

ALASKA LEGISLATURE

2688

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

HISTORY

Alaska Enfranchise Facilities, Inc., previously Alaska Evangelis'tic Fellowship, Inc., received its non-profit corporation status in 1991.

The purpose of the corporation as amended in March, 1999 states: "the purpose of this corporation is to (1) research community needs and target feasible projects; (2) build facilities to support programs by seeking incentives for developers; (3) organize and train program-specific management and volunteers; (4) coordinate the utilization of community-based services in the programs; (5) obtain support for quality-of-life improvements in completed facilities; (6) seek continuous evaluation of facility and program effects; and (7) involve local and regional leadership in the entire process."

Current activities include sponsoring and facilitating the development of owner corporations for seven (7) Section 202 Capital Advance, Supportive Housing for the Elderly, projects in Alaska.

CURRENT PROJECTS

Muldoon Manor

Project #176-EE007
20 units
2040 Muldoon Road
Anchorage, Alaska 99504
Funded 1995
Grant amount \$2,438,199
100% Occupied

Commodore Park Plaza

Project #176-EE010
25 units
10415 Jamestown Drive
Anchorage, Alaska 99507
Funded 1996
Grant amount \$3,034,440
100% Occupied

Russian Jack Manor

Project #176-EE015
20 units
1260 Delasala Place
Anchorage, Alaska 99508
Funded 1999
Grant amount \$2,821,200
100% Occupied

Sutton Manor

Project #176-EE025
5 units
15816 North Glenn Highway
Sutton, Alaska 99674
Funded 2001
Grant amount \$891,100
Under construction

Jewel Lake Plaza

Project #176-EE014
20 units
8300 Jewel Lake Road
Anchorage, Alaska 99502
Funded 1998
Grant amount \$2,351,000
100% Occupied

Sutton Annex

Project #176-EE028
5 units
15838 North Glenn Highway
Sutton, Alaska 99674
Funded 2002
Grant amount \$891,100
Design phase

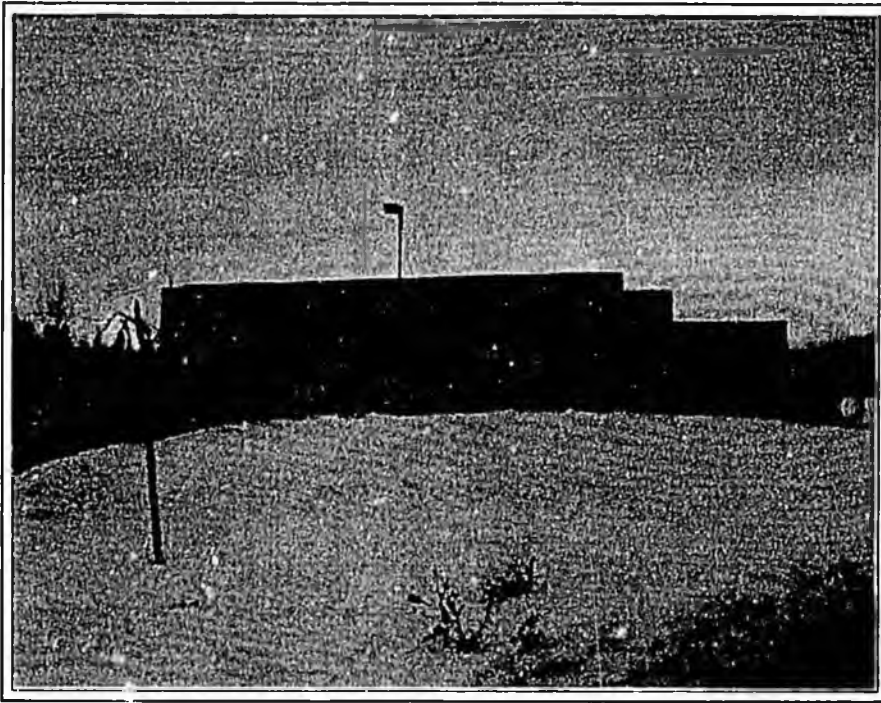
Sullivan Manor

Project #176-EE027
20 units
Anchorage, Alaska
Funded 2002
Grant amount \$3,620,500
Design phase

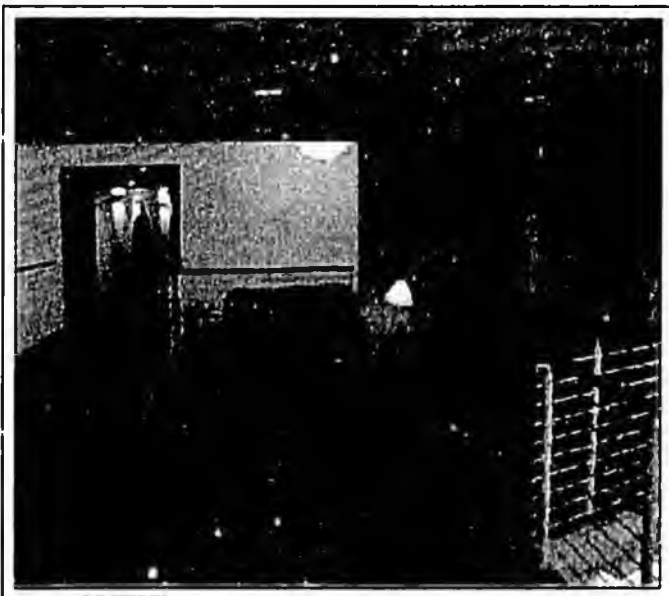
The Board of Directors works with Manor Management of Alaska, Inc. (MMA) on the development and operation of its current facilities as well as future projects. MMA was formed as a sister corporation to Manor Management Services, Inc. (MMS) specifically to provide housing and related services to seniors in Alaska. MMA was incorporated on July 29th, 1992.

Board meetings are held on a quarterly basis with the management team. Board members are asked to review financial statements from each facility, comment on facility operations, and provide support for project funding, design phase to project completion.

Attached for your review are photographs from our current facilities. Should you have any questions please contact Patrick C. O'Toole, President, MMA, at 1-800-201-4922.



Commodore Park
Plaza
#176-EE010





Muldoon Manor
#176-EE007



SENATE COMMITTEE REPORT First Committee of Referral

DATE: 3/20/03

FURTHER: Finance

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

DATE TURNED
IN TO OFFICE: 3/25/03

Transportation Committee considered SENATE BILL NO. 153

SB 153 LONG-TERM LEASES OF ALASKA RR LAND

"An Act authorizing a long-term lease of certain Alaska Railroad Corporation land at Anchorage; and providing for an effective date."

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS _____ (_____)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

| Department | Date | Fiscal | Zero | FN# |
|------------|------|--------|------|-----|
| DOTPF | 3/24 | | ✓ | 1 |
| | | | | |
| | | | | |
| | | | | |

PREVIOUS FISCAL NOTE(S):

| Department | Date | Fiscal | Zero | FN# |
|------------|------|--------|------|-----|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | | DO PASS | DO NOT PASS | NO REC | AMEND |
|---------------------------------|---------------------------|---------|-------------|--------|-------|
| Olson | <i>[Signature]</i> | | | ✓ | |
| Therriault | <i>[Signature]</i> | ✓ | | | |
| Wagner | <i>[Signature]</i> | ✓ | | | |
| Lincoln | <i>[Signature]</i> | | | ✓ | |
| Cowdery | CHAIR: <i>[Signature]</i> | | | | |

SB

154

SFIN

FILE

SB 154

was referred to the
Senate Finance
Committee

No hearing was held
on this bill

SB

157

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/10/03

REPORTED OUT
APR 25 2003
SENATE FINANCE
COMMITTEE
SENATE BILL NO. 157

FURTHER:

DATE TURNED
IN TO OFFICE: 4/25/03

Finance Committee considered

SENATE BILL NO. 157

SB 157 INPATIENT PSYCHIATRIC SERVICES

"An Act relating to inpatient psychiatric services for persons who are under 21 years of age and are either eligible for medical assistance or are in the custody of the Department of Health and Social Services."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS SB 157 (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# |
|------------|------|--------|------|-----|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

PREVIOUS FISCAL NOTE(S):

| Department | Date | Fiscal | Zero | FN# |
|------------|--------|--------|------|-----|
| HSS | 4/9/03 | | ✓ | 1 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | DO PASS | DO NOT PASS | NO REC | AMEND |
|---------------------------------|---------|-------------|--------|-------|
| <i>Adrian Taylor</i> | ✓ | | | |
| <i>Ann Hill</i> | | | ✓ | |
| <i>Michael C. Olson</i> | | | ✓ | |
| <i>Bob Beattie</i> | ✓ | | | |
| <i>Ben Thomas</i> | ✓ | | | |
| COCHAIR: <i>Lynne Green</i> | ✓ | | | |
| COCHAIR: <i>Gary White</i> | ✓ | | | |

APR 25 2003

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SENATE FINANCE
 (S) Publish Date: SB 157 COMMITTEE
 4/10/03
 Dept. Affected: Health & Social Services
 BRU Medical Assistance
 Component Medicaid Services

Revision Date/Time (Note if correction):
 Title INPATIENT PSYCHIATRIC SERVICES

Sponsor GREEN
 Requester SENATE (HES)

Component No. 2077

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

| | | | | | | |
|-------------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES (0) | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2003) cost: _____
 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 addresses the perception that our mental health and residential treatment service system relies too heavily on out-of-state placement, which in turn plays a part in slowing the development of a stronger mental health and residential treatment service continuum in Alaska. The intent of this bill is to ensure that, when placing children out-of-state, all in-state options have been exhausted. The decision making process and review requirements of this bill clearly mesh with the existing interdisciplinary team process currently used the department.
 This bill is not expected to increase Medicaid expenditures.

Prepared by: Kevin Henderson Phone 465-5821
 Division Medical Assistance Date/Time 04/09/2003
 Approved by: Joel S. Gilbertson, Commissioner Date 04/09/2003
 Agency Department of Health and Social Services

ALASKA STATE LEGISLATURE



Interim:
600 East Railroad Avenue
Wasilla, Alaska 99654
(907) 376-3370
(907) 376-3157 Fax

SENATOR LYDA GREEN SENATE DISTRICT G

SPONSOR STATEMENT SB 157

Senate bill 157 requires the Department of Health and Social Services to use in-state facilities, where available, for the psychiatric treatment of eligible persons. Currently, there are over three hundred and fifty Alaskan children in residential treatment centers out of state. Removal from home state care reduces the involvement of the child's family and the community providers in the child's treatment, thus preventing the improvement of the child's quality of life and care. Out of state treatment is also more expensive and extensive than in state treatment.

The need for in-state psychiatric facilities has been widely recognized for many years. Governor Murkowski has stated, "I find it unconscionable that over 300 of our children are currently receiving inpatient mental health care outside of Alaska because the State has failed to create local treatment options. How can one provide appropriate mental health services to a child who has been taken out of their community and forced to live thousands of miles away from loved ones?" Last session the legislature expressed concern for this problem by passing Senate Concurrent Resolution 21 that requested the Governor to direct the Department of Health and Social Services to work toward providing services and facilities for the treatment of severely emotionally disturbed children in-state. Senate Bill 157 will encourage the implementation of SCR 21 by removing the possibility for out-of state placement when adequate services, according to the child's diagnosis and need, are available in Alaska.

The key provisions are:

- The department will not grant assistance or pay for inpatient psychiatric services for persons under 21 years old in an out-of-state facility, unless adequate service is unavailable in the state.
- The department will evaluate the types of services available in the state and subsequently transfer persons under age 21 to the state when the service becomes available, unless the transfer would be detrimental to the person's health, therapeutic relationship, or clinical need.

Passage of this legislation will give reassurance to those persons who want to build facilities to fill this need that the State of Alaska wants and needs these services provided in state. This will improve the quality of care and lead to long-term success of the child's treatment, while encouraging the construction of local residential treatment facilities and institutional jobs, without the consequence of diverting jobs out of Alaska

I request your support and passage of Senate Bill 157.

ALASKA STATE LEGISLATURE



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Session:
State Capitol
Juneau, Alaska 99801-1182
(907) 465-6600
(907) 465-3805 Fax

SENATOR LYDA GREEN SENATE DISTRICT G

MEMO

DATE: 04/11/2003

To: Senate Finance Members

From: Senator Lyda Green
Jacqueline F. Tupou

RE: Senate Bill 157
"Residential Mental Health for Minors"

Although this legislation has a zero fiscal note, we would like to share some potential cost savings with the committee. Here are the education costs for children cared for in out of state facilities:

| | |
|------|-------------------------------------|
| FY00 | 434.4 (actual) |
| FY01 | 500.0 (actual) |
| FY02 | 683.2 (actual) |
| FY03 | 866.8 (authorized and supplemental) |
| FY04 | 500.0 (proposed) |

*These numbers are from Senate Finance staff.



Kevin Sweeney
Legislative Liaison
p.(907)465-2803
f.(907)465-4156
kevin_sweeney@eed.state.ak.us

Memorandum

TO: Senator Lyda Green

DATE: April 10, 2003

RE: Education Costs for Out-of-State Residential Care Centers

I have attached the Department's request for supplemental funding to cover the unexpected rise in costs for providing education to children in DFYS custody with extensive psychological needs that are placed in out-of-state treatment centers.

You will note the cost increased from \$663,186 in FY2002 to a projected \$866,854 for FY2003.

The average cost is \$5,160 per student for an average of 78.5 education days.

The educational costs charged by facilities range from \$38/day to \$102/day.

I commend you for your efforts to help increase the capacity in Alaska to provide these essential services to our children. Please let me know if I can answer any questions or provide further assistance.

A handwritten signature in black ink, appearing to read "K. Sweeney".

The Department of Education & Early Development requests a supplemental of \$366.8 in general funds to cover projected education costs for Alaska children in the custody of the Department of Health & Social Services (DHSS), Division of Family & Youth Services (DFYS), who are placed in out-of-state residential care in FY2003. The current FY2003 budget for these services is \$500.0, which represents approximately 58% of current projections.

DHSS DFYS utilizes Alaska Medicaid certified psychological treatment facilities for children with extensive psychological needs. Due to the limited number of in-state treatment beds, some children in DFYS custody are sent to out-of-state treatment facilities. These out-of-state treatment facilities provide schooling, and educational costs are built into the daily bed rate. Most of these children are Medicaid-eligible, however, the education portion of residential treatment is not Medicaid reimbursable.

These children are the responsibility of the state and qualify for public education. The following out-of-state facilities are providing this residential care:

| | |
|-----------------------------|----------------------------|
| Heritage | Yellowstone Boys & Girls |
| Copper Hill Youth | CCS of Montana |
| Benchmark Psychiatric | Kahi Mohala |
| Texas Neuro Rehab | Morrison Center-Edgefield |
| Cleo Wallace Center | Christie School |
| Cinnamon Hills | Intermountain Center |
| Lakeview Neuro Rehab Center | The Oaks Psychiatric |
| San Marcos Psychiatric | Colorado Boys Ranch |
| The Pines | Teton Peaks |
| Alexander Children's Center | The 68th Place |
| Spring Mountain Center | Path Program-Intermountain |

The lack of in-state resources to meet the complex issues with these children has resulted in a significant increase in out-of-state placements where these special needs are met. During the first six months of FY2002, the Department provided 5,145 education days to 75 youth placed in out of state residential care facilities. The number of school days averaged 68.6 per student. The cost averaged \$723 per month per youth and totaled \$4,336 for the six-month period. In FY2002 education costs for July through December equaled \$325,173. At that time the Division projected out-of-state education costs for FY2002 would reach \$665,000. The actual FY2002 cost was \$663,186.

