.011"

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

## Section

21. Requirement of proof of motor vehicle liability insurance  
31. Method of proof of motor vehicle liability insurance

## Section

41. Administrative suspension of drivers' licenses  
51. Falsification of information  
61. Proof for the future

*Sec. 28.22.010. Motor vehicle liability policy. [Repealed, § 17 ch 70 SLA 1984.]*

**Sec. 28.22.011. Motor vehicle liability insurance required: Exemptions.**

(a) The operator or owner of a motor vehicle subject to registration under AS 28.10.011 when driven on a highway, vehicular way or area, or on other public property in the state, shall be insured under a motor vehicle liability policy that complies with this chapter or a certificate of self-insurance that complies with AS 28.20.400 unless

(1) the motor vehicle is being driven or moved on a highway, vehicular way, or a public parking place in the state that is not connected by a land highway or vehicular way to

(A) the land-connected state highway system, or

(B) a highway or vehicular way with an average daily traffic volume greater than 499; and

(2) the operator has not been cited within the preceding five years for a traffic law violation with a demerit point value of six or more on the point schedule determined under regulations adopted by the department under AS 28.15.221.

(b) The department shall annually publish a list of areas that meet the requirements of (a)(1) of this section. This list shall be available for public inspection at each office of the department.

(c) In this section, "operator" does not include

(1) an employee who operates, during the course and within the scope of employment, a motor vehicle that is owned or leased by the operator's employer; or

(2) an emergency service volunteer who operates, during the course and within the scope of responding to an emergency, a motor vehicle not owned by the volunteer. (§ 1 ch 108 SLA 1989; am § 79 ch 63 SLA 1993)

**Effect of amendments.** — The 1993 amendment, effective January 1, 1993, repealed paragraph (a)(3).

#### NOTES TO DECISIONS

**Relation to Motor Vehicle Safety Responsibility Act.** — The Motor Vehicle Safety Responsibility Act and the Mandatory Automobile Insurance Act coexist as components of the Alaska Uniform Vehicle Code and the latter supplements, but does not supplant, the former. *Progressive Ins. Co. v. Simmons*, 953 P.2d 510 (Alaska 1998).

The language of AS 21.89.020(c), pertaining to uninsured or underinsured motorist coverage, means that all policies in the state must conform to the content requirements of the Motor Vehicle Safety Responsibility Act, and that if the content requirements of the Mandatory Automobile Insurance Act are broader than those of the former, those requirements

must also be complied with as to persons covered by the latter. *Progressive Ins. Co. v. Simmons*, 953 P.2d 510 (Alaska 1998).

**Substantial compliance.** — Where a motor vehicle operator did not have liability insurance when he caused property damage exceeding \$500, suspension of his driver's license was warranted, and his personal indemnification of the parties and purchase of liability insurance soon after the accident was not substantial compliance with the mandatory insurance laws or the self-insurance statute. *State, Dep't of Pub. Safety v. Fernandes*, 946 P.2d 1259 (Alaska 1997).

**Quoted in** *Bollerud v. State, Dep't of Pub. Safety*, 929 P.2d 1283 (Alaska 1997).

**Sec. 28.22.019. Proof of insurance to be carried and exhibited on demand.**

(a) A person shall have proof of motor vehicle liability insurance in the person's immediate possession at all times when driving a motor vehicle, and shall present the proof for inspection upon the demand of a peace officer or other authorized representative of the Department of Public Safety. However, a person charged with violating this section may not be convicted if the person produces in court or in the office of the arresting or citing officer proof of motor vehicle liability insurance previously issued to the person that was valid at the time of the person's arrest or citation.

State of Alaska Division of Motor Vehicles Standard Operating Procedures		SOP No. R-2	Page No. 2 of 3
		Effective July 1, 2001	
Subject: <del>VEHICLES EXEMPT FROM REGISTRATION</del>	Supersedes R-2		Dated 12/15/00
	Approved <i>[Signature]</i>		
Statute: AS 28.10.011; AS 28.22.011 (1) (A) & (B)	Regulation:	Form No.	
As required by AS 28.22.011(1)(A) & (B), the following areas are exempt from registration and the Mandatory Insurance law. Compiled by the Department of Administration, Division of Motor Vehicles, from information obtained from the Department of Transportation.			
Adak	Candle	Effin Cove	Kakhonak
Afognak	Canyon	Elim	Kaktovik
Akhiok	Cape Pole	Emanguk	Kalskag
Akiachak	Cape Yakataga	Emmonak	Kalttag
Akiak	Chalkyitsik	English Bay	Kanatak
Akolmiut	Chandalar	Excursion Inlet	Karluk
Akulurak	Chaniliut		Kashegelo
Akutan	Chakaktolik	False Pass	Kasigluk
Alakanuk	Chase	Flat	Katalla
Alatna	Chatham	Fort Yukon	Kiana
Allakaket	Cheching	Fortuna Ledge	King Cove
Amakdedori	Chenik		King Island
Ambler	Chefornak	Galena	Kipnuk
Amchitka	Chemofski	Gambell	Kivalina
Aniak	Chevak	Golovin	Kiwalik
Annette	Chichagof	Goodnews Bay	Kobuk
Anvik	Chignik	Grayling	Kokhanok
Arctic Village	Chignik Lagoon	Gustavus	Kokrines
Atka	Chignik Lake		Koliganek
Atkasuk	Chisana	Hawk Inlet	Kongiganak
Attu	Christian	Haycock	Kotlik
	Chuathbaluk	Holy Cross	Kotzebue
	Clark's Point	Hooper Bay	Koyuk
	Cold Bay	Hughes	Koyukuk
	Crooked Creek	Huslia	Kvichak
Baranof			Kwethluk
Beaver			Kwigillinogok
Bell Island Hot Springs	Deering		Kwiguk
Belkofski	Diomede	Iditarod	Kwinhagak
Belmezok		Iguigig	
Bettles	Edna Bay	Igushik	
Bettles Field	Eek	Iliamna	
Biorka	Egavik	Ivanoff Bay	Lake Minchumina
Birch Creek	Egegik		Larsen Bay
Brevig Mission	Ekuk		Latouche
Buckland	Ekwok	Kachemak	Levelock
		Kaguyak	