During the first six months of FY2003 the Department provided 6,597 education days to students in out-of-state facilities. An increase of 28.2%, or 1,452, more days than was required during the same period the year before. In FY2003, 84 children who resided in 22 residential care facilities outside of Alaska received these services. In comparison to FY2002 the number of school days increased approximately 10 days, to average 78.5 days. The cost increased \$137 to \$860 per month per, and the total cost for the six-month period averaged \$5,160 per student; \$824 more per student than the previous year. In

FY2003 the projected cost for education services for July through December 2002 is \$433,427. Based upon this projection, the Department expects this trend to continue for the remainder of the fiscal year. Total FY2003 cost is projected to reach \$866,854.

Based on December 2002 data, 75 children are in out-of-state residential psychological treatment facilities, an increase of 32% over December 2001 when 57 children resided in the facilities. In FY2003 the Department anticipates it will provide an additional 2,900 educational days to children in out of state facilities than it did in FY2002. The projected cost for these services is \$866,854; \$366,854 above the amount currently budgeted in FY2003. DFYS attributes the rise in costs to an increase in the number of children in out of state placement and the length of time for each child in placement, which in turns drives an increase in the number of educational days required and the overall cost of providing services to these children. The Division of Family & Youth Services will continue its efforts to return children to their home community whenever possible. This may reduce the need for out-of-state education services and may enable the Division to revise its projection of education costs.

FY2002 - FY2003 Out of State Education Summary

| Fiscal Year | Service Days 07/01-12/31 | Increase | # of Facilities | # of Clients | Average Length of Stay | Average Cost per Client | Projected Cost 07/01-12/31 |
|-------------|-----------------------------|----------|-----------------|--------------|---------------------------|----------------------------|-------------------------------|
| FY02 | 5145 | 301 | 17 | 75 | 68.6 | \$ 4,336 | \$ 325,173 |
| FY03 | 6597 | 1452 | 22 | 84 | 78.5 | \$ 5,160 | \$ 433,427 |

OUT OF STATE RESIDENTIAL CARE COST PROJECTION FY 03

| | B | C | D | E | F | G | H | I | J | K | L | M | N | O |
|----|---|--------------|------------|----------|------|------------------------|-----|------------|-------------------|-------------------------|-----------|-----------|--|-----------|
| 1 | | | | | | | | | | | | | | |
| 2 | DIVISION OF FAMILY & YOUTH SERVICES | | | | | | | | | | | 56 | Clients in out-of-state residential 07/01/03 | |
| 3 | OUT OF STATE RESIDENTIAL CARE FY03 | | | | | | | | | | | 26 | FY03 Admits | |
| 4 | Prepared by: Lauri Ryals, Accounting Technician III | | | | | | | | | | | 7 | FY03 True Discharges | |
| 5 | | | | | | | | | | | | 75 | Total Clients in OS Res/Grp Fac. | |
| 6 | | | | | | Date Prepared/Updated: | | | | 3/3/2003 13:38 | | | | |
| 7 | | | | | | | | | | | | | | |
| 8 | DFYS | OUT OF STATE | FACILITY | | | DOE | FS | | | | | FY03 EDUC | FY03 EDUC | FY03 PROJ |
| 9 | CLIENT | PLACEMENT | ADMIT | | | School | OR | Collocatio | FY03 SERVICE | FACILITY | FY03 EDUC | FY03 EDUC | FY03 PROJ | |
| 10 | PROBBER # | DATE | DATE | STATUS | REG | Dist | DJJ | Code | DATES | NAME | ACTUAL PD | ESTIMATED | REMAINING | |
| 11 | | | | | | | | | | | COSTS | COSTS | ED COSTS | |
| 12 | | | | | | | | | | | | | | |
| 13 | 217610102 | 08/20/02 | 8/20/2002 | CURRENT | ARO | UNALASKA | FS | 6213729 | 08/20/02-06/30/03 | Christie School | \$7,446 | \$21,624 | \$14,178 | |
| 14 | 401422638 | 08/20/01 | 8/20/2001 | DISCHRD | ARO | ANCH | FS | 6213729 | 07/01/02-08/12/02 | Christie School | \$1,400 | \$1,400 | \$0 | |
| 15 | 402501715 | 04/04/02 | 4/4/2002 | CURRENT | SCRO | FBKS | FS | 6213771 | 07/01/02-06/30/03 | Christie School | \$8,874 | \$24,684 | \$15,810 | |
| 16 | 401418312 | 09/24/01 | 9/24/2001 | CURRENT | NRO | FBKS | FS | 6213773 | 07/01/02-06/30/03 | Christie School | \$8,772 | \$24,684 | \$15,912 | |
| 17 | 406005161 | 06/06/02 | 6/6/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Christie School | \$8,874 | \$24,684 | \$15,810 | |
| 18 | 406032437 | 04/05/01 | 4/5/2001 | DISCHRD | ARO | ANCH | FS | 6213729 | 07/01/02-8/1/02 | Christie School | \$1,400 | \$1,400 | \$0 | |
| 19 | 5 | | | | | | | | \$102 day - Ed | TOTAL PROJ CHRISTIE SCH | \$36,766 | \$98,476 | \$61,710 | |
| 20 | | | | | | | | | | | | | | |
| 21 | 403020059 | 11/11/02 | 11/11/2002 | CURRENT | SCRO | DILLINGHAM | FS | 6213771 | 11/11/02-06/30/03 | Cinnamon Hills | \$0 | \$5,776 | \$5,776 | |
| 22 | 401180267 | 04/12/02 | 4/12/2002 | CURRENT | SERO | JNU | FS | 6213775 | 07/01/02-06/30/03 | Cinnamon Hills | \$4,864 | \$9,196 | \$4,332 | |
| 23 | 375424901 | 11/20/00 | 11/20/2000 | DISCHRD | ARO | ANCH | DJJ | 6663471 | 07/01/02-10/24/02 | Cinnamon Hills | \$532 | \$532 | \$0 | |
| 24 | 375439701 | 03/04/02 | 3/4/2002 | CURRENT | SCRO | KODIAK | FS | 6213771 | 07/01/02-06/30/03 | Cinnamon Hills | \$4,864 | \$9,196 | \$4,332 | |
| 25 | 403832255 | 08/27/02 | 8/27/2002 | CURRENT | SERO | KETCH | FS | 6213775 | 08/27/02-6/30/03 | Cinnamon Hills | \$0 | \$7,638 | \$7,638 | |
| 26 | 363021701 | 07/18/02 | 7/18/2002 | CURRENT | SERO | JNU | FS | 6213775 | 07/18/02-06/30/03 | Cinnamon Hills | \$4,332 | \$8,930 | \$4,598 | |
| 27 | 541151890 | 05/31/02 | 5/31/2002 | CURRENT | SERO | JNU | FS | 6213775 | 07/01/02-06/30/03 | Cinnamon Hills | \$4,864 | \$9,196 | \$4,332 | |
| 28 | 406032967 | 04/29/02 | 4/29/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Cinnamon Hills | \$4,712 | \$9,196 | \$4,484 | |
| 29 | 3 | | | | | | | | \$38/day | TOTAL PROJ CINNAMON HI | \$24,168 | \$59,660 | \$35,492 | |
| 30 | | | | | | | | | | | | | | |
| 31 | | | | | | | | | | | | | | |
| 32 | 408300594 | 07/06/00 | 7/6/2000 | TRANSFER | ARO | ANCH | FS | 6213729 | 07/01/02-8/26/02 | Intermountain Ctr - MT | \$660 | \$660 | \$0 | |
| 33 | 403122611 | 04/01/02 | 4/1/2002 | CURRENT | SCRO | SOLDOTNA | FS | 6213771 | 07/01/02-06/30/03 | Intermountain Ctr - MT | \$4,320 | \$14,520 | \$10,200 | |
| 34 | 400607639 | 07/11/02 | 7/11/2002 | CURRENT | SERO | JNU | FS | 6213775 | 07/12/02-06/30/03 | Intermountain Ctr - MT | \$4,200 | \$14,400 | \$10,200 | |
| 35 | | 01/01/03 | 1/1/2003 | PENDING | ARO | ANCH | FS | 6213729 | 01/01/03-06/30/03 | Intermountain Ctr - MT | \$0 | \$7,260 | \$7,260 | |
| 36 | 400802660 | 06/04/01 | 6/4/2001 | CURRENT | SERO | JNU | FS | 6213775 | 07/01/02-06/30/03 | Intermountain Ctr - MT | \$4,380 | \$14,520 | \$10,140 | |
| 37 | 403126884 | 02/28/02 | 2/28/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Intermountain Ctr - MT | \$4,380 | \$14,520 | \$10,140 | |
| 38 | 5 | | | | | | | | \$60/day | TOTAL PROJ INTERMT | \$17,940 | \$65,880 | \$47,940 | |
| 39 | | | | | | | | | | | | | | |
| 40 | 406011542 | 03/05/02 | 3/5/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Lakoview - WI | \$6,565 | \$15,730 | \$9,165 | |
| 41 | 408600824 | 05/07/99 | 2/20/2001 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Lakeview - WI | \$6,435 | \$15,730 | \$9,295 | |
| 42 | 408015363 | 08/14/02 | 8/14/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 08/14/02-06/30/03 | Lakeview - WI | \$4,225 | \$13,715 | \$9,490 | |
| 43 | 406026250 | 05/21/02 | 5/21/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Lakeview - WI | \$6,565 | \$15,730 | \$9,165 | |
| 44 | 406030467 | 12/14/01 | 12/14/2001 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Lakeview - WI | \$6,565 | \$15,730 | \$9,165 | |
| 45 | 406017499 | 05/12/02 | 5/12/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Lakeview - WI | \$6,565 | \$15,730 | \$9,165 | |
| 46 | 6 | | | | | | | | \$65/day - Ed | TOTAL PROJ LAKEVIEW | \$36,920 | \$92,365 | \$55,445 | |
| 47 | | | | | | | | | | | | | | |
| 48 | 402102118 | 06/04/01 | 6/4/2001 | CURRENT | NRO | FBKS | FS | 6213773 | 07/01/02-06/30/03 | San Marcos Psych | \$1,218 | \$14,036 | \$12,818 | |
| 49 | 178729005 | 05/27/01 | 3/21/2002 | CURRENT | SERO | JNU | FS | 6213775 | 07/01/02-06/30/03 | San Marcos Psych | \$1,218 | \$14,036 | \$12,818 | |
| 50 | 351000608 | 06/29/97 | 2/2/2001 | CURRENT | SCRO | MATSU | FS | 6213771 | 07/01/02-06/30/03 | The Oaks Psychiatric | \$0 | \$14,036 | \$14,036 | |
| 51 | 3 | | | | | | | | \$58/day | TOTAL PROJ BROWN'S SCH | \$2,436 | \$42,108 | \$39,672 | |
| 52 | | | | | | | | | | | | | | |
| 53 | 402000325 | 11/17/00 | 11/17/2000 | DISCHRD | NRO | FBKS | DJJ | 6663473 | 07/01/02-07/20/02 | The Pines | \$1,372 | \$1,372 | \$0 | |
| 54 | 1 | | | | | | | | \$98.00/70.00-Ed | TOTAL PROJ THE PINES | \$1,372 | \$1,372 | \$0 | |
| 55 | | | | | | | | | | | | | | |
| 56 | 402500491 | 05/14/02 | 5/14/2002 | CURRENT | ARO | ANCH | DJJ | 6663471 | 07/01/02-06/30/03 | Colorado Boys Ranch | \$0 | \$21,739 | \$21,739 | |
| 57 | 361061501 | 08/16/02 | 8/16/2002 | CURRENT | SERO | PETERSBURG | DJJ | 6663476 | 08/16/02-06/30/03 | Colorado Boys Ranch | \$0 | \$18,774 | \$18,774 | |
| 58 | 403120342 | 08/13/01 | 8/13/2001 | CURRENT | SCRO | KENAI | FS | 6213771 | 07/01/02-06/30/03 | Colorado Boys Ranch | \$0 | \$21,739 | \$21,739 | |