State of Alaska Division of Motor Vehicles Standard Operating Procedures		SOP No. R-2	Page No. 3 of 3
Effective December 15, 2000			
Subject:		Supersedes R-2	Dated 11/6/92
<b>VEHICLES EXEMPT FROM REGISTRATION</b>		Approved <i>Charles R. Hosack</i>	
Statute: AS 28.10.011; AS 28.22.011 (1) (A) & (B) Regulation:		Form No.	
As required by AS 28.22.011(1)(A) & (B), the following areas are exempt from registration and the Mandatory Insurance law. Compiled by the Department of Administration, Division of Motor Vehicles, from information obtained from the Department of Transportation.			
Lime Village	Nulato	Quinhagak	Tanana
Little Diomedes	Nunachuak		Tanunak
Long	Nunapitchuk	Rampart	Tatitlek
Lower Kalskag	Nushagak	Red Devil	Tenakee Springs
	Nyac	Ruby	Tetlin
Manokatak		Russian Mission	Tin City
Marshall	Old Harbor		Todd
Mary's Igloo	Ophir	St. George	Togiak
McGrath	Oscarville	St. Mary's	Tokeen
Medfra	Ouzinkie	St. Michael	Toksook Bay
Mekoryuk	Owl Village	St. Paul	Tuluksak
Meshik		Sanak	Tuntutuliak
Mettakatia	Pavlof Harbor	Sand Point	Tununak
Meyoruk	Pedro Bay	Savoonga	Twin Hills
Meyers Chuck	Pelican	Scammon Bay	Tyonek
Moses Point	Pennock Island	Selawik	
Mt. Village	Perryville	Shageluk	Ugashik
Mumtrak	Pikmiktalik	Shaktoolik	Umiat
	Pile Bay	Sheldon Point	Unalakleet
	Pilot Point	Shemya	Unga
Napaimiut	Pilot Station	Shismaref	
Napaikak	Pitka's Point	Shungnak	Venetie
Napakiak	Platinum	Shungnnak Village	
Nelson Lagoon	Point Baker	Skwentna	Wainwright
New Stuyanok	Point Hope	Sleetmute	Wales
Newhalen	Point Lay	Snettisham	White Mountain
Newtok	Poorman	South Naknek	Wiseman
Nightmute	Port Alexander	Squaw Harbor	Woody Island
Nikolai	Port Alsworth	Stebbins	
Nikolski	Port Ashton	Stevens Village	
Noatak	Port Graham	Stony River	
Nolan	Port Heiden	Stuyahok	
Nondalton	Port Lions		
Noorvik	Port Moller	Takotna	
Nuiqsut	Port Wakefield	Taku Harbor	

SENATE FINANCE COMMITTEE  
4/8/2003 COMMITTEE ACTION

<b>Bill Number</b>	SB 106		
<b>Amendment</b>	#1		
<b>Motion</b>	adopt		
<b><u>Motion by</u></b>	Olson		
<b><u>Objection by</u></b>	Wilken		
<b><u>Removed</u></b>			
<b><u>Second Objection by</u></b>			
<b><u>Committee Member</u></b>	<b>Y</b>	<b>Vote</b>	<b>N</b>
Senator Taylor	<del>—</del>		
Senator Bunde			✓
Senator Hoffman	<del>—</del>		
Senator Olson	✓		
Senator Stevens			✓
Co-Chair Green			✓
Co-Chair Wilken			✓
<b><u>Tally</u></b>			
Yea		1	
Nay		4	
Absent		2	
<b><u>MOTION</u></b>	FAIL		

ADOPTED

23-GS1127W  
Kurtz  
4/8/03

CS FOR SENATE BILL NO. 106( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to tires; and providing for an effective date."

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

3 \* Section 1. AS 28.35.155 is amended by adding a new subsection to read:

4 (c) A person convicted of violating this section is punishable by a fine of not  
5 less than \$100, in addition to any other penalties imposed under AS 28.40.050.

6 \* Sec. 2. AS 43.98 is amended by adding a new section to read:

7 Sec. 43.98.025. Tire fees. (a) A fee of \$2.50 a tire is imposed on the retail  
8 sale of new tires for motor vehicles designed for use on a highway.

9 (b) In addition to the fee imposed under (a) of this section, a fee of \$5 a tire is  
10 imposed on the retail sale in the state on or after July 1, 2004, of tires for motor  
11 vehicles designed for use on a highway that are studded with metal studs or spikes  
12 weighing more than 1.1 grams each embedded in the periphery of the tire surface and  
13 protruding beyond the tread surface of the tire, or on the installation in the state on or  
14 after July 1, 2004, for a fee of metal studs or spikes weighing more than 1.1 grams  
15 each on a tire for a motor vehicle designed for use on a highway.