OUT OF STATE RESIDENTIAL CARE COST PROJECTION FY 03

| | B | C | D | E | F | G | H | I | J | K | L | M | N | O |
|-----|---|--------------|------------|----------|------|------------|-----|------------|-------------------|-------------------------|----------------|-----------|--|-----------|
| 1 | | | | | | | | | | | | | | |
| 2 | DIVISION OF FAMILY & YOUTH SERVICES | | | | | | | | | As of 1/14/03 | | 56 | Clients in out-of-state residential 07/01/03 | |
| 3 | OUT OF STATE RESIDENTIAL CARE FY03 | | | | | | | | | | | 26 | FY03 Admits | |
| 4 | Prepared by: Lauii Ryals, Accounting Technician III | | | | | | | | | | | 7 | FY03 True Discharges | |
| 5 | | | | | | | | | | | | 75 | Total Clients in OS Res/Grp Fac. | |
| 6 | | | | | | | | | | Date Prepared/Updated: | 3/3/2003 13:38 | | | |
| 7 | | | | | | | | | | | | | | |
| 8 | DFYS | OUT OF STATE | FACILITY | | | DOE | FS | | | | | FY03 EDUC | FY03 EDUC | FY03 PROJ |
| 9 | CLIENT | PLACEMENT | ADMIT | | | School | OR | Collocatio | | FY03 SERVICE | FACILITY | ACTUAL PD | ESTIMATED | REMAINING |
| 10 | PROBER # | DATE | DATE | STATUS | REG | Dist | DJJ | Code | DATES | NAME | COSTS | COSTS | ED COSTS | |
| 59 | 375196301 | 09/10/01 | 9/10/2001 | CURRENT | SCRO | BETHEL | FS | 6213771 | 07/01/02-06/30/03 | Colorado Boys Ranch | \$0 | \$21,739 | \$21,739 | |
| 60 | 403120858 | 01/04/02 | 1/4/2002 | CURRENT | SCRO | KENAI | FS | 6213771 | 07/01/02-06/30/03 | Colorado Boys Ranch | \$0 | \$21,739 | \$21,739 | |
| 61 | 403761133 | 04/02/02 | 4/2/2002 | CURRENT | SCRO | DILLINGHAM | FS | 6213771 | 07/01/02-06/30/03 | Colorado Boys Ranch | \$0 | \$21,739 | \$21,739 | |
| 62 | 408300852 | 05/11/01 | 5/11/2001 | DISCHRD | ARO | ANCH | FS | 6213729 | 07/01/02-10/24/02 | Colorado Boys Ranch | \$0 | \$7,186 | \$7,186 | |
| 63 | 406016173 | 07/23/99 | 12/11/2001 | DISCHRD | ARO | ANCH | FS | 6213729 | 07/01/02-07/20/02 | Colorado Boys Ranch | \$0 | \$1,168 | \$1,168 | |
| 64 | 40841398 | 07/02/02 | 7/2/2002 | CURRENT | SCRO | UNALASKA | FS | 6213771 | 07/02/02-06/30/03 | Colorado Boys Ranch | \$0 | \$21,649 | \$21,649 | |
| 65 | 403040179 | 08/02/01 | 8/2/2001 | CURRENT | SCRO | ANCH | FS | 6213771 | 07/01/02-06/30/03 | Colorado Boys Ranch | \$0 | \$21,739 | \$21,739 | |
| 66 | 10 | | | | | | | | \$89.83 /day - Ed | TOTAL PROJ COLORADO | \$0 | \$179,211 | \$179,211 | |
| 67 | | | | | | | | | | | | | | |
| 68 | 408005163 | 09/30/00 | 9/30/2000 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-08/04/02 | Heritage | \$0 | \$0 | \$0 | |
| 69 | 406016279 | 11/25/99 | 11/25/1999 | TRANSFER | ARO | ANCH | FS | 6213729 | 07/01/02-10/23/02 | Heritage | \$0 | \$0 | \$0 | |
| 70 | 368663101 | 07/18/02 | 7/18/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 07/18/02-06/30/03 | Heritage | \$0 | \$0 | \$0 | |
| 71 | 406035654 | 05/23/02 | 5/23/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Heritage | \$0 | \$0 | \$0 | |
| 72 | 406014581 | 08/27/01 | 8/27/2001 | CURRENT | ARC | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Heritage | \$0 | \$0 | \$0 | |
| 73 | 408000330 | 08/01/02 | 8/1/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 08/01/02-06/30/03 | Heritage | \$0 | \$0 | \$0 | |
| 74 | 375401702 | 01/11/02 | 1/11/2002 | CURRENT | SERO | JNU | FS | 6213775 | 07/01/02-06/30/03 | Heritage | \$0 | \$0 | \$0 | |
| 75 | 7 | | | | | | | | \$0.00 /day - Ed | TOTAL PROJ HERITAGE | \$0 | \$0 | \$0 | |
| 76 | | | | | | | | | | | | | | |
| 77 | 408000218 | 11/07/02 | 11/7/2002 | CURRENT | SERO | KETCHI | FS | 6213775 | 11/08/02-06/30/03 | Yellowstone Boys & G | \$0 | \$7,491 | \$7,491 | |
| 78 | 406003085 | 05/24/02 | 5/24/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Yellowstone Boys & G | \$1,873 | \$11,965 | \$10,092 | |
| 79 | 408004591 | 08/22/02 | 8/22/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 08/22/02-06/30/03 | Yellowstone Boys & G | \$0 | \$11,028 | \$11,028 | |
| 80 | 373069403 | 11/25/02 | 11/25/2002 | CURRENT | NRO | KOTZEBUE | FS | 6213773 | 11/25/02-06/30/03 | Yellowstone Boys & G | \$0 | \$7,127 | \$7,127 | |
| 81 | 401401636 | 12/04/01 | 12/4/2001 | CURRENT | SERO | JNU | FS | 6213775 | 07/01/02-06/30/03 | Yellowstone Boys & G | \$1,873 | \$11,965 | \$10,092 | |
| 82 | 406032871 | 03/24/02 | 3/24/2002 | CURRENT | ARO | ANCH | DJJ | 6663471 | 07/01/02-06/30/03 | Yellowstone Boys & G | \$1,873 | \$11,965 | \$10,092 | |
| 83 | 400200150 | 10/16/98 | 6/27/2000 | CURRENT | SERO | JNU | FS | 6213775 | 07/01/02-06/30/03 | Yellowstone Boys & G | \$1,873 | \$11,965 | \$10,092 | |
| 84 | 401406455 | 02/06/02 | 2/6/2002 | CURRENT | NRO | FBKS | FS | 6213773 | 07/01/02-06/30/03 | Yellowstone Boys & G | \$1,873 | \$11,965 | \$10,092 | |
| 85 | 406006750 | 03/23/01 | 3/23/2001 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Yellowstone Boys & G | \$1,873 | \$11,965 | \$10,092 | |
| 86 | 403127791 | 05/22/02 | 5/22/2002 | CURRENT | SCRO | KENAI | FS | 6213771 | 07/01/02-06/30/03 | Yellowstone Boys & G | \$1,873 | \$11,965 | \$10,092 | |
| 87 | 401800266 | 09/08/02 | 9/8/2002 | CURRENT | NRO | BAR | FS | 6213773 | 09/08/02-06/30/03 | Yellowstone Boys & G | \$0 | \$10,768 | \$10,768 | |
| 88 | 11 | | | | | | | | \$52.02 /day - Ed | TOTAL PROJ YELLOWSTONE | \$13,109 | \$120,166 | \$107,057 | |
| 89 | | | | | | | | | | | | | | |
| 90 | 377479102 | 05/31/02 | 5/31/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Copper Hills Youth Ctr. | \$0 | \$13,200 | \$13,200 | |
| 91 | 40210485 | 11/10/01 | 11/10/2001 | DISCHRD | SCRO | SEWARD | FS | 6213771 | 07/01/02-12/9/02 | Copper Hills Youth Ctr. | \$0 | \$5,940 | \$5,940 | |
| 92 | 501004608 | 07/26/02 | 7/26/2002 | CURRENT | ARO | ANCH | DJJ | 6663471 | 07/26/02-06/30/03 | Copper Hills Youth Ctr. | \$0 | \$12,210 | \$12,210 | |
| 93 | 40210298 | 11/30/01 | 11/30/2001 | CURRENT | NRO | FBKS | FS | 6213773 | 07/01/02-06/30/03 | Copper Hills Youth Ctr. | \$0 | \$13,200 | \$13,200 | |
| 94 | | 10/10/02 | 10/10/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 10/10/02-06/30/03 | Copper Hills Youth Ctr. | \$0 | \$9,295 | \$9,295 | |
| 95 | 408301024 | 03/08/02 | 3/8/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Copper Hills Youth Ctr. | \$0 | \$13,200 | \$13,200 | |
| 96 | 401800424 | 09/04/01 | 9/4/2001 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Copper Hills Youth Ctr. | \$0 | \$13,200 | \$13,200 | |
| 97 | C | | | | | | | | \$55.00 /day - Ed | TOTAL PROJ COPPER HILLS | \$0 | \$80,245 | \$80,245 | |
| 98 | | | | | | | | | | | | | | |
| 99 | 401403515 | 03/22/02 | 3/22/2002 | CURRENT | NRO | FBKS | FS | 6213773 | 07/01/02-06/30/03 | CCS of Montana | \$2,130 | \$15,125 | \$12,995 | |
| 100 | 1 | | | | | | | | 55.00/July | TOTAL PROJ CCS | \$2,130 | \$15,125 | \$12,995 | |
| 101 | | | | | | | | | | | | | | |
| 102 | 40210357 | 05/30/02 | 5/30/2002 | CURRENT | NRO | NOME | FS | 6213773 | 07/01/02-06/30/03 | Benchmark Psych | \$9,896 | \$22,259 | \$12,363 | |
| 103 | | 12/06/02 | 12/6/2002 | CURRENT | ARO | ST MARY'S | FS | 6213729 | 12/06/02-06/30/03 | Benchmark Psych | \$0 | \$12,417 | \$12,417 | |
| 104 | 372486101 | 09/20/02 | 9/20/2002 | CURRENT | NRO | FBKS | FS | 6213773 | 09/20/02-06/30/03 | Benchmark Psych | \$0 | \$17,016 | \$17,016 | |
| 105 | 402550031 | 11/16/01 | 11/16/2001 | CURRENT | SCRO | MATSU | FS | 6213771 | 07/01/02-06/30/03 | Benchmark Psych | \$9,896 | \$22,259 | \$12,363 | |
| 106 | 402503315 | 05/29/02 | 5/29/2002 | CURRENT | SCRO | ANIAC | FS | 6213771 | 07/01/02-06/30/03 | Benchmark Psych | \$9,896 | \$22,259 | \$12,363 | |

OUT OF STATE RESIDENTIAL CARE COST PROJECTION FY 03

| | B | C | D | E | F | G | H | I | J | K | L | M | N | O |
|-----|--|--------------|------------|---------|------|--------|-----|------------|-------------------|---------------------------|----------------|-------------|--|-----------|
| 1 | | | | | | | | | | | | | | |
| 2 | DIVISION OF FAMILY & YOUTH SERVICES | | | | | | | | | As of 1/14/03 | | 56 | Clients in out-of-state residential 07/01/02 | |
| 3 | OUT OF STATE RESIDENTIAL CARE FY03 | | | | | | | | | | | 26 | FY03 Admits | |
| 4 | Prepared by: Lauri Ryals, Accounting Technician III | | | | | | | | | | | 7 | FY03 True Discharges | |
| 5 | | | | | | | | | | | | 75 | Total Clients in OS Res/Grp Fac. | |
| 6 | | | | | | | | | | Date Prepared/Updated: | 3/3/2003 13:38 | | | |
| 7 | | | | | | | | | | | | | | |
| 8 | DFYS | OUT OF STATE | FACILITY | | | DOE | FS | | | | | FY03 EDUC | FY03 EDUC | FY03 PROJ |
| 9 | CLIENT | PLACEMENT | ADMIT | | | School | OR | Collocatio | FY03 SERVICE | FACILITY | | ACTUAL PD | ESTIMATED | REMAINING |
| 10 | PROBER # | DATE | DATE | STATUS | REG | Dist | DJJ | Code | DATES | NAME | | COSTS | COSTS | ED COSTS |
| 107 | 403205283 | 04/10/02 | 4/10/2002 | CURRENT | SCRO | KENAI | FS | 6213771 | 07/01/02-06/30/03 | Benchmark Psych | | \$9,896 | \$22,253 | \$12,363 |
| 108 | 401800768 | 04/05/02 | 4/5/2002 | CURRENT | NRO | BARROW | DJJ | 6663473 | 07/01/02-06/30/03 | Benchmark Psych | | \$9,896 | \$22,259 | \$12,363 |
| 109 | | 12/07/02 | 12/7/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 12/07/02-06/30/03 | Benchmark Psych | | \$0 | \$12,325 | \$12,325 |
| 110 | 6 | | | | | | | | \$91.98/day-Ed | TOTAL PROJ BENCHMARK | | \$49,482 | \$153,055 | \$103,573 |
| 111 | | | | | | | | | | | | | | |
| 112 | 407001787 | 05/29/02 | 5/29/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 07/01/02-06/30/03 | Kahi Mohala | | \$0 | \$0 | \$0 |
| 113 | 1 | | | | | | | | \$00.00 /day - Ed | TOTAL PROJ KAH I MOHALA | | \$0 | \$0 | \$0 |
| 114 | | | | | | | | | | | | | | |
| 115 | 406002311 | 10/08/02 | 10/8/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 10/08/02-06/30/03 | Spring Mountain Center | | \$0 | \$9,625 | \$9,625 |
| 116 | 408014290 | 07/08/02 | 7/8/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 07/08/02-06/30/03 | Spring Mountain Center | | \$0 | \$13,035 | \$13,035 |
| 117 | 2 | | | | | | | | \$55.00 /day - Ed | TOTAL PROJ SPRING MTN | | \$0 | \$22,660 | \$22,660 |
| 118 | | | | | | | | | | | | | | |
| 119 | 366122001 | 07/28/02 | 7/28/2002 | CURRENT | SERO | JNU | FS | 6213775 | 07/28/02-06/30/03 | Texas NeuroRehab | | \$0 | \$12,876 | \$12,876 |
| 120 | 400305248 | 08/30/02 | 8/30/2002 | CURRENT | SERO | JNU | FS | 6213775 | 08/30/02-06/30/03 | Texas NeuroRehab | | \$0 | \$11,600 | \$11,600 |
| 121 | 2 | | | | | | | | \$58.00 /day - Ed | TOTAL PROJ TX NEURO | | \$0 | \$24,476 | \$24,476 |
| 122 | | | | | | | | | | | | | | |
| 123 | 402502173 | 08/20/02 | 8/20/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 08/20/02-06/30/03 | Morrison Center-Edgefield | | \$0 | \$9,315 | \$9,315 |
| 124 | 1 | | | | | | | | \$45.00 /day - Ed | TOTAL MORRISON CENTER | | \$0 | \$9,315 | \$9,315 |
| 125 | | | | | | | | | | | | | | |
| 126 | 408005743 | 08/08/02 | 8/8/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 08/08/02-06/30/03 | Cleo Wallace--CS | | \$960 | \$12,900 | \$11,940 |
| 127 | 1 | | | | | | | | \$60/day - Ed | TOTAL PROJ CLEO | | \$960 | \$12,900 | \$11,940 |
| 128 | | | | | | | | | | | | | | |
| 129 | 205506905 | 07/01/02 | 7/2/2002 | CURRENT | NRO | GALENA | FS | 6213773 | 7/2/02-06/30/03 | Teton Peaks ID | | \$0 | \$0 | \$0 |
| 130 | 1 | | | | | | | | \$00.00 /day - Ed | TOTAL PROJ TETON PEAKS | | \$0 | \$0 | \$0 |
| 131 | | | | | | | | | | | | | | |
| 132 | 408330594 | 07/06/00 | 8/26/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 8/26/02-6/30/03 | PATH - Intermountain | | \$0 | \$0 | \$0 |
| 133 | 1 | | | | | | | | | TOTAL PATH PROGRAM | | \$0 | \$0 | \$0 |
| 134 | | | | | | | | | | | | | | |
| 135 | 406026507 | 6/21/1999 | 5/13/2001 | CURRENT | ARO | ANCH | FS | 6213729 | 7/1/02-6/30/03 | Alexander Childrens Ctr | | \$0 | \$0 | \$0 |
| 136 | 1 | | | | | | | | | TOTAL ALEXANDER | | \$0 | \$0 | \$0 |
| 137 | | | | | | | | | | | | | | |
| 138 | 406016279 | 11/25/99 | 10/23/2002 | CURRENT | ARO | ANCH | FS | 6213729 | 10/23/02-06/30/02 | 68th Place | | \$0 | \$0 | \$0 |
| 139 | 1 | | | | | | | | | TOTAL 68TH PLACE | | \$0 | \$0 | \$0 |
| 140 | | | | | | | | | | | | | | |
| 141 | | | | | | | | | | | | | | |
| 142 | Adjustment based on avg length of stay comparison 02-03 | | | | | | | | | | | (\$110,160) | (\$110,160) | |
| 143 | (1) Footnote: Alaska medicaid provides payment for treatment costs at the AK Medicaid Facilities for AK clients-Cost is E TOTALS | | | | | | | | | | | \$185,283 | \$866,854 | \$681,571 |
| 144 | (2) Agreements are being returned from the facilities and may show a difference in the daily education rate. | | | | | | | | | | | | | |
| 145 | (3) Column O for Colorado Boys Ranch (and Column W) will be + \$1.00/- \$1.00 or: due to the cents included in rate. | | | | | | | | | | | | | |
| 146 | | | | | | | | | | | | | | |

*File - SB 157.
Copy w/ Comm. Bill*

Alaska State Hospital & Nursing Home Association

We're helping people care for people!

April 24, 2003

Senator Lyda Green
Capitol Building, Room 516
Juneau AK 99801-1182

Dear Senator Green:

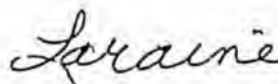
I am writing in support of CS for SB 157 relating to inpatient psychiatric services for persons who are under 21 years of age and are either eligible for medical assistance or are in the custody of the Department of Health and Social Services.

ASHNHA wholeheartedly supports this legislation. It has been shown that patients have a better chance at getting well if they are nearer their homes and families. Pat Clasby will be testifying for our Association at the hearing tomorrow.

The Alaska State Hospital and Nursing Home Association (ASHNHA) is an organization of all but one of the hospitals and nursing homes in Alaska. As such we represent the views of those medical facilities. They are solidly in favor of bringing our children home.

If you have questions, please contact me.

Sincerely yours,



Laraine L. Derr
President/CEO

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 3/26/03

FURTHER: Finance

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

DATE TURNED
IN TO OFFICE: 4.10.03

Health, Education and Social Services Committee considered SENATE BILL NO. 157

SB 157 INPATIENT PSYCHIATRIC SERVICES

"An Act relating to inpatient psychiatric services for persons who are under 21 years of age and are either eligible for medical assistance or are in the custody of the Department of Health and Social Services."

and recommends:

be replaced with _____ CS SB 157 (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# |
|------------|------|--------|------|-----|
| HSS | 4/09 | | X | 1 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

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> | Guess | | | ✓ | |
| <i>[Signature]</i> | *Green | ✓ | | | |
| <i>[Signature]</i> | Dyson | ✓ | | | |
| <i>[Signature]</i> | Davis | | | ✓ | |
| <i>[Signature]</i> | Wilken | ✓ | | | |
| CHAIR: | | | | | |

SENATE FINANCE COMMITTEE

SIGN-IN

SB 157-INPATIENT PSYCHIATRIC SERVICES

✓ NAME: ROBERT BUTTCANE Subject/Bill No: SB 157

Co./Dept./Title: DHSS Phone: 465-1613

Address: PO Box 110635 JUNEAU 99811 Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

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

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

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

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

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

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

SITE: MAT-LIO

SUBJECT OF MEETING:

COMMITTEE: SFIN

SB 157

UPDATE#:

DATE: 04/25/03

PLEASE SIGN IN

P R I N T YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

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

| | | | |
|---------------------|--|---------------|-----------------|
| John Duffy | | Matsu Borough | SB157 Y |
| Email address: | | | |
| Jody Simpson | | | SB157 -Y |
| Email address: | | | |
| | | | |
| Email address: | | | |
| | | | |
| Email address: | | | |
| | | | |
| Email address: | | | |
| | | | |
| Email address: | | | |

SB

159

SFIN

FILE

SB 159

was referred to the
Senate Finance
Committee

No hearing was held
on this bill

SB

161

SFIN

FILE

SB 161

was referred to the
Senate Finance
Committee

No hearing was held
on this bill

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 26, 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 relating to legal action brought by the attorney general on behalf of direct and indirect purchasers under the statutes on monopolies and restraint of trade (antitrust statutes).

This bill updates the Alaska antitrust statutes consistent with recent United States Supreme Court precedent to provide a statutory basis for the attorney general to bring a parens patrie action on behalf of state businesses, residents, and governmental entities as indirect purchasers for violations of our antitrust statutes and to recover damages. In contrast to other states, under current Alaska antitrust statutes, indirect purchasers are without any remedy for antitrust injuries. Indirect purchasers are usually consumers, governmental entities, and small businesses in the wholesale and retail distribution chain of goods and services. Alaska antitrust statutes currently allow a cause of action only for purchasers who buy directly from the person or manufacturer that violated the antitrust statutes. By allowing only the attorney general a cause of action on behalf of both direct and indirect purchasers, Alaska consumers, businesses, and governmental entities will have a remedy for redress of antitrust violations without clogging the courts with multiple lawsuits individually brought by those purchasers.

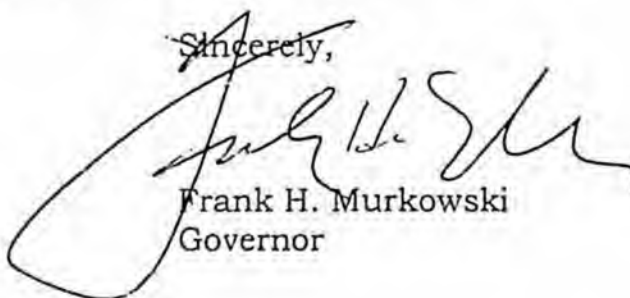
Parens patrie actions typically involve civil actions on behalf of numerous persons and sometimes on behalf of numerous governmental entities. Accordingly, the bill provides for proof of antitrust damages by way of statistical methods consistent with federal law.

The Honorable Gene Therriault
March 26, 2003
Page 2

The bill also removes the current requirement in the antitrust statutes that any antitrust plaintiff must prove willful conduct before a court may award treble damages. Under federal law, a plaintiff does not have to prove willful conduct to receive treble damages. The current law has the effect of chilling plaintiffs from bringing antitrust cases in Alaska courts, in favor of resolving issues important to Alaska businesses and consumers in the federal courts.

I urge your support of this important legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank H. Murkowski", is written over the typed name and title. The signature is fluid and cursive, with a large loop at the beginning.

Frank H. Murkowski
Governor

SB

164

SFIN

FILE

SB 164

was referred to the
Senate Finance
Committee

No hearing was held
on this bill

SB

168

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: May 17, 2003

FURTHER REFERRALS:

Date of Committee Action: 5/18/03

The FINANCE Committee considered:

CSSB 168(FIN) am

CS FOR SENATE BILL NO. 168(FIN) am

CIGARETTE SALE/DISTRIBUTION

"An Act relating to issuance and revocation of licenses for the importation, sale, distribution, or manufacture of cigarettes and tobacco products; relating to a tax refund or credit for unsaleable, returned, or destroyed tobacco products; relating to restrictions on and penalties for shipping or transporting cigarettes; relating to records concerning the sale of cigarettes; amending and adding definitions relating to cigarette taxes; relating to the payment of cigarette taxes; relating to penalties applicable to cigarette taxes; relating to the definition of the wholesale price of tobacco products; relating to payment of cigarette taxes through the use of cigarette tax stamps; relating to provisions making certain cigarettes contraband and subject to seizure and forfeiture; relating to certain crimes, penalties, and interest concerning tobacco taxes and stamps; relating to cigarette sales; and providing for an effective date."

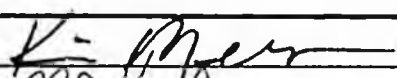
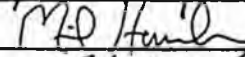
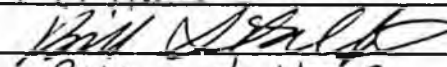
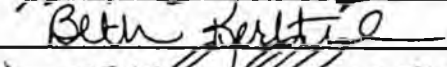

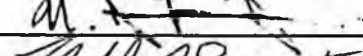
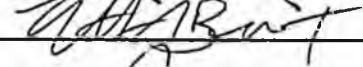
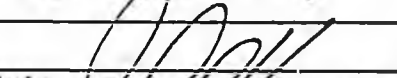
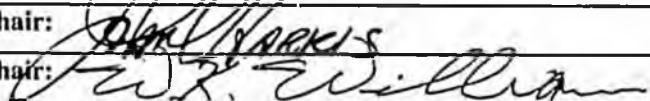
Recommends it be replaced with HCS or CS for _____ (_____)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:
 ADM
 CED
 COR
 CRT
 EED
 DEC
 DFG
 GOV
 HSS
 LEG
 LAW
 LWF
 MVA
 DNR
 DPS
 REV
 DOT
 UA

| <u>NEW FISCAL NOTES</u> | | | | |
|-----------------------------------|------|--------|--------|------|
| *Assigned by Chief Clerk's Office | | | | |
| List by Dept(s): | *FN# | Fiscal | Indet. | Zero |
| REV | | ✓ | | |
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| <u>PREVIOUS FISCAL NOTES</u> | | | | |
|------------------------------|-----|--------|--------|------|
| List by Dept(s): | FN# | Fiscal | Indet. | Zero |
| LAW | 2 | | | ✓ |
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| <u>Signing with recommendations</u> | Printed Last Name | DP | DNP | NR | AM |
|--|-------------------|----|-----|----|----|
|  | Meyer | | | ✓ | |
|  | Hawk | ✓ | | | |
|  | STOLTZ | | | ✓ | |
|  | KERZ | | | ✓ | |
|  | CHENUIT | | | ✓ | |
|  | Whitaker | | | ✓ | |
|  | BERKOWITZ | | | ✓ | |
| | | | | | |
| | | | | | |
| Chair:  | Hawk | | | ✓ | |
| Chair:  | Williams | ✓ | | | |

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB168(FIN)am
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Cigarette Sales / Distribution BRU: Revenue Operations
Component: Tax Division
Sponsor: Senate Labor and Commerce
Requester: House Finance Committee Component Number: 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 | 297.7 | 297.7 | 297.7 | 297.7 | 297.7 | 297.7 |
| Travel | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Contractual | 57.5 | 53.0 | 53.0 | 53.0 | 53.0 | 53.0 |
| Supplies | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Equipment | 26.5 | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 401.7 | 370.7 | 370.7 | 370.7 | 370.7 | 370.7 |

| CAPITAL EXPENDITURES | | | | | | |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | | | | | |
| CHANGE IN REVENUES () | 1,740.0 | 3,480.0 | 3,480.0 | 3,480.0 | 3,480.0 | 3,480.0 |

FUND SOURCE (Thousands of Dollars)

| FUND SOURCE | | | | | | |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | 401.7 | 370.7 | 370.7 | 370.7 | 370.7 | 370.7 |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (Specify Type) | | | | | | |
| TOTAL | 401.7 | 370.7 | 370.7 | 370.7 | 370.7 | 370.7 |

Estimate of any current year (FY2002) cost: 0.0

POSITIONS

| POSITIONS | | | | | | |
|-----------|---|---|---|---|---|---|
| Full-time | 5 | 5 | 5 | 5 | 5 | 5 |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This legislation would require that all packages of cigarettes sold in Alaska carry a state tobacco tax stamp on the package, verifying that the state tax has been paid. Alaska is one of only four states in the nation without a tobacco tax stamp program. The new program would take effect Jan. 1, 2004.

The department anticipates that a cigarette stamp program – along with strong enforcement efforts funded by this fiscal note – will result in increased compliance with the state's cigarette tax laws and therefore higher tax revenues to the state. The department estimates the new revenue at almost \$3.5 million per full fiscal year.

There will be a small decrease in revenues to the state due to the higher commission paid to licensees (as a discount on cigarette taxes) to compensate them for the cost of affixing the stamp to packages, collecting the tax and remitting it to the department.

(See second page for additional analysis)

Prepared by: Johanna Bales Phone 269-6628
Division: Tax Division Date/Time 5/16/2003 7 p.m.
Approved by: Larry Persily, Deputy Commissioner Date 5/16/2003
Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

Department of Revenue
CSSB168(L&C) - Bill Analysis (May 15, 2003)

Assumptions: This fiscal note assumes that 40 million to 50 million packs of cigarettes will be sold each year. This is consistent with annual sales in recent years.

Effect of Legislation: The program will consist of the annual purchase of tax stamps from a stamp manufacturer and the subsequent sale of those stamps by the state to cigarette licensees. The program will also include enforcement of the stamping requirements, as well as a ban on shipping cigarettes to certain persons in the state and prohibiting cigarette wholesalers and retailers from selling cigarettes below cost. The law would allow individuals and businesses to bring civil action in court to settle disputes over the so-called minimum pricing provision in this legislation.

Positions: The department expects that it will need five additional positions to handle the purchase, sale, administration and aggressive enforcement of the tax stamp program and cigarette shipping restrictions to prevent the importation and sale of untaxed cigarettes in Alaska. Enforcement includes conducting audits and other investigations to ensure that stamps are properly affixed to cigarettes, that cigarettes are not improperly shipped into or within the state, and that wholesalers and retailers do not sell cigarettes below cost (also a provision of this legislation). These positions will also be responsible for the seizure and security of unstamped product and its ultimate destruction. For this type of work, the department expects it will need a full-time Revenue Auditor III (Range 18), three Investigator IIIs, and a full-time Tax Technician III.

Other Operating Expenditures: In the first year, approximately \$10,000 will be needed for two fireproof safes; \$16,500 for three computers, software and work stations; \$7,000 for travel expenses; \$2,000 for supplies; \$3,000 for advertising costs and IT charges; and \$40,500 for stamp design and printing. Printing of stamps in all future years will cost approximately \$36,000; with supplies at \$2,000; travel at \$7,000; and IT and phone charges at \$3,000.

Revenue: Other states that recently adopted a cigarette tax stamp program have found that the stamps significantly increased their tax revenues. Michigan reported an 8.7% increase in cigarette taxes in the first year of its program in 1999. The most current reports from Hawaii indicate an amazing 50% increase in tax collections after the state hired almost a dozen legal staffers to prosecute more than 100 felonies as part of its large-scale enforcement effort. If we assume that Alaska sees even a similar revenue increase as Michigan, at 8.7%, when applied to Alaska's FY2002 cigarette tax revenue of \$40 million, Alaska would realize \$3.48 million a year in additional revenue. The 8.7% estimate is not unreasonable, when measured against the 13% drop in cigarette consumption that was predicted when Alaska raised its tax rate to \$1 per pack in 1997 compared to the more than 20% drop in taxable sales since then. The 8.7% estimate represents the difference between the expected drop in taxable sales six years ago and the actual decline since then.

Commission (discount to licensees): All other states, except Hawaii, allow licensees to purchase stamps at a discount. The current national average discount is approximately 3%. This bill allows for a discount of 3% on the first \$1 million in stamps purchased by each licensee and 2% on the second \$1 million in stamps purchased by each licensee. There is no discount on purchases in excess of \$2 million in stamp purchases. The current tobacco statute allows a commission of 0.4% to licensees as compensation for collecting the tax and remitting it to the department. This commission would be replaced by the stamp discount. Based on FY 2002 tax filings, we estimate that the inclusion of a stamp discount and removal of the commission as a result of this bill would decrease revenues by approximately \$251,000 annually.

Cost Increase to Licensees: Licensees will incur increased costs to place stamps on cigarette packages, and it is possible that those costs could be in excess of the compensation given to licensees by the discount on their purchase of tax stamps. Depending on whether a licensee leases or purchases a tax stamp machine, and depending on whether it is a manual or an automatic machine, and depending on the licensee's volume of sales, the Department estimates the net cost of compliance at approximately 1 cent to 1.3 cents per pack of cigarettes.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 168
(S) Publish Date: 4/28/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
Title "... relating to issuance and revocation of BRU Criminal Division; Civil Division
licenses . . . cigarettes and tobacco products . . ." Component 1st-4th Judicial Districts; Criminal
Sponsor Senate Labor and Commerce Committee Appeals/Special Lit; Commercial
Requester Senate Labor and Commerce Committee Component No. 2198-99;2201/03/61/79/11

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

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|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

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|-------------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2003) cost: 0.0

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

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This bill is intended to aid in the enforcement of the tobacco tax by requiring a tax stamp be applied to every pack of cigarettes sold in Alaska to show that the tax was paid. Unstamped cigarettes could be seized and destroyed by state enforcement personnel. The bill also allows the imposition of significant civil penalties and criminal liability upon violators. In addition, the bill would make several changes to improve the tobacco product licensing statutes.

The Department of Law's Civil Division would be responsible for providing legal assistance to the Department of Revenue when it seeks civil penalties for violations of this bill, and in defending the department's decisions to revoke a merchant's deferred payment rights. The Criminal Division would be responsible for any criminal prosecutions arising out of violations of this act. We anticipate, however, that the additional responsibilities would not cause a significant enough increase in Law's workload to warrant an increased appropriation.

Prepared by: Joan M. Kasson Phone (907) 465-5370
Division Attorney General's Office Date/Time 4/15/03 9:03 AM
Approved by: Kathryn Daughhete for Gregg D. Renkes, Attorney General Date 4/15/2003
Agency Department of Law

Alaska State Legislature

DURING SESSION
STATE CAPITOL
JUNEAU, AK 99801-1182
(907) 465-4843 (800) 892-4843
FAX (907) 465-3971

WEB SITE
www.akroducticans.org/Bunde

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716 W. FOURTH AVE
ANCHORAGE, AK 99501-0132
(907) 269-0132
FAX (907) 269-0132

E-MAIL

Senator Con Bunde @ legis.state.ak.us

SENATOR CON BUNDE

District P

VICE-CHAIR, SENATE FINANCE COMMITTEE
CHAIR, SENATE LABOR & COMMERCE COMMITTEE
MEMBER, LEGISLATIVE BUDGET & AUDIT COMMITTEE

Sponsor Statement for SB 168

"An Act relating to issuance and revocation of licenses for the importation, sale, distribution, or manufacture of cigarettes and tobacco products; relating to a tax refund or credit for unsaleable, returned, or destroyed tobacco products; relating to restrictions on shipping or transporting cigarettes; relating to records concerning the sale of cigarettes; amending and adding definitions relating to cigarette taxes; relating to the payment of cigarette taxes; relating to penalties applicable to cigarette taxes; relating to the definition of the wholesale price of tobacco products; relating to payment of cigarette taxes through the use of cigarette tax stamps; relating to provisions making certain cigarettes contraband and subject to seizure and forfeiture; relating to certain crimes, penalties, and interest concerning tobacco taxes and stamps; relating to cigarette sales; and providing for an effective date."