L

1 (c) A seller shall add the amount of the fees imposed by this section to the  
2 total price of the tire or service subject to the fees, and the fees shall be stated  
3 separately on any sales receipt, invoice, or other record of the sale or other transfer or  
4 of the installation of studs.

5 (d) A seller shall collect the fees from the purchaser. A seller shall file a  
6 return on a form prescribed by the department and remit the fees collected to the  
7 department not later than 30 days following the last day of the calendar quarter of the  
8 sale or installation.

9 (e) A seller remitting the fees collected under this section to the department  
10 within 30 days after the last day of the preceding calendar quarter may retain five  
11 percent of the amount collected, not to exceed \$900 a quarter, to cover expenses  
12 associated with collecting and remitting the fees.

13 (f) The provisions of AS 43.05 and AS 43.10 apply to this section.

14 (g) The fees imposed in this section do not apply to the following tires and  
15 services if the purchaser provides the seller with a certificate of use on a form  
16 prescribed by the department:

17 (1) tires or services sold to federal, state, or local government agencies  
18 for official use; or

19 (2) tires for resale.

20 (h) In this section,

21 (1) "highway" has the meaning given in AS 28.40.100;

22 (2) "motor vehicle" has the meaning given in AS 28.40.100;

23 (3) "seller" means a seller of tires or a person who installs studs on  
24 motor vehicle tires for a fee.

25 \* Sec. 3. This Act takes effect July 1, 2003.

Adopted

WORK DRAFT

WORK DRAFT

WORK DRAFT

23-GS1127U

Kurtz

4/8/03

**CS FOR SENATE BILL NO. 106( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-THIRD LEGISLATURE - FIRST SESSION**

**BY**

**Offered:**

**Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

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14 after July 1, 2004, for a fee of metal studs or spikes weighing more than 1.1 grams  
15 each on a tire for a motor vehicle designed for use on a highway.

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(c) A seller shall add the amount of the fees imposed by this section to the total price of the tire or service subject to the fees, and the fees shall be stated separately on any sales receipt, invoice, or other record of the sale or other transfer or of the installation of studs.

(d) A seller shall collect the fees from the purchaser. A seller shall file a return on a form prescribed by the department and remit the fees collected to the department not later than 30 days following the last day of the calendar quarter of the sale or installation.

(e) A seller remitting the fees collected under this section to the department within 30 days after the last day of the preceding calendar quarter may retain five percent of the amount collected, not to exceed \$900 a quarter, to cover expenses associated with collecting and remitting the fees.

(f) The provisions of AS 43.05 and AS 43.10 apply to this section.

(g) The fees imposed in this section do not apply to tires or services sold to federal, state, or local government agencies for official use.

(h) In this section,

(1) "highway" has the meaning given in AS 28.40.100;

(2) "motor vehicle" has the meaning given in AS 28.40.100;

(3) "seller" means a seller of tires or a person who installs studs on motor vehicle tires for a fee.

\* Sec. 3. This Act takes effect July 1, 2003.

## Studded Tire Briefing Paper

### Opening Statement

Thank you for the opportunity to testify on SB106 (HB173). This legislation would impose a \$10.00 per tire surcharge on all studded tires sold in Alaska beginning on July 1, 2003. Based on projections from the DOT/PF, the surcharge would raise an estimated \$2 million per year. Businesses would be allowed to retain 5% of the surcharge up to \$1000 to cover their expenses. According to the Department of Revenue, the state's cost to administer the program will be about \$50,000 per year.

Many drivers use studded tires as an aid to winter driving to improve traction on icy surfaces. An analysis of Alaska winter driving conditions show that primary roads, where traffic volumes are highest, are covered with ice or snow only about 5% of the time. During the remaining 95% of the "studded tire season", pavements are bare and or dry.

Alaskan pavement wear rates average .13 inches per million studded tire passes. This means for every 250,000 cars with studded tires traveling over 1 mile of road will tear up enough pavement to fill a large dump truck. Studies have shown that one studded tire will cause about \$50.00 worth of damage during its' useful life. Alaska spends over \$5 million per year to repair ruts caused by studded tires.

### Dynamics of Stud Related Wear.

Studs consist of two main components: a tungsten carbide steel pin and an outer sleeve. The material used in the outer sleeve determines the weight differences. The current lightweight stud designs that have the best performance have aluminum oxide sleeves.

As the stud moves over the pavement, the energy is transferred to the pavement in the form of scratching first, then in the form of a punching action. This punching action breaks up the aggregate and picks out the asphalt. The pavement pictures clearly show the loss of asphalt and aggregate from the punching effect.

Speed is also a significant factor in pavement wear. Studies have shown that there is about 44% more wear at 55mph than at 35mph. Contrary to popular belief, the vast majority of road damage is caused by passenger vehicles rather than truck traffic. This is clearly shown in this photo taken in Anchorage where the ruts are about 60 inches apart which is the average width of a mid-sized passenger vehicle. The axle width of trucks is typically 75-82 inches wide.