This bill is designed to more adequately regulate the collection of taxes on cigarettes. There is an unknown quantity of untaxed cigarettes imported into the state of Alaska every year and existing laws make it difficult to track their numbers. All cigarette purchasers should be paying tax equally, whether purchasing over the counter or over the internet.

SB168 is being brought forward on behalf of those consumers who already pay legitimate taxes on their cigarettes. This is a **fair tax issue** in that the bill will enforce the payment of tax on all cigarettes that are brought into Alaska.

For this reason, this bill would require that a "tax stamp" be affixed on each package of cigarettes on which the tax has been paid. The stamp would be heat-applied so it could not easily be transferred to other untaxed packs and would be difficult to counterfeit. This colorful stamp would make it easy for law enforcement, the Dept. of Revenue and consumers to know if the tax has been paid on any pack of cigarettes and would give them the authority to seize and destroy the unstamped cigarettes. Violators of this law would be subject to civil penalties and criminal liability.

SB168 would require that the tax be paid before the cigarettes are imported into the state by wholesalers or be stamped by specific, licensed distributors in the state of Alaska before being available for sale.

Another aspect of this bill would be the requirement that anyone receiving a delivery of cigarettes must be licensed by the state of Alaska, which would severely limit the purchase of untaxed cigarettes by individual consumers over the internet. Upon delivery of the cigarettes, the carrier/delivery agent would require that the purchaser show his/her license from the state before the delivery could be made.

Forty-six other states currently require a tax stamp on cigarettes and this bill draws from the statutes and experience of those other states. These other states have shown significant tobacco tax revenue increases by use of the stamp. Hawaii has shown an amazing 25% increase in tax revenue; Michigan reported an increase of 8.7% in its first year of their tax stamp. These results are encouraging, but it still does not give us a reliable basis to predict the success of tobacco tax stamp usage here in Alaska. Cigarette tax revenue is currently about \$40 million a year, of which 76% goes into the School Fund and 24% goes toward the General Fund. But even a 1% increase in tax collected would amount to \$400,000 in new revenue.

It is also noteworthy that by adopting the tax stamp, it encourages Federal enforcement of Interstate Commerce Law regarding tax avoidance.

These stamps do not come free, of course, and distributors will indeed incur costs for the affixing of the stamps to individual packs of cigarettes and the cartons. The State of Alaska recognizes that cost and this bill does provide for a tax discount for distributors on a tiered basis to help them defer most of the cost involved.

SB 168 also provides a minimum price provision for wholesalers and retailers, set by the Dept. of Revenue, based on the wholesale list price provided by the tobacco manufacturers. This protects Alaskan distributors by creating a level playing field for competition.

SB168 will fairly tax all individuals who purchase cigarettes, increase tobacco tax revenues and allow for more uniform tracking of cigarette sales in the State of Alaska.

Department of Revenue

CSSB168(L&C) - Bill Analysis (May 15, 2003)

Assumptions: This fiscal note assumes that 40 million to 50 million packs of cigarettes will be sold each year. This is consistent with annual sales in recent years.

Effect of Legislation: The program will consist of the annual purchase of tax stamps from a stamp manufacturer and the subsequent sale of those stamps by the state to cigarette licensees. The program will also include enforcement of the stamping requirements, as well as a ban on shipping cigarettes to certain persons in the state and prohibiting cigarette wholesalers and retailers from selling cigarettes below cost. The law would allow individuals and businesses to bring civil action in court to settle disputes over the so-called minimum pricing provision in this legislation.

Positions: The department expects that it will need five additional positions to handle the purchase, sale, administration and aggressive enforcement of the tax stamp program and cigarette shipping restrictions to prevent the importation and sale of untaxed cigarettes in Alaska. Enforcement includes conducting audits and other investigations to ensure that stamps are properly affixed to cigarettes, that cigarettes are not improperly shipped into or within the state, and that wholesalers and retailers do not sell cigarettes below cost (also a provision of this legislation). These positions will also be responsible for the seizure and security of unstamped product and its ultimate destruction. For this type of work, the department expects it will need a full-time Revenue Auditor III (Range 18), three Investigator IIIs, and a full-time Tax Technician III.

Other Operating Expenditures: In the first year, approximately \$10,000 will be needed for two fireproof safes; \$16,500 for three computers, software and work stations; \$7,000 for travel expenses; \$2,000 for supplies; \$3,000 for advertising costs and IT charges; and \$40,500 for stamp design and printing. Printing of stamps in all future years will cost approximately \$36,000; with supplies at \$2,000; travel at \$7,000; and IT and phone charges at \$3,000.

Revenue: Other states that recently adopted a cigarette tax stamp program have found that the stamps significantly increased their tax revenues. Michigan reported an 8.7% increase in cigarette taxes in the first year of its program in 1999. The most current reports from Hawaii indicate an amazing 50% increase in tax collections after the state hired almost a dozen legal staffers to prosecute more than 100 felonies as part of its large-scale enforcement effort. If we assume that Alaska sees even a similar revenue increase as Michigan, at 8.7%, when applied to Alaska's FY2002 cigarette tax revenue of \$40 million, Alaska would realize \$3.48 million a year in additional revenue. The 8.7% estimate is not unreasonable, when measured against the 13% drop in cigarette consumption that was predicted when Alaska raised its tax rate to \$1 per pack in 1997 compared to the more than 20% drop in taxable sales since then. The 8.7% estimate represents the difference between the expected drop in taxable sales six years ago and the actual decline since then.

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Cost Increase to Licensees: Licensees will incur increased costs to place stamps on cigarette packages, and it is possible that those costs could be in excess of the compensation given to licensees by the discount on their purchase of tax stamps. Depending on whether a licensee leases or purchases a tax stamp machine, and depending on whether it is a manual or an automatic machine, and depending on the licensee's volume of sales, the Department estimates the net cost of compliance at approximately 1 cent to 1.3 cents per pack of cigarettes.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB168(FIN)am
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Cigarette Sales / Distribution BRU: Revenue Operations
Component: Tax Division
Sponsor: Senate Labor and Commerce
Requester: House Finance Committee Component Number: 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 | 297.7 | 297.7 | 297.7 | 297.7 | 297.7 | 297.7 |
| Travel | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Contractual | 57.5 | 53.0 | 53.0 | 53.0 | 53.0 | 53.0 |
| Supplies | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Equipment | 26.5 | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 401.7 | 370.7 | 370.7 | 370.7 | 370.7 | 370.7 |

| CAPITAL EXPENDITURES | | | | | | |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | | | | | |
| CHANGE IN REVENUES () | 1,740.0 | 3,480.0 | 3,480.0 | 3,480.0 | 3,480.0 | 3,480.0 |

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | 401.7 | 370.7 | 370.7 | 370.7 | 370.7 | 370.7 |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (Specify Type) | | | | | | |
| TOTAL | 401.7 | 370.7 | 370.7 | 370.7 | 370.7 | 370.7 |

Estimate of any current year (FY2002) cost: 0.0

POSITIONS

| | | | | | | |
|-----------|---|---|---|---|---|---|
| Full-time | 5 | 5 | 5 | 5 | 5 | 5 |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This legislation would require that all packages of cigarettes sold in Alaska carry a state tobacco tax stamp on the package, verifying that the state tax has been paid. Alaska is one of only four states in the nation without a tobacco tax stamp program. The new program would take effect Jan. 1, 2004.

The department anticipates that a cigarette stamp program -- along with strong enforcement efforts funded by this fiscal note -- will result in increased compliance with the state's cigarette tax laws and therefore higher tax revenues to the state. The department estimates the new revenue at almost \$3.5 million per full fiscal year.

There will be a small decrease in revenues to the state due to the higher commission paid to licensees (as a discount on cigarette taxes) to compensate them for the cost of affixing the stamp to packages, collecting the tax and remitting it to the department.

(See second page for additional analysis)

Prepared by: Johanna Bales Phone 269-6628
Division: Tax Division Date/Time 5/16/2003 7 p.m.
Approved by: Larry Persily, Deputy Commissioner Date 5/16/2003
Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office



NORTHERN SALES
COMPANY OF ALASKA, INC.

Corporate
P.O. Box 8112, Ketchikan, AK 99901
(907) 225-5040 (907) 225-2231 fax

May 18, 2003

Representative Bill Williams
Co-Chair House Finance Committee
Alaska House of Representatives
State Capitol Room 515
Juneau, Alaska

SUBJECT: SB168 – Cigarette Tax Stamp Legislation

Dear Representative Williams:

My name is Mike Elerding and I am president and owner of Northern Sales Company of Alaska (NSC). Northern Sales Co. is a tobacco distribution company founded in Juneau in 1960. We operate three (3) distribution warehouses in SE Alaska and a distribution warehouse in Kodiak. Our company provides full time, year round employment for 90 Alaska residents.

On behalf of Alaska based tobacco distributors I am writing to express our support of SB 168 and ask for a favorable recommendation from the House Finance Committee. The passage of SB 168 will generate three to four million dollars in new revenue to the state without creating a new tax. In addition SB 168 will provide the Department of Revenue with an enforcement tool to stop the illegal importation of cigarettes into Alaska and assist the department in the prosecution of those who are attempting to evade the state's excise tax on the importation of a carton of cigarettes.

As Alaska based business owners – we support the enactment of a state law that helps prohibit illegal commerce and increases state revenue collections. However, we would like to point out that the cost of performing the stamping operation will be borne by our business. Placing an Alaska tobacco stamp on every pack of cigarettes that we sell will create a financial burden on our company. The reimbursement provided in SB 168 does not cover the cost of stamping and it supplants the .04% payment we currently receive for performing a number of administrative and reporting functions in the remittance of Alaska's excise tax.

In addition the stamping function will create a unique burden for Alaska based tobacco distributors for two reasons. First, unlike outside competitors who already have stamping operations established outside of the state, Alaska tobacco distributors will have to provide for new investment into infrastructure and stamping equipment in order to perform the required stamping function. Second, Alaska based distributors tend to be smaller operators and as such we must amortize the fixed cost of stamping over a smaller volume of cigarettes. Our incremental cost for stamping will be higher per pack when compared to large multi-state operators who can amortize their cost of stamping cigarettes over millions of cartons sold throughout their expansive distribution networks.



Corporate
P.O. Box 8112, Ketchikan, AK 99901
(907) 225-5040 (907) 225-2231 fax

Article 6 of SB 168 deals with the Unfair Cigarette Sales Act and would insure a modest profit margin for tobacco distributors who are charged with executing the state's tax stamping program. This measure is vitally important to Alaska based distributors because it levels the playing field by putting an end to predatory pricing practices employed by large multi-state operators. The practice of selling cigarettes at or near cost and using cigarettes and tobacco products as a loss-leader to attract store traffic creates a competitive disadvantage for Alaska Based distributors who only sell cigarettes and tobacco products and do not offer high end consumer goods for sale. In study after study researchers found that price is a determinant to youth access to tobacco products. The practice of using cheap cigarettes as a loss-leader runs counter to the state's efforts to restrict youth access to cigarettes and tobacco products.

It would be a mistake to characterize the sale and distribution of tobacco products as the free enterprise system at work. Government intervention and regulation is involved in every step of the tobacco distribution process. And as you know tobacco is an age restricted product with the state government setting age limits and restricting youth access to the consumption of these products. In Alaska Federal, State, and local government taxes on these products amounts to nearly 40% of the wholesale cost of a carton of cigarettes. Alaska also requires a special endorsement to your business license to be able to sell these products. The legislation proposed under SB 168 would implement additional taxation practices specific to the distribution of tobacco products. Clearly, the rules regarding the sale and distribution of tobacco products are not the same rules for the sale of other products.

In recognition of these different rules there are currently 25 other states in the union plus the District of Columbia that have Unfair Cigarette Sales laws on their books. We would like you to add Alaska to the growing list of states that acknowledge these differences.

We support the tax stamp measure and the unfair cigarette sales act provisions of SB 168 and respectfully request that the House Finance committee vote in favor of this bill.

Sincerely yours,

Michael J. Elerding
President

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 168
(S) Publish Date: 4/28/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
Title "... relating to issuance and revocation of BRU Criminal Division; Civil Division
licenses ... cigarettes and tobacco products ..." Component 1st-4th Judicial Districts; Criminal
Sponsor Senate Labor and Commerce Committee Appeals/Special Lit; Commercial
Requester Senate Labor and Commerce Committee Component No. 2198-99;2201/03/61/79/11

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

| | | | | | | |
|-------------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2003) cost: 0.0

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

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This bill is intended to aid in the enforcement of the tobacco tax by requiring a tax stamp be applied to every pack of cigarettes sold in Alaska to show that the tax was paid. Unstamped cigarettes could be seized and destroyed by state enforcement personnel. The bill also allows the imposition of significant civil penalties and criminal liability upon violators. In addition, the bill would make several changes to improve the tobacco product licensing statutes.

The Department of Law's Civil Division would be responsible for providing legal assistance to the Department of Revenue when it seeks civil penalties for violations of this bill, and in defending the department's decisions to revoke a merchant's deferred payment rights. The Criminal Division would be responsible for any criminal prosecutions arising out of violations of this act. We anticipate, however, that the additional responsibilities would not cause a significant enough increase in Law's workload to warrant an increased appropriation.

Prepared by: Joan M. Kasson
Division: Attorney General's Office
Approved by: Kathryn Daughhete for Gregg D. Renkes, Attorney General
Agency: Department of Law

Phone (907) 465-5370
Date/Time 4/15/03 9:03 AM
Date 4/15/2003

LEGAL SERVICES

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

MEMORANDUM

May 1, 2003

SUBJECT: Importation and sale of cigarettes CSSB 168 (L&C)

TO: Senator Con Bunde
Attn: Jane

FROM: Michael F. Ford *M.F.F.*
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Short title for Secs. 43.50.710 - 43.50.849 in sec. 17 of the bill.

Section 2. Intent section for Secs. 43.50.710 - 43.50.849 in sec. 17 of the bill.

Section 3. Amends existing provisions of law relating to wholesaler-distributor licenses.

Section 4. Amends existing provisions of law relating to expiration of certain licenses for cigarette sales.

Section 5. Amends existing provisions of law relating to suspension or revocation or refusal to renew certain licenses for cigarette sales.

Section 6. Adds a definition of "licensee" for purposes of suspension or revocation or refusal to renew certain licenses for cigarette sales.

Section 7. Requires that the cigarette tax imposed under AS 43.50.090 be paid by the use of stamps as provided under AS 43.50.500 - 43.50.695.

Section 8. Amends existing provisions of law relevant to unlicensed possession or sale of cigarettes.

Section 9. Imposes restrictions and penalties on shipping or transporting cigarettes, applicable to both licensees and nonlicensed persons.

Section 10. Amends certain provisions of law relevant to cigarette sales records.