## Highway Safety Alternatives

When studded tires were first introduced in the late 1960's, they were undoubtedly an effective winter driving aid. But since then there have been several other innovations that have dramatically increase winter driving safety. Some of these are: the anti-lock breaking systems which are standard on newer vehicles, radial all season tires, increased availability and use of all wheel drive vehicles, increase availability of front wheel drive vs. rear wheel drive vehicles, aggressive maintenance programs, chemical deicing strategies, more sophisticated plowing and scraping maintenance vehicles, siped tires which are a cross cut pattern on softer rubber tires that grip the ice, and early storm warnings by the National Weather Service. New research shows that studs only give about a 5% increase in traction over winter all season tires and the new generation of studless winter tires approach the level of traction afforded by studs.

Let me elaborate on the chemical deicing strategies for a moment. About 5 years ago, state maintenance forces began using an ice control chemical called magnesium chloride. This chemical, derived from seawater, is less corrosive than sodium chloride and when used at a 30% concentration is a "magic bullet" when it comes to fighting ice and snow pack. As long as the temperature is above 20 degrees F., the chemical can be used as an anti icing agent sprayed on the roadway before the storm hits at 40 gallons per lane mile. If the storm is not too wet, the mag chloride will keep the ice from forming. In most coastal areas ranging from Anchorage and the Kenai Peninsula to Valdez and down to Juneau, the mag is sprayed on the sand as it leaves the spinner at a concentration of 13-15 gallons per cubic yard of sand. This causes the sand to "stick" to the pavement and after a while the mag migrates down through the snow pack and breaks the bond between the pavement and ice. In a short time, we have bare roads again. The cost of magnesium chloride is about \$1.40 per gallon.

## Cost of Studded Tire Use

On one side of the equation, studded tires provide the public with a valued safety measure and increased mobility. On the other hand, road damage results in ongoing state expense, an increased amount of airborne particulates, a decrease of the effective life of our highway traffic markings and deep pavement ruts.

These pavement ruts result in four major impacts. First, when the ruts fill with water, hydroplaning occurs especially at high speeds. The tires float on the trapped water, reducing the driver's ability to steer and brake. Second, the ruts cause a channeling of the tires, which can cause the driver to lose steering when making lane changes. Third, the water from spray and splash can cause poor visibility. Fourth there is an increased cost of vehicle maintenance due to wear on shocks, springs, struts and alignment.

### DOT/PF Actions

What has DOT/PF done to formulate and build wear resistant pavements? We have instituted several projects to try and increase the abrasion resistance of asphalt pavements. One major source of wear is the lack of hard aggregate throughout Alaska. In Juneau, we have barged in hard aggregate from Haines and DuPont, Washington to try and increase pavement life. In southcentral Alaska, only one known hard quarry exists which is located in Cantwell. The cost of transporting hard aggregates to pavement sites is very expensive. Next we have constructed Stone Mastic Asphalt pavements. These pavements resist stud wear better because it is loaded with hard, coarse aggregate. We have also been experimenting with adding polymers to our asphalts to harden them and make them more resilient. It is the policy of the Department to primarily use asphalt refined from North Slope crude oil. North Slope crude is inherently soft, and the addition of styrene, butadiene and plasticizers increase the effectiveness and performance.

We will continue our ongoing efforts to locate deposits of wear-resistant rock, continue to test new wear-resistant paving mixes and continue to work with contractors and asphalt suppliers to develop cost-effective high performance pavements.

### Conclusion

In conclusion, studded tires cause in excess of \$5 million of pavement wear per year. This bill is a small step towards recovering some of those costs by asking users of studs to pay a nominal fee.

The Administration and the DOT/PF ask that you support this bill. Thank you.

**Subject: SB106****Date:** Thu, 27 Mar 2003 16:16:56 -0900**From:** Lynn Aleshire <lynn@kja.us>**To:** Senator\_Lyda\_Green@legis.state.ak.us, Senator\_Gary\_Wilken@legis.state.ak.us,  
Senator\_Con\_Bunde@legis.state.ak.us, Senator\_Robin\_Taylor@legis.state.ak.us,  
Senator\_Ben\_Stevens@legis.state.ak.us, Senator\_Lyman\_Hoffman@legis.state.ak.us,  
Senator\_Donny\_Olson@legis.state.ak.us**CC:** lynn@frontierk12.org

Dear Senator,

I am a consulting engineer under contract with UAA to write portions of a study of the socioeconomic effects of studded tire use. This study was funded by the last legislature and I believe you have received the interim findings. As a result of what I've learned after reviewing 40+ studies and publications I am writing against SB106.

I see its purpose to be revenue generation without doing anything to solve the problem of pavement wear and the expense of pavement repair.

The premise that studded tires are a net cost burden to the state is incorrect. Yes, road repair is expensive. But reduction in studded tire use is even more costly. Two very recent studies came to this conclusion.

- In 2002 the Japanese produced a benefit-cost analysis before and after studs were banned on Hokkaido in the mid-90's. They found no savings but added expense because road surfaces required 15 times more surface applications (sand & salt) and injury/death accidents increased 2.2 times.
- Finland predicted the same results as they considered government policies that would reduce studded tire usage without banning them. After extensive research throughout the 90's the Finns required light weight studs that allowed for the same level of safety but reduced pavement wear by one-half. Today Finland and other Nordic countries which have followed similar policies consider the problem solved.

I understand the proposal is not to ban studs but I am certain that any significant reduction in the usage of studs will add costs to highway operations. A surcharge on studs will discourage stud usage.

Thank you for your time. I hope to be able to testify at tomorrow's hearing.

Lynn Aleshire  
907.248.3567

Provided by Gary Wilken

## **SOCIO-ECONOMIC EFFECTS OF STUDED TIRE USE IN ALASKA**

INTERIM EXECUTIVE SUMMARY – March 10, 2003

by Hannele Zubeck<sup>1</sup>, Ph.D., P.E., Susan Harvey<sup>2</sup>, Lynn Aleshire<sup>3</sup> and Stan Porhola  
University of Alaska Anchorage, School of Engineering  
3211 Providence Drive, Anchorage, AK 99508

### **INTRODUCTION**

At the request of Mr. Dennis Nottingham, Senator John Cowdery introduced Senate Bill 216 (SB216) to the Alaska State Legislature on April 30, 2001 to study road design problems with the use of studded tires. Although SB216 did not pass, the Senate Finance Committee included funds in the University of Alaska FY03 Budget to investigate the socio-economic effect of studded tire use on traffic safety, air quality, and pavement wear. This study is currently underway and includes: a literature review, field study and economic analysis. This interim report briefly summarizes significant findings from the literature review and the field study; economic analysis is still underway.

### **REGULATORY OVERVIEW**

The use of studded tires on motor vehicles is limited or restricted in many jurisdictions worldwide. Most studded tire regulations reflect a policy decision that weighs the potential safety benefits afforded by enhanced traction against the road maintenance costs and human health effects caused by studded tires.

Countries such as Japan, Germany, Holland, and Belgium prohibit the use of studded tires outright. Other countries, like the United States and Canada, regulate the use of studded tires at the state or provincial level, so that studded tire use may be banned, limited seasonally, or permitted with no restrictions in certain states or provinces. Studded tire use has not been banned in the Nordic countries, although they all restrict studded tire use to the winter months and regulate the stud type and frequency in a tire. In 1999, the city of Oslo, Norway enacted an annual tax of approximately \$160 USD per vehicle using studded tires as part of an effort to reduce studded tire use.

Recent studies in Finland and Japan found that prohibiting studs produces a net increase in total costs. Pavement repair costs are greatly reduced, but costs of accidents plus the increased requirement of surface applications to improve winter traction result in an overall increased financial burden at the state level. These studies have led to legislation that continues the use of studded tires during winter months, but allows only lightweight studs to minimize adverse effects.

### **ANCHORAGE STUD USAGE**

As a part of this study, a total of 1,714 vehicles were surveyed on Anchorage parking lots between December 2002 and February 2003. Fifty-two percent (52%) of these vehicles had

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<sup>2</sup> sharvey@mtaonline.net

<sup>3</sup> lynn@kja.us

studded tires. The number of vehicles using lightweight studs represents 31% of the vehicles with studded tires and 16% of all vehicles. In previous studies, studded tire use in Alaska ranged from 35% in 1971 to a high of 80% in 1996.

### **PAVEMENT WEAR**

It is estimated that Alaska spends \$5 million annually to repair stud-related pavement damage. Vehicles that use the studs during summer are responsible for estimated \$1 million annually in pavement rehabilitation costs. These figures should be reevaluated.

Finland, Sweden and Norway have conducted a tremendous amount of research on studded tire issues. Each country reports that the significant problem of studded tire related pavement wear has been solved. They attribute their success to the following factors:

- Wear resistant pavements (improve resistance by high quality aggregates, stone mastix mixtures, high quality construction);
- Strictly enforced seasonal studded tire usage;
- Less aggressive studs (reduce wear by decreasing the stud mass, frequency and protrusion);
- Traffic conditions (decrease wear by decreasing traffic volume and proportion of studded tires, decreasing winter speed limits and increasing lane widths); and,
- Weather conditions (decrease wear by keeping the road surface dry).

### **AIR POLLUTION IMPACT**

While scientific evidence is overwhelming that studded tires do generate increased levels of road dust by "grinding" the pavement into smaller particles, the use of studded tires in Alaska does not appear to present an unacceptable respiratory health risk.

Dust generated by studded tires is only a sub-set of the overall paved road dust level, and is not currently causing violations in the National Ambient Air Quality Standards (NAAQS) for particulates. There does not appear to be any human health benefit associated with banning studded tires in urban areas of Alaska, as a reduction in roadway particulate levels due to the ban would be offset by increased dust levels due to increases in the volume of winter traction sand.

### **TRAFFIC SAFETY**

Publications pertaining to studded tires and traffic safety were reviewed from North America, Europe and Japan. Important findings include:

- Studded tires reduce accident risk; only one study refuted this point.
- Banning stud usage increases the overall social cost despite the savings in road maintenance;
- Drivers using studded tires drive more confidently than drivers without studded tires;
- Increased tort liability greatly changes the economics of studded tire usage. If studded tire use is limited, increased surface applications are required to improve traction adding to the expense born by the state; and
- International research is more current and appropriate to Alaska's situation than earlier North American work, because it reflects improvements in studded tire and pavement design.