Section 11. Amends the definition of "person" to include a limited liability company" for purposes of AS 43.50.010 - 43.50.190.

Section 12. Adds certain definitions applicable to AS 43.50.010 - 43.50.190.

Section 13. Specifies that the penalties in AS 43.50 apply to the tax imposed under AS 43.50.190.

Section 14. Provides that for a license issued under AS 43.50.320, the department can refuse to renew the license as provided under AS 43.50.070.

Section 15. Provides for tax credits and refunds applicable to the tax imposed under AS 43.50.300.

Section 16. Adds certain definitions applicable to AS 43.50.010 - 43.50.190.

Section 17. Adds new sections relating to cigarette tax stamps and to unfair cigarette sales as follows:

Sec. 43.50.500 - Requires licensees to pay certain cigarette taxes by use of stamps.

Sec. 43.50.510 - Adds provisions relating to design and use of cigarette tax stamps.

Sec. 43.50.520 - Requires stamps be affixed before sale, distribution or consumption of cigarettes.

Sec. 43.50.530 - Requires the department to furnish stamps to licensees and allows agreements with financial institutions for sale of stamps.

Sec. 43.50.540 - Adds provisions relating to sale of stamps, including sales location, price, title of stamps, and loss, destruction, or theft of stamps.

Sec. 43.50.550 - Adds provisions relating to deferred payment of stamps.

Sec. 43.50.560 - Adds provisions relating to suspension of the privilege to purchase stamps on a deferred basis.

Sec. 43.50.570 - Specifies that a licensee who pays for stamps must also pay interest.

Sec. 43.50.580 - Adds provisions relating to possession of unstamped cigarettes.

Sec. 43.50.590 - Adds provisions relating to refunds or credits for unused stamps and for unsalable, destroyed, or certain returned cigarette packages.

Sec. 43.50.600 - Prohibits stamps on cigarette packages not in compliance with federal and state law.

Sec. 43.50.610 - Allows the state to seize certain unstamped cigarettes.

Sec. 43.50.620 - Provides for forfeiture and destruction of contraband cigarettes.

Sec. 43.50.630 - Adds provisions relating to importation, distribution, and sale of cigarettes, including monthly reports, and records inspection.

Sec. 43.50.640 - Creates a class C felony involving illegal sale or distribution of certain unstamped cigarettes or illegal use of stamps.

Sec. 43.50.650 - Creates a class A misdemeanor involving illegal sale or distribution of certain unstamped cigarettes or illegal use of stamps.

- Sec. 43.50.660 - Adds provisions concerning the application of certain other criminal provisions illegal sale or distribution of cigarettes.
- Sec. 43.50.670 - Prohibits unauthorized transfer of stamps and creates a civil penalty.
- Sec. 43.50.700 - Definitions.
- Sec. 43.50.710 - Imposes restrictions on wholesalers and retailers regarding sales of cigarettes.
- Sec. 43.50.720 - Imposes restrictions on the selling price of cigarettes by wholesalers and retailers.
- Sec. 43.50.730 - Imposes restrictions regarding the selling price of cigarettes by a wholesaler to another wholesaler.
- Sec. 43.50.740 - Allows a wholesaler or retailer to sell cigarettes at a price set by a competitor. Establishes a presumption regarding the actual cost of cigarettes. Requires manufacturers to provide current price lists.
- Sec. 43.50.750 - Provides that contracts in violation of Secs. 43.50.710 - 43.50.849 is illegal and void.
- Sec. 43.50.760 - Adds provisions regarding determination of the actual cost of cigarettes to a wholesaler or retailer and provisions regarding presumptive wholesale and retail cost of cigarettes.
- Sec. 43.50.770 - Provides that certain cigarettes purchased outside ordinary trade channels may not be used to determine the basic cost of cigarettes.
- Sec. 43.50.780 - Provides that the department or a person injured by a violation of Secs. 43.50.710 - 43.50.849 can seek relief in the courts.
- Sec. 43.50.790 - Provides that the Department of Revenue shall administer Secs. 43.50.710 - 43.50.849, including adoption of regulations, revocation or suspension of licenses, and determination of the basic cost of cigarettes.
- Sec. 43.50.800 - Establishes certain presumptions applicable to determination of the cost of cigarettes.
- Sec. 43.50.849 - Definitions.

Section 18. Repeals a provision of law relating to reports required of licensees who manufacture, sell, or distribute cigarettes.

Section 19. Transition provision relating to regulations of the Department of Revenue.

Section 20. Transition provision relating to use, import, sale, or distribution of unstamped cigarettes.

Section 21. Effective date for sec. 17.

Section 22. Effective date for all sections, except sec. 17.

DISCOUNTS

DISCOUNTS ON CIGARETTE TAX STAMP PURCHASES

| State and tax rate in c | Percent ^(a) | Discounts Per case ^(b) | State and tax rate in c | Percent ^(a) | Discounts Per case ^(b) |
|----------------------------------|------------------------|-----------------------------------|---------------------------------|------------------------|-----------------------------------|
| Alabama (16.5) | 7.50 | \$ 7.425 | Nebraska (64) | 3.40 | 13.056 |
| Alaska (\$1.00) ^(c) | .40 | 2.40 | Nevada (35) | 3.00 | 6.30 |
| Arizona (\$1.18) ^(j) | | | New Hampshire (52) | | |
| first \$36,000 | 4.00 | 13.92 | first \$500,000 | 2.750 | 8.58 |
| next \$36,000 | 3.00 | 10.44 | next 500,000 | 2.375 | 7.41 |
| over \$72,000 | 2.00 | 6.96 | over 1,000,000 | 2.000 | 6.24 |
| Arkansas (34) | 3.80 | 7.752 | New Jersey (\$1.50) | 1.125 | 10.125 |
| California (87) | 0.85 | 4.437 | New Mexico (21) | | |
| Colorado (20) | 4.00 | 4.80 | first \$30,000 | 4.00 | 5.04 |
| Connecticut (\$1.11) | 1.00 | 6.66 | next \$30,000 | 3.00 | 3.78 |
| Delaware (24) | 2.14 ^(d) | 3.08 | New York (\$1.50) | | |
| District of Col. (\$1.00) | 2.00 | 12.00 | first \$5,611,200 | 0.3696 | 3.56 |
| Florida (33.9) ⁽ⁱ⁾ | 2.00 | 2.88 | over \$5,611,200 | 0.2625 | 2.36 |
| Georgia (12) | 3.00 | 2.16 | No. Carolina (5) ^(c) | 4.00 ^(c) | 1.20 |
| Hawaii (\$1.20) ^(c) | 0.00 | 0.00 | No. Dakota (44) ^(c) | 1.00 | 2.64 ⁽ⁱ⁾ |
| Idaho (28) | 5.00 | 8.40 | max per month: | | \$100.00 |
| Illinois (98) | | | Ohio (55) | 1.80 | 5.94 |
| first \$3,000,000 | 1.75 | 6.09 | Oklahoma (23) | 4.00 | 5.52 |
| additional | 1.5 | 5.22 | Oregon (\$1.28) | 0.004 ^(m) | 2.40 |
| Indiana (55.5) | 1.20 | 3.996 | Pennsylvania (\$1.00) | 1.25 | 7.50 |
| Iowa (36) ^(g) | 2.00 | 4.32 | Rhode Island (\$1.32) | 1.25 | 9.90 |
| Kansas (79) | 0.80 | 3.792 | So. Carolina (7) | 3.50 | 1.47 |
| Kentucky (3) | 9.09 | 1.636 | So. Dakota (33) | 3.50 | 6.93 |
| Louisiana (36) | 6.00 | 12.96 | Tennessee (20) | | |
| Maine (\$1.00) | 2.50 | 15.00 | first 3,000 cases | 2.75 | 3.30 |
| Maryland (\$1.00) | 0.82 | 4.92 | next 3,000 cases | 2.50 | 3.00 |
| Massachusetts (\$1.51) | N/A ^(k) | 1.85 ^(h) | next 9,000 cases | 2.25 | 2.70 |
| Michigan (\$1.25) ^(c) | 1.5 | 11.25 | over 15,000 cases | 1.75 | 2.10 |
| Minnesota (48) | | | Texas (41) | 3.00 | 7.38 |
| first \$1.5 Million | 1.00 | 2.88 | Utah (69.5) | 4.00 | 16.68 |
| additional | 0.60 | 1.728 | Vermont (93) | 1.50 | 8.37 |
| Mississippi (18) | 6.4444 | 6.96 | Virginia (2-1/2) | 10.00 | 1.50 |
| Missouri (17) | 3.00 | 3.06 | Washington (\$1.425) | 0.0042 ^(f) | 3.60 |
| Montana (18) | | | West Virginia (17) | 4.00 | 4.08 |
| first 2,580 cart. | 7.00 | 6.48 | Wisconsin (77) | 1.60 | 7.39 |
| next 2,580 | 4.00 | 4.32 | Wyoming (12) | 6.00 | 4.32 |
| over 5,160 | 3.00 | 3.24 | | | |

Provided by Sen. Bunde



- (a) Of indicia par value.
- (b) Of 600 packs.
- (c) Return system of collection.
- (d) 0.003 per stamp.
- (e) Discount of 4% of total State tax imposed.
- (f) \$6.00 per 1,000 stamps.
- (g) Discount on a per case basis only.
- (h) For a case of cigarettes, the discount is set at \$1.85.
- (i) Maximum discount is \$100.00 per month.
- (j) Purchases over \$165,000 lose all discounts on the first \$72,000 worth of stamps per month.
- (k) Twenty-five and one-half mills per cigarette (permanent). Plus any amount by which the federal excise tax on cigarettes is less than 8 mills.
- (l) The tax division allow agents and wholesalers a discount of 2% on indicia purchases calculated on the basis of 24¢ per pack for any amount purchased.
- (m) Discount per stamp.

Testimony in Support of SB 168
Alaskans for Tobacco-Free Kids

Good afternoon Mr. Chairman and member of the committee. My name is Jennifer App, and I'm the Advocacy Director for the American Heart Association. I'm testifying today on behalf of Alaskans for Tobacco Free Kids, a youth tobacco policy coalition that included the Heart Association, the American Lung Association of Alaska, the American Cancer Society and the Alaska Native Health Board. We support Senate Bill 168 because the bill will do two important things:

- (1) It will decrease the ability of individuals and businesses to illegally avoid the current tobacco tax, and
- (2) It will help keep cigarettes out of the hands of youth.

The ongoing increase in internet and mail order sales of cigarettes is a major challenge to public health efforts to reduce smoking. Non-face-to-face sales will account for 14% of all tobacco sales by 2005. By failing to require adequate age verification, the sharply growing number of mail order and websites selling cigarettes makes it easier and cheaper for kids to buy cigarettes. The mail order offers and websites also offer smokers a way to avoid paying state tobacco taxes, thereby keeping cigarette prices down and smoking levels up, and depriving the state of a legitimate source of revenue. It is estimated that a state can lose millions annually in uncollected tobacco taxes through internet and mail order sales.

The changes proposed in SB 168 are changes that will help solve these problems. First, the bill requires entities that hold a tobacco license to pay tobacco taxes through a stamp program. This change makes it far more difficult for businesses to avoid paying the tobacco tax because compliance with the requirement and evidence of payment of the tax will be immediately visible on every pack of cigarettes. Alaska is just one of a couple of states that does not have a tax stamp requirement in place.

While the tax stamps would help solve the tobacco tax evasion issue, the stamps alone do not help solve the existing youth access or tax evasion problems through use of the internet or mail order purchasing. Right now, consumers in Alaska buy cigarettes through mail order and the internet without any legitimate age verification process. Although clearly obligated under current law to pay state tobacco taxes, many individuals are also

avoiding payment of state tobacco taxes using this method of purchase. Proposed AS 43.50.105 contained in Section 7 of SB 168 addresses these problems by placing restrictions on shipping or transporting cigarettes, while still allowing shipments to entities holding licenses or endorsements.

To ensure that tobacco taxes are paid, the entity shipping the cigarettes must either be licensed under this chapter, be shipping to an entity licensed under this chapter, or be shipping to an entity that does not need to be licensed under this chapter (like Tribes or the federal government). Further, to ensure that youth are not able to access cigarettes through mail order or the internet, all shipments must go to either a person licensed under the chapter, to a person that holds a tobacco endorsement under AS 43.50.075, to an operator of a customs warehouse, or to the federal government or an Indian Tribe.

To make sure that shipments of cigarettes do not occur directly to unlicensed or unendorsed entities, the bill requires that all cigarettes that are shipped to or within Alaska be clearly marked as "cigarettes." The bill also requires common or contract carriers to ensure that the party receiving the cigarettes is entitled to receive them under the provisions of the chapter if the cigarettes are shipped to a home or residence.

The bill allows legitimate commerce to continue unimpeded, while closing the loophole on shipments of cigarettes to individual parties – allowing the state to more easily collect taxes and making sure that individual consumers cannot access cigarettes without an age verification process.

Thank you for this opportunity to testify, and I would be happy to do my best to answer any questions that you may have.

STATE OF ALASKA

DEPARTMENT OF REVENUE

Tax Division

FRANK MURKOWSKI, GOVERNOR

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SB 168

Senate Labor and Commerce Committee

April 15, 2003

1:30 p.m.

Testimony of Johanna Bales, Revenue Auditor

Thank you Mr. Chairman. My name is Johanna Bales. I am employed by the Alaska Department of Revenue as a Revenue Auditor in the Tax Division. I am the program manager of the Tax Division's cigarette and tobacco products excise tax program. I am pleased to testify on behalf of the administration in support of SB 168, the bill before you.

On October 1, 1997, Alaska increased its tobacco tax rate on cigarettes from 29 cents per pack to one dollar per pack. The impetus for the tax increase was to promote public health. Simply put, it was believed that if cigarettes were more expensive, fewer people would smoke. And in particular, it was hoped that the increase in cost would result in fewer young people taking up the unhealthy habit in the first place.

The tobacco tax increase has had a significant effect on the sale of taxable cigarettes in Alaska. In the five fiscal years before the tax increase, cigarette sales averaged 53 million packs per year. In the first four complete fiscal years since the increase, cigarette sales averaged 42 million packs per year – a drop of more than 20 percent. Although much of this decrease can be attributed to reduced smoking, we also believe that an unknown quantity of untaxed cigarettes are being imported into the state. Under existing statute, however, it is difficult to track just how many untaxed cigarettes are coming into Alaska. We are aware, however, that individuals and businesses have purchased untaxed cigarettes through the Internet.

The Department has obtained information from three Internet/mail order vendors identifying more than 1,000 individuals who have purchased cigarettes through the mail. From these three vendors alone, the Department estimates that it has lost in excess of \$600,000 in cigarette tax revenues over a 13-month period. The Department is also aware of over 20 other Internet cigarette sellers who have sold cigarettes into Alaska. Attempts by the Department to obtain information about these sales have proven futile. The General Accounting Office, in a report dated August 2002, identified 122 Internet cigarette vendors and indicated that these types of businesses are largely responsible for state cigarette tax revenue losses.

The Department of Revenue believes that a very simple measure – a tax stamp on each package – would help close our borders to the importation of untaxed cigarettes. This bill would require that a stamp be affixed to each pack of cigarettes to show that the tax has been paid. It is anticipated that the stamps would be heat-applied, making them difficult to illegally re-use and difficult to counterfeit. The colorful stamp would be easily recognizable so that the Department of Revenue personnel, law enforcement agents, and consumers would immediately know whether the tax had been paid on any given pack of cigarettes.