Provided by Gary Wilken 4/8/03

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GENERAL PROVISIONS

§ 28.40.100

(11) "gross vehicle weight rating" means the value specified by the manufacturer as the loaded weight of a single vehicle;

(12) "highway" means the entire width between the boundary lines of every way that is publicly maintained when a part of it is open to the public for purposes of vehicular travel, including but not limited to every street and the Alaska state marine highway system but not vehicular ways or areas;

(13) "highway work zone" means an area identified by advance signing where road construction, repair, or maintenance work is being done on or adjacent to a highway, whether or not work is actually being done at that time;

(14) "motor vehicle" means a vehicle which is self-propelled except a vehicle moved by human or animal power;

(15) "motorcycle" means a vehicle having a seat or saddle for the use of the rider and designed to travel on not more than three wheels in contact with the ground; the term does not include a tractor;

(16) "motor-driven cycle" means a motorcycle, motor scooter, motorized bicycle, or similar conveyance with a motor attached and having an engine with 50 or less cubic centimeters of displacement;

(17) "official traffic-control device" means a sign, signal, marking, or other device not inconsistent with this title, placed or erected by authority of a state or municipal agency or official having jurisdiction, for the purpose of traffic regulating, warning, and guiding;

(18) "owner" means a person, other than a lienholder, having the property in or title to a vehicle, including but not limited to a person entitled to the use and possession of a vehicle subject to a security interest in another person, but exclusive of a lessee under a lease not intended as security;

(19) "revoke" means the termination, by formal action of the Department of Public Safety or the Department of Administration or by formal action of a court, of a certification, registration, license, permit, or privilege issued or allowed under this title or regulations adopted under this title; the certification, registration, license, permit, or privilege may not be reissued, renewed, or restored during the time for which revoked; however, after that time, an application for a new certificate, registration, license, permit, or privilege may be made;

(20) "roadway" means that portion of a highway designed or ordinarily used for vehicular travel, exclusive of the sidewalk, berm, or shoulder, even though the sidewalk, berm, or shoulder is used by persons riding bicycles or other human powered vehicles; and in the event that a highway includes two or more separate roadways, the term refers to each roadway separately but not to all such roadways collectively;

(21) "serious physical injury" has the meaning given in AS 11.81.900(b);

(22) "suspend" means the temporary withdrawal, by formal action of the Department of Public Safety or the Department of Administration or by formal action of a court, of a certificate, registration, license, permit, or privilege issued or allowed under this title or regulations adopted under this title, effective for a period of time which must be specifically designated by the appropriate department or by the court;

(23) "traffic" means pedestrians, ridden or herded animals, vehicles, and other conveyances either singly or together while using a highway or vehicular way or area that is open to public use for purposes of travel;

(24) "underinsured motor vehicle" means a motor vehicle licensed for highway use with respect to ownership, operation, maintenance, or use for which there is a bodily injury or property damage insurance policy or a bond applicable at the time of an accident and the amount of insurance or bond

is less than the amount the covered person is legally entitled to recover for bodily injury or property damage from the owner or operator of the underinsured motor vehicle;

(25) "vehicle" means a device in, upon, or by which a person or property may be transported or drawn upon or immediately over a highway or vehicular way or area; "vehicle" does not include



# Alaska State Legislature

Please enter into the record my testimony to the Senate Finance  
committee name

Committee on SB 106, dated 4/1/03  
bill # / subject

Signed: Hannele Zuback  
Testifier

University of Alaska Anchorage, School of Engineering  
Representing (optional)

3211 Providence Drive, Anchorage, AK 99508  
Address

907-283-6535 home office  
Phone number

**SOCIO-ECONOMIC EFFECTS OF STUDDED TIRE USE ON ALASKA**  
**TESTIMONY FOR FINANCE COMMITTEE HEARING ON SB 106 – April 1, 2003**

by Hannele Zubeck<sup>1</sup>, Ph.D., P.E., Susan Harvey<sup>2</sup> and Lynn Aleshire<sup>3</sup>  
University of Alaska Anchorage, School of Engineering, 3211 Providence Drive, Anchorage, AK 99508

The University of Alaska Anchorage is conducting a study on socio-economic effects of studded tire use on Alaska. The Alaska Legislature funded the study in Spring 2002. The objective is to investigate usage of studded tires and the effect of stud use on traffic safety, air quality, and pavement wear. This testimony is based on the interim findings.

**Recommendations:**

The proposed \$10 fee for each new studded tire sold encourages driving with old studded tires that may not provide the desired traction but may still provide driver confidence. This will result in increased accident rates, and consequently, the collected fees may not cover the overall expense for the State and its residents. The same would apply for setting a fee for all sold tires. A better approach would be to set a fee for the conventional heavy weight studs, to encourage drivers to select lightweight studs that are proven to have less damaging impact on pavements. As a result, the pavement damage would decrease without increasing the accident rate, which would have beneficial effect on the overall state economy.

**Regulatory Overview:**

Six states (Colorado, Kentucky, New Hampshire, New Mexico, Vermont, and Wyoming) allow virtually unrestricted use of studded tires on state roads and highways. Thirty-six states (including the District of Columbia) allow studded tires but restrict their use seasonally, geographically, or through equipment specifications. Eight states (Alabama, Florida, Hawaii, Illinois, Louisiana, Mississippi, and Texas) currently prohibit the use of studded tires under any circumstances; however, out of these states only Illinois has significant amount of ice and snow. Recent studies in Finland and Japan found that prohibiting studs produces a net increase in total costs. Pavement repair costs are greatly reduced, but costs of accidents plus the increased requirement of surface applications to improve surface traction (e.g. sand, salt, etc.) result in an overall increased financial burden at the state level. These studies have lead to legislation that continues the use of studded tires during winter months, but allows limits that use to lightweight studs to minimize adverse effects.

**Stud Usage:** As a part of this study, a total of 1,714 passenger cars and pickup trucks were surveyed on Anchorage parking lots between December 2002 and February 2003. Fifty-two percent (52%) of these vehicles had studded tires. Thirty six percent (36%) uses conventional heavyweight studs and 16% uses lightweight studs. According to 2002 DMV statistics, there are 574,654 passenger cars and pickup trucks in Alaska. There are estimated 824,743 tires with conventional studs, and 370,537 tires with lightweight studs in use in Alaska assuming that Anchorage usage rates apply statewide. The proposed \$10 fee for all new studded tires would result in \$4.0 million annual revenues, if the usage rates were not affected by the \$10 fee, and the tires were replaced every 3 years. If the \$10 fee were set only on the tires with heavyweight studs, the annual revenue would be \$2.8 million that is still more than the estimated amount of \$2 million in the SB 106.

**Pavement Wear:** Finland, Sweden and Norway have conducted a tremendous amount of research on studded tire issues. Each country reports that the significant problem of studded tire related pavement wear has been solved. They attribute their success mainly to wear resistant pavements, less aggressive studs and strictly enforced seasonal studded tire usage. The annual estimated damage to Alaskan pavements of \$5 million is low compared to literature values and needs to be reevaluated.

**Air Pollution Impact:** There does not appear to be any human health benefit associated with banning studded tires in urban areas of Alaska. A reduction in roadway particulate levels due to the ban would be offset by increased dust levels due to increases in the volume of winter traction sand.

**Traffic Safety:** All but one of the studies reviewed concluded that studded tires reduce accident risk. Banning stud usage increases the overall cost despite the savings in road maintenance. The relationship between rutted pavement and summer hydroplaning accidents needs to be researched in Alaska.

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# **JOHNSON'S TIRE SERVICE, INC.**

**"We Care"**

## **INTRODUCTION**

My name is Jim Johnson, President of Johnson's Tire Service, Alaska's "Home Grown" Tire and Auto Service Centers.

I have been in the tire and auto service business for thirty-five years. My wife Janet and I moved to Alaska in January 1982 and opened our first Anchorage store in April 1982. In twenty-one years we have expanded to six retail stores, three in Anchorage, one in Eagle River and our two newest stores in Soldotna and Wasilla.

Our business is based on several simple principles: a strong work ethic, honesty, integrity and a firm belief in quality customer service.

**3330 Denali Street  
Anchorage, AK 99503  
907-561-1414**

**1107 E. Diamond Blvd.  
Anchorage, AK 99515  
907-345-8000**

**2839 Minnesota Drive  
Anchorage, AK 99503  
907-279-6500**

**16515 Artillery Road  
Eagle River, AK 99577  
907-694-5055**

**751 S. Palmer Wasilla Hwy.  
Wasilla, AK 99654  
907-373-2040**

**44371 Sterling Hwy.  
Soldotna, AK 99669  
907-260-2600**

## **OPPOSITION TO HB 173 AND SB 106**

**“An Act relating to a fee on studded tires: and providing an effective date.”**

**Jim Johnson, President  
Johnson's Tire Service**

Thank you for letting me provide you this information in opposition to HB 173 and SB 106 regarding the State of Alaska's intent to place a “user fee” on the sale of studded tires within the state.

In order to be effective, I must tell you a story going back to 1993 when I first became involved in the controversial issue of studded tires and their effect on Alaska's roads.

In the summer of 1993 David Esch, Alaska Department of Transportation, requested a meeting with me concerning studded tires. I agreed to meet with David and the questions he posed to me concerned studded tires and his belief that studded tires were causing excessive road wear in Alaska. The Department of Transportation was looking for solutions to the problem and he asked my opinion. Having been in the tire business in Alaska for eleven years I gave him my honest opinion that the state and municipalities were not doing enough to enforce laws concerning the time frame for taking off and putting studs on.

Studs must be removed, by law, in Southcentral Alaska by midnight April 30<sup>th</sup> each year. I informed Mr. Esch that studded tire removal was extremely high in April and even more intense the first weeks of May, exceeding the time limit to have them removed. I informed Mr. Esch that many customers continued to have studs removed well into June and July and August. This had an definite impact on road wear and the law needed to be enforced but wasn't. One of my ideas to Mr. Esch was to strictly enforce the law, especially when IM's were being conducted and when giving parking or moving violation tickets. These were simple mechanisms that would have done a great deal to deter violations.

That same year, possibly December, there was a public display set up in the Anchorage airport supposedly showing damage done to roads by studded tires. This was a very antiquated display using a bias ply passenger tire, studs protruding excessively from the tire and in essence grinding the tire on a piece of asphalt like a grinder.

Bias ply tires were outmoded as much as twenty years before this display was put together having been replaced by much improved radial tires. Additionally, unlike the studs used in the display, in which the stud casing itself was sticking out of the tread of the tire, studs are intended to be placed in a pre-pinned portion of the tire and the only part of the stud that should make contact with the road surface is the tungsten tip

This display was a total misrepresentation of a modern studded tire of 1993. Sources informed us that the true intent of the display, which was sponsored by the state, was an attempt to convince Alaskans of the supposed destructiveness of studded tires and actually help pave the way for a total ban on studded tires.