The bill also would place considerable weight behind the state's ability to enforce the requirement of a stamp. The bill would give the Department of Revenue and law enforcement agencies the authority to seize and destroy unstamped cigarettes. It also would impose significant civil penalties and criminal liability upon violators.

Other states, many of which have much lower cigarette taxes than Alaska, have long recognized the benefit of a tax stamp on cigarettes. At this time, 46 states require a stamp on cigarettes. This bill draws from the statutes and experience of those other states. Other states that recently adopted a cigarette tax stamp program have found that the stamps significantly increased their tax revenue. Michigan reported an 8.7 percent increase in cigarette tax revenue in the first year of its program, 1999 and has seen upwards of 12 percent since then. Hawaii – a state that, like ours, doesn't have bordering states, but does have a high tax rate – indicates an amazing 50 percent increase in tax collection in the first two years of their stamping program, 2001 and 2002.

Although these results from other states are encouraging, we do not have a reliable basis to predict the size of the effect of cigarette tax stamps here in Alaska. Given that cigarette tax revenue is about \$40 million per year, however, each 1 percent increase in tax collected would raise about \$400,000 per year.

Stamps do not come free and distributors will incur costs when affixing stamps to individual packs of cigarettes. In recognition of the cost, the bill would provide a graduated discount for distributors to help offset the costs of affixing stamps. It is estimated, however, that a 1.5 percent increase in tax revenue would cover the increased costs of a stamping program including the discount offered to distributors.

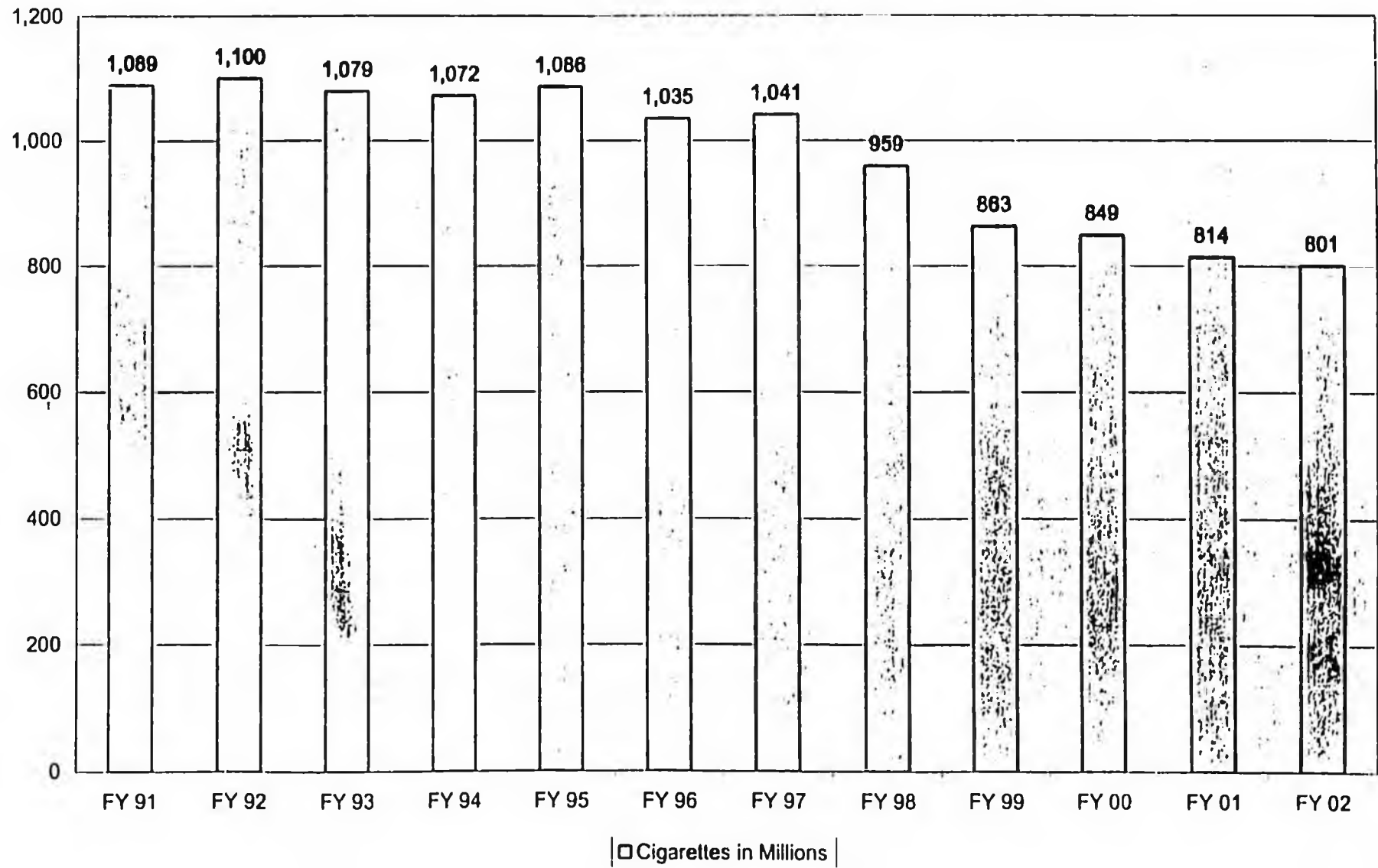
In addition to the tax stamp provisions, the bill would also make several changes to improve the tobacco product licensing statutes.

The Department of Revenue urges your support of this important bill. It will enhance compliance with the state's revenue laws while providing an important public health benefit.

I would be happy to answer any questions the committee might have. Thank you.

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FOLLOWING
DOCUMENT(S)
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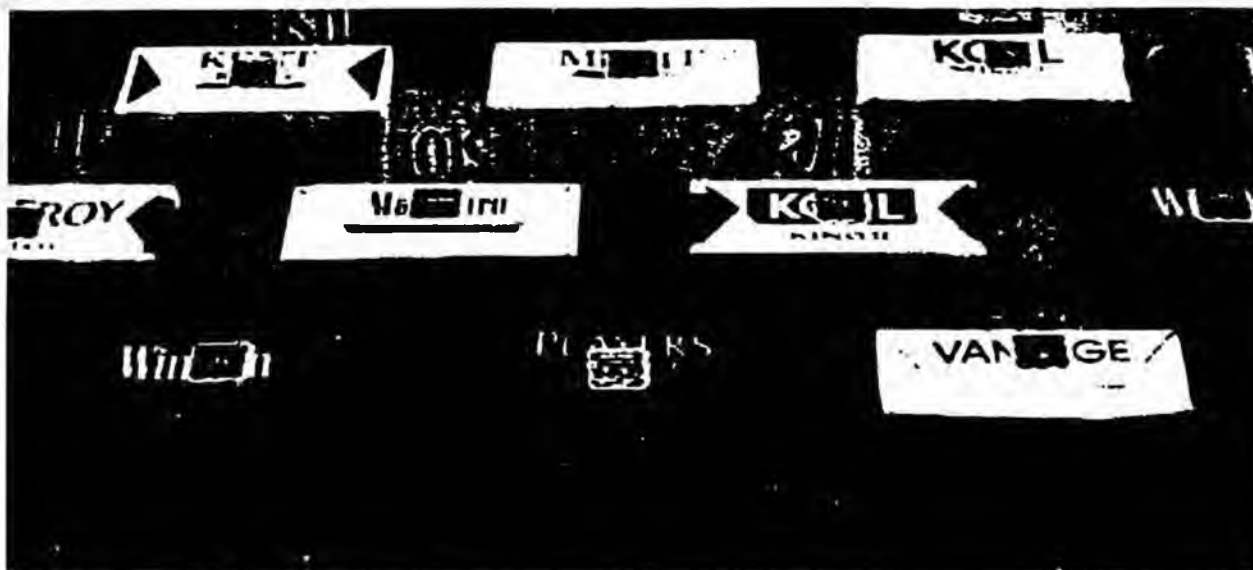
Taxable Cigarettes FY 91 - FY 02



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STATE OF ALASKA

DEPARTMENT OF LAW
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February 21, 2003

The Honorable Con Bunde
State Capitol
Room 501
Juneau, AK 99801-1182

Re: Tobacco Stamp Legislation

Dear Senator Bunde:


You have asked whether legislation requiring that a tax stamp be affixed on all tobacco products packages sold in Alaska would help the state enforce its tobacco tax laws. I believe it would.

Alaska is one of the few states without a tax stamp law. States with such a law have found that it increases the amount of tobacco tax revenue collected by making it more difficult to bring untaxed cigarettes into the state. Michigan received an additional 8.7% in tobacco tax revenue the year following passage of a stamp bill. Hawaii enjoyed a 25% jump in tobacco tax revenues.

A tax stamp bill would send a message to Alaskans that purchasing untaxed cigarettes over the Internet is illegal. Many may be under the mistaken belief that the practice is legal. Tobacco stamp legislation would give them notice that it is not. This alone could lessen the burden of enforcing the tobacco tax provisions.

To be effective, a tax stamp bill would have to give the Department of Revenue and law enforcement officers authority to seize and destroy unstamped cigarettes and impose significant penalties and civil liability on violators.

Sincerely,



Gregg D. Renkes
Attorney General

Subject: FW: Lawsuit against internet tobacco sales

Date: Thu. 03 Apr 2003 09:57:22 -0900

From: Mark Hickey <mshickey@gci.net>

To: Jane Alberts <Jane_Alberts@Legis.state.ak.us>

FYI

Mark

-----Original Message-----

From: Eric Myers [mailto:ericm@alaska.net]

Sent: Wednesday, April 02, 2003 1:55 PM

To: Jenna App; Mark Hickey

Subject: FW: Lawsuit against internet tobacco sales

FYI. Just interesting... I think this validates need to address the internet/mail order issue in the tax stamp bill. /Eric

Calif. sues Internet firms over cigarette sales

Last Updated: 2003-04-02 12:17:27 -0400 (Reuters Health)

LOS ANGELES (Reuters) - The state of California filed lawsuits against five Internet companies on Tuesday, accusing them of selling cigarettes to minors and failing to pay state excise taxes.

The state Attorney General's office said Dirt Cheap Cigarettes, Inc. of Missouri; smokin 4 less and LLP Enterprises/CigOutlet of Virginia; Cyco.net Inc. of New Mexico; and eSmokes of Florida were caught in sting operations in which investigators allowed minors to use their parents' credit cards to get cigarettes.

The civil lawsuits, filed in San Diego Superior Court, ask a judge to penalize the e-tailers a total of \$1 million and to prohibit them from selling cigarettes to customers younger than 18.

"They have to do more than just ask whether the buyer is over 18," Attorney General's office spokesman Tom Dresslar said. "There are all sorts of steps they could take to make sure minors aren't buying cigarettes."

The states of Washington and Oregon filed similar lawsuits on Tuesday, and were expected to be joined by a number of other states in the coming days, Dresslar said.

The lawsuit accuses the companies of purposely undermining the state's efforts to reduce smoking by minors by refusing to verify customers' ages or require a signature upon delivery.

About 2,000 minors begin smoking every day in California alone, and 80 percent of those early smokers develop regular habits, the lawsuit said.

One-third of smokers who pick up the habit as minors will die of a tobacco-related disease, according to the lawsuit.

The legal action also attempts to collect a portion of the estimated \$53.9 million allegedly owed California by out-of-state tobacco vendors who fail to pay excise tax on their sales to Californians.

Officials at Dirt Cheap Cigarettes, which calls itself "The Last Refuge of the Persecuted Smoker," could not be reached immediately for comment, but its Web site cautions buyers to "please be 18+ to shop with us, we care about the law."

On its Web site, eSmokes.com says it requires proof that buyers are at least 21 and possess a valid driver's license and credit card to purchase cigarette products. It also advises that buyers are responsible for complying with local laws regarding out-of-state cigarette purchases.

Officials at smokin 4 less, Cyco.net, Inc. and CigOutlet.com could not be reached for comment, but each of their

Web sites contain warnings that buyers should be over 18. CigOutlet's site advises buyers that they are responsible for "all taxes applicable to their State, City and/or County."

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CAMPAIGN For TOBACCO-FREE Kids®

INTERNET SALES OF TOBACCO PRODUCTS – REACHING KIDS & EVADING TAXES –

The ongoing increase in internet sales of tobacco products is a major challenge to public health efforts to reduce smoking and other tobacco use. By failing to do adequate age verification, the sharply growing number of websites selling tobacco products make it easier and cheaper for kids to buy cigarettes. They also offer smokers a way to avoid paying state tobacco and sales taxes, thereby keeping cigarette prices down and smoking levels up.¹

Internet Cigarette Sales Are Growing

There are currently about 200 U.S. websites and 200 foreign-based websites that sell cigarettes to U.S. smokers – up from approximately 40 domestic internet sellers of cigarettes in early 2000.² According to a recent report by Prudential Securities, Inc., internet vendors currently sell roughly two percent of all cigarettes consumed in the United States, or more than 400 million packs per year, and internet cigarette sales are likely to triple within the next three years.³ A study by Forrester Research, Inc. (a private consulting firm) projects that internet cigarette sales will grow even more rapidly and account for 14% of the total U.S. market by 2005, or roughly \$5 billion in sales.⁴

Tax Avoidance via Internet Sales

Internet cigarette prices are much lower than cigarette prices in regular bricks-and-mortar retail outlets because internet prices almost never include the cigarette excise taxes and sales taxes charged by the customers' home states. These low prices make internet cigarettes attractive to both adult and underage smokers, and help to boost overall smoking levels. In addition, the inability of states to collect the applicable state taxes that are legally owed on these cigarettes and other tobacco products sold over the internet is reducing state revenues by millions of dollars each year.

Internet sellers usually buy the cigarettes they sell in a low-tax state (e.g., VA, KY, or NC, which have state cigarette tax rates of only 2½, 3, and 5 cents per pack, respectively) or purchase them free from any state tax (e.g., by selling cigarettes obtained outside the United States free of any U.S. state or federal taxes, or obtained in the United States but still free of state tax because they are meant to be sold only to members of Indian tribes on Indian lands). The internet vendors then sell these cigarettes to smokers in higher-tax states, typically without collecting those states' taxes or making any reports of those sales to the states' tax collection officials (as required by the federal Jenkins Act).⁵ Offshore websites that sell U.S. brands manufactured overseas or manufactured in the U.S. and exported for foreign sale, can also into violate federal laws requiring payment of applicable federal and state taxes on imported cigarettes.

- According to a recent report by the U.S. General Accounting Office (GAO), information posted on more than three quarters of all internet-selling website explicitly indicate that they do not comply with the Federal Jenkins Act, and state efforts to prompt compliance by internet sellers have not been successful.⁶

- A study by Forrester Research Inc. estimates that because of internet cigarette sales the states lost as much as \$200 million in state tobacco tax revenues in 2001 and may lose as much as \$1.4 billion in 2005.⁷

Youth Access to Tobacco Products Sold on the Internet

Effective safeguards against kids being able to purchase cigarettes via the internet are almost non-existent. While many internet websites post notices that sales to persons under 18 are illegal or not allowed, very few do anything at all to make sure such sales do not happen.