I was appalled by this revelation, knowing that studded tires are a proven safety device and understanding full well the very serious and negative effects banning studded tires would have on Alaska and its citizens.

Alarmed by tactics being used in this matter, I began contacting experts on pavement wear, its causes and effects. With the help of others, we were able to bring doctors and engineers to Alaska from the Swedish Road and Transport Research Institute (VTI) and they attended the Winter Cities Conference in March 1994.

One part of the conference dealt specifically with road wear caused by studded tires. It should be noted that all tire dealers in Alaska, approximately 100, were notified of the conference and Johnson's Tire Service was the only tire dealer that attended.

VTI informed the conference that Norway, Sweden, Finland and other European nations had concerns about stud related road wear previous to 1994 and they had considered banning studs. Their extensive research data showed that if studs were discouraged and/or banned, accidents causing injury, extensive property damage and possibly death would rise dramatically and insurance rates would, in turn, increase dramatically.

Road maintenance materials such as sand, gravel and chemicals would have to be used more extensively to maintain some semblance of traction while having the additional adverse effect of decreasing air quality and using chemicals. The accumulated data strongly suggested the negative impact of discouraging and/or banning studs. A solution was still needed.

Research showed that stud related wear is directly attributable to the weight of the stud and the centrifugal force of the weight of the stud. Pavement wear rates have a direct correlation to the weight of the stud. The experts in Europe took this research and challenged stud manufacturers to use their expertise to design a lighter weight environmentally friendly stud.

Stud manufacturers designed a stud that weighed 1.1 gram or less which is 42% to 52% lighter than the conventional, now antiquated, original stud design that weighed 1.9 grams. Additionally, the new lightweight stud would have the same traction capability and longevity of the heavier stud and the expected life of the stud would remain the same.

Most importantly, the lighter weight stud would automatically, over a period of time as they replaced the heavier studs, reduce road wear by 50%.

The countries in Europe, with the results of their studies and the new lighter weight environmentally friendly studs ready for use, mandated the use of lighter weight studs exclusively and they immediately experienced a decrease in stud related road wear up to 50%.

Research also showed the Europeans that road quality had to be improved starting with the bedding of the road (foundation) and the riding surface. By improving materials another 30% decrease in road wear could be realized.

Additionally, by enforcing existing time restrictions on studded tire use and by banning tire dealers from adding additional studs to tires or re-studding tires, the effect would be to reduce studded tire road wear by an additional 20%.

The parties mentioned above were unbiased and used a fair and balanced approach to help solve the stud related pavement wear problem in many parts of Europe.

I had the privilege to meet with these professionals and I was fascinated by the new technology, they assured me that it would work and I quickly understood the potential benefit it offered the state. I immediately contacted our stud distributors to inquire about pricing for this new technology. In short, new lighter weight studs would cost 30% to 50% or more than the heavier, now antiquated studs.

At this point Johnson's Tire Service made a business decision to purchase large quantities of the lighter environmentally friendly technology studs because we felt we had a window of opportunity to make a tremendous contribution in the area of reducing studded tire road wear. We felt that this decision was necessary and we wanted to be proactive and show our true sense of being a good corporate citizen. Johnson's Tire Service was the first company to offer the new environmental technology stud in America.

All the other tire dealers were approached and informed of the new technology and given the opportunity to purchase the same environmental friendly studs and none chose to do so. The main reason, in my professional opinion, was the increased cost of 30% to 50% or more.

As soon as we made the opportunity to begin phasing in the new studs in March 1994 I informed Mr. Esch at DOT what our intentions were and the level of our commitment in an effort at doing our part in reducing stud related road wear. Mr. Esch thanked me.

In the summer of 1994 our sources informed us that the state had already developed a radio script (Click and Clack), to tell consumers not to buy studded tires because they ruin our roads. To say the least, I was incensed by DOT's total disregard of the facts presented by VTI and our commitment to purchase and install environmentally friendly studs.

I told Mr. Esch that I would fight to my last breath to keep Alaskan drivers safe. I informed him we would go to the insurance industry and our large consumer base to educate them on the extremely important safety issue.

In mid September 1994 the Click and Clack radio spots began airing and to our utter amazement they in fact supported purchasing the lighter weight environmental studs rather than the antiquated heavier studs.

During the 1994 winter studded tire selling season JTS offered the lighter environmental stud and the original heavier antiquated stud. Both studs were priced the same even though the lighter weight studs were more expensive. We knew customers were going to be confused so we started an aggressive education program on the new studs, presenting the facts to them and giving them the option of which stud to purchase.

Please keep in mind that we have not raised the price we charge consumer for studs since 1992. In essence, we have spent considerably more money in that time to purchase the more expensive lighter studs but have not passed that cost on to the consumer.

Needless to say, the other local tire dealers were less than happy with the state's support of the lighter environmental studs but they still had the opportunity to purchase the new technology but chose not to.

JTS continued to offer a choice of studs through 1995. Beginning in 1996 we made the decision to offer the lighter environmental stud exclusively.

For the last nine years Johnson's Tire Service has sold and promoted the use and benefits of the lighter environmental stud through extensive radio, television, newspaper and in-store education of our customers. We were very aggressive in promoting the features and benefits of the lighter environmental studs to include their traction capabilities and longevity.

The State of Alaska, even though armed with verifiable information in 1994 by VTI and DOT's own investigation conducted by Project Manager Ginger