- A study in the *American Journal of Public Health* reports that almost 20% of cigarette-selling websites do not even say anything about sales to minors being prohibited. More than half require only that the buyer say they are of legal age (e.g., by clicking on a "I am Over Age 18" button), another 15% require only that the buyer type in their date of birth, and only 7% require any driver's license information.⁸
- While some internet vendors claim that credit card use, by itself, is an adequate safeguard against underage purchases, many kids have access to credit cards and the credit card companies (which specifically market credit cards for kids) have firmly stated that credit cards are not appropriate for age verification. Moreover, more than two-thirds of websites selling tobacco products also accept money orders or checks.⁹
- Attorneys general from at least 15 states have conducted internet stings and found that children as young as 9 years of age were easily able to purchase tobacco products. A sting operation in New York found that 24 of 26 web sites sold to minors working with the New York City Department of Consumer Affairs.¹⁰
- In a recent study published in the *Tobacco Control* journal, kids sent in orders to internet cigarette vendors, providing a money order for the purchase but no proof of age, and only 14% of the orders were rejected because of the lack of proof of age.¹¹

While existing studies show that a relatively small percentage of kids have been purchasing cigarettes through the internet, increased youth purchases are likely given the lack of effective obstacles to youth purchases and the growing differences between low internet prices and regular retail prices for cigarettes. Increased youth internet purchases are also likely in those states and localities with effective enforcement efforts to stop illegal sales by bricks and mortar retailers. In addition, internet cigarette sales typically require a two-carton minimum purchase, which suggests that many high school and middle school buyers of internet cigarettes serve as suppliers of low-cost cigarettes to other kids.

The most recent data currently available is from surveys done in 2000, which indicate that approximately 1.4 percent of high school smokers purchased their last pack from the internet, as did one percent of middle school smokers, at that time.¹² These percentages refer only to the percentage of youth smokers that purchased their last pack from the internet, ignoring those who purchased their last pack elsewhere but have previously made internet cigarette purchases. Nevertheless, these percentages still amount to well over 50,000 children in the U.S. buying tobacco products on the internet two years ago. Another study done in the 1999-2000 school year found that 2.2 percent of kids under 18 in California who were current smokers (or more than 10,000 kids) reported trying to buy cigarettes over the internet.¹³

Since these two studies collected their data, roughly 25 million more U.S. households have gained internet access. In fact, U.S. Census data shows that from 1999 to 2001 (the last year for which data is currently available) the percentage of U.S. households with internet access has increased from 26.2% to 50.5%, with households with kids more likely to have internet access than households without kids.¹⁴ At the same time, the numbers of kids who have used the internet or made purchases on it has also grown substantially; and there has been substantial additional growth since 2001. Given the overall increases in internet access and internet purchases, especially among kids, it is likely that youth purchases of tobacco products on the internet have gone up, as well.

Other Problems with Internet Tobacco Sales

- Only a bit more than one quarter of all cigarette-selling websites display the U.S. Surgeon General's health warnings.¹⁵
- Besides failing to comply with the federal Jenkins Act and state laws requiring age verification prior to sale, internet sellers of tobacco products also typically fail to comply with state laws requiring all retail sellers of tobacco products to obtain licenses prior to making any sales in the states or with various other laws and regulations that regular bricks-and-mortar retailers in the states cannot avoid as readily.
- Because internet vendors of tobacco products are usually located out of state – or even out of the country – it is very difficult for state officials to enforce the state laws that apply to the internet sellers. In addition, many internet sellers of tobacco products are based on Indian Lands and run by Indian Tribes, which makes it difficult, if not impossible, for states to obtain jurisdiction over any such internet vendors that violate the law in either state or federal court.
- The many difficulties faced by states that wish to enforce their laws that apply to internet tobacco product sales is compounded by the federal government's failure, to date, to enforce the Jenkins Act against the many internet sellers that not only fail to comply but flaunt their noncompliance.¹⁶

National Center for Tobacco-Free Kids, November 13, 2002 | Eric Lindblom

For More Information

Campaign website's special report on internet tobacco sales: <http://tobaccofreekids.org/reports/internet/>

Campaign factsheet, *Tobacco Product Marketing on the internet*,
<http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=23>.

¹ See Connolly, G, "Smokes and cyberspace: a public health disaster in the making," *Tobacco Control* 10:299 (Winter), December, 2001, <http://tc.bmjournals.com/cgi/content/full/10/4/299>; Cohen, J. et al., "Tobacco commerce on the internet: a threat to comprehensive tobacco control," *Tobacco Control* 10: 364-367 (Winter), December, 2001, <http://tc.bmjournals.com/cgi/content/abstract/10/4/364>.

² Prudential Financial, *Buying Cigarettes Over the Internet*, Research Report, Consumer Staples/Tobacco, September 24, 2002; Bryant, JR, et al., "Online Sales: Profit Without Question," *Tobacco Control* 11: 226-27, September, 2002, <http://tc.bmjournals.com/cgi/content/abstract/11/3/226> [citing Noack D, "Utah recruits kids to buy smokes online. Proposed laws would plug loopholes," *Salt*

Lake City, February 2000). See, also, Ribisl, KM, et al., "Web sites selling cigarettes: how many are there in the USA and what are their sales practices?," *Tobacco Control* 10: 352-359 (Winter), December, 2001, <http://tc.bmjournals.com/cgi/content/abstract/10/4/352>.

³ Prudential Financial, *Buying Cigarettes Over the Internet*, September 24, 2002.

⁴ Rubin, R. et al., *Online Tobacco Sales Grow, States Lose*, Forrester Research, Inc., April 27, 2001, <http://www.forrester.com/ER/Research/Brief/Excerpt/0.1317.12253.00.html>

⁵ The Jenkins Act, 15 USC 375 et seq., is available at <http://www4.law.cornell.edu/uscode/15/ch10A.html>.

⁶ U.S. General Accounting Office, *Internet Cigarette Sales: Giving ATF Investigative Authority May Improve Reporting and Enforcement*, GAO-02-743, August 9, 2002, <http://www.gao.gov/new.items/d02743.pdf>.

⁷ Rubin, R. et al., *Online Tobacco Sales Grow, States Lose*, Forrester Research, Inc., April 27, 2001.

⁸ Ribisl, K, et al., "Are the Sales Practices of Internet Cigarette Vendors Good Enough to Prevent Sales to Minors?," *American Journal of Public Health* 92(6): 940-41, June 2002, <http://www.ajph.org/content/vol92/issue6/index.shtml>.

⁹ Unger, JB, et al., "Are adolescents attempting to buy cigarettes on the internet?," *Tobacco Control* 10: 360-63 (Winter), December, 2001, <http://tc.bmjournals.com/cgi/content/abstract/10/4/360> [citing Kim AE, et al., "Sales practices of Internet cigarette vendors: Are they adequate to prevent minors from buying cigarettes online?," Roundtable presented at the Annual Meeting and Convention of the American Public Health Association, Boston, Massachusetts, November 2000].

¹⁰ Unger, JB, et al., "Are adolescents attempting to buy cigarettes on the internet?," *Tobacco Control* 10: 360-63 (Winter), December, 2001 [citing Sherer R, "States crack down on Web tobacco sales," *The Christian Science Monitor*, November 8, 2000 & ABC News, "Getting smokes online: Children buying cigarette with click of mouse." March 6, 2001, <http://www.abcnews.com>.

¹¹ Rubin, R. et al., *Online Tobacco Sales Grow, States Lose*, Forrester Research, Inc., April 27, 2001.

¹² U.S. Centers for Disease Control and Prevention (CDC), *Youth Tobacco Surveillance – United States, 2000*, CDC Surveillance Studies, *MMWR* 50(SS-4), November 2, 2001, Table 23, <http://www.cdc.gov/mmwr/PDF/Iss/ss5004.pdf> [according to CDC, the seemingly related national YTS internet data in Table 22 of the 2000 YTS is completely inaccurate and unusable because of survey and formatting problems].

¹³ Unger, JB, et al., "Are adolescents attempting to buy cigarettes on the internet?," *Tobacco Control* 10: 360-63 (Winter), December, 2001, <http://tc.bmjournals.com/cgi/content/abstract/10/4/360>.

¹⁴ Economics and Statistics Administration & National Telecommunications and Information Administration, U.S. Department of Commerce, *A Nation Online: How Americans Are Expanding Their Use Of The Internet*, February 2002, <http://www.ntia.doc.gov/ntiahome/dn/index.html>.

¹⁵ Ribisl, KM, et al., "Web sites selling cigarettes: how many are there in the USA and what are their sales practices?," *Tobacco Control* 10: 352-359, December, 2001, <http://tc.bmjournals.com/cgi/content/abstract/10/4/352>.

¹⁶ U.S. General Accounting Office, *Internet Cigarette Sales: Giving ATF Investigative Authority May Improve Reporting and Enforcement*, GAO-02-743, August 9, 2002, <http://www.gao.gov/new.items/d02743.pdf>.

Provided by Sen. Bunde

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Wednesday, Feb 25



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Updated: 11.18.02

The ongoing increase in Internet sales of tobacco products is a major challenge to public health efforts to reduce smoking and other tobacco use. By failing to do adequate age verification, the sharply growing number of websites selling tobacco products make it easier and cheaper for kids to buy cigarettes. They also offer smokers a way to avoid paying state tobacco and sales taxes, thereby keeping cigarette prices down and smoking levels up.

The Problem

Up from only a handful in the late 1990's, more than 200 Web sites in the U.S. and many more based overseas sell tobacco products. Internet tobacco sales are growing rapidly and will account for 14 percent of the total U.S. market by 2005, according to a recent Prudential Securities report. One in five cigarette-selling Web sites do not even say that sales to minors are prohibited, and more than half require only that the buyers say they are of legal age, according to an upcoming study in the American Journal of Public Health. Three-quarters of all Internet tobacco sellers explicitly say that they will not report cigarette sales to tax collection officials, thus violating Federal law, according to the U.S. General Accounting Office. States lose as much as \$200 million annually in uncollected tobacco taxes through Internet sales, according to a study by Forrester Research Inc., a private research firm.

Campaign Releases and Statements

Statement: Public Health Groups Support New Bill by Congressmen Meehan and Hansen to Curb Internet Cigarette Sales To Kids and Reduce Evasion of Cigarette Taxes (Nov 13 2002)

Release: Campaign Praises Visa For Taking Strong Action to Stop Illegal Internet Tobacco Sales to Kids, Urges Other Credit Card Companies to Follow Suit (Oct 29 2002)

Related Factsheets and Resources

[Internet Sales of Tobacco Products: Reaching Kids & Evading Taxes](#)

[Tobacco Product Marketing on the Internet](#)

[Additional Resources on Internet Tobacco Sales](#)

Legislation

[H.R. 5724](#)
The Tobacco Free Internet for Kids Act of 2002

overture



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 We carry a full line of premium, generic, imported and extra-value cigarettes at discounted sale prices. Over 3,000 tobacco-related items. Discount cigarettes start at \$9.99. Come and save.
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 Marlboro, Winston, Camel, \$24.99 No thrills, just low prices. Cartons starting at \$9.50. Huge selection of over 70 different brands in stock. \$6 fixed shipping and handling on all orders.
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 Buy cigarettes at discount prices. Cigarettes starting at \$9.99 a carton.
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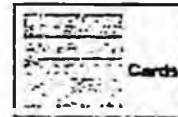
Welcome to the Big Indian Smoke Shop

Cigarette sales to persons under the age of 18 are illegal except in Alabama, Alaska, and Utah where the legal age to purchase cigarettes is 19.

If this is your first visit to Big Indian Smokeshop please read our [FAQ](#).

*** There is a five item minimum order on this site ***
Due to shipping constraints we need to raise the minimum item order for Alaska and Hawaii to 10 cartons.

We Accept



Surgeon General's Warning: Smoking Causes Lung Cancer, Emphysema, And May Complicate Pregnancy

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Big Indian FAQ

1. Where is Big Indian Smokeshop located?
 - A. We are located in Seneca Indian Territory.
2. Will I pay tax on products from this site?
 - A. All products are shipped tax free to your door.
3. Are we required to supply state government with sales and customer information?
 - A. We do not report sales or customer information to any state government.
4. What is your privacy policy?
 - A. All customer information is kept totally confidential.
5. How long should I expect to wait for shipment?
 - A. Most orders will ship the next business day.
6. Is there a minimum order?
 - A. There is a 5 item minimum order for cigarettes and/or tobacco products.
7. How fresh is your product?
 - A. All tobacco and cigarettes are ordered daily to insure freshness.
8. What shipping methods do you utilize?
 - A. All orders are shipped via UPS or USPS.
9. What are your shipping charges?
 - A. 1-19 cartons \$1.50 per carton, 20-99 cartons \$1.00 per carton, 100-299 cartons free shipping, premium cigars 1-5 boxes \$6.00, 6 boxes and up free.

For USPS Priority Mail 5-19 cartons is \$2.50 per carton, 20-99 cartons is \$1.00 per carton, and 100-299 cartons shipping is free.

10. I am a first time customer. Why do you ship only to the billing address on my credit card?

A. In order to combat credit card fraud, our company must ship orders to the billing address of first time customers.

Need further assistance call 1-800-898-9040 or email customerservice@bigindian.com

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Big Indian Smoke Shop is a family owned and operated business located on the Seneca Nation of Indians. The Big Indian has been in operation since 1996 and provides over fifty jobs for native and non-native employees alike. In addition to the Internet and mail-order operation the Big Indian also has one of the largest retail facilities on the Seneca Indian Territory. We pride ourselves on customer service and reliability. Big Indian Smoke Shop is a proud member of the Better Business Bureau. The Seneca Nation of Indians is a sovereign nation with its own tribal government to make its own laws and manage its own affairs and commerce. Seneca territory is free from state intervention and reporting requirements. That is to say that Seneca owned businesses do not file any reports with any state!

Opinion of Council

Commerce on Indian Territories in New York is beyond the reach of state taxing authorities when a transaction for the sale of goods takes place on such territories. That is to say, the sales tax of a particular jurisdiction, whether the state of New York or such other state to which a product may be shipped, may not be imposed when the payment for the product and the consummation of the transaction takes place on the territory. The basis for such opinion is the longstanding recognition of the sovereignty of Indian tribes and nations, which extends to those conducting business on Indian nations with the authority of the tribal government. Accordingly, shipments of tobacco products to locations outside of New York are legal transactions so long as the closing of the transaction (i.e. payment) takes place on the Indian Territory from which the product originates. For further legal information please contact us at 1-800-898-9040 and ask to have a complete brief mailed to your attention.



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| Century \$30.45 | Chesterfield \$30.45 | Ca: |
| Eve \$19.45 | Jade \$20.45 | Ka: |
| Kent \$30.45 | Kool \$22.25 | L & |
| Lark \$30.45 | Luckv Strike \$30.45 | Ma: |
| Max \$30.45 | Merit \$30.45 | Mo: |
| Multifilter \$30.45 | Newport \$22.75 | No: |
| Omni \$24.45 | Pall Mall \$30.45 | Par |
| Players \$30.45 | Salem \$30.45 | Sar |
| Satin \$30.45 | Tareyton \$30.45 | Tri: |
| True \$30.45 | Vantage \$30.45 | Vir: |
| Winston \$30.45 | | |

Generic

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| Generic Pall Mal' \$19.45 | GPC \$19.45 | M |
| Malibu \$19.95 | Misty \$19.45 | M |
| Montclair \$20.20 | Natural Elend \$20.20 | C |
| Riviera \$17.30 | Sonoma \$20.20 | S |
| Viceroy \$17.45 | | |

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| Bronco \$12.00 | Chancellor \$10.70 | Co |
| Cowboys \$11.75 | Double Diamond \$12.10 | Eu |
| Exact \$11.85 | GT One \$11.75 | Le: |
| Liggett Select \$14.75 | Market \$11.85 | Mi: |
| Niagara \$11.00 | Opal \$13.45 | Pri |
| Pyramid \$16.35 | Roger \$13.55 | Se |
| Sincerely Yours \$14.70 | Smokin Joe's \$11.85 | Sp |
| Unify \$11.05 | USA Gold \$17.30 | Wa |
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